IKEA LIMITED

DIRECTORS' REPORT
AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2012

IKEA LIMITED

CONTENTS

COMPANY INFORMATION

Directors	Gerhard Moritz Ian Worling Ian Duffy Jeanette Sorderberg
Secretary	Sisec Limited
Company number	01986283
Auditors	KPMG LLP 15 Canada Square London E14 5GL
Bankers	HSBC City of London Branch 60 Queen Victoria Street London EC4N 4TR
Registered office	21 Holborn Viaduct London EC1A 2DY

IKEA LIMITED
REGISTERED NO 01986283
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 AUGUST 2012

The directors present their annual report and the audited consolidated financial statements of IKEA Limited for the year ended 31 August 2012

Business review and principal activities

The company operates as a home furnishings retailer, and its overall objective is "to be the leader in life at home" with "growth and sustained long term profitability"

The activities of the subsidiary undertakings are set out in note 9 to the financial statements

The company has a total number of 18 retail outlets The company plans to build a new store in the next financial year, to open in the following year

Sales Development

Our long term strategy continues to be one of expansion in the UK

Profitability

The group profit before tax for the year was £19 8 million (2011 £23 6 million) The group profit after taxation was £11 1 million (2011 £15 6 million) and the turnover was £1 3 billion (2011 £1 2 billion)

Dividends

The company did not pay a dividend in respect of the year under review (2011 £nil)

Business Environment and strategy

The company performance has improved with sales increasing by 6% despite uncertainty in the housing market and the economic slowdown continuing to impact consumer spending and 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

Despite the uncertain retail environment we remain confident that our expansion plan, investment in ecommerce, investment in other services and our commitment to quality and price will enable us to strengthen our market position We will also increase our investment in sustainability, we want to inspire and enable millions of people to live a more sustainable life at home and as a company we want to become energy independent

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

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

ECONOMIC SLOWDOWN

The downturn in the economy has adversely affected the UK retail environment and 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

Financial instruments are governed by the commercial flows of 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

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 RISKS

The group maintains a mixture of long and short term debt instruments that are designed to ensure that 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 by the treasury group globally

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 global 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 assets and Liabilities

The IKEA UK Group had swap contracts with fair values of a net £11 1 million 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 held office during the year

Gerhard Moritz	
Ian Worling	
Jeanette Sorderberg	(appointed on 01 Jan 2012)
Ian Duffy	(appointed on 01 Jan 2012)
Christer Thorsdon	(resigned 01 Dec 2011)
Werner Weber	(resigned 31 Dec 2011)
Kenth Martin Hansson	(resigned 01 Jan 2012)

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 color, 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 employees by means of team briefings and newsletters

Charitable and Political Contributions

Charitable donations are made centrally by other IKEA companies The company did not make any significant political donations in either the current or prior year

Disclosure of information to auditors

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

Going Concern

After making appropriate enquiries, the directors have formed the judgment, at the time of approving the financial statements, that there is a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future For this reason, the directors continue to adopt the going concern basis in preparing the financial statements

Auditors

The auditors, KPMG LLP, were appointed during the period and will be proposed for re-appointment at the forthcoming Annual General Meeting

On behalf of the board

Gerhard Moritz
Director
15th January 2013

IKEA LIMITED
STATEMENT OF DIRECTORS' RESPONSIBILITIES
FOR THE YEAR ENDED 31 AUGUST 2012

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

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare the Group and parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of the profit or loss for that period In preparing each of the group and parent company financial statements the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments 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, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business

The directors are responsible for keeping proper accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that the financial statements comply with the Companies Act 2006 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

By order of the Board

Gerhard Mantz
Director
15th January 2013

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDER OF IKEA LIMITED

We have audited the financial statements of IKEA Limited for the year ended 31 August 2012 as set out on pages 6 to 21 The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www frc.org uk/apb/scope/private cfm

Opinion on financial statements

In our opinion the financial statements

- Give a true and fair view of the state of the Group s and of the company's affairs as at 31 August 2012 and of the Group's profit for the year then ended,
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- Have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- Adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- The parent company financial statements are not in agreement with the accounting records and returns, or
- Certain disclosures of directors' remuneration specified by law are not made, or
- We have not received all the information and explanations we require for our audit

Stephen Cooper *(Senior Statutory Auditor)*
For and on behalf of KPMG LLP, Statutory Auditor
15 Canada Square
Canary Wharf
London
E14 5GL

