

IKEA PROPERTIES LIMITED
Report and Financial Statements
August 31, 1993

Company Registration No: 1986283



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IKEA PROPERTIES LIMITEDDIRECTOR'S REPORT

The directors submit their report and group financial statements for the year ended August 31, 1993.

Results and dividends

The profit of the Group for year amounted to £3,557,000 (1992 Loss - £2,083,000). The directors do not recommend the payment of a dividend.

Principal activity and review of the business

The company's principal activity is to acquire and invest in properties suitable for the retailing of IKEA goods through its subsidiary companies. Five stores were trading at August 31, 1993.

Events since the end of the year and future developments

With effect from 1st September 1993, the company acquired the business, assets and liabilities of IKEA Ltd and IKEA Hanim UK Ltd.

The company remains in the market for commercial opportunities which may arise.

Statement of Directors' Responsibilities

Company law requires the directors to prepare financial statements for each financial year which 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 those 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 accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- * prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Fixed Assets

The changes in fixed assets during the year are summarised in the notes to the financial statements.

DIRECTOR'S REPORT (continued)

Directors and their interests

The directors of the company, during the year were:-

T Blomqvist
J I Dolin (resigned 30 March 1993)
P R Jacobs
L E B Larsson
S I Strandh (resigned 15 April 1993)
A G Dahlvig (appointed 31 March 1993)

The directors of the company had no beneficial interest in the share capital of the company during the year.

Employees and employee policies

It is the Group's policy that employees should be kept as fully informed as is practicable about the group's progress through, for example, its team briefings and newsletters.

It is also the Group's policy to give full consideration to applications for employment by disabled persons.

ON BEHALF OF THE BOARD



A G DAHLVIG
Director

7th June 1994

AUDITORS' REPORT TO THE SHAREHOLDERS OF
IKEA PROPERTIES LIMITED

We have audited the financial statements on pages 4 to 16 which have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and the accounting policies set out on page 8.

Respective responsibilities of directors and auditors

As described on page 1 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at August 31, 1993 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young

ERNST & YOUNG
Chartered Accountants
Registered Auditor

London

17th June 1994

IKEA PROPERTIES LIMITED

4.

GROUP PROFIT AND LOSS ACCOUNT FOR
THE YEAR ENDED AUGUST 31, 1993

	<u>Notes</u>	<u>1993</u> £'000	<u>1992</u> £'000
Turnover	2	165,864	113,769
Cost of sales		(111,406)	(76,558)
Gross Profit		54,458	37,211
Administrative expenses		(43,407)	(33,060)
		11,051	4,151
Interest receivable	3	503	401
Interest payable	4	(6,397)	(6,635)
		(5,894)	(6,234)
Profit/(Loss) before tax on ordinary activities	5	5,157	(2,083)
Taxation	7	1,500	—
Profit/(Loss) after tax on ordinary activities		3,557	(2,083)
Retained loss brought forward		(4,625)	(2,713)
		(1,068)	(4,796)
Transferred from revaluation reserve		171	171
Retained loss carried forward		(897)	(4,625)

Note

The retained profit for the year comprises all the gains and losses to be recognised for the year. Accordingly no separate statement of total recognised gains and losses in accordance with FRS3 is required.

The notes on pages 8 to 16 form part of these financial statements.

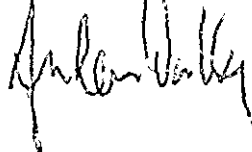
IKEA PROPERTIES LIMITED

5.

GROUP BALANCE SHEET AT AUGUST 31, 1993

	<u>Notes</u>	<u>1993</u> <u>£'000</u>	<u>1992</u> <u>£'000</u>
Fixed assets:			
Tangible assets	8	79,298	84,585
Current assets:			
Stocks	10	15,103	13,766
Debtors	11	1,500	2,859
Short Term Deposit		6,540	-
Cash at bank and in hand		<u>3,891</u>	<u>2,894</u>
		27,034	19,519
Creditors: amounts falling due within one year	12	(38,090)	(23,145)
Net current liabilities		(11,056)	(3,626)
Total assets less current liabilities		68,242	80,959
Creditors: amounts falling due after more than one year	13	(55,333)	(71,607)
		<u>12,909</u>	<u>9,352</u>
Capital and reserves:			
Share Capital	16	6,000	6,000
Revaluation Reserve	16	7,806	7,977
Profit and loss account		(897)	(4,625)
		<u>12,909</u>	<u>9,352</u>

Director



The notes on pages 8 to 16 form part of these financial statements.

