

IKEA Limited
REPORT AND FINANCIAL STATEMENTS
for the year ended
31 August 2004



IKEA Limited

DIRECTORS AND OFFICERS

DIRECTORS

C Thordson
J Rasmussen
P Hogsted
M Ohlsson
M Schuler

SECRETARY

Sisec Limited

COMPANY NUMBER

01986283 (England and Wales)

REGISTERED OFFICE

21 Holborn Viaduct
London EC1A 2DY

AUDITORS

Baker Tilly
Chartered Accountants
2 Bloomsbury Street
London WC1B 3ST

IKEA Limited

DIRECTORS' REPORT

The directors submit their report and the group financial statements of IKEA Limited for the year ended 31 August 2004.

PRINCIPAL ACTIVITIES

The company operates as a retailer in the furniture trade. The activities of the subsidiary undertakings are set out in note 9 to the financial statements.

REVIEW OF THE BUSINESS

Turnover for the year ended 31 August 2004 increased by 15%. The new store in Cardiff opened in November 2003 and an investment programme to improve existing stores continued. These factors, along with extended opening hours and good market conditions throughout the year, contributed to this growth.

The average total number on the payroll moved from 6,798 last year to 7,562 for the year ended 31 August 2004.

OUTLOOK

Market outlook in our sector remains good. Through the sustained investment programme in our existing stores and our ambition to improve the overall customer experience, we expect to take the full benefit of the market appetite for home furnishings.

The new financial year has seen the opening at our 4th Greater London store in Edmonton and our long term growth strategy remains unchanged. We continue to look for suitable retail sites and submit planning applications in line with our strategy to open 10 new stores in the next five years. A store in Milton Keynes is due to be opened in the next financial year.

RESULTS AND DIVIDENDS

The group trading profit for the year, after taxation, was £102.8 million.

During the year the company paid a dividend of £15 per ordinary share, amounting to £90 million (2003: £15.83 per ordinary share, amounting to £95 million), leaving a profit of £12.8 million to be retained.

DIRECTORS AND THEIR INTERESTS IN SHARES

The following directors have held office during the year:

C Thordson	
J Rasmussen	
P Hogsted	(appointed 1 September 2003)
M Ohlsson	
J-L Ouellette	(resigned 30 June 2004)
M Schuler	(appointed 1 January 2005)

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

MARKET VALUE OF LAND AND BUILDINGS

The directors are of the opinion that the value of the land and buildings held by a subsidiary company is significantly higher than its net book value shown in these financial statements. They have commissioned an independent valuation which indicates that the value of the land and buildings (in accordance with Financial Reporting Standard 15) is approximately £196 million higher than the amount shown in the consolidated balance sheet.

IKEA Limited

DIRECTORS' REPORT (continued)

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.

CHARITABLE AND POLITICAL CONTRIBUTIONS

The group made charitable donations of £100,000 in the year. No political donations were made.

By order of the Board



M Schuler
Director

20 April 2005

IKEA Limited

DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

Company law requires 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 the group and of the profit or loss of the group for that period. In preparing those financial statements, directors are required to:

- a. select suitable accounting policies and then apply them consistently;
- b. make judgements and estimates that are reasonable and prudent;
- c. state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- d. 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 the group and to enable them to ensure that the financial statements comply with the requirements of the Companies Act 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF IKEA LIMITED

We have audited the financial statements on pages 6 to 22.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company and other members of the group is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of opinion

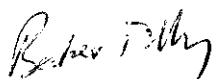
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures of the financial statements.