15th January 2013

IKEA LIMITED
GROUP PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 AUGUST 2012

	Notes	2012 £'000	2011 £'000
TURNOVER	1	1,263,874	1,191,312
Cost of sales		(882,091)	(827 707)
Gross profit		381 783	363,605
Administrative expenses	4	(347,362)	(344,869)
Other Operating Income		2 894	2 761
Operating profit	4	37,315	21,497
Profit on sale of properties		-	20,095
Profit on ordinary activities before interest		37 315	41,592
Interest receivable and similar income	2	3,837	4,434
Interest payable and similar charges	3	(21,366)	(22,382))
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		19,786	23,644
Tax on profit on ordinary activities	7	(8,718)	(8,084)
PROFIT		11,068	15,560

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

There were no recognised gains or losses for 2012 or 2011 other than those included in the profit and loss account

All realised profits and losses arise as a result of continuing operations

The notes on pages 9 to 21 form part of these financial statements

IKEA LIMITED
GROUP BALANCE SHEET
AS AT 31 AUGUST 2012

	Notes	2012 £'000	2011 £'000
FIXED ASSETS			
Tangible assets	8	687 117	703,584
Intangible Assets – Goodwill	10	1,325	1 246
CURRENT ASSETS			
Stock	11	58,112	54,984
Debtors	12	67,516	68 322
Cash at bank		7,988	11,483
		133 616	134 789
CREDITORS Amounts falling due within one year	13	(372,476)	(366,507)
NET CURRENT LIABILITIES		(238,860)	(231,718)
TOTAL ASSETS LESS CURRENT LIABILITIES		449,582	473,112
CREDITORS Amounts falling due after more than one year	14	(327,088)	(361 967)
PROVISIONS FOR LIABILITIES	16	(6,026)	(5,745)
NET ASSETS		116 468	105,400
CAPITAL AND RESERVES			
Called up share capital	17	6,000	6,000
Revaluation Reserve	17	4,557	4,728
Profit and loss account	17	105,911	94 672
TOTAL SHAREHOLDERS' FUNDS	17	116,468	105,400

These financial statements were approved by the board of directors on 15th January 2013 and were signed on its behalf by

Gerhard Montz
Director

IKEA LIMITED
COMPANY BALANCE SHEET
AS AT 31 AUGUST 2012

	Notes	2012 £'000	2011 £'000
FIXED ASSETS			
Tangible assets	8	31 802	34 344
Investments	9	105 621	105 621
CURRENT ASSETS			
Stock	11	58 112	54 984
Debtors	12	181 034	165 697
Cash at bank		551	551
		239 697	221 232
CREDITORS Amounts falling due within one year	13	(307 308)	(302 806)
NET CURRENT LIABILITIES		(67,611)	(81 574)
TOTAL ASSETS LESS CURRENT LIABILITIES		69 812	53 391
CREDITORS Amounts falling due after more than one year	14	(8 280)	(8 740)
PROVISIONS FOR LIABILITIES	16	(2 814)	(2 605)
NET ASSETS		58 718	47 046
CAPITAL AND RESERVES			
Called up share capital	17	6,000	6 000
Profit and loss account	17	52,718	41 046
TOTAL SHAREHOLDERS' FUNDS	17	58 718	47 046

These financial statements were approved by the board of directors on 15th January 2013 and were signed on its behalf by

Gerhard Moritz
Director

Accounting policies

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

Basis of preparation of financial statements

The financial statements have been prepared on a going concern basis, under the historical cost convention and in accordance with applicable accounting standards in the United Kingdom and the Companies Act 2006 The principal accounting policies, which have been applied consistently within the accounts from one financial year to another are set out below

The Group s business activities together with the factors likely to affect its future development, performance and position are set out in the Directors report on pages 2 and 3 In addition the Directors report also outlines the Group s financial risk management objectives and its exposures to credit and liquidity risk

The financial statements of the Group have been prepared on a going concern basis notwithstanding the net current liabilities of £239 million which the Directors believe to be appropriate for the following reasons

The working capital needs of the Group are funded in the main via loans, under short term loan facilities, which are repayable on demand The Directors acknowledge that there can be no certainty that these facilities will continue to be available, however, they have no reason to believe they will not continue to have access to them for the foreseeable future The Directors are confident that the Group has access to additional funding if required should the working capital needs of the Group significantly differ to current forecasts as a result of deterioration in trading conditions

