

IKEA DISTRIBUTION SERVICES LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2013

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IKEA DISTRIBUTION SERVICES LIMITED

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IKEA DISTRIBUTION SERVICES LIMITED
REGISTERED NO 03568882
COMPANY INFORMATION

Directors	G P Moritz J Sellwood-Brown C Ruhe
Secretary	Sisec Limited
Company number	03568882 (England and Wales)
Auditors	KPMG LLP 15 Canada Square London E14 5GL
Registered office	Witan Gate House 500-600 Witan Gate West Milton Keynes MK9 1SH

IKEA DISTRIBUTION SERVICES LIMITED
REGISTERED NO 03568882
DIRECTORS' REPORT
FOR THE 12 MONTHS ENDED 31 AUGUST 2013

The directors present their report together with financial statements for the 12 months ended 31 August 2013

Principal activities

The principal activity of the company during the year is the provision of Warehousing and Distribution services

Review of the business and future developments

The directors' assessment is that IKEA Distribution Services Ltd has operated within expected parameters. Costs incurred are re-invoiced on a cost plus basis therefore, the result and performance is as expected with a £2.2m profit

Principal risks and uncertainties

From the perspective of the company the principal risks and uncertainties are integrated with the principal risks of the group and are not managed separately. Accordingly the principal risks and uncertainties of the IKEA UK Group which include those of the company are discussed on page 3 of the financial statements of IKEA Limited

Key Performance Indicators

Given the strong interdependency of the distribution business and the operations of the retail units the company's directors are of the opinion that analysis using KPIs is best carried out at group level. The key performance indicators for the IKEA UK Group are analysed on page 3 of the financial statements of the parent company, IKEA Limited

Results and Dividends

The profit for the year after taxation was £2.2m (2012 Profit £0.9m). A dividend of £2 million was paid in the year ended 31 August 2013 (2012 £nil)

Directors

The following directors have held office during the year and up to the date of signing these financial statements

G P Montz
J Sellwood-Brown
C Ruhe

No director held any interest in the shares of the company during the period

Employees and employee policies

The group is committed to employment policies, which follow best practice, based on equal opportunities for all employees, irrespective of sex, race, colour, disability or marital status and offers appropriate training and career development for disabled staff. If members of staff become disabled the group continues employment wherever possible and arranges retraining.

The group is also committed to providing employees with information on matters of concern to them on a regular basis so that the views of employees can be taken into account when making decisions that are likely to affect their interests. In addition the group encourages the involvement of employees by means of team briefings and newsletters.

Charitable and political contributions

The company did not make any political or significant charitable donations either in the current or the prior year.

Research and Development

No research and development activities were undertaken during the year.

Disclosure of information to auditors

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

Auditors

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

By order of the Board


G.P. Montz
Director
27th November 2013

**IKEA DISTRIBUTION SERVICES LIMITED
STATEMENT OF DIRECTORS' RESPONSIBILITIES
FOR THE 12 MONTHS ENDED 31 AUGUST 2013**

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the group and parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

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

- select suitable accounting policies and then apply them consistently,
- make 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,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

G P Moritz
Director
27th November 2013



**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF IKEA DISTRIBUTION SERVICES LIMITED**

We have audited the financial statements of IKEA Distribution Services Limited for the year ended 31 August 2013 set out on pages 5 to 12

The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice)

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an 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 auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 August 2013 and of its profit for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

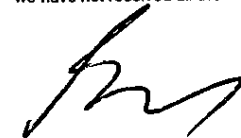
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, 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.



Stephen Cooper (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL
28th November 2013

**IKEA DISTRIBUTION SERVICES LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 AUGUST 2013**

	Notes	2013 £'000	2012 £'000
TURNOVER	1	40,117	34,562
Administrative expenses		(36 959)	(32,985)
Operating Profit	4	3,158	1 577
Interest receivable and similar income	2	33	39
Interest payable and similar charges	3	(125)	(265)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		3,066	1 351
Tax on profit on ordinary activities	6	(880)	(464)
PROFIT FOR THE FINANCIAL YEAR		2,186	887

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

The company has no recognised gains and losses for 2013 and 2012 other than those included in the results above and therefore no separate statement of total recognised gains and losses has been presented

