IKEA LIMITED

DIRECTORS' REPORT
AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2020

IKEA LIMITED

CONTENTS

Directors	S Shah	(Resigned 15 October 2019)
	C Mourouzides	(Appointed 15 October 2019)
	H Olshov	(Resigned 15 October 2019)
	C Bengtsson	(Appointed 15 October 2019)
	M Deblinska Hajdas	
	P Jelkeby	
	S Vanoverbeke	
Secretary	Shoosmiths Secretaries Limited 7th Floor 100 Avebury Boulevard Milton Keynes MK9 1FH	
Company number	01986283	
Auditor	KPMG LLP 15 Canada Square Canary Wharf E14 5GL	
Banker	HSBC City of London Branch 60 Queen Victoria Street London EC4N 4TR	
Registered office	7th Floor 100 Avebury Boulevard Milton Keynes MK9 1FH	

Introduction and Principal Activities

IKEA Limited (the "Company") operates as a home furnishings retailer. At the start of the 2020 financial year IKEA Limited had a total number of 22 UK stores, 3 Order and Collection Points, and 2 Planning Studios, with nearly ten thousand employees. The vision of the Company is to create a better everyday life for the many people, by offering a wide range of well-designed, sustainable and functional home furnishing products at prices so low that as many people as possible will be able to afford them. It is the Company's belief that delivering continued growth and sustainable long-term profitability, as well as home furnishing inspiration and solutions to live a more sustainable life at home, will enable this vision.

Business review

2020 was a year during which the COVID pandemic impacted significantly our business, leading to a turnover decrease of 10.2% (2020: £1.90 billion vs 2019: £2.12 billion). The first 6 months of year headed off to a great start and the Company had been enjoying a 4% year on year growth in turnover, mainly fuelled by increased ecommerce activity and the full year of trading at the Greenwich store that had opened in February 2019. However, in the second half of the year, the company's business operation and financial performance were severely impacted by the COVID-19 pandemic. On 23rd March 2020 the Company took the decision to voluntarily close all of its stores and units from trading, ahead of the UK Government's lockdown, in order to protect our customers and co-workers. Online and fulfilment operations continued where they could. Stores in England and Northern Ireland were reopened to the public on 1st June 2020. Stores in Wales and Scotland were reopened on 22nd June 2020.

The ecommerce operations of the business represented approximately 27% of the total turnover during 2020, compared to close to 19% in 2019. This has accelerated the implementation of many of our transformational plans in meeting with our customers (e.g. the implementation of click & collect, the fulfilment of online orders from the stores) in order to create additional capacity to fulfil the online demand. From a financial point of view, the significant increase in the ecommerce operations has had a negative impact on the company's Gross Margin, as a result of the increase in fulfilment costs. However, this was compensated by an improvement in other elements of Gross Margin and the positive impact of the strengthening British pound and the Gross Margin for 2020 at 27.1% was slightly higher than in 2019 at 26.8%.

From an operating cost point of view, the company managed to decrease its costs by 3.4%, but the cost ratio increased to 29.7% (2019:27.6%), given the decrease in turnover by 10.2%. This was mainly due to the conscious decision to not claim any government support available due to the COVID-19 pandemic and pay all our co-workers fully throughout 2020, despite the fact that some of them were not fully occupied during the lockdown period. Additionally, the company had to incur significant incremental costs associated with extra safety and cleaning measures established at the Stores in order to deal with the COVID-19 pandemic and make them a safe place to operate for both customers and co-workers.

As a result of the above, the company's operating result for the year was a loss of £32.67 million (2019: £2.48 million loss). Also, net current assets have decreased from £94.92 million in 2019 to £86.72 million in 2020. This is largely due to a decrease in stock holding at year-end.

Retail transformation

In 2018, INGKA Holding BV ("INGKA") began a three year transformation journey to adapt and exceed our customers' expectation – aiming to make IKEA more affordable, accessible and sustainable, for people and planet. Our cash and carry business model, developed over 75 years since IKEA was founded in Sweden, was disruptive in its time, and remains part of our competitive advantage. However, societal and financial equality shifts, the increased need for convenience and the growing focus on sustainability are changing people's behaviours and consequently the retail industry, so IKEA UK Group must go even further to meet and exceed customers' needs and expectations.

To secure the future of IKEA UK Group, the business must ensure continued profitable growth, whilst staying true to our values, leading with purpose and ensuring a positive impact on society and the environment. We will become more accessible by developing our network of stores in the UK, as well as smaller units, our online offering, and new services including remote planning of kitchens, wardrobes and living rooms, click and collect, and express delivery from our Stores.

During the 2020 financial year, IKEA UK Group closed its Coventry store, as well as the Order and Collection Point at Westfield in Stratford and the second of its Planning Studios in Bromley, London. These moves were unrelated to the challenges posed by COVID19. Coventry was IKEA's first attempt at moving closer to the city centre. However, it was ultimately concluded that this was the wrong store format for the location. Similarly, Stratford and Bromley were two smaller test units, which provided valuable insights on how customers want to shop with IKEA, but were ultimately deemed as not successful.

Whilst we decided to close our Coventry store and two smaller test format units, we are still fully committed in investing in new physical customer touchpoints, as well as developing further our online offer in order to ensure greater accessibility to IKEA wherever people live and in order to broaden our customer base, especially in the city centres. Towards the end of 2021 we will open a small store in the King's Mall shopping centre in Hammersmith, we continue to expand with click and collect points at 3rd parties, and we are also looking for further investment opportunities closer to city centres.

Whilst 2020 started really well for us, the COVID-19 pandemic disrupted our activities and had a significantly negative impact on our financial performance. However, COVID has also helped us to truly show our business agility and resilience, and enabled the acceleration of our plans, allowing us to innovate, test and learn. With stores closed to the public, they were transformed into fulfilment centre, allowing for shorter lead-times and advancing the transformation of our fulfilment operations.