After reviewing current forecasts, considering the availability of funding and making appropriate enquires, the Directors have a reasonable expectation that the Company and the Group and will have adequate resources to continue in operational existence for the foreseeable future Accordingly, they continue to adopt the going concern basis in preparing the financial statements

Cash flow statement

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

Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 31 August 2012 The acquisition method of accounting has been adopted Under this method the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal

As permitted by section 408 of the Companies Act 2006, the Company has elected not to present its own profit and loss account for the year

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 & Machinery (including fixtures, fittings, equipment and motor vehicles)	20 years
Short Leaseholds	10 years
Building Installations	10 years
Buildings	35 Years

No Depreciation is provided on construction in progress or land

In accordance with FRS11 "Impairment of fixed assets and goodwill", the Group has determined that each store is an income generating unit Recoverable amounts for income generating units are based upon value in use, which is calculated from cash flow projections using data from the Group s internal forecasts, the results of which are reviewed by the Board

Long lived assets are reviewed for impairment whenever changes in circumstances indicate that the carrying amount of the asset may not be recoverable for all stores which have been trading for more than 3 years When such events or changes in circumstances indicate the asset may not be recoverable, the directors estimate the future cash flows expected to result from the use of assets and their eventual disposition, or the current market valuation If the sum of such expected discounted future cash flows or market valuation is less than the carrying amount of the assets an impairment loss is recognised If on the contrary the sum of such expected discounted future cash flows is greater than the carrying amount of the assets any previous recognised impairment loss is reversed

For the purposed of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows fair value can be based on the sale of similar assets or other estimates of fair value, such as discounting estimated future cash flows Considerable management judgment is necessary to estimate discounted future cash flows Accordingly, actual outcome could vary significantly from such estimates

Intangible fixed assets

Goodwill arose on the acquisition of Dummuies Wind Farm Huntly Limited on 1 July 2011 It represents the difference between the fair value of the net assets acquired and their cost In accordance with Financial Reporting Standard 10, such goodwill is capitalised and amortised over its estimated life of 16 years No charge is made in the year of acquisition

The carrying amount of goodwill will be reviewed at each balance sheet date to determine whether there is any indication of impairment If such indication exists, an impairment review will be undertaken This will comprise a comparison of the carrying amount of goodwill with its recoverable value (the higher of net realisable value and value in use) To the extent that the carrying amount exceeds the recoverable amount the goodwill is impaired and written down Any impairment will be recognised in the profit and loss account.

Accounting policies (continued)

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

Taxation

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

Deferred tax is recognised, without discounting in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19

A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date Deferred tax is measured on a non-discounted basis

Post-Retirement Benefits

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

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 is stated net of returns

Foreign currency

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction or the agreed contractual rate Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account

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 Any incentive to enter into an operating lease is accounted for in accordance with the requirements of UITF 28 Operating lease incentives

Other operating income

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

Accounting policies (continued)

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

Accounting policies
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 management s best estimate of the value of goods expected to be returned post year end

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

Investments in Subsidiaries
The company's investment in subsidiary undertakings is recognised at cost and is accounted for net of impairment losses Impairment reviews are carried out by management annually when there is an indication of impairment in line with FRS11 Income from investments is recognised in the profit and loss to the extent that profits are distributed

1 Turnover

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

	2012 £'000	2011 £'000
United Kingdom	1,229,312	1,154,428
Rest of Europe	34,562	36,884
	1,263,874	1,191 312

2 Interest Receivable and other Income

	2012 £'000	2011 £'000
Bank deposit interest	3,837	4 434

3 Interest Payable and similar charges

	2012 £'000	2011 £'000
Interest paid on overdrafts and bank loans	2 627	2 618
Interest paid to group companies	14,209	14 567
Finance leases	4,530	5,197
	21,366	22,382

4 Operating profit

This is stated after charging

	2012 £'000	2011 £'000
Wages and Salanes	116 337	109,193
Social Secunty Costs	9,186	8 410
Other pension costs	1,597	1,458
Total Staff costs	127,120	119,061
Depreciation of tangible assets		
- owned assets	34,986	36,104
Impairment of tangible fixed assets	-	10,000
Operating Lease charges		
- plant and machinery	837	793
- other	8,094	7,991
Amounts receivable by auditors and their associates in respect of		
Auditor's remuneration – audit of annual financial statements	96	98
Other services relating to taxation	-	13
Redundancy costs	-	244
Profit on disposal of properties	-	(20 095)
Loss on disposal of plant and machinery	(33)	
Net Exchange loss	173	529

