

# **IKEA LIMITED**

## **REPORT AND FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED**

### **31 AUGUST 2010**

COMPANY REGISTRATION NUMBER 01986283



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# **IKEA LIMITED**

DIRECTORS AND OFFICERS

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## **DIRECTORS**

W Weber  
K M Hansson  
G P Montz  
I Worling  
C Thordson

## **SECRETARY**

Sisec Limited

## **COMPANY NUMBER**

01986283 (England and Wales)

## **REGISTERED OFFICE**

21 Holborn Viaduct  
London EC1A 2DY

## **INDEPENDENT AUDITORS**

KPMG LLP  
Chartered Accountants And Registered Auditors  
15 Canada Square  
London E14 5GL

# **IKEA LIMITED**

## **DIRECTORS' REPORT**

For the year ended 31 August 2010

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The directors submit their annual report and the audited consolidated financial statements of IKEA Limited for the year ended 31 August 2010

### **BUSINESS REVIEW AND PRINCIPAL ACTIVITIES**

The company operates as a home furnishings retailer. 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. No new stores are planned for the forthcoming financial year. The group has acquired two new companies in the year, IKEA Properties (Reading) Limited (formerly known as Grantchester Properties (Reading) Limited) and IKEA Properties (Theale) Limited (formerly known as Grantchester Nominees (Theale 1) Limited). These companies are subsidiaries of IKEA Properties Investments Limited. The intention is to obtain planning permission with a view to build a new store in Reading. Planning permission is expected to be granted in the forthcoming year, although no construction is expected in the next 12 months.

### **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. Store turnover increased by 1% driven mainly by stronger sales of kitchens.

#### **Profitability**

The group profit before tax for the year was £35.7 million (2009 £17.1 million). The group profit after taxation, was £20.1 million (2009 £24.9 million) and turnover of £1,239 million (2009 £1,230 million). IKEA was affected 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 in the long term, 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 paid a dividend of £20 million in respect of the year under review (2009 £nil).

### **BUSINESS ENVIRONMENT AND STRATEGY**

The uncertainty in the housing market and the effects of the "credit crunch" had an adverse impact 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 affect 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 SLOWDOWN**

The financial services crisis, and its spill over into the real 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 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**

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

# IKEA LIMITED

## DIRECTORS' REPORT (Continued)

For the year ended 31 August 2010

### 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 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 FINANCIAL ASSETS AND LIABILITIES

The IKEA UK group had swap contracts with fair values of £10.5 million above 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

K M Hansson

C Thordson

G P Montz

W Weber

I Worling

### 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 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

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

### GOING CONCERN


After making appropriate enquiries, the directors have formed the judgement, 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.

### INDEPENDENT AUDITORS

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the Board

Gerhard Montz  
Director



22/11/2010

# IKEA LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES for the year ended 31 August 2010

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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)

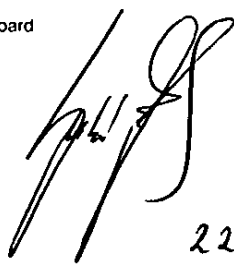
Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently
- make 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,
- 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

By order of the Board

Gerhard Moritz  
Director



22/11/2010



KPMG LLP  
15 Canada Square  
London  
E14 5GL

## 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 2010 set out on pages 7 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 auditors' 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 auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 5, 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 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 (APB'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/UKNP](http://www.frc.org.uk/apb/scope/UKNP).

### Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 August 2010 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.