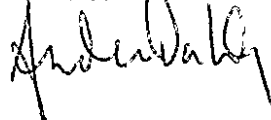
IKEA PROPERTIES LIMITED

6.

BALANCE SHEET AT AUGUST 31, 1993

	<u>Notes</u>	<u>1993</u> <u>£'000</u>	<u>1992</u> <u>£'000</u>
Fixed assets:			
Tangible assets	8	74,390	79,327
Investments	9	<u>82</u>	<u>82</u>
		74,472	79,409
Current assets:			
Debtors	11	2,963	3,779
Short Term Deposits		6,540	-
Cash at bank and in hand		<u>-</u>	<u>9</u>
		9,503	3,788
Creditors: amounts falling due within one year	12	<u>25,232</u>	<u>5,234</u>
Net current liabilities		(15,729)	(1,446)
Total assets less current liabilities		58,743	77,963
Creditors: amounts falling due after more than one year	13	(55,333)	(71,607)
		<u>3,410</u>	<u>6,356</u>
Capital and reserves:			
Share capital	16	6,000	6,000
Revaluation Reserve	16	7,806	7,977
Profit and loss account		(10,396)	(7,621)
		<u>3,410</u>	<u>6,356</u>

Director



The notes on pages 8 to 16 form part of these financial statements.

GROUP CASH FLOW STATEMENT FOR THE YEAR
ENDED AUGUST 31, 1993

	1993 £'000	1993 £'000	1992 £'000
<u>Operating Profit</u>	11,051		4,151
Depreciation	3,933		3,154
(Profit)/Loss on Fixed Assets	(67)		53
(Increase)/Decrease in Debtors	1,359		6,504
Increase/(Decrease) in Creditors	2,630		(3,478)
(Increase)/Decrease in Stock	(1,337)		(3,635)
<u>Net Cash Inflow/(Outflow) from Operating Activities</u>		17,569	6,749
<u>Returns on Investment and Servicing of Finance</u>			
Interest Received	503		401
Interest Paid	(6,554)		(6,173)
<u>Net Cash Outflow from Returns on Investment and Servicing of Finance</u>	—	(6,051)	(5,772)
<u>Taxation Paid</u>			
Corporation Tax	<u>Nil</u>		<u>Nil</u>
Tax Paid		Nil	
<u>Investing Activities</u>			
Payments to acquire tangible fixed assets	(4,041)		(14,569)
Receipts from sales of tangible fixed assets	<u>5,462</u>		<u>283</u>
<u>Net Cash Inflow/(Outflow) from investing activities</u>	1,421	<u>1,421</u>	(14,286)
<u>Net Cash Inflow/(outflow) before financing</u>		12,939	(13,309)
<u>Financing</u>			
Issue of Ordinary Share Capital	—		3,000
Loans repaid	(16,542)		(5,111)
Loans taken	<u>11,140</u>		<u>14,589</u>
<u>Net Cash Inflow/(Outflow) from Financing</u>		(5,402)	12,478
<u>Decrease/(Increase) in Cash and Cash Equivalent</u>		<u>(7,537)</u>	<u>831</u>
		(12,939)	13,309
Cash and Cash Equivalents at 31/8/92 (31/8/91)		2,894	3,725
Cash and Cash Equivalents at 31/8/93 (31/8/92)		10,431 =====	2,894 =====

The notes on pages 8 to 16 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS AT AUGUST 31, 1993

1. Accounting policies

Accounting convention

The financial statements are prepared under the historical cost convention modified to include the revaluation of freehold land and buildings and are prepared in accordance with applicable accounting standards.