5 Directors Emoluments

	2012 £'000	2011 £'000
Aggregate emoluments	941	755

	2012 £'000	2011 £'000
Highest Paid Director		
Total amount of emoluments	311	309

	2012 £'000	2011 £'000
Pension contributions to the money purchase scheme	60	67

Retirement benefits are accruing to three (2011 four) directors under the money purchase scheme

The emoluments of I Worling and J Söderberg are paid by other IKEA group companies outside the UK group 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 non-UK group companies Accordingly, the above details include no emoluments in respect of these directors

6 Employee Information

GROUP	2012 Number	2011 Number
Stores and warehouses	6,754	6,963
Country management and co-ordination	202	188
	6,956	7 151

COMPANY	2012 Number	2011 Number
Stores and warehouses	6 551	6,551
Country management and co-ordination	202	188
	6 753	6 956

7 Taxation on Profit for the year

(a) Analysis of tax charge on ordinary activities

GROUP	2012 £'000	2011 £'000
Current tax		
UK corporation tax on profits of the year	8,751	7,605
Adjustments in respect of previous periods	736	(35)
Total current tax charge	9,487	7,570
Deferred Tax		
Origination and reversal of timing differences	555	226
Effects of changes in tax rates and laws	125	43
Adjustments in respect of previous periods	(1 449)	245
Tax charge on profit on ordinary activities	8,718	8 084

(b) Factors affecting current tax charge for year

The tax assessed for the year is higher than the standard rate of corporation tax in the UK applicable to the company of 25 164% (2011 27 162%)The differences are explained below

	2012 £	2011 £
Profit on ordinary activities before tax	19 786	23,644
Tax on profit on ordinary activities at the UK corporation tax rate of 25 164% (2011 27 162%)	4,979	6,422
Expenses not deductible for tax purposes	4,363	7,032
Non taxable income	(24)	-
Capital allowances in excess of depreciation	(404)	(5,455)
Other timing differences/consolidation adjustments	(163)	(394)
Adjustments in respect of previous periods	736	(35)
Current tax charge for the period	9 487	7 570

8 Tangible Fixed Assets

GROUP	Freehold Land & Buildings £'000	Building Installations £'000	Plant and machinery £'000	Construction in Progress £'000	Total £'000
Cost					
At 1 September 2011	711,014	129 377	153,500	18,320	1,012,211
Additions	2,087	2,136	17,448	-	21 671
Disposals	(622)	(986)	(6 198)		(7,806)
At 31 August 2012	712,479	130,527	164,750	18,320	1 026 076
Depreciation					
At 1 September 2011	(97 761)	(96,613)	(114,253)	-	(308,627)
Charge for the year	(12,453)	(9 053)	(13,480)	-	(34 986)
Disposals	-	-	4 654		4,654
At 31 August 2012	(110,214)	(105,666)	(123,079)	-	(338,959)
Net book value					
At 31 August 2012	602 265	24,861	41 671	18,320	687,117
At 31 August 2011	613 253	32,765	39,246	18 320	703,584

8 Tangible Fixed Assets (continued)

	Freehold Land & Buildings £'000	Building Installations £'000	Plant and machinery £'000	Construction in Progress £'000	Total £'000
Cost or valuation is represented by					
Cost	704,160	130 527	164 749	18 320	1,020,756
Valuation	8,319	-	-	-	8 319
	712,479	130,527	167 749	18 320	1,026,075

Included within construction in progress are amounts relating to the fixed assets in IKEA Properties (Reading) Limited (formerly known as Grantchester Properties (Reading) Limited) and IKEA Properties (Theale) Limited (formerly known as Grantchester Nominees (Theale 1) Limited) The group are in the process of obtaining planning permission with a view to build new stores being in line with the long term expansion strategy of the company As the group are currently awaiting the grant of planning permission, there are no capital commitments in the current financial year

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 (2011 £171,000)

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

GROUP	2012 £'000	2011 £'000
Cost	612,826	710,844
Accumulated depreciation	(111,193)	(98,018)
Net book value	501,663	612 826