Physically distance from our customers, gave us the opportunity to strengthen our digital presence by launching remote planning services for our kitchen, bedroom and living room ranges, ensuring our exceptional life at home and home furnishing expertise remained available to customers, when they needed our products and services the most, during the lockdown.

Our people

Our response to COVID-19 also clearly showed the resilience and commitment of our 11,000 co-workers across IKEA UK Group. We are now building on this energy to go even further in the coming financial year, recognising that their experience and understanding remains one of our most powerful assets.

Throughout the pandemic, IKEA UK Group made the choice to put our people at the heart of everything we do, by ensuring extensive safety measures in all workspaces, and ensuring all co-workers were paid 100% of their contract hours, even though our stores were closed to customers for nearly a third of the year. IKEA UK Group took a decision not to seek or accept any Government support via the furlough or job support schemes for employee salaries throughout this time.

Additionally, IKEA UK Group decided to invest significantly in programmes supporting our co-workers' health and mental well-being. IKEA Limited also committed £900k to an employee-support scheme, together with the third party charity organisation Retail Trust, in order to support our most financially impacted co-workers.

Creating a new IKEA means transforming the experience of working within the business too. The workforce is changing, and IKEA UK Group will need new competencies and skills and will focus on creating exciting jobs with continuous learning opportunities for our co-workers. We remain committed to ensuring a fair and decent standard of living for our co-workers. We continuing to invest in our people and remain committed to protecting as many livelihoods as possible for as long as possible.

At the same time, we are also passionate about creating an inclusive culture and working towards an equal split of men and women at every level, in every part of the business through our Gender Equality Plan. The overall gender split across IKEA UK Group co-workers is 49% male and 51% female.

People & Planet positive

In addition to supporting our co-workers, during the COVID-19 pandemic IKEA UK Group also focused on supporting the greater society in dealing with the challenges posed during this period. We worked closely with Public Health England and facilitated the transformation of some of our Store car parks into temporary COVID-19 testing units, enabling the increase in the number of tests across the country at a time this was greatly needed. INGKA also supported our communities in the UK by dedicating part of the EUR26m global funds set aside to support the most vulnerable during these difficult times. Last but not least, we supported some of our key suppliers with financial liquidity in the form of invoice prepayments.

We also continue to further investment in sustainability initiatives, building on a legacy which shows us to be one of the most sustainably-minded brands in the world. In seeking to fulfil our goal to become fully circular and climate positive by 2030, we will strive to inspire and enable millions of people in the UK to live a more healthy and sustainable life at home. We strongly believe that sustainability does not have to be an expensive lifestyle choice, and we'll continue to ensure that everyone, even those with thin wallets can access the products and solutions they need to live a better life on this one planet we all share.

We will also continue to invest towards becoming resource and energy independent and reducing our UK and planetary carbon footprint, and work in-line with science-based targets to encourage Government and other businesses to do what is necessary to limit global temperature rises to be 1.5°. The Country Retail Manager, Peter Jelkeby, is a member of the Steering Group of the British Retail Consortium's Climate Roadmap, as well as supporting the UK Government Retail Sector Council's net zero and beyond work stream, in addition to being part of the COP26 Business Leaders Group, headed by the Rt. Hon. Secretary of State Alok Sharma MP.

In this respect, 98% of packaging for IKEA products is now renewable, recyclable or recycled. In 2020, the Company met its aim to be single-use plastic free. In the coming weeks, the Company will also launch its Buy Back service, to ensure products can be resold to those who need and require them and to enable materials to have a second, or indeed third life.

We live in complex and fast-changing times but working together sits at the heart of our culture and has its roots in our commitment to always be on the side of the many people. The changes we make to our business are also driven by this.

The details provided above in the sections "Retail Transformation", "Our People" and "People and Planet positive", which explain some of the actions we have taken and planning to take in order to transform our business and make it more affordable, accessible and people and planet positive, also satisfy our Section 172 obligations.

Streamlined Energy and Carbon Reporting

Under the Streamlined Energy and Carbon Reporting regulations IKEA UK Group are required to report annually on greenhouse gas emissions from Scope 1 and 2 Electricity, Gas and Transport. This is the first reporting period and therefore no emissions from previous years are available as a comparison.

The data has been compiled in line with the March 2019 BEIS 'Environmental Reporting Guidelines: Including streamlined energy and carbon reporting guidance', and the EMA methodology for SECR Reporting. All measured emissions from activities which the IKEA UK Group has financial control over are included as required under The Companies (Directors' Report) and Ltd Liability Partnerships (Energy and Carbon Report) Regulations 2018, unless otherwise stated in the exclusions statement.

The carbon figures have been calculated using the BEIS 2020 carbon conversion factors for all fuels, other than the market based electricity which has been taken from Total Gas & Power, Engie and SSE as the UK suppliers.

UK Carbon Footprint Data 2019-20

Scope	Description	Specific fuels	tCO2e
Scope 1	Combustion of fuel on site and transportation	On site: Natural Gas, Wood Pellet (biomass), Diesel, Unknown vehicle fuel	7,366
Scope 2	Purchased energy	Electricity and District Heating	Location based 17,719
			Market Based 933
Scope 3	Supply Chain Emissions	Unknown vehicle fuel	87
Total		Location based	25,172
		Market based	8,386
Intensity Ratio	tCO2e / m2 floor area	Location based	0.04
		Market based	0.01
Energy Usage	Total kWh consumed	Electricity, Natural Gas, Diesel, Biomass, District Heating, unknown vehicle fuel	117,872,438
	Renewable %	Electricity1	95%

Principal risks and uncertainties

Overview

The Board of Directors is responsible for determining the level of risk acceptable to the Company; this is subject to a regular review. The Company has regular board and management meetings to manage all risks.

The Board has considered the potential consequences and material impacts of the UK decision to leave the European Union. The business continually analyses the implications of the end of the Brexit Transition period and has been working to a number of scenarios, including one where a deal between the UK and EU could not be concluded.

