

# **IKEA LIMITED**

## **DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 AUGUST 2021**

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**IKEA LIMITED**

**CONTENTS**

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	Page
Company information	1
Strategic report	2-5
Directors' report	6-8
Statement of Directors' responsibilities in respect of the Directors' Report and the financial statements	9
Independent auditor's report to the members of IKEA Limited	10-11
Statement of income and retained earnings	12
Balance sheet	13
Notes to the financial statements	14-23

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**IKEA LIMITED**

**COMPANY INFORMATION**

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<b>Directors</b>	C Mourouzides C Bengtsson M Deblinska Hajdas (Resigned 1 January 2022) P Jelkeby S Vanoverbeke M Smith (Appointed 1 January 2022) S H Ruhlmann (Appointed 1 March 2022)
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<b>Secretary</b>	Shoosmiths Secretaries Limited 7 <sup>th</sup> Floor 100 Avebury Boulevard Milton Keynes MK9 1FH
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<b>Company number</b>	01986283
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<b>Auditor</b>	KPMG LLP 15 Canada Square Canary Wharf E14 5GL
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<b>Banker</b>	HSBC City of London Branch 60 Queen Victoria Street London EC4N 4TR
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<b>Registered office</b>	7 <sup>th</sup> Floor 100 Avebury Boulevard Milton Keynes MK9 1FH
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## **Introduction and Principal Activities**

IKEA Limited (the "Company") operates as a home furnishings retailer. At the start of the 2021 financial year IKEA Limited had a total number of 21 UK stores, 3 Order and Collection Points, and 1 Planning Studio, 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.

## **Our 2021 Financial Results**

2021 was a pivotal year for our journey towards creating a better IKEA – becoming more accessible, affordable, and sustainable. A culture of togetherness, an agile approach to change and a drive to boost efficiency and cut costs saw IKEA UK return to operating profit for the first time since 2017, despite the challenges of 2021, with its sustained store closures and ongoing economic uncertainty.

### **Better business**

With movement still restricted due to COVID and many of the UK population continuing to work from home, we saw a huge appetite among our customers to upgrade their living space and make their homes increasingly multi-functional and our sales reached £1.96 billion (2020: £1.90 billion).

Our ability to meet this high demand was put to the test, with stores remaining closed for up to 17 weeks and we invested in our omnichannel offering to meet customers however they wish to shop. Being smart and responsive in how quickly we redeployed our people and adapted our stores helped prompt an 69% (2020: 31%) increase in online sales in 2021. We focused on offering better, faster delivery services at lower prices through converting stores into regional fulfilment hubs and expanding our Click and Collect capacity while their doors were closed to customers.

While omnichannel growth and investment is essential to our future, our stores remain at the heart of the IKEA experience. They are fundamental to our People and Planet Positive journey as destinations for inspiration, expertise and community engagement and in 2021, we worked towards futureproofing them with significant investment in a new, smaller format store opened in Hammersmith, West London, in February 2022 and a long-awaited store on London's Oxford Street, due to open in Autumn 2023.

During the 2021 financial year, IKEA UK Group closed the stores on Tottenham Court Road, London (Order and Collection Point and Planning Studio) and in Norwich (Order and Collection Point). These moves were unrelated to the challenges posted by COVID 19. These smaller test units, which provided valuable insights on how customers want to shop with IKEA, but were ultimately deemed as not successful.

Our increase in turnover of 2.7% (equivalent to £50.9 million) gives firm evidence that creating a better everyday life for the many and becoming People and Planet Positive is a profitable and tangible goal that will continue to strengthen our community, enhance our stability, and foster growth.

As a result of the above, the company's gross margin and operating profit for the year has improved to 29.9% (2020: 27.1%) and £61.2 million (2020: operating loss of £32.7 million). The company's net current liabilities of 117.2 million in 2021 (2020: net current assets: £86.7 million) were due to conversion of loans to UK intra Group companies from short term to long term.

