IKEA LIMITED

REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 August 2008

COMPANY REGISTRATION NUMBER 01986283

Contents

IKEA LIMITED

DIRECTORS
A G Dahlvig
M Hansson
G P Moritz
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 And Registered Auditors
The Atrium
1 Harefield Road
Uxbridge
UB8 1EX

IKEA LIMITED

DIRECTORS' REPORT
For the year ended 31 August 2008

The directors submit their annual report and the audited consolidated financial statements of IKEA Limited for the year ended 31 August 2008.

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.

Two new stores were opened in Belfast and Coventry. This takes the total number of retail outlets to 17, with another planned for opening in early 2009 in Southampton.

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 5.6% after allowing for a one off £125 million, which were the proceeds from the supply chain restructure in the prior year. This was mainly due to the contribution of the two new retail units opened in the current year.

Profitability
The group profit for the year, after taxation, was £27.7 million (2007: £51.8m), and Turnover of £1,246 million (2006: £1.305m). IKEA was effected, like many other UK retailers, by the slow down in the economy and the housing market during the current year. We continue to invest in selling prices, and improving the shopping experience for our customers, and believe that we can further strengthen our position in the market as a value for money retailer during these difficult times.

DIVIDENDS

The company did not pay a dividend in respect of the year under review (2007-Interim dividend: £20.83 per £1 ordinary share amounting to £125 million). However, the £125 million dividend which was originally paid in the prior year was repaid to the company in August 2008 and the company declared and paid a dividend of an equivalent amount at the same time.

BUSINESS ENVIRONMENT AND STRATEGY

The uncertainty in the housing market and the effects of the "Credit crunch" during FY08 had an adverse effect on consumer spending. 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.

Despite the uncertain retail environment, we remain confident that our expansion plans and our commitment to quality and price will enable us to strengthen our market position.

RESEARCH AND DEVELOPMENT

Product design and development 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 group's strategy is subject to a number of risks.

Exchange rate
Whilst the decline in the value of the GBP is expected to effect the group's profitability in the following financial year, this impact is not considered by the board of directors significant enough to hinder achieving the goals of the group.

Economic slow down

The financial services crisis, and its spill over to the real economy has adversely effected the trading of the group. However, these threats are not considered to be significant, and it is the opinion of the directors that IKEA will continue to gain market share during this slow down.

FINANCIAL RISK MANAGEMENT

The financial instruments used are governed by the commercial flows of the IKEA (international) group. Consequently the treasury operations are centralised and managed by a fellow IKEA subsidiary, outside the UK group. A dedicated resource within the treasury group reviews the risk exposure together with key management in the UK.

INTEREST RATE RISK

The interest rate risk is managed centrally for all IKEA subsidiaries by the central Treasury group, via a series of fixed and floating rate instruments.

LIQUIDITY RISK

The group maintains a mixture of long and short term debt instruments that are designed to ensure the group has sufficient available funds for operations and planned expansions.

EXCHANGE RATE RISK

The exchange rate risk of the group is actively managed and reduced by using derivative contracts.

CREDIT RISK

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

PRICE RISK

IKEA, at a group level, employs supply chain specialists across the world to source sustainable materials at the lowest price to deliver its price promise to customers.

FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The IKEA UK group had swap contracts with fair values of £2.2 million below their book value at the end of the financial year to manage its exposure to interest risk and exchange risk.

There are no other material differences between the value of financial assets and liabilities as shown in the balance sheet, and their fair value.

DIRECTORS

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

A G Dahlvig
P H Nielsen (resigned 1 September 2008)
M Hansson (appointed 01 October 2008)
J A Olie (resigned ~~31 August 2008)~~ 1 September 2008)
J Rasmussen
C Thordson
G P Moritz (appointed 19 May 2008)

EMPLOYEES AND EMPLOYEE POLICIES

The group 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 group continues employment wherever possible and arranges retraining.

The group 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 taken into account when making decisions that are likely to affect their interests. In addition, the group encourages the involvement of employee's by means of team briefings and newsletters.

CHARITABLE AND POLITICAL CONTRIBUTIONS

The group did not make any political or significant charitable donations in either the current or the prior year.

INDEPENDENT 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

Gerhard Moritz
Director
24 APRIL 2009

IKEA LIMITED

The directors are responsible for preparing the annual report and 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

Gerhard Moritz
Director
24 APRIL 2009

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 2008 which comprise the Group Profit and Loss Account, the Group and Company Balance Sheets, the Statement of Accounting Policies and the related notes. These financial statements have been prepared under the accounting policies set out there in.

