

IKEA LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2013

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IKEA LIMITED

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IKEA LIMITED

COMPANY INFORMATION

Directors	Gerhard Montz Ian Worling Jeanette Söderberg Jenny Petersson Gillian Drakeford
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	Witan Gate House 500-600 Witan Gate West Milton Keynes MK9 1SH

The directors present their annual report and the audited consolidated financial statements of IKEA Limited for the year ended 31 August 2013

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

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 £46.7 million (2012: £19.8 million). The group profit after taxation was £33.7 million (2012: £11.1 million) and the turnover was £1.3 billion (2012: £1.3 billion)

Dividends

The company did not pay a dividend in respect of the year under review (2012: £nil)

Business Environment and strategy

The company performance has improved with sales increasing by 3.1% despite uncertainty in the housing market and the economic slowdown continuing to impact consumer spending and confidence in the financial year. 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.

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 continue to 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.

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 £8.3 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 Montz	
Ian Worling	
Jeanette Söderberg	
Ian Duffy	(resigned 01 Aug 2013)
Jenny Petersson	(appointed 15 Sept 2012)
Gillian Drakeford	(appointed 01 Aug 2013)

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

The financial statements show net current liabilities of the group of £244m, and company £72m as at 31 August 2013. However, as the immediate parent company, INGKA Holding BV has expressed its willingness to support the company via letter of support to meet its present and future obligations, the directors believe the going concern assumption is appropriate. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

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
27th November 2013

**IKEA LIMITED
STATEMENT OF DIRECTORS' RESPONSIBILITIES
FOR THE YEAR ENDED 31 AUGUST 2013**

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 they have elected to prepare the group and parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

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 their 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 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 group and the parent company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

Gerhard Montz
Director
27th November 2013



**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF IKEA LIMITED**

We have audited the financial statements of IKEA Limited for the year ended 31 August 2013 set out on pages 6 to 21

The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK 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 4, 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 Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate

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 parent company's affairs as at 31 August 2013 and of the group's profit for the year then ended
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice and
- have been prepared in accordance with the requirements of the Companies Act 2006

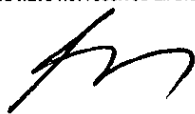
Opinion on other matter prescribed by the Companies Act 2006

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
Chartered Accountants
15 Canada Square
London
E14 5GL
28th November 2013

IKEA LIMITED
GROUP PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 AUGUST 2013

	Notes	2013 £'000	2012 £'000
TURNOVER	1	1,307,916	1,263,874
Cost of sales		(887,428)	(882,091)
Gross profit		<u>420,488</u>	<u>381,783</u>
Administrative expenses		(362,044)	(347,362)
Other Operating Income		3,721	2,894
Operating profit	4	<u>62,165</u>	<u>37,315</u>
Profit on ordinary activities before interest		<u>62,165</u>	<u>37,315</u>
Interest receivable and similar income	2	3,026	3,837
Interest payable and similar charges	3	(18,445)	(21,366)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>46,746</u>	<u>19,786</u>
Tax on profit on ordinary activities	6	(13,081)	(8,718)
PROFIT FOR THE YEAR		<u><u>33,665</u></u>	<u><u>11,068</u></u>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

There were no recognised gains or losses for 2013 or 2012 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 2013

	Notes	2013 £'000	2012 £'000
FIXED ASSETS			
Tangible assets	7	693 291	687 117
Intangible Assets – Goodwill	9	1 237	1,325
CURRENT ASSETS			
Stock	10	53 470	58,112
Debtors	11	64,327	67,516
Cash at bank		17 882	7 988
		<u>135,679</u>	<u>133 616</u>
CREDITORS Amounts falling due within one year	12	(379 822)	(372 476)
NET CURRENT LIABILITIES		<u>(244 143)</u>	<u>(238 860)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		450,385	449 582
CREDITORS Amounts falling due after more than one year	13	(297,290)	(327,088)
PROVISIONS FOR LIABILITIES	15	(2 962)	(6,026)
NET ASSETS		<u>150 133</u>	<u>116,468</u>
CAPITAL AND RESERVES			
Called up share capital	16	6,000	6 000
Revaluation Reserve	16	4 386	4 557
Profit and loss account	16	139 747	105,911
TOTAL SHAREHOLDERS' FUNDS		<u>150,133</u>	<u>116 468</u>