Helen Dickinson (Senior Statutory Auditor)  
For and on behalf of KPMG LLP, Statutory Auditor  
Chartered Accountants  
22 November 2010

# IKEA LIMITED

GROUP PROFIT AND LOSS ACCOUNT  
for the year ended 31 August 2010

	Notes	2010 £'000	2009 £'000
<b>TURNOVER</b>	<b>1</b>	<b>1,238 660</b>	<b>1 229 763</b>
Cost of Sales		(838 391)	(836,560)
<b>Gross profit</b>		<b>400 269</b>	<b>393 203</b>
Administrative expenses	<b>4</b>	(342,307)	(350 358)
Other operating income		631	643
<b>Profit on ordinary activities before interest</b>		<b>58 593</b>	<b>43,488</b>
Interest receivable and similar income	<b>2</b>	993	4,489
Interest payable and similar charges	<b>3</b>	(23,933)	(30,897)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>35,653</b>	<b>17 080</b>
Tax on profit on ordinary activities	<b>7</b>	(15 593)	7 798
<b>PROFIT FOR THE FINANCIAL YEAR</b>		<b>20 060</b>	<b>24,878</b>

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 2010

	Notes	2010 £'000	2009 £'000
<b>FIXED ASSETS</b>			
Tangible assets	8	744 680	734,065
<b>CURRENT ASSETS</b>			
Stock	10	56,813	47,544
Trade and other debtors	11	76,943	25,375
Cash at bank and in hand		11 585	39 700
		<u>145,341</u>	<u>112,619</u>
<b>CREDITORS Amounts falling due within one year</b>	12	(381,112)	(291,539)
<b>NET CURRENT LIABILITIES</b>		<u>(235 771)</u>	<u>(178,920)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		508 909	555,145
<b>CREDITORS Amounts falling due after more than one year</b>	13	(414,326)	(460,378)
<b>PROVISIONS FOR LIABILITIES</b>	15	(4 743)	(4,987)
<b>NET ASSETS</b>		<u>89,840</u>	<u>89 780</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	16	6,000	6 000
Revaluation reserve	16	4 899	5,070
Profit and loss account	16	78 941	78,710
<b>TOTAL SHAREHOLDERS' FUNDS</b>		<u>89 840</u>	<u>89 780</u>

These financial statements were approved by the board of directors on 22/11/2010 and were signed on its behalf by

  
Gerhard Montz  
Director

COMPANY REGISTRATION NUMBER 01986283

# IKEA LIMITED

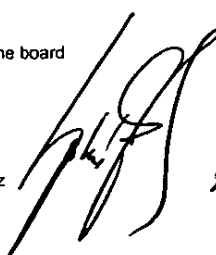
COMPANY BALANCE SHEET  
as at 31 August 2010

	Notes	2010 £'000	2009 £'000
<b>FIXED ASSETS</b>			
Tangible assets	8	39,622	43 438
Investments	9	105 621	105 621
		<u>145,243</u>	<u>149,059</u>
<b>CURRENT ASSETS</b>			
Stocks	10	56,813	47,544
Debtors	11	161,506	128 930
Cash at bank and in hand		556	1 220
		<u>218,875</u>	<u>177,695</u>
<b>CREDITORS Amounts falling due within one year</b>	12	(302,257)	(259,821)
<b>NET CURRENT LIABILITIES</b>		(83 382)	(82,127)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		61,861	66,932
<b>CREDITORS Amounts falling due after more than one year</b>	13	(12,939)	(9 660)
<b>PROVISIONS FOR LIABILITIES</b>	15	(2,743)	(3 445)
<b>NET ASSETS</b>		<u>46 179</u>	<u>53 827</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	16	6 000	6,000
Profit and loss account	16	40,179	47,827
<b>TOTAL SHAREHOLDERS' FUNDS</b>		<u>46,179</u>	<u>53,827</u>

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

Approved by the board

Gerhard Montz  
Director

 22/11/2010

COMPANY REGISTRATION NUMBER 01986283

# IKEA LIMITED

## STATEMENT OF ACCOUNTING POLICIES for the year ended 31 August 2010

### 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

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 throughout the year 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 3 and 4. 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 £236 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.

#### BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 31 August 2010. 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.

#### 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

No Depreciation is provided for construction in progress.

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.