It is still unclear how the conclusion of Brexit will impact the retail market and the totality of our operations, although we do expect at least initial disruption to trade flows, and changes arising from new border operating models and product requirement rules. However, management are keeping close to the negotiations, working closely with external partners and authorities in the UK and EU to take the actions and make changes where required, and managing further potential impacts on the business. The Directors believe that IKEA Ltd is well positioned for continued growth within the UK.

The execution of the Company's strategy is subject to several risks:

COVID-19 pandemic risk

COVID-19 pandemic and its impact on people's lives and the economy continues to be the highest risk the company faces at the moment. Restrictions measures put in place by the authorities to minimise the spread of the pandemic have an impact on our store operations, despite all the measures we have put in place and the high standards of health and safety we have implemented in all our units to ensure that these are safe for our co-workers and customers. Our Stores in England had to close for our customers for 4 weeks in November 2020 and still some of our restaurants remain closed. Additionally, a third lockdown after Christmas cannot be excluded, whereas according to the government the full financial impact from the pandemic has not been fully realised yet and a further contraction of the economy and increase in unemployment should be expected. On the other hand, life at home has become more important than ever and as a result there is an increased interest in home furnishings, making our vision of creating a better everyday life for the many people more relevant than ever. Before lockdown and after re-opening we see a significant increase of trade both in our stores and online and more of the many people choose IKEA in order to meet the new needs of their life at home. Additionally, as a business we have improved accessibility to our range offer by strengthening our fulfilment capacities and capabilities and by scaling up new services like click and collect and remote planning and selling. During the second 4-week lockdown in England, we converted all our stores into fulfilment centres and served many of our customers with click and collect and remote planning and selling in addition to all other online services available. As a result, our sales results were significantly improved compared to the first lockdown period and we strongly believe that we are on target to achieve our sales goal for the year. The IKEA UK Group's management team continues to monitor very closely the developments around this risk and continuously takes measures to increase our operational efficiency given the restrictions in place and secure that we service all our customers in an efficient and safe way.

Financial risk management

Financial instruments are governed by the commercial policies of the international INGKA Group. Consequently, treasury operations are centralised and managed by an INGKA Group Company outside the IKEA UK Group; a nominated resource within this Company is responsible for reviewing the risk exposure together with key UK management on a regular basis. The cash flow risk of the Company is addressed under the following headings:

i. Exchange rate risk

   The exchange rate risk of the Company is actively managed by reviewing currency needs in advance and in line with INGKA Group policies.

ii. Interest rate risk

   Interest rate risk is managed via a series of fixed and floating rate instruments.

iii. Liquidity risk

   The Company maintains a mixture of long and short term debt instruments that are designed to ensure it has availability of sufficient funds for operations and planned expansion.

iv. Credit risk

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

Price risk

The INGKA Group at a global level works with its supplier to source products and sustainable materials at the lowest price so that the business may deliver its price and value promise to customers.

Key performance indicators

The Directors consider the key financial performance indicators of the Company to be turnover, gross margin, operating profit and net current assets of the Company, the results of which have been disclosed in the Business Review section above. The Directors consider a number of non-financial performance indicators. However, they do not deem these as key for the assessment of the Company's financial performance in the current year.

Subsequent events

Following the 2020 year-end, we had to close our Stores in England for 4 weeks from Thursday 5th November 2020 and our Store in Wales for 2 weeks from Friday 23rd October 2020, due to the COVID-19 lockdown measures decided by the authorities. Additionally, although our Stores in Scotland and Northern Ireland have not closed, they have been operating with significant restrictions to prevent the spread of COVID-19. Moreover, many of our restaurants all over the UK have been closed and some still currently remain closed in the England Tier 3 regions. During the closure periods, the Stores were converted into fulfilment centres and fulfilled online customer orders in order to satisfy the increased demand in online orders and minimise the financial impact from the closures. Our click and collect service from our Stores was particularly popular during these periods. Additionally, we increased our capacities of remote planning and selling, so that many of our customers interested in making bigger purchases with planning facilities like kitchens and wardrobes could still access us. During the closures periods all of our co-workers remained employed and were paid 100% of their contractual hours, without making use any job support schemes offered by the government. Despite the impact from the closures and the restrictions in our operations due to COVID-19, we are still on target to achieve our growth ambition for 2021.

On behalf of the board

DocuSigned by:

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C Mourouzides
Director
18 December 2020

The Directors present their annual report and the financial statements of IKEA Ltd for the year ended 31 August 2020. The Company operates in the UK with no branches outside of the UK.

Results and dividends

The loss before tax for the year was £27.32 million (2019: profit of £3.92 million). The loss after tax was £22.58 million (2019: profit of £3.15 million). The Company paid no dividends in the financial year 2020 (2019: £nil).

Directors

The following directors held office during the year up to the date of this report:

S Shah	(Resigned 15 October 2019)
C Mourouzides	(Appointed 15 October 2019)
H Olshov	(Resigned 15 October 2019)
C Bengtsson	(Appointed 15 October 2019)
M Deblinska Hajdas	
P Jelkeby	
S Vanoverbeke	

No Director held any interest in the shares of the Company during the period.

Employees and employee policies

The Company 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 Company continues employment wherever possible and arranges retraining. The Company 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 Company encourages the involvement of employees by means of team meetings and newsletters. The Strategy Report on page 2 provides details on the Company's Gender Equality Plan.

Research and development

No research and development activities were undertaken during the year.

Political contributions

The Company did not make any political donations in either the current or prior year.

Disclosure of information to auditor

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 assets of the Company of £86.73 million (2019: £94.92 million). The operating result decreased from a loss of £2.48 million in 2019 to a loss of £32.67 million in 2020. However, as the ultimate parent Company INGKA Holding BV, has expressed its willingness to support the Company via letter of support to meet its present and future obligations for a period of up to 12 months, the Directors believe the going concern assumption is appropriate for this reason.

The INGKA Group has reviewed the current forecasts and the impact of Brexit and COVID-19, which includes taking into account a severe but plausible downside scenario of subsequent lockdowns and possible closure of IKEA stores for a period of up to 12 months, and they will still have sufficient and available funds to meets its liabilities as they fall due for that period.