These financial statements were approved by the board of directors on 27th November 2013 and were signed on its behalf by



Bernhard Moritz
Director

IKEA LIMITED
COMPANY BALANCE SHEET
AS AT 31 AUGUST 2013

	Notes	2013 £'000	2012 £'000
FIXED ASSETS			
Tangible assets	8	40,422	31,802
Investments	9	108 621	105,621
CURRENT ASSETS			
Stock	10	53 470	58,112
Debtors	11	278,711	181 034
Cash at bank		514	551
		<u>332 695</u>	<u>239,697</u>
CREDITORS Amounts falling due within one year	12	<u>(404,725)</u>	<u>(307 308)</u>
NET CURRENT LIABILITIES		<u>(72 030)</u>	<u>(67,611)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		77 013	69,812
CREDITORS Amounts falling due after more than one year	13	(7,820)	(8 280)
PROVISIONS FOR LIABILITIES	15	(2,640)	(2,814)
NET ASSETS		<u>66,552</u>	<u>58 718</u>
CAPITAL AND RESERVES			
Called up share capital	16	6,000	6 000
Profit and loss account	16	60 552	52,718
TOTAL SHAREHOLDERS' FUNDS	16	<u>66,552</u>	<u>58 718</u>

These financial statements were approved by the board of directors on 27th November 2013 and were signed on its behalf by



Gerhard Montz
Director

**IKEA LIMITED
STATEMENT OF ACCOUNTING POLICIES
FOR THE YEAR ENDED 31 AUGUST 2013**

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 £244 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 enquiries, the Directors have a reasonable expectation that the Company and the Group 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, Watarmolenlaan 1 PO Box 265 3440 AG Woerden The Netherlands. Consequently, both the group and the company have 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 2013. 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 purpose 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 Dummies 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.

**IKEA LIMITED
STATEMENT OF ACCOUNTING POLICIES
FOR THE YEAR ENDED 31 AUGUST 2013**

Accounting policies (continued)

Intangible fixed assets

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.

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.

**IKEA LIMITED
STATEMENT OF ACCOUNTING POLICIES
FOR THE YEAR ENDED 31 AUGUST 2013**

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 into 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.

IKEA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2013

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:

	2013 £'000	2012 £'000
United Kingdom	1,267,799	1,229,312
Rest of Europe	40,117	34,562
	<u>1,307,916</u>	<u>1,263,874</u>

2 Interest Receivable and similar income

	2013 £'000	2012 £'000
Interest income from third parties	3,026	3,837

3 Interest Payable and similar charges

	2013 £'000	2012 £'000
Interest paid on overdrafts and bank loans	2,002	2,627
Interest paid to group companies	12,108	14,209
Finance Leases	4,335	4,530
	<u>18,445</u>	<u>21,366</u>

4 Operating profit

This is stated after charging:

	2013 £'000	2012 £'000
Wages and Salaries	121,300	116,337
Social Security Costs	11,447	9,186
Other pension costs	2,028	1,597
Total Staff costs	<u>134,775</u>	<u>127,120</u>
Depreciation of tangible assets		
- owned assets	26,813	34,986
Operating Lease charges		
- plant and machinery	645	837
- other	7,156	8,094
Amounts receivable by auditors and their associates in respect of Auditor's remuneration – audit of annual financial statements	106	96
Loss on disposal of plant and machinery	(248)	(33)
Net Exchange loss	(329)	173

IKEA LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 AUGUST 2013

5 Directors Emoluments

	2013 £'000	2012 £'000
Aggregate emoluments	912	941
Highest Paid Director		
Total amount of emoluments	356	311
Pension contributions to the money purchase scheme	66	60

Retirement benefits are accruing to four (2012 three) 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.