#### 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.

# IKEA LIMITED

STATEMENT OF ACCOUNTING POLICIES (Continued)  
for the year ended 31 August 2010

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## 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.

## 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.

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 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 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.

## 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, Watmolenlaan 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).

# IKEA LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 August 2010

## 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:

	2010 £'000	2009 £'000
United Kingdom	1,201,268	1,185,786
Rest of Europe	37,392	43,977
	<u>1,238,660</u>	<u>1,229,763</u>

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

	2010 £'000	2009 £'000
Bank deposit interest	993	1,070
Interest on overpaid Corporation tax	-	3,419
	<u>993</u>	<u>4,489</u>

## 3 INTEREST PAYABLE AND SIMILAR CHARGES

	2010 £'000	2009 £'000
Interest paid on overdrafts and bank loans	3,432	12,386
Interest paid to group companies	15,309	12,707
Finance leases	5,192	5,804
	<u>23,933</u>	<u>30,897</u>

The group's cash balances are pooled and bank interest is earned or paid on this group balance to/by 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

	2010 £'000	2009 £'000
<b>Operating profit is stated after charging/ (crediting)</b>		
Wages and Salaries	112,368	112,570
Social Security costs	9,203	9,396
Other Pension costs (note 17)	1,420	1,577
Total Staff costs	<u>122,991</u>	<u>123,543</u>
Depreciation of tangible assets		
- owned assets	39,481	39,425
Operating Lease charges		
- other	258	260
- Land and buildings	7,146	7,200
Amounts receivable by auditors and their associates in respect of		
- Audit of financial statements of subsidiaries pursuant to legislation	98	98
- Other services pursuant to such legislation		
- Other services relating to taxation	5	6
Redundancy costs	679	874
Profit on disposal of fixed assets	22	52
Exchange loss	164	91

# IKEA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)  
for the year ended 31 August 2010

## 5 DIRECTORS' EMOLUMENTS

	2010 £'000	2009 £'000
Aggregate emoluments	568	634
Highest paid director	2010 £'000	2009 £'000
Total amount of emoluments	244	251
Pension contributions to the money purchase scheme	2010 £'000	2009 £'000
	40	8

Retirement benefits are accruing to three (2009 1) director under the money purchase scheme

The emoluments of Mr C Thordson W Weber, and I Worling 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 UK group companies. Accordingly the above details include no emoluments in respect of these directors

## 6 EMPLOYEE INFORMATION

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

GROUP	2010 Number	2009 Number
Stores and warehouses	7 646	8,432
Country management and co-ordination	191	228
	<u>7,837</u>	<u>8,660</u>

COMPANY	2010 Number	2009 Number
Stores and warehouses	7,370	8 116
Country management and co-ordination	191	228
	<u>7,561</u>	<u>8,344</u>

# IKEA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)  
for the year ended 31 August 2010

## 7 TAXATION ON THE PROFIT FOR THE YEAR

	2010 £'000	2009 £'000
(a) Analysis of tax charge on ordinary activities		
<b>Current tax</b>		
UK corporation tax on profits of the year	14,026	8,276
Adjustments in respect of previous periods	4,748	(6,441)
<b>Total current tax charge</b>	<b>18,774</b>	<b>1,835</b>
<b>Deferred tax</b>		
Origination & reversal of timing differences	1,129	1,719
Effect of changes in tax rates and laws	59	-
Adjustments in respect of previous periods	(4,369)	(11,352)
<b>Tax on profit on ordinary activities</b>	<b>15,593</b>	<b>(7,798)</b>

### (b) Factors affecting tax charge for the current period

The current tax charge for the period is higher (2009 lower) than the standard rate of corporation tax in the UK of 28%, (2009 28 %). The differences are explained below