### **Better Planet**

We only have one planet, the home we all share. To achieve our vision for a better everyday life for the many people, we have to play our part in tackling climate change and creating a circular economy. And we have to act now. We are taking bold steps across our business to help achieve the IKEA commitment to become a climate positive business by 2030, and we are making it easier for our customers to act too.

We've set ambitious goals to guide us on this journey. This includes our commitments to becoming climate positive by 2030, reducing more greenhouse gas emissions than the IKEA value chain emits, while growing the IKEA business, and reaching net-zero emissions by latest 2050, so we can help keep global warming below 1.5°C. With our commitments and actions, we want to inspire more of us to live within the boundaries of the planet as well as influence and advocate for urgent climate action with government and businesses.

In FY21, IKEA set a collective focus on sustainability with the Leap Year Of Sustainability ("LYOS"), a global initiative which aimed to further accelerate progress on our People & Planet Positive strategy and spark innovation, embedding sustainability into all co-workers' and managers' everyday.

In the UK, we focused strongly on upskilling and engaging our co-workers. We created a 12,000+ strong movement – engaging co-workers not only to live better lives themselves but acting as ambassadors to unlock our goal of supporting millions of customers to live more sustainably too.

Building on LYOS, COP26 presented a huge opportunity to address the need for partnership and collaboration across industry. COP26 is the biggest, global event today with regards to sustainability. It's a meeting place and event where world leaders and governments define and take the next step in relation to climate action.

As such, IKEA UK & Ireland stepped in as a Partner for United Nations Climate Change Conference COP26 in Glasgow. As a Partner, IKEA UK & Ireland furnished some key areas within the COP26 venue in Glasgow. Most importantly, it was a platform for IKEA to enable, inspire and influence climate action under the banner of "Let's assemble a better future". Besides transforming our own business and the IKEA value chain, we saw COP26 as a moment in time to call on other companies, as well as governments and the many people to join us on the journey.

#### Better Lives

2021 has been a challenging year for our people dealing with the continued impact of Covid-19 both in their personal and professional life. More than ever, we had to rely on the strong IKEA culture and values that we have built over many years: togetherness, resilience, and leading by example have been the foundation for our performance in fiscal year 2021.

We have continued to look after our co-workers by creating a safe working environment, ensuring income security, and providing support to deal with the physical and mental health challenges brought about by the pandemic. At the same time, we've also looked to the future by investing in the development of our co-workers' skills and leadership in order to meet the customer needs in a transforming retail environment.

Over the course of the pandemic, our number one priority has been ensuring the safety of our co-workers and customers. We took the decision to pay all of our co-workers 100% of their salaries, even though our stores were closed to customers for up to 17 weeks of the financial year, to offer them much important financial stability. It was our strong foundation of profitability and growth, combined with the support and resources of the global Ingka Group, that enabled us to take such a bold decision.

We have worked tirelessly to keep our operations safe and supported co-workers with a range of initiatives to support financial, physical and mental health and wellbeing. Where co-workers needed to be on-site, we introduced safe systems of working with the necessary social distancing, one-way systems, enhanced cleaning, temperature check-ins and self-isolation procedures.

We are on a journey to become truly gender equal by 2024 - that means ensuring equal opportunities for both women and men, and reaching 50:50 gender balance in every unit, function and level, including our boards. To achieve this, we are integrating Equality, Diversity & Inclusion across our business, because we firmly believe that it's up to all of us to remove barriers and enable all co-workers to thrive, no matter what their gender or background is.

Over the past year, we have focused heavily on leadership and development opportunities for women: most of our internal development programmes saw a higher uptake of women than men, which will ultimately lead to more gender-equal talent pipelines.

We also continued to advance race equality within our business with the implementation of our strategic, long-term Race Equality Action Plan. We launched our UnDiluted Network in all units, a space where co-workers who identify as Black, Asian or an ethnic minority can bring their true, undiluted selves to work, without fear of judgement, and in doing so, develop an open and honest forum, motivated to help drive meaningful change within the business.