COMPANY	Freehold Land & Buildings £'000	Plant and machinery £'000	Total £'000
Cost			
At 1 September 2011	19 991	122,419	142,410
Additions	-	14,052	14,052
Disposals	-	(7,459)	(7 459)
Transfers to other Group Companies	-	433	433
At 31 August 2012	19,991	129 445	149,436
Depreciation			
At 1 September 2011	(15,645)	(92,421)	(108,066)
Charge for the year	(2,654)	(11,568)	(14,223)
Disposals	-	4,654	4,654
At 31 August 2012	(18,299)	(99 335)	(117,634)
Net book value			
At 31 August 2012	1,692	30 110	31,802
At 31 August 2011	4,346	29,998	34,344

9 Fixed Asset Investments

COMPANY *At net book value*	Subsidiary undertakings £'000
01 September 2011	105 621
Additions in the year	-
31 August 2012	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	United Kingdom	Ordinary	100%	Warehousing
IKEA Leasing Limited	United Kingdom	Ordinary	100%	Non trading
IKEA Energy Services Limited	United Kingdom	Ordinary	100%	Trading

10 Goodwill

	2012 £'000	2011 £'000
Cost		
At 1 September 2011	1 246	-
Additions	167	1 246
At 31 August 2012	1,413	1,246
Amortisation		
At 1 September 2011	-	-
Charge in the year	88	-
At 31 August 2012	88	-
Net Book Value	1,325	1,246

At 31 August 2011

On 1 July 2011 the Group acquired the entire share capital of Dummuies Wind Farm Huntly Limited Goodwill arose on acquisition and this is shown in the accounts of IKEA Energy Services Limited, a wholly owed subsidiary of IKEA Limited

The sale and purchase agreement allowed for deferred consideration to be payable / receivable dependant on the pattern of wind flows around the wind farm post completion An additional £167k was paid in the year

11 Stocks

	2012 £'000	2011 £'000
GROUP AND COMPANY		
Finished goods and goods for resale	58,112	54 984

12 Trade and Other Debtors

GROUP

	2012 £'000	2011 £'000
Amounts falling due within one year		
Trade Debtors	2,454	2,305
Deposits	40,158	43,081
Amounts due from group undertakings	10 038	13 147
Other debtors	1,243	488
Deferred tax asset (see note 16)	1,382	614
Prepayments and accrued Income	12 241	8 887
	67,516	68 322

All trading 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

The group made an interest bearing deposit of £40 1 million (2011 43 1 million) with a third party financial institution in the period under review

COMPANY

	2012 £'000	2011 £'000
Amounts falling due within one year		
Trade Debtors	2,441	2 341
Amounts due from group undertakings	160 981	149 985
Other debtors	606	485
Deferred tax asset	8,497	8,058
Prepayments and accrued Income	8,509	4 828
	181,034	165,697

The amounts due from group undertakings in the Company consists of an intra UK group loan balance of £159m (2011 £142m), 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

GROUP

	2012 £'000	2011 £'000
Bank Loans	85 379	82 600
Amounts owed to Group Undertakings	187 395	193,566
Trade Creditors	24,734	18,237
Obligations under Finance Leases	6 568	6,019
Corporation tax payable	4 767	2 612
VAT	12,458	8,116
Other Tax and social security costs	2,776	2,230
Other creditors (including Accruals and Deferred Income)	48 399	53 127
	372,476	366,507

All trading 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

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

COMPANY

	2012 £'000	2011 £'000
Bank Loans	75,000	98,722
Bank overdraft	43 933	39,382
Amounts owed to Group Undertakings	98,726	89 862
Trade Creditors	23,918	12,404
Corporation tax payable	4,767	2,612
VAT	13,428	9,797
Other Tax and social security costs	7,746	2 084
Other creditors (including Accruals and Deferred Income)	39,790	47,943
	307,308	302 806

13 Creditors Amounts falling due within one year (continued)

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

All trading and short term 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	GROUP		COMPANY	
	2012	2011	2012	2011
	£'000	£'000	£'000	£'000
Bank Loans (See note 15)	78 522	88,900	-	-
Intercompany Leases (see note 15)	161,867	179 200	-	-
Finance Leases (see note 15)	78,419	85,127	-	-
Deferred Income	8,280	8,740	8,280	8,740
	327 088	361,967	8,280	8,740

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

15 Maturity Analysis

LOANS	GROUP		COMPANY	
	2012	2011	2012	2011
	£'000	£'000	£'000	£'000
Repayable in Installments				
Within one year	72 242	80,726	101,132	98,722
Amounts due in more than 2 but not more than 5 years	108,733	142 233	-	-
In more than 5 years	134,433	123,867	-	-
	315,408	348 826	101,132	98,722