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 affairs of the company and group at 31 August 2004 and of the group profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



BAKER TILLY
Registered Auditor
Chartered Accountants
2 Bloomsbury Street
London WC1B 3ST

20 April 2005

IKEA Limited
CONSOLIDATED PROFIT AND LOSS ACCOUNT
for the year ended 31 August 2004

	<i>Notes</i>	2004 £'000	2003 (restated) £'000
TURNOVER	1	1,017,327	882,415
Cost of sales		(593,508)	(519,223)
Gross profit		423,819	363,192
Other operating income		841	752
Administrative expenses		(259,091)	(222,627)
OPERATING PROFIT		165,569	141,317
Interest receivable	2	477	1,033
Interest payable	3	(12,498)	(9,490)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	4	153,548	132,860
Taxation	6	(50,724)	(41,875)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		102,824	90,985
Dividends	7	(90,000)	(95,000)
PROFIT/(LOSS) FOR THE YEAR	16	12,824	(4,015)

The operating profit for the year arises from the group's continuing operations.

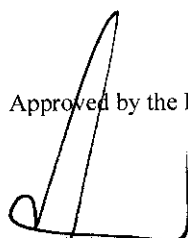
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 AUGUST 2004

	<i>Notes</i>	2004 £'000	2003 (restated) £'000
Profit/(loss) for the year		12,824	(4,015)
Total recognised gains/(losses) relating to the year		12,824	(4,015)
Prior year adjustment (note 24)		(1,735)	
Total gains recognised since last annual report		11,089	

IKEA Limited
GROUP BALANCE SHEET
31 August 2004

	<i>Notes</i>	2004 £'000	2003 £'000 (restated)
FIXED ASSETS			
Tangible assets	8	409,750	332,282
Investments	9	-	-
		<u>409,750</u>	<u>332,282</u>
CURRENT ASSETS			
Stocks	10	164,546	139,948
Debtors	11	12,162	7,765
Cash at bank and in hand		24,186	10,706
		<u>200,894</u>	<u>158,419</u>
CREDITORS: Amounts falling due within one year	12	(366,778)	(251,807)
NET CURRENT LIABILITIES		<u>(165,884)</u>	<u>(93,388)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>243,866</u>	<u>238,894</u>
CREDITORS: Amounts falling due after more than one year	13	(105,000)	(113,118)
PROVISIONS FOR LIABILITIES AND CHARGES	15	(7,426)	(7,160)
		<u>131,440</u>	<u>118,616</u>
CAPITAL AND RESERVES			
Called up share capital	16	6,000	6,000
Revaluation reserve	16	5,925	6,096
Profit and loss account	16	119,515	106,520
EQUITY SHAREHOLDERS' FUNDS	16	<u>131,440</u>	<u>118,616</u>

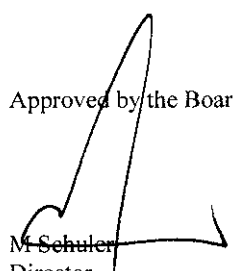
Approved by the Board on 20 April 2005


M Schuler
Director

IKEA Limited
COMPANY BALANCE SHEET
31 August 2004

	<i>Notes</i>	2004 £'000	2003 £'000 (restated)
FIXED ASSETS			
Tangible assets	8	47,775	21,451
Investments	9	75,621	75,620
		<u>123,396</u>	<u>97,071</u>
CURRENT ASSETS			
Stocks	10	31,180	24,405
Debtors	11	385,402	268,387
		<u>416,582</u>	<u>292,792</u>
CREDITORS: Amounts falling due within one year	12	(395,346)	(258,558)
NET CURRENT ASSETS		<u>21,236</u>	<u>34,234</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		144,632	131,305
PROVISIONS FOR LIABILITIES AND CHARGES		(2,001)	(1,735)
		<u>142,631</u>	<u>129,570</u>
CAPITAL AND RESERVES			
Called up share capital	16	6,000	6,000
Profit and loss account	16	136,631	123,570
EQUITY SHAREHOLDERS' FUNDS	16	<u>142,631</u>	<u>129,570</u>