Basis of consolidation

The group accounts consolidate the accounts of IKEA Properties Limited and its subsidiaries IKEA Limited and IKEA Hanim U.K. Limited made up to August 31, 1993.

No profit and loss account is presented for IKEA Properties Limited as provided by Section 230 of the Companies Act 1985. The loss dealt with in the financial statements of the Holding Company was £2,775,000 (1992 loss, £100,000).

Depreciation

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life, as follows:

Buildings	- 25 years when completed
Building installation	- 10 years
Plant, machinery & equipment	- 5 years

Stocks

Stocks are stated at the lower of cost or net realisable value. Cost is determined under the FIFO method and includes all costs of bringing each product to its present location and condition. Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and disposal. Provision is made for obsolescent, slow moving and defective stocks.

Deferred taxation

Deferred taxation is provided on the liability method on all timing differences which are expected to reverse in the future, calculated at the rate at which it is estimated that tax will be payable.

Pension scheme arrangements

The companies in the Group operate defined money purchase pension schemes. Payments made to the funds are charged annually in these accounts as part of employment costs. The funds are valued by the managers of the Pension Scheme.

NOTES TO THE FINANCIAL STATEMENTS AT AUGUST 31, 19931. Accounting policies (continued)Foreign currencies

Assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date.

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction.

All differences are taken to the profit and loss account.

2. Turnover

Turnover represents the amounts derived from the provision of goods which fall within the group's ordinary activities, stated net of value added tax. Turnover was generated solely within the United Kingdom.

3. Interest receivable

	<u>1993</u> £'000	<u>1992</u> £'000
Bank deposit interest	503 ===	401 ===

4. Interest payable

	<u>1993</u> £'000	<u>1992</u> £'000
Bank overdraft interest	22	16
Interest on loans wholly repayable within 5 years	1,528	-
Interest on loans not wholly repayable within 5 years	-	1,790
Interest on loans payable to group undertakings	<u>4,847</u>	<u>4,829</u>
	<u>6,397</u> =====	<u>6,635</u> =====

NOTES TO THE FINANCIAL STATEMENTS AT AUGUST 31, 19935. Profit/(Loss) on ordinary activities

	<u>1993</u> £'000	<u>1992</u> £'000
(a) This is stated after charging:-		
Auditors' remuneration - Audit Services	45	51
- Non Audit Services	111	57
Depreciation	3,933	3,154
Directors' remuneration (see below)	376	209
	=====	=====
(b) Directors' remuneration:		
Fees	-	-
Pensions	23	29
Other emoluments	178	180
Compensation for loss of office	175	-
	=====	=====
	376	209
	=====	=====

The emoluments of the chairman (excluding pension contributions), were £Nil (1992 - Nil). The emoluments of the highest paid director were £84,000 (1992 - £95,000).

The emoluments (excluding pension contribution) of the other directors fell within the following range

	<u>1993</u>	<u>1992</u>
£nil - £5,000	3	2
£40,001 - £45,000	-	-
£45,001 - £50,000	-	-
£55,000 - £60,000	2	2

6. Staff costs

	<u>1993</u> £'000	<u>1992</u> £'000
Wages and salaries	12,365	9,436
Social security costs	1,016	787
Other pension costs	335	246
	=====	=====
	13,716	10,469
	=====	=====

The average weekly number of employees was 794 (1992 - 837).

7. Taxation

	<u>1993</u> £'000	<u>1992</u> £'000
<u>Group taxation on profit on ordinary activities</u>		
Based on the profit for the year		
UK corporation tax at 33% (1992-33%)	100	0
Deferred tax	1,500	0
	=====	=====
	1,600	0
	=====	=====
<u>Company taxation on loss on ordinary activities</u>		
Based on the loss for the year		
UK corporation tax at 33% (1992-33%)	0	0
Deferred tax	1,300	0
	=====	=====
	1,300	0
	=====	=====