Profit on ordinary activities before tax	35,653	17,080
Tax on ordinary activities at the UK tax rate of 28% (2009 28%)	9,983	4,782
<b>Effects of</b>		
Expenses not deductible for tax purposes	5,169	5,213
Accelerated capital allowances	(1,327)	(1,719)
Other timing differences/consolidation adjustments	163	-
Adjustments in respect of previous periods	4,748	(6,441)
<b>Current tax charge for the period</b>	<b>18,736</b>	<b>1,835</b>

### c) Factors affecting current and future tax charges

Effective from 1 April 2011 the corporation tax rate will be reduced from 28% to 27% and the effect on deferred tax has been included within these accounts. It has also been announced that the UK tax rate will drop a further 1% per annum over the next three years reaching 24% effective from 1 April 2014. However, the impact of these subsequent corporation tax rate reductions will only be reflected as the relevant legislation is substantively enacted.

# IKEA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)  
for the year ended 31 August 2010

## 8 TANGIBLE FIXED ASSETS

GROUP	Freehold land and buildings £'000	Building installations £'000	Plant and machinery £'000	Construction in progress £'000	Total £'000
Cost or Valuation					
1 September 2009	722,191	121,298	125,751	-	969,240
Additions	14,537	9,666	7,810	18,320	50,333
Disposals	-	-	(4,787)	-	(4,787)
31 August 2010	736,728	130,964	128,774	18,320	1,014,786
Depreciation					
1 September 2009	(75,185)	(75,578)	(84,412)	-	(235,175)
Charge for the year	(12,566)	(9,755)	(17,160)	-	(39,481)
Disposals	-	-	4,550	-	4,550
31 August 2010	(87,751)	(85,333)	(97,022)	-	(270,106)
Net book value					
31 August 2010	648,977	45,631	31,752	18,320	744,680
31 August 2009	647,006	45,720	41,339	-	734,065

	Freehold land and buildings	Building Installations	Plant Machinery and equipment	Construction in progress	Total
Cost or valuation at 31 August 2010 is represented by:					
Cost	728,409	130,964	128,774	18,320	1,006,467
Valuation	8,319	-	-	-	8,319
	736,728	130,964	128,774	18,320	1,014,786

The Board is satisfied that the value in use supports the carrying value of fixed assets, and therefore no assets are deemed to be impaired

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 (2009 £171,000).

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

	2010 £'000	2009 £'000
Cost	736,558	722,021
Accumulated depreciation	(88,179)	(75,784)
Net book value	648,379	646,237



# IKEA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)  
for the year ended 31 August 2010

## 8 TANGIBLE FIXED ASSETS (Continued)

COMPANY	Leasehold land and Buildings £'000	Plant Machinery and equipment £'000	Total £'000
Cost			
1 September 2009	19,991	101,279	121,270
Additions	-	13,281	13,281
Disposals	-	(4,787)	(4,787)
31 August 2010	19,991	109,773	129,764
Depreciation			
1 September 2009	(11,654)	(66,178)	(77,832)
Charge in the Year	(1,991)	(14,869)	(16,860)
Disposals	-	4,550	4,550
31 August 2010	(13,645)	(76,497)	(90,142)
Net book value			
31 August 2010	6,346	33,276	39,622
31 August 2009	8,337	35,101	43,438

## 9 FIXED ASSET INVESTMENTS

COMPANY	Subsidiary undertakings £'000
At net book value	
01 September 2009	105,621
Additions in the year	-
31 August 2010	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 Retail Services Limited	United Kingdom	Ordinary	100%	Non trading
Victory Retail Park Limited	United Kingdom	Ordinary	100%	Dormant

# IKEA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)  
for the year ended 31 August 2010

## 10 STOCKS

	2010 £'000	2009 £'000
GROUP AND COMPANY		
Finished goods and goods for resale	56,813	47,544

## 11 TRADE AND OTHER DEBTORS

	2010 £'000	2009 £'000
GROUP		
Amounts falling due within one year		
Trade debtors	3,161	4,248
Deposits	46,384	-
Amounts due from group undertakings	12,153	12,248
Other debtors	306	373
Deferred tax asset (See note 15)	1,639	-
Prepayments and accrued income	13,300	8,506
	76,943	25,375

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 £46.4 million with a third party financial institution in the period under review.