#### Better Homes

Passion for a better life at home is what makes IKEA. For generations, IKEA has been on a mission to understand the needs, challenges, and aspirations of the many, bringing inspiring and affordable home furnishings to people with big dreams and thin wallets. Now we are transforming our business to bring IKEA to more people, and to make healthy and sustainable living desirable and affordable for the many, not just the few.

Introducing a new Buyback and re-sell scheme has been one of the most ground-breaking and welcomed milestones of the year. Initially due to launch in November 2020 and postponed owing to store closures, Buy Back was finally implemented in all stores in May 2021. The initiative sees us buy back our customers' used IKEA furniture in order to re-sell it and give it a new life. In our efforts to become a fully circular business by 2030, providing customers with easier and more convenient ways to give their products a second life is the right thing to do. In FY21, we bought back and resold around 18,000 pieces of furniture in the UK (470 in Ireland).

The details provided above in the sections "Better Business", "Better Planet", "Better Lives" and "Better Homes", 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.

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 Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018, unless otherwise stated in the exclusions statement.

For the location based emissions, the carbon figures have been calculated using the BEIS 2021 carbon conversion factors for all fuels, other than the emissions factors for district cooling at Southampton, which was provided by the supplier as no cooling factors are published by BEIS. The emissions factors for scope 2 market based electricity have been taken from Total Energies and Engie as the UK suppliers. The scope 2 emissions associated with purchased heat were provide by the suppliers at Southampton and Sheffield.

#### UK Carbon Footprint Data 2020-21

Scope	Description	Specific fuels	tCO2e 2019/20	tCO2e 2020/21
Scope 1	Combustion of fuel on site and transportation	On site: Natural Gas, Wood Pellet (biomass), Diesel, Unknown vehicle fuel	7,366	8,440
Scope 2	Purchased energy	Electricity and District Heating	Location based 17,719	Location based 16,209
			Market Based 933	Market based 943
Scope 3	Supply Chain Emissions	Vehicle fuel	87	130
Total		Location based	25,172	24,780
		Market based	8,386	9,514
Intensity Ratio	tCO2e / m2 floor area	Location based	0.037	0.038
		Market based	0.012	0.015
Energy Usage	Total kWh consumed	Electricity, Natural Gas, Diesel, Biomass, District Heating, unknown vehicle fuel	117,872,438	124,155,521
	Renewable %	Electricity	95%	96%

#### Energy Efficiency Actions taken

- Implemented Ecopilot in two stores. Ecopilot is an intelligent engine that optimises energy usage in real time-all year around-every 2<sup>nd</sup> minute. IKEA expects to save 520 MW per year. Ecopilot considers the building's current condition, its thermal storage capacity, current internal loads, weather impact and all HVAC systems. Ecopilot utilises the building's thermal storage capacity to store and use free energy without compromising the indoor climate. The engine considers the whole building and makes sure that the heating, cooling and ventilation system interact rather than counteract each other. It prepares the building of upcoming changes in weather and makes use of free energy from solar radiation.
- HVAC equipment have been replaced for more efficiency and modern systems.
- LED lighting projects have continued, with a target to have 100% LED lighting in the near future.

## 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 recent supply chain disruption and the recent outburst of war between Russia and Ukraine. Management is monitoring the situation, 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 Limited is well positioned for continued growth within the UK.

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

### 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 Better Business 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 2021 year-end, we opened the first small IKEA store in the UK in Hammersmith, West London, on 24th February 2022. The store is a quarter of the size of a traditional store, with 1,800 products available to take away and 4,000 on display. The full range remains available for delivery, alongside in-store planning services that support customers in designing solutions for more complex spaces, such as kitchens, bedrooms and bathrooms.

Together with the opening of IKEA Hammersmith, Ingka Group announced a £1 billion investment into the London over the next three years. The announcement marks part of a long-term transformation and we will invest in new and existing ways to shop and meet people including new services, city-centre stores, developing existing stores and new fulfilment and delivery capabilities; making it easier and more sustainable to shop than ever before.