NOTES TO THE FINANCIAL STATEMENTS AT AUGUST 31, 1993

8. Tangible assets

	<u>Freehold Land and Buildings</u>	<u>Building Installation</u>	<u>Plant Machinery & Equipment</u>	<u>Total</u>
	£'000	£'000	£'000	£'000
<u>Group</u>				
Cost:				
At August 31, 1992	74,097	10,856	7,817	92,770
Additions	2,456	245	1,340	4,041
Disposals	(5,345)	(11)	(250)	(5,606)
Transfers	(3,006)	3,006	-	-
At August 31, 1993	68,202	14,096	8,907	91,205
Depreciation:				
At August 31, 1992	2,691	2,792	2,702	8,185
Charge for the year	1,179	1,250	1,504	3,933
Disposals	-	(3)	(208)	(211)
At August 31, 1993	3,870	4,039	3,998	11,907
Net Book Value:				
At August 31, 1993	64,332	10,057	4,909	79,298
At August 31, 1992	71,406	8,064	5,115	84,585

NOTES TO THE FINANCIAL STATEMENTS AT AUGUST 31, 1993

8. Tangible assets (continued)

	Freehold Land and Buildings	Building Installation	Total
	£'000	£'000	£'000
<u>Company</u>			
Cost:			
At August 31, 1992	73,954	10,856	84,810
Additions	2,456	245	2,701
Disposals	(5,201)	(11)	(5,212)
Transfers	(3,006)	3,006	0
At August 31, 1993	68,203	14,096	82,299
Depreciation:			
At August 31, 1992	2,691	2,792	5,483
Charge for the year	1,179	1,250	2,429
Disposals	0	(3)	(3)
At August 31, 1993	3,870	4,039	7,909
Net book value:			
At August 31, 1993	64,333	10,057	74,390
At August 31, 1992	71,263	8,064	79,327

Land and Buildings were revalued on an existing use basis on August 31, 1990 by Havill Sparks, Chartered Surveyors.

9. Investments

	1993 £'000	1992 £'000
<u>Company</u>		
Investment in subsidiary undertakings	82	82

The company owns 100% of the issued ordinary share capital of IKEA Limited, and IKEA Hanim U.K. Limited, both incorporated in the United Kingdom. IKEA Limited is a home furnishings retailer selling goods purchased through IKEA Hanim U.K. Limited.

NOTES TO THE FINANCIAL STATEMENTS AT AUGUST 31, 1993

10. Stocks

	<u>1993</u> £'000	<u>1992</u> £'000
<u>Group</u>		
Finished goods and goods for resale	15,103 =====	13,766 =====

11. Debtors

Group

Trade debtors	514	210
Amounts due from group undertakings	19	243
Other debtors	429	133
Prepayments and accrued income	<u>538</u>	<u>2,273</u>
	1,500 =====	2,859 =====

Company

Amounts due from own subsidiary undertakings	2,891	3,376
Amounts due from parent and fellow subsidiary undertakings	-	-
Other debtors	10	402
Prepayments and accrued income	<u>60</u>	<u>1</u>
	2,961 =====	3,779 =====

12. Creditors: amounts falling due within one year

	<u>1993</u> £'000	<u>1992</u> £'000
--	----------------------	----------------------

Group

Bank loans and overdrafts	-	147
Amounts owed to group undertakings	9,117	9,486
Trade creditors	2,446	2,609
Other creditors and accruals	10,973	9,029
Other taxes and social security	4,564	763
Loans (see note 14)	10,990	1,111
	38,090 =====	23,145 =====

Company

Bank loans and overdrafts	1,615	-
Amount owed to own subsidiary undertakings	9,139	296
Amounts owed to parent and fellow subsidiary undertakings	742	1,223
Trade creditors	170	624
Other creditors and accruals	1,276	1,980
Other taxes and social security	1,300	-
Loans (see note 14)	10,990	1,111
	25,232 =====	5,234 =====

NOTES TO THE FINANCIAL STATEMENTS AT AUGUST 31, 1993
(continued)

13. Creditors: amounts falling due after more than one year

	<u>1993</u> £'000	<u>1992</u> £'000
<u>Group</u>		
Other borrowings	55,333	71,607
	=====	=====
<u>Company</u>		
Other borrowings	55,333	71,607
	=====	=====