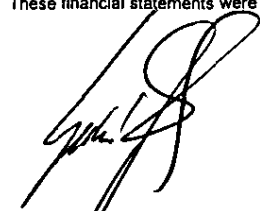
All realised profits and losses arise as a result of continuing operations

The notes on pages 7 to 12 form part of these financial statements

IKEA DISTRIBUTION SERVICES LIMITED
BALANCE SHEET
AS AT 31 AUGUST 2013

	Notes	2013 £'000	2012 £'000
FIXED ASSETS			
Tangible assets	7	2,714	3,697
CURRENT ASSETS			
Debtors	8	10 042	7,832
Cash at bank		9,341	10 330
		<u>19 383</u>	<u>18,162</u>
CREDITORS Amounts falling due within one year	9	(14,467)	(14 415)
NET CURRENT ASSETS		<u>4 916</u>	<u>3,747</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>7,630</u>	<u>7,444</u>
NET ASSETS		<u>7,630</u>	<u>7,444</u>
CAPITAL AND RESERVES			
Called up share capital	10	5,000	5 000
Profit and loss account	11	2,630	2,444
TOTAL SHAREHOLDERS' FUNDS	12	<u>7,630</u>	<u>7 444</u>

These financial statements were approved by the board of directors on 27th November 2013 and were signed on its behalf by



G P Montz
Director

Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements

Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards (United Kingdom Generally Accepted Accounting Practice)

The financial statements are prepared on a going concern basis. The ultimate parent company has confirmed that it will provide the company with adequate financial support to continue as a going concern.

As with any company placing reliance on other group entities for financial support, the Directors acknowledge that there can be no certainty that this support will continue although at the date of approval of these financial statements they have no reason to believe that it will not do so.

Tangible fixed assets

Fixed assets are stated at historical cost less accumulated depreciation and are depreciated over the shorter of their useful economic life or lease life.

Depreciation is provided on all tangible fixed assets at rates calculated to write each asset down to its estimated residual value evenly over its expected useful life as follows -

Computer Equipment	3 years
Plant & Machinery Including fixtures fittings equipment and motor vehicles	5-8 years
Short leasehold	10 years
Building installations	10 years

Deferred tax

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date except as otherwise required by FRS 19.

The company is part of a group payment arrangement for corporation tax purposes whereby the parent company, IKEA Ltd, pays/recovers tax on behalf of the company.

Post retirement benefits

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

Turnover

Turnover represents the invoiced value, net of Value Added Tax, of goods sold and services provided to customers. Turnover is recognised on the transfer of risks and rewards.

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.

Interest

Interest payable and receivable is recognised on an accruals basis. The IKEA UK group's cash balances are pooled and bank interest is earned or paid on this group balance to/from the parent company, IKEA Limited. The bank balance of the company is taken into account when computing the inter group interest.

Cashflow Statement

The company is ultimately owned by INGKA Holding BV, and its accounts including a group cash flow statement are publicly available and from KVK, Watermolenlaan 1, PO Box 265, 3440 AG Woerden, The Netherlands. Consequently, the company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS1 (revised 1996).

Finance lease

Lease arrangements that transfer substantially all the risks and rewards of ownership to the lessee are treated as finance leases. Land and buildings which are the subject of finance leases are dealt with in the financial statements as tangible fixed assets and equivalent liabilities, at what would otherwise have been the cost of outright purchase.

Rentals are apportioned between reductions of the respective liabilities and finance charges, the latter being calculated by reference to the rates of interest implicit in the leases. The finance charges are dealt with under interest payable in the profit and loss account.

Leased assets are depreciated in accordance with the depreciation accounting policy over the anticipated working lives of the assets, or the term of the lease if shorter.

Operating lease

Annual rentals for operating leases are charged to the profit and loss on a straight line basis over the lease term. Any incentive to enter into an operating lease is accounted for in accordance with the requirements of UITF Operating lease incentives.

Dividend policy

Dividend distribution to the company's parent is recognised as a liability in the group's financial statements in the period in which the dividends are approved by the company's shareholders.