Accordingly, the Directors' are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due at least 12 months from the date of the approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

UK Corporate Governance Code

Overview

IKEA Limited ("IKEA") is subject to new reporting requirements under the Companies (Miscellaneous Reporting) Regulations 2018 (MRR). These include a requirement to make a statement stating which corporate governance code IKEA applies for its governance arrangements (and how the code is applied, including explanations for any departure from application), and if no code is applied, why and what governance arrangements are in place.

IKEA has chosen to apply the Wates Corporate Governance Principles for Large Private Companies 2018 (Wates Principles), which comprise six key principles. This statement provides an account of how IKEA applies the Wates Principles in its corporate governance arrangements.

In addition, IKEA's parent company, INGKA Holding BV ("INGKA"), has a bespoke governance framework which applies to INGKA Holding BV and its subsidiaries, including IKEA. Full details on INGKA's governance framework is available in their Annual Summary and Sustainability Report, which can be found on their website **ingka.com/this-is-ingka-group/annual-report.**

The Wates Principles

IKEA complied with all of the six key Wates Principles set out in the MRR for the period under review. To keep this report concise, we will focus on the key governance issues only. IKEA's compliance with key areas of the Wates Principles are summarised below, together with cross references, where applicable, to the relevant sections of this report where more information can be found.

Purpose and leadership: information on how IKEA have an effective board that develops and promotes the purpose of a company, and ensures that its values, strategy and culture align with that purpose can be found in the Strategic report on pages 2-5.

Board composition: IKEA have an effective board composition and this is reflected by an effective chair and a balance of skills, backgrounds, experience and knowledge, with individual directors having sufficient capacity to make a valuable contribution. The IKEA Board is comprised of five members, with a mix of executive and non-executive directors from IKEA Limited, IKEA Retail Services AB, Ingka Services AB and Ingka Services B.V: Stefan Vanoverbeke, Deputy Retail Operations Manager (Chairperson), Peter Jelkeby, CEO & Chief Sustainability Officer (Organiser), Marzanna Deblinska-Hajdas, Business Navigation Business Partner (Member), Constantinos Mourouzides, Country Chief Financial Officer (Member) and Charlotta Bengtsson, Legal Counsel Manager (Member).

Directors' responsibilities: the IKEA Board and individual directors have a clear understanding of their accountability and responsibilities. The individual directors have been trained and fully understand their statutory duties set out in the Companies Act 2006 and, in accordance with these duties, all directors are required to act in good faith and promote the success of the Company for the benefit of its stakeholders. More information of how the directors promote the success of the Company can be found in "Retail transformation", "Our people" and "People and planet positive" sections of the Strategic report on pages 2-3.

Opportunity and risk: the IKEA Board ensures a sustainable business through consistent, profitable growth and driving a culture of continuous improvement in standards and performance. It is responsible for agreeing the strategy and corporate vision in a way that maximises value creation and manages risks. All material new strategies are considered and approved by the IKEA Board. The IKEA Board has delegated responsibility to the Risk Committee for reviewing and advising on the current risk exposure of the Company and future risk strategy.

Remuneration: The IKEA Board has delegated responsibility to the People Committee for determining remuneration policies and procedures. The People Committee is responsible for establishing and reviewing the remuneration policy and approach and this is presented and approved by the IKEA Ltd Board of Directors. The People Committee ensures that changes in remuneration are fair and consistent, performance-based where appropriate and take into account external benchmarking. The company operates a performance related bonus scheme named "One IKEA Bonus" (OIB). The principles and rewarding parameters of OIB follow relevant guidelines from INGKA Group and are approved by the IKEA Ltd Board of Directors. Remuneration for directors and senior management is also approved by the IKEA Ltd Board of Directors.

Stakeholder relationships and engagement: information on how the directors have had regard for the Company's Stakeholders, and the effect of that regard, is included in the Strategic report on pages 2 to 5.

Impairment of non-financial assets

Impairment losses recognised in respect of income-generating units are allocated first to reduce the carrying amount of any goodwill allocated to income-generating units, then to any capitalised intangible asset and finally to the carrying amount of the tangible assets in the unit on a pro rata or more appropriate basis. An income generating unit is the smallest identifiable group of assets that generates income that is largely independent of the income streams from other assets or groups of assets.

Other financial instruments

Financial instruments are governed by the commercial policies of the INGKA Group. Consequently, the treasury operations are centralised and managed by a fellow INGKA Group subsidiary, outside the IKEA UK Group. A central treasury function reviews the risk exposure together with key management in the UK.

Other disclosures

As permitted by legislation, some of the matters required to be included in the Directors' Report have instead been included in the Strategic Report on pages 2 to 5, as the Board considers them to be of strategic importance. Specifically, these are:

- Financial risk management
- Greenhouse gas emissions 2019/20
- Subsequent events
- Information on how the directors have had regard for the Company's Stakeholders, and the effect of that regard

Directors Indemnity

The Company has granted an indemnity to the Directors of the Company against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity provision remains in force as at the date of approving the Directors' report.

On behalf of the Board

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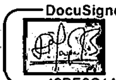

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C Mourouzides
Director
18 December 2020

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7th Floor
100 Avebury Boulevard
Milton Keynes
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The directors are responsible for preparing the Strategic Report, 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 financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland.*

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 company and of the profit or loss of the company for that period. In preparing these 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;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate 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 company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

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C Mourouzides
Director
18 December 2020

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF IKEA LIMITED

Opinion

We have audited the financial statements of IKEA Limited ("the company") for the year ended 31 August 2020 which comprise the Statement of Income and Retained Earnings, Balance Sheet and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 August 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Strategic reportand directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 8, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.