Approved by the Board on 20 April 2005


M. Schuler
Director

IKEA Limited
CASH FLOW STATEMENT
For the year ended 31 August 2004

	<i>Notes</i>	2004 £'000	2003 £'000 (restated)
Net cash inflow from operating activities	18a	197,527	153,061
Returns on investments and servicing of finance	18b	(12,021)	(8,457)
Taxation		(54,739)	(43,287)
Capital expenditure and financial investment	18b	(99,132)	(75,963)
Equity dividends paid		(90,000)	(95,000)
Cash (outflow)/inflow before use of liquid resources and financing		<u>(58,365)</u>	<u>(69,646)</u>
Financing:			
Increase in debt	18b	71,845	80,118
Increase in cash in the year		<u>13,480</u>	<u>10,472</u>

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN DEBT

		2004 £'000	2003 £'000
Increase in cash in the year		13,480	10,472
Cash inflow from increase in debt		(71,845)	(80,118)
Movement in net debt in the year		<u>(58,365)</u>	<u>(69,646)</u>
Net debt at 1 September 2003	18c	(237,412)	(167,766)
Net debt at 31 August 2004	18c	<u>(295,777)</u>	<u>(237,412)</u>

IKEA Limited

ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The financial statements have been 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.

The following accounting policies are consistent with those used in previous years except with regard to turnover. This change has been made to comply with Financial Reporting Standard 5, Application Note G, the new application note regarding revenue recognition and the inclusion of a returns provision, which is applied to the Financial Statements for the first time. The comparative figures have been restated accordingly.

BASIS OF CONSOLIDATION

The group consolidates the accounts of IKEA Limited and its subsidiaries, made up to 31 August 2004, using the acquisition method.

TANGIBLE FIXED ASSETS

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 over its expected useful life, as follows:-

Buildings	50 years when completed
Building installations	10 years
Plant, machinery and equipment	5 years
Short leasehold	10 years

REVALUATION POLICIES

The freehold properties were professionally valued on an existing use open market value basis, in accordance with the Statement of Assets Valuation Practice No. 4 and the Guidance Notes of the Royal Institution of Chartered Surveyors, as at 31 August 1990 by Havill Sparks, Chartered Surveyors. On adoption of FRS 15, the group followed the transitional provisions to retain the book value of land and buildings which were revalued in 1990, but not to adopt a policy of revaluation of these properties in the future. These values are retained subject to the requirement to test assets for impairment in accordance with FRS 11.

INVESTMENTS

Fixed asset investments are stated at cost. Provision is made for any impairment in their value.

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 upon estimated selling price less further costs expected to be incurred to disposal. Provision is made for obsolete, slow-moving and defective items.

DEFERRED TAXATION

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is recognised in the Statement of Total Recognised Gains and Losses on revaluations where at the balance sheet date there is an agreement to sell the asset.

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.

IKEA Limited

ACCOUNTING POLICIES

PENSION CONTRIBUTIONS

The group operates a defined contribution pension scheme. Payments made to the funds are charged annually in these accounts as part of employment costs. The funds are independently administered. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

FOREIGN CURRENCIES

Assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date unless a hedge contract exists and then the applicable contract is used.

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.

OPERATING LEASES

Annual rentals for operating leases are charged to profit and loss on a straight line basis over the lease term.

TURNOVER

Turnover represents the invoiced value, net of Value Added Tax, of goods sold and services provided to customers outside the group. Turnover is stated net of provisions for returns.

IKEA Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 August 2004

1 TURNOVER AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The group's turnover and profit before taxation were all derived from its principal activities. Sales were made in the following geographical markets:

	2004 £'000	2003 £'000 (restated)
United Kingdom	1,010,107	873,087
Rest of Europe	7,220	7,508
	<u>1,017,327</u>	<u>880,595</u>