### COMPANY

Amounts falling due within one year		
Trade debtors	2,837	2,808
Amounts due from group undertakings	144,992	116,415
Other debtors	306	368
Deferred tax asset (See note 15)	7,308	3,990
Prepayments and accrued income	6,063	5,349
	161,506	128,930

The amounts due from group undertakings in the Company consists of an intra UK group loan balance of £136m (2009 £92m), 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.

## 12 CREDITORS Amounts falling due within one year

	2010 £'000	2009 £'000
GROUP		
Bank loans	82,600	102,966
Amounts owed to group undertakings	213,718	115,080
Trade creditors	19,533	27,025
Obligations under finance leases	5,451	4,866
Corporation tax payable	9,763	1,018
VAT payable	5,471	10,558
Other taxation and social security costs	2,341	2,292
Other creditors (including Accruals and Deferred income)	42,235	27,734
	381,112	291,539

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 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.

# IKEA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)  
for the year ended 31 August 2010

## 12 CREDITORS Amounts falling due within one year (Continued)

	2010	2009
COMPANY	£'000	£'000
Bank overdraft	38,389	17,719
Bank loans	75,000	95,366
Trade creditors	14,220	24,486
Amounts owed to group undertakings	115,019	81,404
VAT payable	8,616	15,141
Corporation tax payable	9,763	1,018
Other taxation and Social security costs	2,135	2,107
Other creditors (including Accruals and Deferred income)	39,115	22,580
	<u>302,257</u>	<u>259,821</u>

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		COMPANY	
	2010	2009	2010	2009
	£'000	£'000	£'000	£'000
Bank loans (see note 14)	104,500	112,100	-	-
Intercompany loans (see note 14)	205,908	241,992	-	-
Finance lease liabilities (see note 14)	90,979	96,626	-	-
Deferred income	12,939	9,660	12,939	9,660
	<u>414,326</u>	<u>460,378</u>	<u>12,939</u>	<u>9,660</u>

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

## 14 MATURITY ANALYSIS

	GROUP		COMPANY	
LOANS	2010	2009	2010	2009
	£'000	£'000	£'000	£'000
Repayable in instalments				
Within one year	199,302	131,849	109,219	95,366
amounts due in more than 2				
but not more than 5 years	117,442	133,414	-	-
in more than 5 years	192,966	220,678	-	-
	<u>509,710</u>	<u>485,941</u>	<u>109,219</u>	<u>95,366</u>

The within one year balance above includes an amount of £82.5 million relating to the short term portion of an intercompany loan. This is included in amounts owed to group undertakings in note 12.

	GROUP	
FINANCE LEASE COMMITMENTS	2010	2009
	£'000	£'000
Repayable in instalments		
Within one year	5,451	4,866
amounts due in more than 2		
but not more than 5 years	27,578	24,985
in more than 5 years	63,401	71,641
	<u>96,430</u>	<u>101,492</u>

The finance lease liability above is at an effective interest rate of 5.9%.

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

# IKEA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)  
for the year ended 31 August 2010

## 15 PROVISION FOR LIABILITIES AND CHARGES

	GROUP		COMPANY	
	2010	2009	2010	2009
	£'000	£'000	£'000	£'000
<b>Deferred taxation-</b>				
At beginning of year	1,542	11,175	-	-
Charge/(Credit)	(3,181)	(9,633)	-	-
At end of year	(1,639)	1,542	-	-
<b>Returns provision-</b>				
At beginning of year	2,766	2,768	2,766	2,768
(Credit)	(23)	(2)	(23)	(2)
At end of year	2,743	2,766	2,743	2,766
<b>Redundancy provision-</b>				
At beginning of year	679	1,136	679	1,136
(Credit)	(679)	(457)	(679)	(457)
At end of year	-	679	-	679
<b>Provision for additional consideration-</b>				
At beginning of year	-	-	-	-
Increase/(decrease) in provision	2,000	-	-	-
At end of year	2,000	-	-	-

Redundancy costs of £679 000 (2009 £874 000) 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.