DocuSigned by:

Sabira Datoo

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Sabira Datoo (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
E14 5GL
London
United Kingdom
18 December 2020

IKEA LIMITED
REGISTERED NO: 01986283
STATEMENT OF INCOME AND RETAINED EARNINGS
FOR THE YEAR ENDED 31 AUGUST 2020

	Note	2020 £'000	2019 £'000
TURNOVER	2	1,903,793	2,120,372
Cost of sales		(1,388,018)	(1,551,167)
Gross profit		515,775	569,205
Administrative expenses		(564,508)	(584,265)
Other operating income		16,068	12,583
Operating loss	3	(32,665)	(2,477)
Loss on ordinary activities before interest		(32,665)	(2,477)
Interest receivable and similar income	4	4,303	4,190
Interest payable and similar charges	5	(1,953)	(1,290)
Dividend received		3,000	3,500
(LOSS) / PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(27,315)	3,923
Tax (charge) / credit	7	4,738	(775)
(LOSS) / PROFIT FOR THE YEAR AND TOTAL COMPREHENSIVE INCOME		(22,577)	3,148

Retained eamings as at 1 September	16	246,829	243,681
Profit / (loss) for the year	16	(22,577)	3,148
Retained eamings as at 31 August	16	224,252	246,829

All amounts in the statement of income and retained eamings above relate to continuing activities. The notes on pages 14 to 23 form part of the financial statements.

IKEA LIMITED
REGISTERED NO: 01986283
BALANCE SHEET
AS AT 31 AUGUST 2020

	Note	2020 £'000	2019 £'000
FIXED ASSETS			
Intangible assets	8	895	1,246
Tangible assets	9	47,806	62,525
Investments	10	108,621	108,621
CURRENT ASSETS			
Stock	11	65,016	91,761
Debtors (including £9,924 due after more than one year (2019: £8,218))	12	399,339	334,780
Cash at bank and in hand		23,632	21,824
		487,987	448,365
CREDITORS: Amounts falling due within one year	13	(401,264)	(353,445)
NET CURRENT ASSETS		86,723	94,920
TOTAL ASSETS LESS CURRENT LIABILITIES		244,045	267,312
CREDITORS: Amounts falling due after more than one year	14	(1,754)	(2,376)
PROVISIONS FOR LIABILITIES	15	(12,039)	(12,107)
NET ASSETS		230,252	252,829
CAPITAL AND RESERVES			
Called up share capital	16	6,000	6,000
Profit and loss account	16	224,252	246,829
TOTAL SHAREHOLDERS' FUNDS	16	230,252	252,829

The notes on pages 14 to 23 form part of the financial statements.

These financial statements were approved by the Board of Directors on 18 December 2020 and were signed on its behalf by:

DocuSigned by:

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C Mourouzides
Director
18 December 2020
Company registered number: 01986283

Statement of Compliance

The company's financial statements of IKEA Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standards 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" (FRS 102) and the Companies Act 2006.

1. Accounting policies

IKEA Limited (the "Company") is a private company limited by shares and incorporated and domiciled in the UK. The Company's registered address is: 7th Floor, 100 Avebury Boulevard, Milton Keynes, MK9 1FH. The Company's registered number is 01986283.

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 the Companies Act 2006 and the applicable accounting standards in the UK as issued by the Financial Reporting Council, in particular FRS 102. The principal accounting policies, which have been applied consistently within the accounts from one financial year to another are set out below.

The presentation currency of these financial statements is Sterling. All amounts in the financial statements have been rounded to the nearest £',000. These financial statements present information about the Company as an individual undertaking and not about its group.

The Company is exempt by virtue of S400 the Companies Act 2006 from the requirement to prepare group financial statements. The Company's ultimate parent undertaking, INGKA Holding BV includes the Company in its consolidated financial statements. The consolidated financial statements of INGKA Holding BV are publicly available and from KVK, Watermolenlaan 1, PO Box 265, 3440 AG Woerden, The Netherlands.

In these financial statements, the Company is considered to be a qualifying entity and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- The requirements of Section 7 Cash flow statement and Section 3 Financial Statement Presentation 3.17 (d)
- The requirements of Section 11 Basic Financial Instruments
- The requirements of Section 33 Related Party Disclosures

As the consolidated financial statements of INGKA Holdings BV, prepared in accordance with International Financial Reporting Standards as adopted by the EU are available to the public and may be obtained from KVK, Watermolenlaan 1, PO Box 265, 3440 AG Woerden, The Netherlands include the relevant disclosures, the Company has also taken the exemption under FRS 102 available in respect of the disclosures required by FRS 102 Basic financial instrument.

The Company has taken advantage of the exemption conferred by FRS 102 33.1A "Related Party Disclosures" from disclosing details of transactions with its immediate parent company and any other company within the 100% wholly owned group.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Going concern

The financial statements show net current assets of the Company of £86.73 million (2019: £94.92 million). The operating result decreased from a loss of £2.48 million in 2019 to a loss of £32.67 million in 2020. However, as the ultimate parent Company INGKA Holding BV, has expressed its willingness to support the Company via letter of support to meet its present and future obligations for a period of up to 12 months, the Directors believe the going concern assumption is appropriate for this reason.

The INGKA Group has reviewed the current forecasts and the impact of Brexit and COVID-19, which includes taking into account a severe but plausible downside scenario of subsequent lockdowns and possible closure of IKEA stores for a period of up to 12 months, and they will still have sufficient and available funds to meets its liabilities as they fall due for that period.

Accordingly, the Directors' are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due at least 12 months from the date of the approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Measurement convention

The financial statements are prepared on the historical cost basis. Judgements made by directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are disclosed in note 20.

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

Impairment financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Accounting policies (continued)

Intangible assets

Intangible assets acquired separately from a business are capitalised at cost. Intangible assets acquired as part of an acquisition of a business are capitalised separately from goodwill if the fair value can be measured reliably on initial recognition. Intangible assets acquired as part of an acquisition are not recognised where they arise from legal or other contractual rights, and where there is no history of exchange transactions.

Intangible assets, excluding development costs, created within the business are not capitalised and expenditure is charged against profits in the year in which it is incurred. Subsequent to initial recognition, intangible assets are stated at cost less accumulated amortisation and accumulated impairment. Intangible assets are amortised on a straight line basis over their estimated useful life with zero residual value. The carrying value of intangible assets is reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable.