Employee Information

GROUP	2013 Number	2012 Number
Stores and warehouses	6 950	6 754
Country management and co-ordination	236	202
	7 186	6 956
COMPANY	2013 Number	2012 Number
Stores and warehouses	6,724	6 551
Country management and co-ordination	236	202
	6,960	6 753

6 Taxation on Profit for the year

(a) Analysis of tax charge on ordinary activities

GROUP	2013 £'000	2012 £'000
Current tax		
UK corporation tax on profits of the year	13,213	8 751
Adjustments in respect of previous periods	79	736
Total current tax charge	13,292	9,487
Deferred Tax		
Origination and reversal of timing differences	119	555
Effects of changes in tax rates and laws	247	125
Adjustments in respect of previous periods	(577)	(1,449)
Tax charge on profit on ordinary activities	13 081	8,718

IKEA LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 AUGUST 2013

(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 23.58% (2012 25.164%). The differences are explained below

	2013 £	2012 £
Profit on ordinary activities before tax	46,746	19,786
Tax on profit on ordinary activities at the UK corporation tax rate of 23.58% (2012 25.164%)	11,023	4,979
Expenses not deductible for tax purposes	2,597	4,363
Non taxable income	(289)	(24)
Capital allowances in excess of depreciation	(302)	(404)
Other timing differences/consolidation adjustments	184	(163)
Adjustments in respect of previous periods	79	736
Current tax charge for the period	<u>13,292</u>	<u>9,487</u>

7 Tangible Fixed Assets

	Freehold Land & Buildings £'000	Building Installations £'000	Plant and machinery £'000	Construction in Progress £'000	Total £'000
GROUP					
Cost					
At 1 September 2012	712,479	130,527	164,750	18,320	1,026,076
Additions	2,511	117	21,825	8,800	33,253
Disposals	-	-	(13,853)	-	(13,853)
At 31 August 2013	<u>714,990</u>	<u>130,644</u>	<u>172,722</u>	<u>27,120</u>	<u>1,045,476</u>
Depreciation					
At 1 September 2012	(110,214)	(105,666)	(123,079)	-	(338,959)
Charge for the year	(12,594)	(408)	(13,811)	-	(26,813)
Disposals	-	-	13,587	-	13,587
At 31 August 2013	<u>(122,808)</u>	<u>(106,074)</u>	<u>(123,303)</u>	<u>-</u>	<u>(352,185)</u>
Net book value					
At 31 August 2013	<u>592,182</u>	<u>24,570</u>	<u>49,419</u>	<u>27,120</u>	<u>693,291</u>
At 31 August 2012	<u>602,265</u>	<u>24,861</u>	<u>41,671</u>	<u>18,320</u>	<u>687,117</u>

IKEA LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 AUGUST 2013

7 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	706,671	130,644	172,722	27,120	1,037,157
Valuation	8,319	-	-	-	8,319
	<u>714,990</u>	<u>130,644</u>	<u>172,722</u>	<u>27,120</u>	<u>1,045,476</u>

Included within construction in progress are amounts relating to the fixed assets within IKEA Properties Limited. These assets relate to land purchases where the Group is seeking planning permission or where they have obtained planning permission they are currently seeking amendment. Planning permission is sought with a view to build new stores which are 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 (2012 £171,000).

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

GROUP	2013 £'000	2012 £'000
Cost	501,663	612,826
Accumulated depreciation	<u>(122,808)</u>	<u>(111,193)</u>
Net book value	<u>378,855</u>	<u>501,663</u>

	Freehold Land & Buildings £'000	Plant and machinery £'000	Total £'000
COMPANY			
Cost			
At 1 September 2012	19,991	129,445	149,436
Additions	-	22,702	22,702
Disposals	-	(13,853)	(13,853)
At 31 August 2013	<u>19,991</u>	<u>138,294</u>	<u>158,285</u>
Depreciation			
At 1 September 2012	(18,299)	(99,335)	(117,634)
Charge for the year	(1,692)	(12,124)	(13,816)
Disposals	-	13,587	13,587
At 31 August 2013	<u>(19,991)</u>	<u>(97,872)</u>	<u>(117,863)</u>
Net book value			
At 31 August 2013	<u>-</u>	<u>40,422</u>	<u>40,422</u>
At 31 August 2012	<u>1,692</u>	<u>30,110</u>	<u>31,802</u>