2 INTEREST RECEIVABLE

	2004 £'000	2003 £'000
Bank deposit interest	<u>477</u>	<u>1,033</u>

3 INTEREST PAYABLE

	2004 £'000	2003 £'000
On bank loans	<u>12,498</u>	<u>9,490</u>

4 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2004 £'000	2003 £'000
Profit on ordinary activities before taxation is stated after charging:		
Auditors' remuneration		
- Audit services	94	84
- Non audit services	145	57
Charge for the year:		
owned assets	20,764	18,118
leased assets	-	-
Depreciation and amounts written off	20,764	18,118
Loss on sale of tangible fixed assets	900	368
Exchange loss/(gain)	287	(355)
Operating lease rentals:		
Land and buildings	<u>4,760</u>	<u>4,760</u>

IKEA Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 August 2004

5	STAFF COSTS	2004 £'000	2003 £'000
	Wages and salaries	98,533	80,764
	Social security costs	5,867	5,188
	Other pension costs	1,478	1,440
		<u>105,878</u>	<u>87,392</u>
		2001 No.	2003 No.
	The average monthly number of persons (including directors) employed by the group during the year was:		
	Stores	7,360	6,592
	Country management and co-ordination	202	206
		<u>7,562</u>	<u>6,798</u>
		2004 £	2003 £
	DIRECTORS' REMUNERATION		
	Aggregate emoluments	<u>370,013</u>	<u>371,799</u>
		2004 £	2003 £
	Highest Paid Director:		
	Emoluments	<u>125,000</u>	<u>127,400</u>

IKEA Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 August 2004

6	TAXATION	2004 £'000	2003 £'000 (restated)
	Current tax:		
	UK corporation tax on profits of the year	49,800	42,294
	Adjustments in respect of previous years	924	(1,319)
	Total current tax	50,724	40,975
	Deferred taxation:		
	Origination and reversal of timing differences	-	900
	Total deferred tax	-	900
	Tax on profit on ordinary activities	50,724	41,875
	Factors affecting tax charge for the year:	2004 £'000	2003 £'000 (restated)
	The tax assessed for the year is higher than the standard rate of corporation tax for large companies (30%) as explained below:		
	Profit on ordinary activities before tax	153,548	132,775
	Profit on ordinary activities multiplied by the standard rate of corporation tax for large companies (30%)	46,064	39,833
	Effects of:		
	Expenses not deductible for tax purposes	2,972	2,035
	Capital allowances less than/(in excess of) depreciation	764	426
	Adjustment to tax charge in respect of previous years	924	(1,319)
	Current tax charge for the year	50,724	40,975
7	DIVIDENDS	2004 £'000	2003 £'000
	Ordinary:		
	Interim paid - £15 per share (2003: £15.83)	90,000	95,000

IKEA Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 August 2004

8 TANGIBLE FIXED ASSETS

	Short leasehold £'000	Freehold land and buildings £'000	Buildings installations £'000	Plant, machinery & equipment £'000	Total £'000
GROUP					
Cost or valuation					
1 September 2003	30,103	273,208	55,575	65,538	424,424
Additions	19,991	56,767	7,061	16,942	100,761
Disposals	-	-	-	(5,248)	(5,248)
31 August 2004	50,094	329,975	62,636	77,232	519,937
Depreciation					
1 September 2003	829	23,471	32,831	35,011	92,142
Charged in the year	4,979	1,952	6,597	7,236	20,764
Disposals	-	-	-	(2,719)	(2,719)
31 August 2004	5,808	25,423	39,428	39,528	110,187
Net book value					
31 August 2004	44,286	304,552	23,208	37,704	409,750
31 August 2003	29,274	249,737	22,744	30,527	332,282
Cost or valuation at 31 August 2004 is represented by:					
Cost	50,094	321,656	62,636	77,232	511,618
Valuation	-	8,319	-	-	8,319
	50,094	329,975	62,636	77,232	519,937

The valuations of land and buildings were made in 1990 by Havill Sparks, Chartered Surveyors, on an existing use open market value basis, in accordance with the Statement of Assets Valuation Practice No. 4 and the Guidance Notes of the Royal Institution of Chartered Surveyors. That valuation has been frozen, as the group has taken advantage of the transitional provisions, on the adoption of Financial Reporting Standard 15 "FRS 15" and the buildings are being depreciated.