The useful economic live of intangible assets are as follows:

Initial Franchise Fee	5 years

The initial Franchise Fee amortisation period of 5 years is in line with a new store start up period. If there are indicators that the residual value or useful life of an intangible asset has changed since the most recent annual reporting period previous estimates shall be reviewed and, if current expectations differ the residual value, amortisation method or useful life shall be amended. Changes in the expected useful life or the expected pattern of consumption of benefit shall be accounted for as a change in accounting estimate.

Tangible fixed assets

Fixed assets are stated at historical cost less accumulated depreciation and accumulated impairment losses 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)	5-8 years
Building installations	10 years
Building equipment	15 years

No depreciation is provided on construction in progress.

In accordance with FRS 102.27 "Impairment of Assets", the Company has determined that each primary market area 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 Company's internal forecasts, the results of which are reviewed by the board.

Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets other than stock and deferred tax assets are reviewed at each reporting date for impairment when events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its income-generating unit exceeds its recoverable amount. Impairment losses are recognised in the profit and loss account.

Impairment losses recognised in respect of income-generating units are allocated first to reduce the carrying amount of any goodwill allocated to income-generating units, then to any capitalised intangible asset and finally to the carrying amount of the tangible assets in the unit on a pro rata or more appropriate basis. An income generating unit is the smallest identifiable group of assets that generates income that is largely independent of the income streams from other assets or groups of assets.

Calculation of recoverable amount

The recoverable amount of fixed assets is the greater of their fair value less cost to sell and value in use. In assessing value in use, the expected future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the rate of return expected on an equally risky investment. For an asset that does not generate largely independent income streams, the recoverable amount is determined for the income-generating unit to which the asset belongs.

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 FRS 102 27.5 "Impairment". Income from investments is recognised in the statement of income and retained earnings to the extent that profits are distributed.

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.

Basic financial instruments

Trade and other debtors and creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. A financial asset and financial liability are offset and the net amount presented when the Company has a legally enforceable right to set off the recognised amounts and intends to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Accounting policies (continued)

Cash and cash equivalents
Cash and cash equivalents comprise cash and cash-in-transit balances. The IKEA UK Group cash balances are pooled and bank interest is earned or paid on this IKEA UK Group balance to/from the Company. The respective bank balances of the subsidiaries are taken in to account when computing the inter group interest.

Interest-bearing borrowing classified as basic financial instruments
Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest rate method, less any impairment losses.

Other financial instruments

Other financial instruments not meeting the definition of Basic Financial Instruments are recognised initially at fair value. Subsequent to initial recognition other financial instruments are measured at fair value with changes recognised in profit or loss.

Financial instruments are governed by the commercial policies of the INGKA Holding BV and its subsidiaries (together the "INGKA Group"). Consequently, the treasury operations are centralised and managed by a fellow INGKA Group subsidiary, outside the IKEA UK Group. A central treasury function reviews the risk exposure together with key management in the UK.

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 102.29 "Income Tax".

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.

Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Annual rentals for operating leases are charged to the profit and loss account on a straight line basis over the lease term. Incentives from lessors are recognised as a systematic reduction of the charge over the life of the lease.

Turnover

Turnover from the sale of goods and services is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Turnover is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be reliably estimated, there is no continuing management involvement with the goods and the amount of turnover can be reliably measured.

Interest

Interest payable and receivable are accounted for on an accruals basis. Interest is charged on all trading inter-company balances.

Provisions

The returns provision is management's best estimate of the value of goods expected to be returned post year end in relation to sales made pre-year end. The warranty provision is management's best estimate of the expected cost to make good of any future claim received for past transactions.

Other provisions are recognised when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

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.

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.

Estimates and judgements

Judgements made by the Directors, in the application of the above accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 20.

2. Turnover

The Company's turnover was all derived from its principal activity in the United Kingdom and represents the sales of goods and services as follows:

	2020	2019
	£'000	£'000
Sales of goods	1,837,522	2,059,630
Sales of services	66,271	60,742
	1,903,793	2,120,372

The Company's turnover was all derived from its principal activity in the United Kingdom.

3. Note to income statement

Operating loss is stated after charging / (crediting):

	2020 £'000	2019 £'000
Impairment of tangible assets	-	2,687
Depreciation of tangible assets	21,923	22,730
Amortisation of intangible assets	351	316
Operating lease charges		
- plant and machinery	578	670
- other	83,447	88,820
Amounts receivable by auditors and their associates in respect of:		
Auditor's remuneration – audit of annual financial statements	115	129
Loss on disposal of plant and machinery	1,282	87
Net exchange loss / (gain)	1,120	686

4. Interest receivable and similar income

	2020	2019
	£'000	£'000
Interest income from third parties	904	288
Interest income from intercompany	3,399	3,786
Exchange gain	-	116
	4,303	4,190

5. Interest payable and similar charges

	2020 £'000	2019 £'000
Interest payable to third parties	1	1
Interest payable to intercompany	832	487
Exchange loss	1,120	802
	1,953	1,290

6. Staff costs and benefits

Staff Costs	2020 £'000	2019 £'000
Wages and salaries	193,020	200,769
Social security costs	16,709	16,725
Other pension costs	9,428	8,388
Total staff costs	219,157	225,882

6 Staff costs and benefits (continued)

Employee Information

	2020 Number	2019 Number
Co-workers	8,823	9,184
Management	1,071	1,289
	9,894	10,473

Directors' Remuneration

	2020 £'000	2019 £'000
Aggregate remuneration in respect of qualifying services	426	577
Pension contributions to the money purchase scheme	11	56
In respect of the highest paid director:		
Aggregate remuneration	271	247
Pension contributions to the money purchase scheme	-	21

Retirement benefits are accruing to two (2019: two) directors under the money purchase scheme.