IKEA LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 AUGUST 2013

8 Fixed Asset Investments

COMPANY	Subsidiary undertakings £'000
<i>At net book value</i>	
01 September 2012	105 621
Additions in the year	3,000
31 August 2013	<u>108 621</u>

The addition above relates to £3m share capital injection into IKEA Energy Services Limited

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

9 Goodwill

	2013 £'000	2012 £'000
Cost		
At 1 September 2012 and 31 August 2013	1 413	1 246
Additions	-	167
At 31 August 2013	<u>1 413</u>	<u>1 413</u>
Amortisation		
At 1 September 2012	88	-
Charge in the year	88	88
At 31 August 2013	<u>176</u>	<u>88</u>
Net Book Value	<u>1,237</u>	<u>1,325</u>

10 Stocks

	2013 £'000	2012 £'000
GROUP AND COMPANY		
Finished goods and goods for resale	<u>53 470</u>	<u>58 112</u>

IKEA LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 AUGUST 2013

11 Trade and Other Debtors

GROUP

	2013 £'000	2012 £'000
Amounts falling due within one year		
Trade Debtors	3,339	2,454
Deposits	37,095	40,158
Amounts due from group undertakings	6,582	10,038
Other debtors	1,158	1,243
Deferred tax asset (see note 15)	1,593	1,382
Prepayments and accrued income	14,560	12,241
	<u>64,327</u>	<u>67,516</u>

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 £37.1 million (2012: £40.1 million) with a third party financial institution in the period under review.

COMPANY

	2013 £'000	2012 £'000
Amounts falling due within one year		
Trade Debtors	3,177	2,441
Amounts due from group undertakings	253,528	160,981
Other debtors	978	606
Deferred tax asset (see note 15)	8,493	8,497
Prepayments and accrued income	12,535	8,509
	<u>278,711</u>	<u>181,034</u>

The amounts due from group undertakings in the Company consists of an intra UK group loan balance of £164m (2012: £159m), 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 intra UK trading balances at LIBOR plus a margin. All other trading balances with other IKEA companies are interest free.

12 Creditors: Amounts falling due within one year

GROUP

	2013 £'000	2012 £'000
Bank Loans	107,600	85,379
Amounts owed to Group Undertakings	157,907	187,395
Trade Creditors	19,956	24,734
Obligations under Finance Leases	7,182	6,568
Corporation tax payable	7,036	4,767
VAT	16,511	12,458
Other Tax and social security costs	3,775	2,776
Other creditors (including Accruals and Deferred Income)	59,855	48,399
	<u>379,822</u>	<u>372,476</u>

All trading balances with fellow IKEA subsidiaries are unsecured and are repayable on demand. Interest is applied on group loan balances and intra 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

	2013 £'000	2012 £'000
Bank Loans	100,000	75,000
Bank overdraft	32,666	43,933
Amounts owed to Group Undertakings	172,120	98,726
Trade Creditors	18,920	23,918
Corporation tax payable	7,036	4,767
VAT	17,472	13,428
Other Tax and social security costs	3,577	7,746
Other creditors (including Accruals and Deferred Income)	52,935	39,790
	<u>404,726</u>	<u>307,308</u>

12 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

13 Creditors Amounts falling due in more than one year

GROUP	GROUP		COMPANY	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Bank Loans (See note 14)	73 700	78,522	-	-
Intercompany Leases (see note 14)	144,533	161,867	-	-
Finance Leases (see note 14)	71 237	78,419	-	-
Deferred Income	7 820	8,280	7,820	8 280
	<u>297 290</u>	<u>327 088</u>	<u>7 820</u>	<u>8,280</u>