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) Limited) and IKEA Properties (Theale) Limited (formerly Grantchester Properties (Theale 1) Limited) on 14th December 2009.

	2010	2009
	£'000	£'000
<b>Deferred tax (assets)/liabilities comprise</b>		
<b>GROUP</b>		
Accelerated capital allowances	1,855	1,551
Adjustments in respect of prior periods	(3,494)	-
Other timing differences	-	(9)
	<u>(1,639)</u>	<u>1,542</u>
<b>COMPANY</b>		
Accelerated capital allowances	3,814	3,981
Adjustments in respect of prior periods	3,494	-
Other timing differences	-	9
	<u>7,308</u>	<u>3,990</u>

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

The movement in deferred tax has created a deferred tax debtor at the balance sheet date. As such the balance has been included in debtors and excluded from provisions for liabilities and charges.

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

	Called up Share capital	Revaluation reserve	Profit and loss account	Total shareholders' funds
<b>GROUP</b>				
01 September 2009	6,000	5,070	78,710	89,780
Profit for the financial year	-	-	20,060	20,060
Dividends	-	-	(20,000)	(20,000)
Transfer between profit and loss and revaluation reserve	-	(171)	171	0
31 August 2010	<u>6,000</u>	<u>4,899</u>	<u>78,941</u>	<u>89,840</u>

	Called up Share capital	Profit and loss account	Total shareholders' funds
<b>COMPANY</b>			
01 September 2009	6,000	47,827	53,827
Profit for the financial year	-	12,352	12,352
Dividends	-	(20,000)	(20,000)
31 August 2010	<u>6,000</u>	<u>40,179</u>	<u>46,179</u>

# IKEA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)  
for the year ended 31 August 2010

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

	Authorised	Allotted, issued and fully paid
GROUP AND COMPANY	2010 and 2009 No	2010 and 2009 £ 000
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 £1,420,000 (2009: £1,577,000). There were no outstanding contributions at the end of the financial year.

## 18 CAPITAL COMMITMENTS

	2010 £'000	2009 £'000
GROUP AND COMPANY		
Capital expenditure contracted for but not provided in the financial statements	-	-

There were no retail units under construction in 2010 and as a result no capital commitments exist.

## 19 COMMITMENTS UNDER OPERATING LEASES

At 31 August 2010 there were annual commitments under non-cancellable operating leases for assets as follows:

GROUP	2010 £ 000	2009 £'000
Expiring within		
<b>Land and Buildings</b>		
2-5 years	646	700
after 5 years	6 500	6 500
<b>Other</b>		
1 year	86	87
2-5 years	172	173

# IKEA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)  
for the year ended 31 August 2010

## 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 (2009: £nil).

## 21 PURCHASE OF BUSINESSES

On 14 December 2009, the Group acquired the entire share capital of IKEA Properties (Reading) Limited (formerly known as Grantchester Properties (Reading) Limited) and IKEA Properties (Theale) Limited (formerly known as Grantchester Nominees (Theale 1) Limited). No goodwill arose on acquisition.

### Net assets acquired

	Book value	Adjustments	Fair value
Tangible assets	16.0	2.0	18.0
Other debtors	0.3	-	0.3
Creditors	-16.0	16.0	-
			18.3
<b>Satisfied by</b>			
Cash consideration			16.3
Deferred consideration			2.0
			18.3

## 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 COMPANY 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 available from KVK, Watarmolenlaan 1, PO Box 265, 3440 AG Woerden, The Netherlands.