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 2008 and of the group's profit 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
Date: 27 APRIL 2009

IKEA LIMITED

GROUP PROFIT AND LOSS ACCOUNT
for the year ended 31 August 2008

	Notes	2008 £'000	2007 £'000
TURNOVER	1	1,246,182	1,305,424
Cost of Sales		(781,836)	(828,219)
Gross profit		464,346	477,205
Administrative expenses		(389,554)	(374,145)
Other operating income		543	1,137
OPERATING PROFIT	4	75,335	104,197
Profit on the sale of Fixed assets		-	4,754
Profit on ordinary activities before interest		75,335	108,951
Interest receivable and similar income	2	669	983
Interest payable and similar charges	3	(35,292)	(32,504)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		40,711	77,430
Tax on profit on ordinary activities	7	(12,989)	(25,586)
PROFIT FOR THE FINANCIAL YEAR		27,722	51,844

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

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 financial year stated above and their historical cost equivalents.

IKEA LIMITED

GROUP BALANCE SHEET
as at 31 August 2008

	Notes	2008 £'000	2007 £'000
FIXED ASSETS			
Tangible assets	9	722,020	687,147
CURRENT ASSETS			
Stocks	11	47,228	45,409
Debtors	12	41,753	38,408
Cash at bank and in hand		29,859	18,393
		118,840	102,210
CREDITORS: Amounts falling due within one year	13	(288,017)	(240,422)
NET CURRENT LIABILITIES		(169,177)	(138,212)
TOTAL ASSETS LESS CURRENT LIABILITIES		552,843	548,935
CREDITORS: Amounts falling due after more than one year	14	(472,862)	(496,455)
PROVISIONS FOR LIABILITIES	16	(15,079)	(15,300)
NET ASSETS		64,902	37,180
CAPITAL AND RESERVES			
Called up share capital	17	6,000	6,000
Revaluation reserve	17	5,241	5,412
Profit and loss account	17	53,661	25,768
TOTAL SHAREHOLDERS' FUNDS		64,902	37,180

The Financial Statements on pages 7-21 were approved by the board of directors on 24 APRIL 2009 and were signed on their behalf by:

Gerhard Moritz
Director
24 APRIL 2009

IKEA LIMITED

COMPANY BALANCE SHEET
as at 31 August 2008

	Notes	2008 £'000	2007 £'000
FIXED ASSETS			
Tangible assets	9	47,272	53,225
Investments	10	105,621	105,621
		152,893	158,846
CURRENT ASSETS			
Stocks	11	47,228	45,409
Debtors	12	104,640	69,064
Cash at bank and in hand		432	468
		152,300	114,941
CREDITORS: Amounts falling due within one year	13	(269,924)	(245,952)
NET CURRENT LIABILITIES		(117,624)	(131,011)
TOTAL ASSETS LESS CURRENT LIABILITIES		35,269	27,835
CREDITORS: Amounts falling due after more than one year	14	(10,120)	(10,580)
PROVISIONS FOR LIABILITIES	16	(3,904)	(7,437)
NET ASSETS		21,245	9,818
CAPITAL AND RESERVES			
Called up share capital	17	6,000	6,000
Profit and loss account	17	15,245	3,818
TOTAL SHAREHOLDERS' FUNDS		21,245	9,818

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

Approved by the board

Gerhard Moritz
Director
24 APRIL 2009

[redacted]

IKEA LIMITED

STATEMENT OF ACCOUNTING POLICIES

for the year ended 31 August 2008

BASIS OF ACCOUNTING

The groups business activities, together with the factors likely to affect its future development, performance and position are set out in the Directors report on pages 3 & 4. In addition, the Directors report also outlines the groups financial risk management objectives and its exposures to credit risk and liquidity risk.

The working capital needs of the group are funded, in the main, via short term bank loans. Although these loans are repayable on demand, the directors are confident, given recent discussions with its third party funding partners that the group will continue to have access to these funds for the foreseeable future. In addition, the group has significant headroom between the open market valuation of its tangible fixed assets and the amounts used for security for its existent banking facilities. This allows the group access to additional long and short term secured funding which in the opinion of the directors would still be available even in the current economic climate.

As a consequence the directors believe that the group is well placed to manage its business risks, including those detailed in the director's report, successfully and have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

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. The principle accounting policies have been applied consistently through out the year except for changes in the tangible fixed asset policy which are set out below.

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. All subsidiaries have homogeneous accounting policies and all inter group transactions have been eliminated.