The within one year balance above includes an amount of £64 6 million relating to the short term portion of an Intercompany loan This is included in amounts owed to group undertakings in note 13

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

FINANCE LEASES	GROUP	
	2012	2011
	£'000	£'000
Repayable in Installments		
Within one year	6 568	6,019
Amounts due in more than 2 but not more than 5 years	32,836	30,217
In more than 5 years	45,583	54,910
	84,987	91 146

The finance lease liability above is at an effective rate of 5 41%

16 Provision for liabilities and charges

	GROUP		COMPANY	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Returns Provision				
At beginning of year	2 606	2,743	2 606	2,743
Utilised in year	(2 606)	(2 743)	(2,606)	(2 743)
Charge to P&L	2,814	2,606	2,814	2,606
At end of year	**2,814**	**2,606**	**2,814**	**2,606**
Provision for additional consideration				
At beginning of year	2,000	2,000	-	-
Utilised in year	-	-	-	-
Charge to P&L	-	-	-	-
At end of year	**2,000**	**2,000**	-	-
Decommissioning Provision				
At beginning of year	1,139	-		
Provision acquired on acquisition	-	1 139	-	-
Utilised in year	-	-	-	-
Charge to P&L	73	-	-	-
At end of year	**1,212**	**1,139**	-	-

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

The group has provided £2m for the additional consideration payable upon grant of planning permission in respect of the acquisition of IKEA Properties (Reading) Limited (formerly Grantchester Properties (Reading) and IKEA Properties (Theale) Limited (formerly Grantchester Properties (Theale 1) Limited on 14th December 2009

The de-commissioning provision arises on the wind farm The Provision has been made under FRS 12 for estimated decommissioning costs which are calculated as the present value of estimated decommissioning costs using a discount rate of 6 48%

Deferred tax (assets) comprise

	2012 £'000	2011 £'000
GROUP		
Accelerated capital allowances	2,196	3 439
Other timing differences	(3 557)	(4,053)
	(1 361)	(614)

	2012 £'000	2011 £'000
COMPANY		
Accelerated capital allowances	(5 340)	(4,487)
Other timing differences	(3,156)	(3 571)
	(8 497)	(8,058)

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

The deferred tax debtor at the balance sheet date has been included in debtors and excluded from provisions for liabilities and charges

17 Called up Share Capital, Movement on Reserves and Reconciliation of movement in equity shareholders funds

GROUP	Share Capital £'000	Revaluation reserve £'000	Profit & Loss account £'000	Total £'000
As at 01 September 2011	6 000	4,728	94 672	105,400
Profit for the year	-	-	11,068	11 068
Transfer between profit and loss and revaluation reserve	-	(171)	171	-
As at 31 August 2012	6,000	4,557	105,911	116 468

COMPANY	Share Capital £'000	Profit & Loss account £'000	Total £'000
As at 01 September 2011	6,000	41,046	47,046
Profit for the year	-	11,672	11 672
As at 31 August 2012	6,000	52,718	58,718

GROUP AND COMPANY	Authorised 2012 and 2011 No	Authorised, issued and fully paid 2012 and 2011 No
Ordinary Shares of £1 each	20,000,000	6,000

18 Pension Scheme

Defined contribution pension scheme

The group operates a defined contribution pension scheme The pension cost charge for the period represents contributions payable by the group to the scheme and amounted to £1,597,000 (2011 £1,458,000)

19 Capital Commitments

GROUP AND COMPANY

	2012 £'000	2011 £'000
Capital expenditure contracted for but not provided in the financial statements	420	-

20 Commitments under Operating Leases

At 31 August 2012 there were annual commitments under non-cancellable operating leases for assets as follows

GROUP	2012 £'000	2011 £'000
Expiring within		
Land and Buildings		
1 year	372	-
2-5 years	604	698
After 5 years	7,056	7,008
Other		
1 year	1	14
2-5 years	214	187

21 Contingent Liabilities

The group and 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 (2011 £nil)

22 Off Balance Sheet Financial Arrangements

The company has entered into a financial arrangement in the current year whereby it has taken out a financial instrument with the objective of mitigating its exposure to fluctuations in interest rates on its borrowings The fair value of this instrument is shown below

	2012 £ Fair Value	2011 £ Fair value
Interest rate swaps	11,146	9,292

23 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 100% group

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