On 30th March 2022 we announced the closure of Tottenham store. Due to new shopping behaviours, the store location and the changing surrounding area, we had to make the difficult decision to propose the closure of Tottenham store by 31 August 2022. This decision has not been taken lightly, but we need to respond to what is happening around us and believe it is the right thing to do for the future of IKEA in London. Taking care of our co-workers is our highest priority and we will stay true to our values throughout the process. We will lead with respect, compassion, and gratitude for all those affected.

On behalf of the board



C Mourouzides  
Director  
3 May 2022

**IKEA LIMITED**  
**REGISTERED NO: 01986283**  
**DIRECTORS' REPORT**  
**FOR THE YEAR ENDED 31 AUGUST 2021**

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The Directors present their annual report and the financial statements of IKEA Limited for the year ended 31 August 2021. The Company operates in the UK with no branches outside of the UK.

**Results and dividends**

The profit before tax for the year was £62.4 million (2020: loss of £27.32 million). The profit after tax was £52.95 million (2020: loss of £22.58 million). A dividend of £90.0m has been proposed but not paid in the year ended 31 August 2021 (2020: nil).

**Directors**

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

C Mourouzides	
C Bengtsson	
M Deblinska Hajdas	(Resigned 1 January 2022)
P Jelkeby	
S Vanoverbeke	
M Smith	(Appointed 1 January 2022)
S H Ruhlmann	(Appointed 1 March 2022)

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 considered 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 Company had net current liabilities of £117.20 million as at 31 August 2021 (2020: net current assets of £86.73 million). The operating result improved from a loss of £32.67 million in 2020 to a gain of £61.2 million in 2021.

The Directors have assessed going concern by considering areas of financial risk, including the potential downside impacts from Covid-19, and by reviewing cash flow forecasts covering a period of 24 months to 31 August 2023.

Based on this analysis, the Directors have concluded that the Company has adequate resources to continue in operational existence for the foreseeable future, a period of at least 12 months from the date of approving these financial statements. Thus, they consider it appropriate to adopt the going concern basis of accounting in preparing the annual financial statements.



## UK Corporate Governance Code

### Overview

IKEA Limited ("IKEA") is subject to 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](http://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 sections "Better Planet", "Better Lives" and "Better Homes" 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 Limited 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 Limited Board of Directors. Remuneration for directors and senior management is also approved by the IKEA Limited 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 2020/21
- 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



C Mourouzides  
Director  
3 May 2022

Registered office:  
7th Floor  
100 Avebury Boulevard  
Milton Keynes  
MK9 1FH

IKEA LIMITED  
STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 AUGUST 2021

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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.



C Mourouzides  
Director  
3 May 2022

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

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### Opinion

We have audited the financial statements of IKEA Limited ("the company") for the year ended 31 August 2021 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 2021 and of its profit 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.

### Fraud and breaches of laws and regulations – ability to detect

#### *Identifying and responding to risks of material misstatement due to fraud*

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors as to the Company's high-level policies and procedures to prevent and detect fraud and the Company's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes; and
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account possible pressures to meet profit targets, our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, in particular the risk that Company management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements such as provision for impairment, calculation of deferred revenue, misappropriation of cash and pressure to keep costs down given the low margin and increased delivery costs of online sales. On this audit we do not believe there is a fraud risk related to revenue recognition because of the following:

- Management compensation is tied to profitability, therefore, management could feel pressured or might have an incentive to alter results in order to achieve their targets. However, based on our understanding of the bonus scheme, the Company follows One IKEA Bonus wherein the bonus is dependent on the performance of overall IKEA Limited, irrespective of specific stores' performance;
- Potential manipulation to deferred revenue should be backed by changes in corresponding costs and expenses. Any opportunity to manipulation would be possible only at around year-end date over deferred revenue, which would not give a significant impact to the overall profitability. As such, the incentive to manipulate by management is considered minimal.

We did not identify any additional fraud risks.

We also performed procedures including:

- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted by senior finance management/ those posted and approved by the same user/ those posted to unusual accounts.