TANGIBLE FIXED ASSETS

Fixed assets are stated at historical cost less accumulated depreciation 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 and machinery, including fixtures, fittings, equipment and motor vehicles	5- 8 years
Short leaseholds	10 years
Building Installations	10 years
Buildings	35 years

The useful economic life of assets was reviewed in the current year. It was the opinion of the group that the existing useful economic life of computers and Warehouse transport vehicles of 5 years did not reflect the life of those assets and were reassessed to 3 year and 8 years respectively. This resulted in an additional £1.4million depreciation charge.

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.

PENSION 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 if 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 account on a straight line basis over the lease term.

OTHER OPERATING INCOME

Any non goods (furniture or food) related income streams are classified as other operating income.

INTEREST

Interest payable and receivable are accounted for on an accruals basis. Interest is charged on all trading 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. Impairment reviews are carried out by management annually. 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, including a group cash flow statement, are publicly available 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 FRS 1 (revised 1996).

1 TURNOVER

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

	2008	2007
	£'000	£'000
United Kingdom	1,176,115	1,157,132
Rest of Europe	70,067	148,292
	1,246,182	1,305,424

The directors are of the opinion that the group carries out a single class of business and hence no further segmental analysis is required.

2 INTEREST RECEIVABLE AND SIMILAR INCOME

	2008	2007
	£'000	£'000
Bank deposit interest	669	983

3 INTEREST PAYABLE AND SIMILAR CHARGES

	2008	2007
	£'000	£'000
Interest paid on overdrafts and bank loans	18,812	22,627
Interest paid to group companies	10,426	2,719
Finance leases	6,054	7,158
	35,292	32,504

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 into 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

	2008	2007
	£'000	£'000
Operating profit is stated after charging/ (crediting)		
Wages and Salaries	117,853	118,397
Social Security costs	9,635	8,755
Other Pension costs (note 18)	1,696	1,793
Total Staff costs	129,184	128,945
Depreciation of tangible assets		
-owned assets	37,406	37,025
-leased assets	-	1,763
Write off of tangible fixed assets	2,686	-
Operating Lease charges		
-plant and machinery	260	260
-other	7,190	9,212
Auditors' Remuneration		
Audit Services	105	135
Redundancy costs	-	3,203
Non Audit Services	30	44
Exchange loss (gain)	99	(440)
Business reorganisation profit	-	(7,022)

5 DIRECTORS' EMOLUMENTS

	2008	2007
	£'000	£'000
Aggregate emoluments	547	459

	2008	2007
Highest Paid Director	£	£
Total amount of emoluments	323	311

	2008	2007
	£	£
Pension contributions to the money purchase scheme	15	14

Retirement benefits are accruing to two (2007:1) directors 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 their 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:

GROUP	2008	2007
	Number	Number
Stores and warehouses	8,391	8,257
Country management and co-ordination	260	282
	8,651	8,539

COMPANY	2008	2007
	Number	Number
Stores and warehouses	8,037	7,873
Country management and co-ordination	260	272
	8,297	8,145

7 TAXATION ON THE PROFIT FOR THE YEAR

On 1 April 2008, the corporation tax rate decreased from 30% to 28% (as announced in the 2007 Budget Statement). Therefore, for the year ended 31 August 2008, the average corporation tax rate is 29.16%. Deferred tax has been recorded at 28% (as in the prior year) reflecting the rate at which the balances are expected to reverse.

Also on 1 April 2008, the capital allowances rate on plant and machinery reduced from 25% to 20%. The average plant and machinery capital allowances rate for the year ended 31 August 2008 is 22.9%.

	2008	2007
(a) Analysis of tax charge on ordinary activities	£'000	£'000
Current tax		
UK corporation tax on profits of the year	14,561	23,391
Adjustments in respect of previous periods	(4,885)	(716)
Total current tax charge	9,676	22,675
Deferred tax:		
Origination & reversal of timing differences	3,312	2,911
Tax on profit on ordinary activities	12,988	25,586

(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 (28%). The differences are explained below:

Profit on ordinary activities before tax	40,711	77,430
Profit on ordinary activities at the UK tax rate of 29.16% (2007: 30%)	11,873	23,229
Effects of:		
Expenses not deductible for tax purposes	5,148	2,909
Accelerated capital allowances	(800)	(2,727)
Other timing differences/consolidation adjustments	(1,660)	(20)
Adjustments in respect of previous periods	(4,885)	(716)
Current tax charge for the period	9,676	22,675

8 DIVIDENDS

	2008	2007
	£'000	£'000
Ordinary:		
Interim Paid- £nil Per Share (2007: £20.83)	-	125,000
Final Paid	-	-
	-	125,000

The company did not pay a dividend in respect of the year under review (2007-Interim dividend: £20.83 per £1 ordinary share amounting to £125 million). However, the £125 million dividend which was originally paid in the prior year was repaid to the company in August 2008 and the company declared and paid a dividend of an equivalent amount at the same time.