IKEA DISTRIBUTION SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2013

1 Turnover

Turnover of the company has been derived from its principal activities. Sales were made in the following geographical market:

	2013 £'000	2012 £'000
Rest of Europe	40,117	34,562
	<u>40,117</u>	<u>34,562</u>

The cost of providing these services to its customers are administrative in nature, including staff costs and other operational costs. Therefore these costs have been presented in administrative expenses.

2 Interest receivable and similar income

	2013 £'000	2012 £'000
Interest receivable from group undertakings	<u>33</u>	<u>39</u>

3 Interest Payable and similar charges

	2013 £'000	2012 £'000
Interest on loans from group undertakings	85	265
Exchange loss	<u>40</u>	<u>-</u>
	<u>125</u>	<u>265</u>

4 Operating profit

	2013 £'000	2012 £'000
Operating profit is stated after charging		
Staff costs		
Salaries and wages	5,129	4,679
Social security costs	493	439
Other pension costs	<u>130</u>	<u>86</u>
Total Staff Costs	<u>5,752</u>	<u>5,204</u>
Depreciation of tangible assets		
- Owned assets	1,139	2,214
- Leased assets	<u>643</u>	<u>1,676</u>
Operating lease charges		
- Others	10,899	5,397
Auditor's remuneration		
- Audit	<u>11</u>	<u>10</u>

Director's emoluments

	2013 £'000	2012 £'000
Aggregate emoluments	<u>109</u>	<u>97</u>

The emoluments of Mr G P Montz are paid by the parent company. His services to this company are of a non-executive nature and his emoluments are deemed to be wholly attributable to his services to the parent company. Accordingly, the above details include no emoluments for Mr G P Montz.

The emoluments of Mrs C Ruhe were paid by other IKEA group companies. Their services to this company were of a non-executive nature and their emoluments were deemed to be wholly attributable to his services to other IKEA group companies. Accordingly, the above details include no emoluments in respect of these individuals.

The amounts above are those for Mr J Sellwood-Brown.

IKEA DISTRIBUTION SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2013

4 Operating profit (continued)

	2013 £'000	2012 £'000
Pension contribution to the money purchase scheme	<u>5</u>	<u>5</u>

Retirement benefits are accruing to one director under the money purchase scheme (2012 £5k)

5 Employee Information

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

	2013 £'000	2012 £'000
Warehousing and office management	<u>216</u>	<u>192</u>

6 Taxation on the profit for the year

(a) Analysis of tax charge on ordinary activities

	2013 £'000	2012 £'000
Current tax		
UK corporation tax on profits of the period	865	469
Adjustments in respect of previous periods	<u>(7)</u>	<u>5</u>
Total current tax charge	<u>858</u>	<u>474</u>
Deferred tax		
Origination and reversal of timing differences	(84)	(61)
Effect of changes in tax rates and laws	94	56
Adjustment in respect of prior periods	<u>12</u>	<u>(5)</u>
Tax on profits on ordinary activities	<u>880</u>	<u>464</u>

(b) Factors affecting tax charge for the current period

The tax assessed for the period is higher (2012 higher) than the standard effective rate of corporation tax in the UK for the year ended 31 August 2013 of 23.58% (2012 24.16%). The differences are explained below

	2013 £'000	2012 £'000
Profit on ordinary activities before tax	3,066	1,351
Profit on ordinary activities at the UK tax rate of 23.58% (2012 25.16%)	723	340
Effects of		
Expenses not deductible	65	68
Accelerated capital allowances	85	61
Adjustments to tax (credit)/charge in respect of previous period	(7)	5
Non taxable income	<u>(8)</u>	<u>-</u>
Current tax charge for the year	<u>858</u>	<u>474</u>

IKEA DISTRIBUTION SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2013

7 Tangible fixed assets

	Short leasehold £'000	Building Installations £'000	Plant and Machinery £'000	Total £'000
Cost				
At beginning of the year	30,103	8 278	28 053	66 434
Additions in the year	-	-	799	799
Transfers	-	(129)	129	-
At the end of the year	30 103	8 149	28,981	67 233
Depreciation				
At beginning of the year	(29,460)	(7 784)	(25,493)	(62 737)
Charge for period	(643)	(384)	(755)	(1 782)
Transfers	-	19	(19)	-
At the end of the year	(30 103)	(8 149)	(26,267)	(64 519)
Net book value				
At 31 August 2013	-	-	2 714	2,714
At 31 August 2012	643	494	2,560	3 697