14. Loans

Group and Company

Loans are repayable as follows:

Wholly repayable within five years	59,323	50,162
Not wholly repayable within five years:		
Bank loan at 10.45% per annum, repayable		
in nine annual instalments of £1,111,111		
and one final instalment of the balance		
remaining commencing November 20, 1988		15,556
Unsecured participating loan 1998,		
convertible at a rate of £1 nominal of		
ordinary share capital for every £1		
nominal of loan commencing August 1, 1990	<u>7,000</u>	<u>7,000</u>
	66,323	72,718
	=====	=====

Included in:

Amounts falling due within one year	10,990	1,111
Amounts falling due in more than one year	<u>55,333</u>	<u>71,607</u>
	66,323	72,718
	=====	=====

Bank loans amounting to £14,444,000 are secured upon the freehold land and buildings of the company.

The unsecured participating loan is non interest bearing but the holder is entitled to receive 7% net consolidated profit after tax for the relevant accounting period adjusted for losses carried forward from previous accounting periods.

NOTES TO THE FINANCIAL STATEMENTS AT AUGUST 31, 1993
(continued)

15. Deferred TaxGroup

	<u>1993</u> <u>£'000</u>	<u>1992</u> <u>£'000</u>
Accelerated capital allowances	2,769	2,061
Other short term timing differences	(1,269)	(1,945)
Deferred tax	1,500	117
Tax losses carried forward	<u>0</u>	<u>(117)</u>
	<u>1,500</u>	<u>Nil</u>
	=====	=====

Company

Accelerated capital allowances	2,570	1,905
Other short term timing differences	(1,270)	(1,926)
Deferred Tax	1,300	(21)
Assets not recognised	<u>0</u>	<u>(21)</u>
	<u>1,289</u>	<u>0</u>
	=====	=====

The revaluation of assets does not constitute a timing difference. The deferred tax asset has not been recorded in the accounts on the basis that it is not expected to crystalize.

16. Share capital, movement on reserves
and reconciliation of movements in
shareholders' funds

	<u>Share</u> <u>Capital</u> <u>£'000</u>	<u>Profit</u> <u>& Loss</u> <u>Account</u> <u>£'000</u>	<u>Revaluation</u> <u>Reserve</u> <u>£'000</u>	<u>Total</u> <u>Shareholders</u> <u>Funds</u> <u>£'000</u>
Balance at 1 September 1991	3,000	(2,713)	8,148	8,435
Issued during the year	3,000			3,000
Retained (loss)/profit		(2,063)		(2,063)
Transfer between profit and loss account and Revaluation Reserve	<u>—</u>	<u>171</u>	<u>(171)</u>	<u>—</u>
Balance at 31 August 1992	6,000	(4,625)	7,977	9,352
Issued during the year				
Retained (loss)/profit	0	3,557	0	3,557
Transfer between profit and loss account and Revaluation Reserve	<u>—</u>	<u>171</u>	<u>(171)</u>	<u>—</u>
Balance at 31 August 1993	<u>6,000</u>	<u>(897)</u>	<u>7,806</u>	<u>12,909</u>
	=====	=====	=====	=====

IKEA PROPERTIES LIMITED

16.

NOTES TO THE FINANCIAL STATEMENTS AT AUGUST 31, 1993

16. Share Capital (Continued)

	<u>Authorised</u> <u>1993 & 1992</u>	<u>Allowed, called up</u> <u>and fully paid</u>	
		<u>1993</u>	<u>1992</u>
	No	£'000	£'000
Ordinary shares of £1 each	20,000,000	6,000	6,000
	=====	=====	=====

17. Charges

The company has a right of offset agreement with IKEA Limited and IKEA Hanim U.K. Limited. Any bank overdraft in either company is secured by funds in the name of the company.

18. Pension commitments

Group companies operate a defined contribution money purchase scheme. The assets and the Scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the group to the fund during the year and amounts to £335,000 (1992, £246,000).

19. Ultimate parent undertaking

The parent undertaking of the group of undertakings for which group accounts are prepared and of which the undertaking is a member is INGKA Holdings BV, registered in the Netherlands.