The difference between the actual depreciation charge for the year calculated on the revalued amount and an historical depreciation charge for the year would be £171,000 (2003: £171,000).

The net book value of plant machinery and equipment includes £4,446,748 (2003: £Nil) in respect of assets held under finance leases.

IKEA Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 August 2004

8	TANGIBLE FIXED ASSETS (<i>continued</i>)			
	COMPANY	<i>Lease Premium £'000</i>	<i>Plant, machinery & equipment £'000</i>	<i>Total £'000</i>
	Cost			
	1 September 2003	-	51,053	51,053
	Additions	19,991	15,980	35,971
	Disposals	-	(5,338)	(5,338)
	31 August 2004	19,991	61,695	81,686
	Depreciation			
	1 September 2003	-	29,602	29,602
	Charged in the year	1,666	7,035	8,701
	Disposals	-	(4,392)	(4,392)
	31 August 2004	1,666	32,245	33,911
	Net book value			
	31 August 2004	18,325	29,450	47,775
	31 August 2003	-	21,451	21,451

The net book value of plant machinery and equipment includes £4,446,748 (2003: £Nil) in respect of assets held under finance leases.

9 FIXED ASSET INVESTMENTS

COMPANY	<i>Subsidiary undertakings £'000</i>
Cost at 1 September 2003	75,620
Additions in year	1
Cost at 31 August 2004	75,621

The company holds more than 20% of the equity of the following undertakings:

	<i>Country of Incorporation</i>	<i>Class of Holding</i>	<i>Proportion Held</i>	<i>Nature of business</i>
Subsidiary undertakings:				
IKEA Properties Investments Limited	United Kingdom	Ordinary	100%	Property Investment
IKEA Wholesale Limited	United Kingdom	Ordinary	100%	Wholesale
IKEA Distribution Limited	United Kingdom	Ordinary	100%	Dormant
IKEA Retail Services Limited	United Kingdom	Ordinary	100%	Credit Card handling services
Victory Retail Park Limited	United Kingdom	Ordinary	100%	Property Investment

IKEA Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 August 2004

10	STOCKS	2004 £'000	2003 £'000
	GROUP		
	Finished goods and goods for resale	164,546	139,948
	COMPANY		
	Finished goods and goods for resale	31,180	24,405
11	DEBTORS	2004 £'000	2003 £'000
	GROUP		
	Due within one year:		
	Trade debtors	292	1,312
	Amounts due from group undertakings	818	675
	Other debtors	3,708	2,820
	Prepayments and accrued income	7,344	2,958
		12,162	7,765
	COMPANY		
	Due within one year:		
	Trade debtors	232	1,234
	Amounts due from group undertakings	378,846	264,496
	Other debtors	3,489	780
	Prepayments and accrued income	2,835	1,877
		385,402	268,387
12	CREDITORS: Amounts falling due within one year	2004 £'000	2003 £'000
	GROUP		
	Bank loans (see note 14)	212,000	135,000
	Obligations under finance leases	2,963	-
	Trade creditors	36,469	30,513
	Amounts owed to group undertakings	33,736	24,475
	Corporation tax	18,785	22,800
	Other taxation and social security costs	19,156	7,434
	Other creditors	7,307	5,882
	Accruals and deferred income	36,362	25,703
		366,778	251,807