The emoluments of C Mourouzides, P Jelkeby and S Shah are included in the above emoluments. The emoluments for the services of H Olshov, M Deblinska Hajdas, C Bengtsson and S Vanoverbeke are paid by other INGKA Group companies outside the IKEA UK Group. Their duties for IKEA Limited are deemed to be incidental relative to their overall responsibilities within the INGKA Group. Accordingly, the above details include no emoluments in respect of these directors.

7. Tax credit / (charge)

(a) Analysis of tax charge / (credit) on ordinary activities

	2020 £'000	2019 £'000
Current tax:		
Current tax charge / (credit) for the period	(5,304)	1,387
Adjustments in respect of previous periods	2,010	154
Total current tax charge / (credit)	(3,294)	1,541
Deferred Tax		
Origination and reversal of timing differences	(133)	(809)
Effects of changes in tax rates and laws	(998)	304
Adjustments in respect of previous periods	(313)	(261)
Total deferred tax	(1,444)	(766)
Tax charge / (credit) on ordinary activities	(4,738)	775

	£'000 Current tax	£,000 Deferred tax	2020 £,000 Total tax	2019 £'000 Total tax
Recognised in Profit and Loss account	(3,294)	(1,444)	(4,738)	775
Total tax	(3,294)	(1,444)	(4,738)	775

7. Tax (charge) / credit (continued)

(b) Analysis of current tax charge / (credit) recognized in profit and loss

	2020 £'000	2019 £'000
UK Corporate tax	(3,294)	1,541
Total current tax charge / (credit) recognised in profit and loss	(3,294)	1,541

(c) Factors affecting current tax charge for year

The tax charge for the period is higher (2019: higher) than the standard rate of corporation tax in the UK for the year ended 31 August 2020 of 19%. The difference is explained below:

	2020 £'000	2019 £'000
(Loss) / Profit on ordinary activities before tax	(27,315)	3,923
Tax (credit) / charge on profit on ordinary activities at the UK corporation tax rate of 19% (2019: 19 %)	(5,190)	745
Effects of:		
Expenses not deductible for tax purposes	322	497
Non taxable income	(570)	(665)
Tax Rate Differences	(998)	304
Adjustments in respect of previous periods	1,698	(106)
Total tax expense included in the statement of income and retained earnings	(4,738)	775

(d) Provision for deferred tax

	2020 £'000	2019 £'000
At 1 September	7,145	7,452
Credit / (charge) to profit and loss	2,779	766
At 31 August	9,924	8,218

(e) Factors that may affect future tax charges

A reduction in the UK corporation tax rate from 19% to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016, and the UK deferred tax asset as at 31 December 2019 has been calculated based on this rate. In the 11 March 2020 Budget it was announced that the UK tax rate will remain at the current 19% and not reduce to 17% from 1 April 2020. This change was substantively enacted on 17 March 2020 and will *have a consequential effect on the Company's future tax charge.*

8. Intangibles assets

	Initial Franchise Fees £'000	Total £'000
Cost		
At 1 September 2019	1,766	1,766
Additions	-	-
At 31 August 2020	1,766	1,766
Amortisation		
At 1 September 2019	(520)	(520)
Charge for the year	(351)	(351)
At 31 August 2020	(871)	(871)
Net book value		
At 31 August 2020	895	895
At 31 August 2019	1,246	1,246

Intangible assets represent the initial Franchise Fee paid to the Franchisor when a new store opens in line with the Franchise Agreement and are amortised on a straight line basis over five years.

9. Tangible fixed assets

	Freehold Land & Buildings £'000	Plant and machinery £'000	Total £'000
Cost			
At 1 September 2019	19,991	239,926	259,917
Additions	-	7,892	7,892
Disposals	-	(41,927)	(41,927)
At 31 August 2020	19,991	205,891	225,882
Depreciation			
At 1 September 2019	(19,991)	(177,401)	(197,392)
Charge for the year	-	(21,923)	(21,923)
Disposals	-	41,239	41,239
At 31 August 2020	(19,991)	(158,085)	(178,076)
Net book value			
At 31 August 2020	-	47,806	47,806
At 31 August 2019	-	62,525	62,525

Cost and accumulated depreciation of freehold land & buildings have been disclosed on a gross basis at 1 September 2019 and 31 August 2020.

Disposals in the year relate to the "clean-up" exercise in preparation for the Business Operations Transformation Go Live (£30.1m). The remainder relates to the closure of the Coventry store (£9.4m), as well as the Order and Collection Point in Stratford (£1.3m) and the Planning Studio in Bromley (£1.1m).

10. Investments

At net book value	Subsidiary undertakings £'000
1 September 2019 and 31 August 2020	108,621

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

The Company holds an investment in the following undertakings (direct and indirect):

	Country of incorporation	Class of holding	Proportion held	Nature of Business
Direct holding of 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%	Sustainable Energy Investment
Indirect holding of subsidiary undertaking:				
Dummuies Windfarm Huntly Limited	United Kingdom	Ordinary	100%	Sustainable Energy Investment

11 Stock

	2020 £'000	2019 £'000
Finished goods and goods for resale	65,016	91,761

The amount of stock movement recognised in the statement of income in the year was £1.28 billion (2019: £1.45 billion).

12 Trade and other debtors

	2020 £'000	2019 £'000
Amounts falling due within one year:		
Trade debtors	6,922	5,442
Amounts due from group undertakings	377,786	311,899
Prepayments and accrued income	4,438	8,482
Other debtors	269	739
	389,415	326,562
Amounts falling due in more than one year:		
Deferred tax asset	9,924	8,218

Deferred tax assets comprise:

	2020 £'000	2019 £'000
Accelerated capital allowances	7,145	5,653
Other timing differences	2,779	2,565
	9,924	8,218

The amounts due from group undertakings in the Company consists of an intra IKEA UK Group loan balance of £343.0 million (2019: £291.36 million), the remainder are trading balances. All trading and loan balances with fellow INGKA Group subsidiaries are unsecured and are repayable on demand. Interest is applied on group loan balances and inter UK trading balances at LIBOR plus an average margin of 0.64% (2018: 0. 0.41%) for the financial year. All other trading balances with other INGKA Group companies are interest free.