#### *Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations*

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors and other management (as required by auditing standards), and from inspection of the Company's regulatory and legal correspondence and discussed with the directors the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the Company's license to operate. We identified the following areas as those most likely to have such an effect: health and safety, anti-bribery, employment law, regulatory capital and liquidity and certain aspects of company legislation recognising the nature of the Company's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

*Context of the ability of the audit to detect fraud or breaches of law or regulation*

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

**Strategic report and 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 9, 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](http://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.



Sabira Dattoo (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants  
15 Canada Square  
E14 5GL  
London  
United Kingdom  
3 May 2022

**IKEA LIMITED**  
**REGISTERED NO: 01986283**  
**STATEMENT OF INCOME AND RETAINED EARNINGS**  
**FOR THE YEAR ENDED 31 AUGUST 2021**

	Note	2021 £'000	2020 £'000
<b>TURNOVER</b>	2	1,954,720	1,903,793
Cost of sales		(1,370,393)	(1,388,018)
<b>Gross profit</b>		<u>584,327</u>	<u>515,775</u>
Administrative expenses		(543,540)	(564,508)
Other operating income		20,456	16,068
<b>Operating profit / (loss)</b>	3	<u>61,243</u>	<u>(32,665)</u>
<b>Profit / (Loss) on ordinary activities before interest</b>		<u>61,243</u>	<u>(32,665)</u>
Interest receivable and similar income	4	2,433	4,303
Interest payable and similar charges	5	(1,278)	(1,953)
Dividend received		-	3,000
<b>PROFIT / (LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<u>62,398</u>	<u>(27,315)</u>
Tax (charge) / credit	7	(9,448)	4,738
<b>PROFIT / (LOSS) FOR THE YEAR AND TOTAL COMPREHENSIVE INCOME</b>		<u>52,950</u>	<u>(22,577)</u>
Retained earnings as at 1 September	17	224,252	246,829
Profit / (loss) for the year	17	<u>52,950</u>	<u>(22,577)</u>
Retained earnings as at 31 August	17	<u>277,202</u>	<u>224,252</u>

All amounts in the statement of income and retained earnings 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 2021

	Note	2021 £'000	2020 £'000
<b>FIXED ASSETS</b>			
Intangible assets	8	537	895
Tangible assets	9	38,848	47,806
		<u>39,385</u>	<u>48,701</u>
Investments	10	108,621	108,621
Loans due from Group undertakings	11	262,234	-
		<u>370,855</u>	<u>108,621</u>
<b>CURRENT ASSETS</b>			
Stock	12	61,634	65,016
Debtors (including £13,552 due after more than one year (2020: £9,924))	13	199,845	399,339
Cash at bank and in hand		581	23,632
		<u>262,060</u>	<u>487,987</u>
<b>CREDITORS: Amounts falling due within one year</b>	14	(379,261)	(401,264)
<b>NET CURRENT (LIABILITIES) / ASSETS</b>		<u>(117,201)</u>	<u>86,723</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		293,039	244,045
<b>CREDITORS: Amounts falling due after more than one year</b>	15	(1,653)	(1,754)
<b>PROVISIONS FOR LIABILITIES</b>	16	(8,184)	(12,039)
<b>NET ASSETS</b>		<u>283,202</u>	<u>230,252</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	17	6,000	6,000
Profit and loss account	17	277,202	224,252
<b>TOTAL SHAREHOLDERS' FUNDS</b>	17	<u>283,202</u>	<u>230,252</u>

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

These financial statements were approved by the Board of Directors on 28 April 2022 and were signed on its behalf by:



C Mourouzides  
Director  
3 May 2022  
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: 7<sup>th</sup> 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 S401 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 liabilities of the Company of £117.20 million (2020: net current assets of £86.73 million). The operating result improved from a loss of £32.67 million in 2020 to a gain of £61.2 million in 2021.

The Directors have assessed going concern by considering areas of financial risk, including the potential downside impacts from Covid-19, and by reviewing cash flow forecasts covering a period of 24 months to 31 August 2023.