9 TANGIBLE FIXED ASSETS

GROUP	Freehold land and buildings £'000	Building installations £'000	Plant and machinery £'000	Total £'000
Cost or Valuation				
1 September 2007	649,430	96,629	127,149	873,208
Additions	50,611	9,314	15,364	75,289
Disposals	-	-	(30,727)	(30,727)
31 August 2008	700,041	105,943	111,786	917,770
Depreciation				
1 September 2007	(56,616)	(54,255)	(75,190)	(186,061)
Charge in the year	(10,354)	(9,521)	(17,531)	(37,406)
Disposals	-	-	27,717	27,717
31 August 2008	(66,970)	(63,776)	(65,004)	(195,750)
Net book value				
31 August 2008	633,071	42,167	46,782	722,020
31 August 2007	592,814	42,374	51,959	687,147

	Freehold land and buildings	Building Installations	Plant Machinery and equipment	Total
Cost or valuation at 31 August 2008 is represented by:				
Cost	691,722	105,943	111,786	909,451
Valuation	8,319	-	-	8,319
	700,041	105,943	111,786	917,770

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 (2007:£171,000).

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

	2008 £'000	2007 £'000
Cost	691,722	641,111
Accumulated depreciation	(63,892)	(53,709)
Net book value	627,830	587,402

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					
1 September 2007	19,991	319	1,577	98,367	120,254
Additions	-	-	-	14,686	14,686
Disposals	-	-	-	(27,176)	(27,176)
31 August 2008	19,991	319	1,577	85,877	107,764
Depreciation					
1 September 2007	(7,663)	(204)	(865)	(58,297)	(67,029)
Charge in the Year	(1,998)			(15,953)	(17,951)
Disposals	-	-	-	24,490	24,490
31 August 2008	(9,663)	(204)	(865)	(49,760)	(60,492)
Net book value					
31 August 2008	10,328	115	712	36,117	47,272
31 August 2007	12,328	115	712	40,070	53,225

10 FIXED ASSET INVESTMENTS

COMPANY	Subsidiary undertakings £'000
At net book value	
01 September 2007	105,621
Additions in the year	-
31 August 2008	105,621

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

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 Distribution Services Limited (formally known as IKEA Wholesale Limited)	United Kingdom	Ordinary	100%	Distribution Services
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

	2008 £'000	2007 £'000
GROUP		
Finished goods and goods for resale	47,228	45,409
COMPANY		
Finished goods and goods for resale	47,228	45,409

12 DEBTORS

	2008	2007
GROUP	£'000	£'000
Amounts falling due within one year:		
Trade debtors	2,178	2,103
Amounts due from group undertakings	14,942	7,285
Other debtors	609	3,898
Corporation tax receivable	13,442	12,119
VAT receivable	-	1,743
Prepayments and accrued income	10,582	11,260
	41,753	38,408

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.

	2008	2007
COMPANY		
Amounts falling due within one year:		
Trade debtors	1,906	1,894
Amounts due from group undertakings	85,467	44,307
Other debtors	584	1,220
Deferred tax asset	1,870	898
Corporation tax receivable	8,302	12,119
Prepayments and accrued income	6,511	8,626
	104,640	69,064

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

	2008	2007
GROUP	£'000	£'000
Bank Loans (see note 15)	105,493	63,726
Amounts owed to group undertakings	83,749	82,864
Trade creditors	25,601	46,579
Obligations under finance leases	4,384	3,934
VAT payable	16,558	-
Other taxation and social security costs	2,887	2,844
Other creditors	49,345	40,475
	288,017	240,422

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)

	2008	2007
	£'000	£'000
COMPANY		
Bank overdraft	21,128	28,515
Bank Loans (see note15)	86,743	63,726
Trade creditors	18,743	40,750
Amounts owed to group undertakings	80,165	83,624
VAT payable	21,822	
Other taxation and Social security costs	2,662	3,782
Other creditors	38,661	25,555
	269,924	245,952

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 after more than one year

	GROUP 2008	GROUP 2007	COMPANY 2008	COMPANY 2007
	£'000	£'000	£'000	£'000
Bank loans (see note15)	181,250	200,000	-	-
Intercompany loans (see note 15)	180,000	180,000	-	-
Finance lease liabilities (see note 15)	101,492	105,875	-	-
Deferred income	10,120	10,580	10,120	10,580
	472,862	496,455	10,120	10,580

