

# **IKEA DISTRIBUTION SERVICES LIMITED**

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

**FOR THE YEAR ENDED 31 AUGUST 2014**

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**IKEA DISTRIBUTION SERVICES LIMITED**

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**IKEA DISTRIBUTION SERVICES LIMITED**  
**REGISTERED NO: 03568682**  
**COMPANY INFORMATION**

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|                          |   |
|--------------------------|---|
| <b>Directors</b>         | J Sellwood-Brown<br>C Marshall<br>A Musca                                       |
| <b>Secretary</b>         | Shoosmiths Secretaries Limited  |
| <b>Company number</b>    | 03568682 (England and Wales)  |
| <b>Auditor's</b>         | KPMG LLP<br>15 Canada Square<br>London<br>E14 5GL                               |
| <b>Bankers</b>           | HSBC<br>City of London Branch<br>60 Queen Victoria Street<br>London<br>EC4N 4TR |
| <b>Registered office</b> | Witan Gate House<br>500-600 Witan Gate West<br>Milton Keynes<br>MK9 1SH         |

**IKEA DISTRIBUTION SERVICES LIMITED**  
**REGISTERED NO: 03568682**  
**STRATEGIC REPORT**  
**FOR THE YEAR ENDED 31 AUGUST 2014**

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**Introduction**

IKEA Distribution Services Limited is a service Company that provides warehousing, distribution and logistics services to the IKEA retail business. The costs of these activities are re-invoiced on a cost plus basis.

The Company operates a large distribution warehouse in Doncaster and a customer distribution centre in Peterborough.

**Business review**

In the current year the Company's profit before tax was £2.2 million (2013: £3.1 million).

Turnover in the year as a result was £45.3 million (2013: £40.1 million). Prior year turnover includes a one-off amount for costs not re-invoiced in the previous years.

In the current year administrative expenses rose as a result of increased activities due to the growth in the UK IKEA retail business. In addition the company is investing to support the multichannel strategy for IKEA retail in the UK. This required greater resources and a change in the ways of working to facilitate delivery of IKEA goods to customers.

**Principal risks and uncertainties**

The board of directors are responsible for determining the level of risk acceptable to the Company, this is subject to a regular review. The Company seeks to monitor risk through the application of limits and controls, monitoring processes at operational level and the use of insurance policies where appropriate. The Company has regular board and management meetings to manage all risks.

The business is not subject to substantial financial risks due to the "cost plus" arrangement. There are however, operational risks associated with securing capacity, co-worker and contractor safety, and ongoing efficient logistics in a business that is responsible for managing the high volume of stock movement required by IKEA retail operations in the UK.

**Key performance indicators**

The directors consider the key performance indicators of the Company to be the financial indicators, net current assets, and profit before tax. The key operational performance indicators are operational efficiencies in the warehouse, time taken to get goods to customers, quality for customers and fill rate in logistics.

On behalf of the board



A Musca  
Director  
24<sup>th</sup> November 2014

**IKEA DISTRIBUTION SERVICES LIMITED  
REGISTERED NO: 03568682  
DIRECTORS' REPORT  
FOR THE YEAR ENDED 31 AUGUST 2014**

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The directors present their report together with financial statements for the year ended 31 August 2014.

**Results and Dividends**

The profit for the year after tax was £1.8m (2013: £2.2m). A dividend of nil was paid in the year ended 31 August 2014 (2013: £2m).

**Directors**

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

W Blaauw (appointed 1 December 2013 and resigned 24 November 2014)  
J Sellwood-Brown  
C Marshall  
A Musca (appointed 7 April 2014)

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

**Employees and employee policies**

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

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

On behalf of the Board



A Musca  
Director  
24<sup>th</sup> November 2014

**IKEA DISTRIBUTION SERVICES LIMITED  
STATEMENT OF DIRECTORS' RESPONSIBILITIES  
FOR THE YEAR ENDED 31 AUGUST 2014**

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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).

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;
- 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 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 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 Company and to prevent and detect fraud and other irregularities.



A Musca  
Director  
24<sup>th</sup> November 2014

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

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We have audited the financial statements of IKEA Distribution Services Limited for the year ended 31 August 2014 set out on pages 6 to 13.