Based on this analysis, the Directors have concluded that the Company has adequate resources to continue in operational existence for the foreseeable future, a period of at least 12 months from the date of approving these financial statements. Thus, they consider it appropriate to adopt the going concern basis of accounting in preparing the annual financial statements.

#### 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.



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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 life of intangible assets are as follows:

Initial Franchise Fee	5 years
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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 plus attributable transaction costs. Trade and other creditors 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. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

**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 accrual 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.

IKEA LIMITED  
NOTES TO THE FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED 31 AUGUST 2021

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:

	2021 £'000	2020 £'000
Sales of goods	1,868,073	1,837,522
Sales of services	<u>86,647</u>	<u>66,271</u>
	<u>1,954,720</u>	<u>1,903,793</u>

3. Note to income statement

Operating profit / (loss) is stated after charging / (crediting):

	2021 £'000	2020 £'000
Depreciation of tangible assets	18,219	21,923
Amortisation of intangible assets	358	351
Operating lease charges		
- plant and machinery	643	578
- other	78,882	83,447
Amounts receivable by auditors and their associates in respect of: Auditor's remuneration – audit of annual financial statements	130	115
Loss on disposal of plant and machinery	84	1,282
Net exchange loss / (gain)	31	1,120

4. Interest receivable and similar income

	2021 £'000	2020 £'000
Interest income from third parties	1	904
Interest income from intercompany	1,192	3,399
Exchange gain	<u>1,240</u>	<u>-</u>
	<u>2,433</u>	<u>4,303</u>

5. Interest payable and similar charges

	2021 £'000	2020 £'000
Interest payable to third parties	-	1
Interest payable to intercompany	7	832
Exchange loss	<u>1,271</u>	<u>1,120</u>
	<u>1,278</u>	<u>1,953</u>

6. Staff costs and benefits

Staff Costs	2021 £'000	2020 £'000
Wages and salaries	192,730	193,020
Social security costs	15,538	16,709
Other pension costs	<u>9,427</u>	<u>9,428</u>
Total staff costs	<u>217,695</u>	<u>219,157</u>

**IKEA LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 AUGUST 2021**

**6 Staff costs and benefits (continued)**

**Employee Information**

	2021	2020
	Number	Number
Co-workers	8,911	8,823
Management	1,043	1,071
	<u>9,954</u>	<u>9,894</u>

**Directors' Remuneration**

	2021 £'000	2020 £'000
Aggregate remuneration in respect of qualifying services	434	426
Pension contributions to the money purchase scheme	16	11
In respect of the highest paid director:		
Aggregate remuneration	264	271
Pension contributions to the money purchase scheme	-	-

Retirement benefits are accruing to two (2020: two) directors under the money purchase scheme.

The emoluments of C Mourouzides and P Jelkeby are included in the above emoluments. The emoluments for the services of 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. The above details include emoluments in respect of these directors.

**7. Tax credit / (charge)**

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

	2021 £'000	2020 £'000
<b>Current tax:</b>		
Current tax charge / (credit) for the period	12,087	(5,304)
Adjustments in respect of previous periods	989	2,010
Total current tax charge / (credit)	<u>13,076</u>	<u>(3,294)</u>
<b>Deferred Tax</b>		
Origination and reversal of timing differences	(427)	(133)
Effects of changes in tax rates and laws	(3,252)	(998)
Adjustments in respect of previous periods	51	(313)
Total deferred tax	<u>(3,628)</u>	<u>(1,444)</u>
Tax charge / (credit) on ordinary activities	<u>9,448</u>	<u>(4,738)</u>

	£'000 Current tax	£'000 Deferred tax	2021 £'000 Total tax	2020 £'000 Total tax
Recognised in Profit and Loss account	13,076	(3,628)	9,448	(4,738)
Total tax	<u>13,076</u>	<u>(3,628)</u>	<u>9,448</u>	<u>(4,738)</u>