IKEA Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 August 2004

12	CREDITORS: Amounts falling due within one year (<i>continued</i>)	2004 £'000	2003 £'000
	COMPANY		
	Bank loans and overdrafts (see note 14)	253,190	175,051
	Obligations under finance leases	2,963	-
	Trade creditors	9,003	6,919
	Amounts owed to group undertakings	51,810	16,450
	Corporation tax	8,638	8,245
	Other taxation and social security costs	37,544	29,649
	Other creditors	7,721	5,615
	Accruals and deferred income	24,477	16,629
		<u>395,346</u>	<u>258,558</u>
13	CREDITORS: Amounts falling due in more than one year		
		GROUP	COMPANY
		2004 £'000	2003 £'000
		2004 £'000	2003 £'000
	Loans (see note 14)	105,000	113,118
14	LOANS		
		GROUP	COMPANY
		2004 £'000	2003 £'000
		2004 £'000	2003 £'000
	Repayable in instalments		
	Bank loans:		
	within one year	212,000	135,000
	amounts due in more than 2		
	but not more than 5 years	30,000	15,000
	in five years or more	75,000	98,118
		<u>317,000</u>	<u>248,118</u>
			<u>212,000</u>
			<u>135,000</u>

The bank loans repayable within one year are unsecured and bear interest at 5%.

The loans repayable in more than one year are secured by a floating charge over certain assets of the company. £75m is repayable by annual instalments from 2007 to 2011 and bears interest at 5.45% pa. The remaining £30m is repayable by annual instalments from 2009 to 2018 and bears interest at LIBOR plus a margin.

IKEA Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 August 2004

15 PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred taxation		Returns provision		Total	
	2004	2003	2004	2003	2004	2003
	£'000	£'000	£'000	£'000	£'000	£'000
				(restated)		(restated)
GROUP						
Balance at 1 September 2003	5,425	4,525	1,735	1,820	7,160	6,345
Transfer to profit and loss account	-	900	266	(85)	266	815
Balance at 31 August 2004	5,425	5,425	2,001	1,735	7,426	7,160
COMPANY						
Balance at 1 September 2003	-	-	1,735	1,820	1,735	1,820
Transfer to profit and loss account	-	-	266	(85)	266	(85)
Balance at 31 August 2004	-	-	2,001	1,735	2,001	1,735

The deferred tax balance relates to accelerated capital allowances.

16 SHARE CAPITAL, MOVEMENT ON RESERVES AND RECONCILIATION OF MOVEMENT IN EQUITY SHAREHOLDERS' FUNDS	Share Capital £'000	Revaluation Reserve £'000	Profit and loss account £'000	Total Shareholders' Funds £'000
GROUP				
1 September 2003 as previously reported	6,000	6,096	108,255	120,351
Prior year adjustment (note 24)	-	-	(1,735)	(1,735)
As restated	6,000	6,096	106,520	118,616
Profit after taxation	-	-	102,824	102,824
Dividends	-	-	(90,000)	(90,000)
Transfer between profit and loss account and revaluation reserve	-	(171)	171	-
31 August 2004	6,000	5,925	119,515	131,440

IKEA Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 August 2004

16 SHARE CAPITAL, MOVEMENT ON RESERVES AND RECONCILIATION OF MOVEMENT IN EQUITY SHAREHOLDERS' FUNDS *(continued)*

	Share Capital £'000	Revaluation Reserve £'000	Profit and loss account £'000	Total Shareholders' Funds £'000
COMPANY				
1 September 2003 as previously reported	6,000	-	125,305	131,305
Prior year adjustment (note 24)	-	-	(1,735)	(1,735)
As restated	6,000	-	123,570	129,570
Profit for the year	-	-	103,061	103,061
Dividends	-	-	(90,000)	(90,000)
31 August 2004	6,000	-	136,631	142,631

No profit and loss account is presented for IKEA Limited as permitted by Section 230 of the Companies Act 1985. The retained profit for the year dealt with in the financial statements of the holding company was £13,061,310 (2003: loss of £332,944).

	Authorised 2004 and 2003 No.	Allotted, issued and Fully paid 2004 and 2003 £'000
Ordinary shares of £1 each	20,000,000	6,000

17 PENSION COMMITMENTS

Details of the group's pension scheme are set out within the Accounting Policies on page 12. The pension cost charge represents contributions payable by the group to the funds during the year and amounts to £1,478,000 (2003: £1,440,000). No contributions were unpaid at the year end.