8 Debtors

	2013 £'000	2012 £'000
Due within one year		
Amount owed by group companies	7,285	3 530
Prepayments and accrued income	1,346	2,973
VAT receivable	765	681
Deferred tax asset	613	634
Other	33	14
	10 042	7,832

Amounts due from group undertakings are unsecured and are repayable on demand. Interest is applied on group loan balances and inter UK trading balances at LIBOR plus a margin. All other trading balances with other IKEA companies are interest free.

Deferred Taxation	2013 £'000	2012 £'000
At beginning of year	634	624
Credit/(charge) to the profit and loss account	(21)	10
At the end of year	613	634
Analysis of deferred tax balances	2013 £'000	2012 £'000
Accelerated capital allowances	613	634
Total provision for deferred tax	613	634

IKEA DISTRIBUTION SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2013

9 Creditors (amounts falling due within one year)

	2013 £'000	2012 £'000
Trade Creditors	354	238
Amount owed to Group Undertaking	12 043	13,199
Other taxation and social security costs	176	164
Accruals and other creditors	1 894	814
	<u>14,467</u>	<u>14,415</u>

Amounts owed to group undertakings are unsecured and are repayable on demand. Interest is applied on group loan balances and inter UK trading balances at LIBOR plus a margin. All other trading balances with other IKEA companies are interest free.

10 Share Capital

	2013 Number	2012 Number
Authorised		
5 000,000 Ordinary shares of £1.00 each	<u>5,000,000</u>	<u>5 000,000</u>
Allotted, called up and fully paid	£'000	£'000
5,000 000 Ordinary Shares of £1.00 each	<u>5 000</u>	<u>5,000</u>

11 Profit and loss account

	2013 £'000	2012 £'000
1 st September	2,444	1 557
Dividend	(2 000)	-
Profit for the financial year	<u>2 186</u>	<u>887</u>
31 st August	<u>2,630</u>	<u>2,444</u>

12 Reconciliation of movements in equity shareholder's funds

	2013 £'000	2012 £'000
Opening shareholder's funds	7,444	6,557
Profit for the financial year	2,186	887
Dividend	<u>(2 000)</u>	<u>-</u>
Closing shareholder's funds	<u>7 630</u>	<u>7,444</u>

13 Contingent liabilities

The company is party to a cash pooling arrangement for the IKEA UK group with one of its bankers. There was an unprovided exposure of £32.8 million to the company at the yearend (2012: £44.1 million).

The company is registered under a group registration for Value added Tax and is jointly liable for the amount payable of £16.5 million at 31 August 2013 (2012: £12.5 million) in respect of certain UK companies.

14 Pension comments

The company contributes to a defined contribution scheme operated by the group. The assets of the scheme are held separately from those of the group in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund during the year and amounts to £130k (2012: £86k). No contributions were outstanding at the year end.

15 Comments under operating lease

At 31 August 2013 there were annual commitments under non-cancellable operating leases as follows:

	2013 £'000	2012 £'000
Land and buildings		
After 5 years	<u>10,899</u>	<u>5,397</u>
	<u>10 899</u>	<u>5,397</u>

IKEA DISTRIBUTION SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2013

16 Related party transactions

The company has taken advantage of the exemption conferred by Financial Reporting Standard 8 from disclosing details of transactions with its immediate parent company and any other company within the 100% group

17 Ultimate Parent undertaking

The immediate parent undertaking is IKEA Limited, registered in England. The ultimate parent undertaking is INGKA Holding BV, a company registered in the Netherlands.

IKEA Limited is the smallest and INGKA Holding BV is the largest group to consolidate these financial statements. Accounts are available and copies can be publicly obtained from Companies House, Crown Way Cardiff CF14 3UZ in respect of IKEA Limited and from KVK, Watermolenlaan 1, PO Box 265, 3440 AG Woerden The Netherlands in respect of INGKA Holding BV.