**IKEA LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 AUGUST 2021**

**7. Tax (charge) / credit (continued)**

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

	2021 £'000	2020 £'000
UK Corporate tax	13,076	(3,294)
Total current tax charge / (credit) recognised in profit and loss	13,076	(3,294)

**(c) Factors affecting current tax charge for year**

The tax charge for the period is lower (2020: higher) than the standard rate of corporation tax in the UK for the year ended 31 August 2021 of 19%. The difference is explained below:

	2021 £'000	2020 £'000
Profit / (loss) on ordinary activities before tax	62,398	(27,315)
Tax charge / (credit) on profit on ordinary activities at the UK corporation tax rate of 19% (2020: 19 %)	11,856	(5,190)
Effects of:		
Expenses not deductible for tax purposes	(196)	322
Non taxable income	-	(570)
Tax rate differences	(3,252)	(998)
Adjustments in respect of previous periods	1,040	1,698
Total tax expense included in the statement of income and retained earnings	9,448	(4,738)

**(d) Provision for deferred tax**

	2021 £'000	2020 £'000
At 1 September	9,924	11,368
Credit / (charge) to profit and loss	3,628	(1,444)
At 31 August	13,552	9,924

**8. Intangible assets**

	Initial Franchise Fees £'000
<b>Cost</b>	
At 1 September 2020	1,766
Additions	-
At 31 August 2021	1,766
<b>Amortisation</b>	
At 1 September 2020	(871)
Charge for the year	(358)
At 31 August 2021	(1,229)
<b>Net book value</b>	
At 31 August 2021	537
At 31 August 2020	895

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

	Plant and machinery £'000
<b>Cost</b>	
At 1 September 2020	205,891
Additions	9,348
Disposals	(951)
At 31 August 2021	214,288
<b>Depreciation</b>	
At 1 September 2020	(158,085)
Charge for the year	(18,219)
Disposals	864
At 31 August 2021	(175,440)
<b>Net book value</b>	
At 31 August 2021	38,848
At 31 August 2020	47,806

10. Investments

	Subsidiary undertakings £'000
<i>At net book value</i>	
1 September 2020 and 31 August 2021	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
<b>Direct holding of subsidiary undertakings:</b>				
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
<b>Indirect holding of subsidiary undertaking:</b>				
Dummuies Windfarm Huntly Limited	United Kingdom	Ordinary	100%	Sustainable Energy Investment

11 Loans due from group undertakings

	2021 £'000	2020 £'000
Loans due from group undertakings	262,234	-

The Loans due from group undertakings consist of unsecured intra IKEA UK Group loans of £262.2 million (2020: nil), interest rate at LIBOR plus a margin of 0.31% and are repayable on 27 August 2024.

IKEA LIMITED  
NOTES TO THE FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED 31 AUGUST 2021

12 Stock

	2021 £'000	2020 £'000
Finished goods and goods for resale	<u>61,634</u>	<u>65,016</u>

The amount of stock movement recognised in the statement of income in the year was £1.24 billion (2020: £1.28 billion).

13 Trade and other debtors

	2021 £'000	2020 £'000
<b>Amounts falling due within one year:</b>		
Trade debtors	5,622	6,922
Amounts due from group undertakings	159,634	377,786
Prepayments and accrued income	1,371	4,438
Other debtors	<u>19,666</u>	<u>269</u>
	<u>186,293</u>	<u>389,415</u>

**Amounts falling due in more than one year:**

Deferred tax asset	<u>13,552</u>	<u>9,924</u>
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**Deferred tax assets comprise:**

	2021 £'000	2020 £'000
Timing difference on depreciation	9,030	7,145
Other timing differences	<u>4,522</u>	<u>2,779</u>
	<u>13,552</u>	<u>9,924</u>

The amounts due from group undertakings in the Company consists of loans due from inter UK Group and fellow INGKA Group companies of £138.8 million (2020: £343.0 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 0.34% (2020: 0.64%) for the financial year. All other trading balances with other INGKA Group companies are interest free.