18	CASH FLOWS	2004 £'000	2003 £'000 (restated)
a	Reconciliation of operating profit to net cash inflow from operating activities		
	Operating profit	165,569	141,317
	Depreciation	20,764	18,118
	Loss on sale of fixed assets	900	368
	(Increase)/decrease in stocks	(24,598)	1,355
	(Increase)/decrease in debtors	(4,397)	3,667
	Increase/(decrease) in creditors	39,023	(11,679)
	Increase/(decrease) in provision for returns	266	(85)
	Net cash inflow from operating activities	197,527	153,061

IKEA Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 August 2004

18	CASH FLOWS (<i>continued</i>)		2004	2003
b	Analysis of cash flows for headings netted in the cash flow statement		£'000	£'000 (restated)
	Returns on investments and servicing of finance			
	Interest received		477	1,033
	Interest paid		(12,498)	(9,490)
	Net cash outflow from returns on investments and servicing of finance		(12,021)	(8,457)
	Capital expenditure and financial investment			
	Purchase of fixed assets		(100,761)	(76,217)
	Sale of fixed assets		1,629	254
	Net cash outflow for capital expenditure and financial investment		(99,132)	(75,963)
	Financing			
	Increase in short-term borrowing		79,963	42,000
	(Decrease)/increase in long-term loans advanced		(8,118)	38,118
	Net cash inflow from financing		71,845	80,118
c	Analysis of net debt	At 1 September 2004 £'000	Cashflows £'000	At 31 August 2004 £'000
	Cash at bank and in hand	10,706	13,480	24,186
	Debt due after 1 year	(113,118)	8,118	(105,000)
	Debt due within 1 year	(135,000)	(79,963)	(214,963)
		(248,118)	(71,845)	(319,963)
		(237,412)	(58,365)	(295,777)
19	CAPITAL COMMITMENTS		2004	2003
			£'000	£'000
	GROUP			
	Capital expenditure contracted for but not provided in the financial statements		36,198	7,338
	The group has entered into a commitment to purchase land and buildings on 31 December 2005 for £18.454 million and £12.970 million on 31 October 2006.			
	COMPANY		2004	2003
			£'000	£'000
	Capital expenditure contracted for but not provided in the financial statements		-	-

IKEA Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 August 2004

20 COMMITMENTS UNDER OPERATING LEASES

At 31 August 2004 there were annual commitments under non-cancellable operating leases for land and buildings as follows:

	2004 £'000	2003 £'000
GROUP		
Expiring after 5 years	4,760	4,760
COMPANY		
Expiring after 5 years	35,121	30,687

21 CONTINGENT LIABILITIES

The company has entered into an unlimited multilateral cross guarantee with its subsidiary undertakings to secure all present and future indebtedness and liabilities to its bankers howsoever arising. There was no liability at the year end.

The company is registered under a group registration for Value Added Tax and is jointly liable for the amount payable of £17.3 million at 31 August 2004 (2003: £5.5 million) in respect of certain UK companies.

22 ULTIMATE CONTROLLING PARTY

The directors consider INGKA Holding BV, a company registered in the Netherlands, to be the ultimate controlling party. Accounts are available from VVK, Watermolenlaan 1, PO Box 265, 3440 AG Woerden, The Netherlands.

23 RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption conferred by Financial Reporting Standard 8 from disclosing details of transactions with other group companies.

24 PRIOR YEAR ADJUSTMENT

As explained in the accounting policies, the group has made for the first time a provision for returns of damaged and undamaged goods in order to comply with FRS 5, application note G. This has resulted in an adjustment to retained earnings at 31 August 2003 of £1,735,000.

The adoption of this new accounting policy has decreased turnover for the year ended 31 August 2004 by £266,000 to bring the year end provision for returns to £2,001,000.