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 2008	GROUP 2007	COMPANY 2008	COMPANY 2007
	£'000	£'000	£'000	£'000
Repayable in instalments				
Within one year	105,493	63,726	86,743	63,726
amounts due in more than 2 but not more than 5 years	56,250	75,000	-	-
in more than 5 years	305,000	305,000	-	-
	466,743	443,726	86,743	63,726

FINANCE LEASE COMMITMENTS	GROUP 2008	GROUP 2007
	£'000	£'000
Repayable in instalments		
Within one year	4,384	3,934
amounts due in more than 2 but not more than 5 years	29,851	20,563
in more than 5 years	71,641	85,312
	105,876	109,809

The finance lease liability above is at an effective interest rate of 5.3%.

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

16 PROVISION FOR LIABILITIES AND CHARGES

	GROUP 2008 £'000	COMPANY 2008 £'000
Deferred taxation-		
01 September 2007	7,863	-
Transfer from Profit and loss	3,312	-
31 August 2008	11,175	-
Returns provision-		
01 September 2007	5,647	5,647
Transfer from Profit and loss	(2,879)	(2,879)
31 August 2008	2,768	2,768
Redundancy provision-		
01 September 2007	1,790	1,790
Utilised	(654)	(654)
31 August 2008	1,136	1,136
Total		
01 September 2007	15,300	7,437
Transfer from Profit and loss	(221)	(3,533)
31 August 2008	**15,079**	**3,904**

Redundancy costs of £654,000 were recognised in the year as noted in note 4. The remaining balance provided above is expected to be incurred in the next 12 months.

The return provision is calculated based on a historical pattern of returns. This trend is reviewed annually.

	2008 £'000	2007 £'000
Deferred tax (assets)/liabilities comprise:		
GROUP		
Accelerated capital allowances	11,184	7,928
Other timing differences	(9)	(65)
	11,175	7,863
COMPANY		
Accelerated capital allowances	(1,861)	(833)
Other timing differences	(9)	(65)
	(1,870)	(898)

The provisions contained above, with the exception of the deferred tax provision, are largely short term.

17 CALLED UP SHARE CAPITAL, MOVEMENT ON RESERVES AND RECONCILIATION OF MOVEMENT IN EQUITY SHAREHOLDERS' FUNDS

GROUP	Called up Share capital	Revaluation reserve	Profit and loss account	Total shareholders' funds
01 September 2007	6,000	5,412	25,768	37,180
Profit for the Financial year	-	-	27,722	27,722
Dividends	-	-	-	-
Transfer between profit and loss and revaluation reserve	-	(171)	171	-
31 August 2008	6,000	5,241	53,661	64,902

COMPANY	Called up Share capital	Profit and loss account	Total shareholders' funds
01 September 2007	6,000	3,818	9,818
Profit for the Financial year	-	11,427	11,427
Dividends	-	-	-
31 August 2008	**6,000**	**15,245**	21,245

17 CALLED UP SHARE CAPITAL, MOVEMENT ON RESERVES AND RECONCILIATION OF MOVEMENT IN EQUITY SHAREHOLDERS' FUNDS (CONTINUED)

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

	Authorised	Allotted, issued and fully paid
GROUP AND COMPANY	**2008 and 2007**	**2008 and 2007**
	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 £1,696,000 (2007: £1,793,000). No contributions were unpaid at the year end.

19 CAPITAL COMMITMENTS

	2008	2007
GROUP AND COMPANY	£'000	£'000
Capital expenditure contracted for but not provided in the financial statements	25,786	25,130

The above capital commitments relate to the construction of the Southampton Store(2007:Belfast & Coventry Stores) that is scheduled to open to trade early 2009.

20 COMMITMENTS UNDER OPERATING LEASES

At 31 August 2008 there were annual commitments under non-cancellable operating leases for assets as follows:

	2008	2007
GROUP	£'000	£'000
Other		
Expiring after		
1 year	87	87
2-5 years	173	173
Land and Buildings		
2-5 years	700	2,712
after 5 years	6,500	6,500

21 CONTINGENT LIABILITIES

The company is party to a cash pooling arrangement for the IKEA UK group with one of its bankers. There was no unprovided exposure to the company at the year end (2007: £1.3 million exposure).

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.

23 ULTIMATE PARENT AND 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. Financial statements are available and copies publicly obtained from KVK, Watermolenlaan 1, PO Box 265, 3440 AG Woerden, The Netherlands.