14 Creditors: Amounts falling due within one year

	2021 £'000	2020 £'000
Bank overdraft	37,532	22,542
Amounts owed to group undertakings	23,872	20,818
Trade creditors	143,197	181,266
Corporation tax payable	12,794	9,891
VAT	48,522	66,211
Other tax and social security costs	4,143	4,548
Other creditors (including Accruals and Deferred Income)	<u>109,201</u>	<u>95,988</u>
	<u>379,261</u>	<u>401,264</u>

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.

All trading 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 0.34% (2020: 0.64%) 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%.

**IKEA LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 AUGUST 2021**

**15 Creditors: Amounts falling due after more than one year**

	2021 £'000	2020 £'000
Other accruals & retentions	<u>1,653</u>	<u>1,754</u>

**16 Provision for liabilities and charges and pensions**

	2021 £'000	2020 £'000
<b>Returns provision</b>		
At beginning of year	3,429	2,766
Utilised in year	(3,429)	(2,766)
Charge to profit and loss	<u>4,340</u>	<u>3,429</u>
At end of year	<u>4,340</u>	<u>3,429</u>
<b>Warranty provision</b>		
At beginning of year	4,737	5,468
Utilised in year	(4,737)	(5,468)
Charge to profit and loss	<u>3,844</u>	<u>4,737</u>
At end of year	<u>3,844</u>	<u>4,737</u>
<b>Tack! provision</b>		
At beginning of year	3,873	3,873
Reclassified to accrual	(3,873)	-
Utilised in year	-	-
Charge to profit and loss	<u>-</u>	<u>-</u>
At end of year	<u>-</u>	<u>3,873</u>
<b>Total Provisions for liabilities and charges</b>	<u>8,184</u>	<u>12,039</u>

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 program 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. Due to a management decision to change the eligibility criteria, the Tack! provision became a liability as they fall due. As a result, the Tack! provision has been reclassified as a current liability.

**17 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 2020	6,000	224,252	230,252
Profit for the year	-	52,950	52,950
As at 31 August 2021	<u>6,000</u>	<u>277,202</u>	<u>283,202</u>

	Authorised 2021 and 2020 No.	Allotted, issued and fully paid 2021 and 2020 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.



**IKEA LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 AUGUST 2021**

**18 Commitments under operating leases**

At 31 August 2021 there were non-cancellable operating leases for assets which have future minimum lease payments as follows:

	2021 £'000	2020 £'000
<b>Land and buildings</b>		
1 year	74,460	75,447
2-5 years	297,269	298,387
After 5 years	802,913	876,346
<b>Other</b>		
1 year	-	1,020
2-5 years	-	-

During the year, £78,882,000 (2020: £83,447,000) and £643,000 (2020: £578,000) were recognised as an expense in the profit and loss account in respect of operating leases for land and building and others, respectively.

**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.

**22 Subsequent events**

Following the 2021 year-end, we opened the first small IKEA store in the UK in Hammersmith, West London, on 24th February 2022. The store is a quarter of the size of a traditional store, with 1,800 products available to take away and 4,000 on display. The full range remains available for delivery, alongside in-store planning services that support customers in designing solutions for more complex spaces, such as kitchens, bedrooms and bathrooms.

Together with the opening of IKEA Hammersmith, Ingka Group announced a £1 billion investment into the London over the next three years. The announcement marks part of a long-term transformation and we will invest in new and existing ways to shop and meet people including new services, city-centre stores, developing existing stores and new fulfilment and delivery capabilities; making it easier and more sustainable to shop than ever before.

On 30th March 2022 we announced the closure of Tottenham store. Due to new shopping behaviours, the store location and the changing surrounding area, we had to make the difficult decision to propose the closure of Tottenham store by 31 August 2022. This decision has not been taken lightly, but we need to respond to what is happening around us and believe it is the right thing to do for the future of IKEA in London. Taking care of our co-workers is our highest priority and we will stay true to our values throughout the process. We will lead with respect, compassion, and gratitude for all those affected.