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

14 Maturity Analysis

LOANS	GROUP		COMPANY	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Repayable in Installments				
Within one year	176,614	182,719	100 518	101,132
Amounts due in more than 2 but not more than 5 years	169,647	143 680	-	-
In more than 5 years	119 824	175,128	-	-
	<u>466,085</u>	<u>501 527</u>	<u>100,518</u>	<u>101 132</u>

The within one year balance above includes an amount of £44.5 million relating to the short term portion of an intercompany loan This is included in amounts owed to group undertakings in note 12

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

FINANCE LEASES	GROUP	
	2013 £'000	2012 £'000
Repayable in Installments		
Within one year	7,182	6 568
Amounts due in more than 2 but not more than 5 years	35 114	32 836
In more than 5 years	36,124	45 583
	<u>78 420</u>	<u>84 987</u>

The finance lease liability above is at an effective rate of 5.41%

15 Provision for liabilities and charges

	GROUP		COMPANY	
	2013	2012	2013	2012
	£'000	£'000	£'000	£'000
Returns Provision				
At beginning of year	2,814	2,606		2,606
Utilised in year	(2,814)	(2,606)		(2,606)
Charge to P&L	2,640	2,814		2,814
At end of year	2,640	2,814		2,814
Provision for additional consideration				
At beginning of year	2,000	2,000		-
Utilised in year	(2,000)	-		-
Charge to P&L	-	-		-
At end of year	-	2,000		-
Decommissioning Provision				
At beginning of year	1,212	1,139		-
Utilised in year		-		-
Charge to P&L	78	73		-
Released in year	(968)			-
At end of year	322	1,212		-

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

In Prior year the group 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. This was paid on 15th January 2013.

The de-commissioning provision arises on the wind farm. A 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 3%. The existing provision was reviewed as at 31 August 2013 by an Independent expert, and assessed to be lower than the provision currently held. The provision was reduced by £968,240 of which £585,481 was allocated against the decommissioning asset held on the balance sheet and the remaining £382,759 was credited to the profit and loss.

Deferred tax (assets) comprise

	2013	2012
	£'000	£'000
GROUP		
Accelerated capital allowances	1,782	2,196
Other timing differences	(3,375)	(3,578)
	<u>(1,593)</u>	<u>(1,382)</u>
COMPANY		
Accelerated capital allowances	(5,421)	(5,340)
Other timing differences	(3,072)	(3,156)
	<u>(8,493)</u>	<u>(8,497)</u>

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.

IKEA LIMITED
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FOR THE YEAR ENDED 31 AUGUST 2013

16 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 2012	6,000	4,557	105,911	116,468
Profit for the year			33,665	33,665
Transfer between profit and loss and revaluation reserve	-	(171)	171	-
As at 31 August 2013	6,000	4,386	139,747	150,133

COMPANY	Share Capital £'000	Profit & Loss account £'000	Total £'000
As at 01 September 2012	6,000	52,718	58,718
Profit for the year	-	7,834	7,834
As at 31 August 2013	6,000	60,552	66,552

	Authorised 2013 and 2012 No	Authorised, issued and fully paid 2013 and 2012 No
GROUP AND COMPANY		
Ordinary Shares of £1 each	20,000,000	6,000

17 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 £2,028,000 (2012: £1,597,000).

18 Capital Commitments

GROUP AND COMPANY	2013 £'000	2012 £'000
Capital expenditure contracted for but not provided in the financial statements	1,023	420

19 Commitments under Operating Leases

At 31 August 2013 there were annual commitments under non-cancellable operating leases for assets as follows

GROUP	2013 £'000	2012 £'000
Expiring within		
Land and Buildings		
1 year	363	372
2-5 years	604	604
After 5 years	7,056	7,056
Other		
1 year	250	1
2-5 years	40	214

20 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 (2012: £nil).

21 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.

	2013 £'000	2012 £'000
	Fair Value	Fair value
Interest rate swaps	8,257	11,146

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 100% group.

23 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, Watmolenlaan 1, PO Box 265, 3440 AG Woerden, The Netherlands.