13 Creditors: Amounts falling due within one year

	2020 £'000	2019 £'000
Bank overdraft	22,542	39,221
Amounts owed to group undertakings	20,818	29,097
Trade creditors	181,266	169,901
Corporation tax payable	9,891	5,364
VAT	66,211	28,947
Other tax and social security costs	4,548	5,534
Other creditors (including Accruals and Deferred Income)	95,988	75,381
	401,264	353,445

The Company is party to a cash pooling arrangement for the IKEA UK Group with one of its bankers. Due to this arrangement, the Company is in an overdraft cash position at the financial year end. Under the previous accounting policy, the bank overdraft has been presented net of cash-in-transit given the nature of the business as a large retailer.

Bank loans are secured via a floating charge, are repayable on demand and bear interest at LIBOR plus a margin. IKEA Limited did not have any external bank loans as at 31 August 2020.

All trading and short term loan balances with fellow INGKA Group subsidiaries are unsecured and are repayable on demand. Interest is applied on group loan balances and inter UK trading balances at LIBOR plus an average margin of 0.64% (2019: 41%) for the financial year. All other trading balances with other INGKA Group companies are interest free.

Bank overdrafts bear interest at LIBOR plus a margin of 0.5%.

14 Creditors: Amounts falling due after more than one year

	2020 £'000	2019 £'000
Other Accruals & Retentions	1,754	2,376

15 Provision for liabilities and charges and pensions

	2020 £'000	2019 £'000
Returns provision		
At beginning of year	2,766	2,580
Utilised in year	(2,766)	(2,580)
Charge to profit and loss	3,429	2,766
At end of year	3,429	2,766
Legal provision		
At beginning of year	-	1,275
Charge to profit and loss	-	(1,275)
At end of year	-	-
Warranty provision		
At beginning of year	5,468	5,842
Utilised in year	(5,468)	(5,842)
Charge to profit and loss	4,737	5,468
At end of year	4,737	5,468
Tack! provision		
At beginning of year	3,873	-
Reclassified from accrual	-	-
Utilised in year	-	-
Charge to profit and loss	-	3,873
At end of year	3,873	3,873
Total Provisions for liabilities and charges	12,039	12,107

The returns provision relates to the Company's sales returns policy in the UK where the customers have 365 days to return their goods. The returns provision is calculated based on a historical pattern of returns and this trend is reviewed annually.

The warranty provision relates to a 25 year warranty period where there are limited spare parts for claims.

The Tack! provision relates to the Company's co-worker loyalty programme that offers a conditional pension reward based upon performance of the INGKA Group. In order to qualify for the scheme, co-workers must provide five full years of continuous service.

16 Called up share capital, movement on reserves and reconciliation of movement in equity shareholders' funds

	Share Capital £'000	Profit & Loss account £'000	Total £'000
As at 1 September 2019	6,000	246,829	252,829
Loss for the year	-	(22,577)	(22,577)
As at 31 August 2020	6,000	224,252	230,252

	Authorised 2020 and 2019 No.	Allotted, issued and fully paid 2020 and 2019 No.
Ordinary Shares of £1 each	20,000,000	6,000,000

Each ordinary share entitles the shareholder to one vote on a written resolution; one vote (per shareholding) on a resolution on a show of hands at a meeting; and one vote on a resolution on a poll taken at a meeting.

The profit and loss account represents cumulative profits or losses net of dividends paid.

17 Commitments under operating leases

At 31 August 2020 there were non-cancellable operating leases for assets which have future minimum lease payments as follows:

	2020 £'000	2019 £'000
Land and buildings		
1 year	75,447	77,297
2-5 years	298,387	305,787
After 5 years	876,346	972,764
Other		
1 year	1,020	138
2-5 years	-	151

18 Contingent guarantees

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 (2019: £nil).

19 Key management personnel

Remuneration of key management personnel is disclosed in note 6. During the year, there were no transactions or balances between the Company and its key management personnel or members of their close families.

20 Accounting estimates and judgements

In the preparation of the financial statements, the directors are required to make judgements, estimates, and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision affects both current and future periods.

The following are the critical judgements, apart from those involving estimations, that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Provisions and liabilities

Provisions and liabilities recognised at the balance sheet date are detailed include customer returns and refunds, sales warranty provision, stock obsolescence, external warehouse dilapidations and unredeemed gift cards. The calculations of these provisions and liabilities are based on past history and trends and although provisions and liabilities are reviewed on a regular basis and adjusted to reflect management's best current estimates, the judgemental nature of these items means that future amounts settled may be different from those provided.

Useful lives of tangible assets
Tangible assets are measured at cost less accumulated depreciation and impairment. The useful lives and residual values of assets are based on management's best estimate reflecting the nature of their business use.

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the Company expects to consume an asset's future economic benefits.

21 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 smallest and 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.

21 Subsequent events

Following the 2020 year-end, we had to close our Stores in England for 4 weeks from Thursday 5th November 2020 and our Store in Wales for 2 weeks from Friday 23rd October 2020, due to the COVID-19 lockdown measures decided by the authorities. Additionally, although our Stores in Scotland and Northern Ireland have not closed, they have been operating with significant restrictions to prevent the spread of COVID-19. Moreover, many of our restaurants all over the UK have been closed and some still currently remain closed in the England Tier 3 regions. During the closure periods, the Stores were converted into fulfilment centres and fulfilled online customer orders in order to satisfy the increased demand in online orders and minimise the financial impact from the closures. Our click and collect service from our Stores was particularly popular during these periods. Additionally, we increased our capacities of remote planning and selling, so that many of our customers interested in making bigger purchases with planning facilities like kitchens and wardrobes could still access us. During the closures periods all of our co-workers remained employed and were paid 100% of their contractual hours, without making use any job support schemes offered by the government. Despite the impact from the closures and the restrictions in our operations due to COVID-19, we are still on target to achieve our growth ambition for 2021.