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 4, 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](http://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 2014 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

26 NOVEMBER 2014

**IKEA DISTRIBUTION SERVICES LIMITED  
PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31 AUGUST 2014**

|  | Notes    | 2014<br>£'000 | 2013<br>£'000 |
|--|----------|---------------|---------------|
| <b>TURNOVER</b>                                      | <b>1</b> | <b>45,258</b> | <b>40,117</b> |
| Administrative expenses                              |          | (43,158)      | (36,959)      |
| Other income   | <b>2</b> | <b>182</b>    | <b>-</b>      |
| <b>Operating Profit</b>                              | <b>5</b> | <b>2,282</b>  | <b>3,158</b>  |
| Interest receivable and similar income               | <b>3</b> | <b>76</b>     | <b>33</b>     |
| Interest payable and similar charges                 | <b>4</b> | <b>(143)</b>  | <b>(125)</b>  |
| <b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b> |          | <b>2,215</b>  | <b>3,066</b>  |
| Tax on profit on ordinary activities                 | <b>7</b> | <b>(403)</b>  | <b>(880)</b>  |
| <b>PROFIT FOR THE FINANCIAL YEAR</b>                 |          | <b>1,812</b>  | <b>2,186</b>  |

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**

The Company has no recognised gains and losses for 2014 and 2013 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 8 to 14 form part of these financial statements.



**IKEA DISTRIBUTION SERVICES LIMITED  
BALANCE SHEET  
AS AT 31 AUGUST 2014**

|   | Notes | 2014<br>£'000   | 2013<br>£'000   |
|---|-------|-----------------|-----------------|
| <b>FIXED ASSETS</b>                                   |       |                 |                 |
| Tangible assets                                       | 8     | 2,811           | 2,714           |
| <b>CURRENT ASSETS</b>                                 |       |                 |                 |
| Debtors   | 9     | 12,443          | 10,042          |
| Cash at bank  |       | 10,125          | 9,341           |
|   |       | <u>22,568</u>   | <u>19,383</u>   |
| <b>CREDITORS: Amounts falling due within one year</b> | 10    | <u>(15,937)</u> | <u>(14,467)</u> |
| <b>NET CURRENT ASSETS</b>                             |       | <u>6,631</u>    | <u>4,916</u>    |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>          |       | <u>9,442</u>    | <u>7,630</u>    |
| <b>NET ASSETS</b>                                     |       | <u>9,442</u>    | <u>7,630</u>    |
| <b>CAPITAL AND RESERVES</b>                           |       |                 |                 |
| Called up share capital                               | 11    | 5,000           | 5,000           |
| Profit and loss account                               | 12    | 4,442           | 2,630           |
| <b>TOTAL SHAREHOLDERS' FUNDS</b>                      | 13    | <u>9,442</u>    | <u>7,630</u>    |

These financial statements were approved by the Board of directors on 24<sup>th</sup> November 2014 and were signed on its behalf by:

  
A Musca  
Director

**IKEA DISTRIBUTION SERVICES LIMITED  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 AUGUST 2014**

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**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.

**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  |

In accordance with FRS 11 "Impairment of fixed assets and goodwill", the carrying amounts of the Company's assets are reviewed 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 exceeds its recoverable amount. Impairment losses are recognised in the profit and loss account.

**Calculation of recoverable amount**

The recoverable amount of fixed assets is the greater of their net realisable value 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.

**Reversals of impairment**

An impairment loss is reversed on intangible assets and goodwill only if subsequent external events reverse the effect of the original event which caused the recognition of the impairment or the loss arose on an intangible asset with a readily ascertainable market value and that market value has increased above the impaired carrying amount. For other fixed assets where the recoverable amount increases as a result of a change in economic conditions or in the expected use of the asset then the resultant reversal of the impairment loss should be recognised in the current period. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

**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 19.

The Company is part of a Group payment arrangement for corporation tax purposes whereby the parent Company, IKEA Limited, 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 VAT, of 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.

**IKEA DISTRIBUTION SERVICES LIMITED  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 AUGUST 2014**

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**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 wholly owned by INGKA Holding BV, and its accounts including a Group cash flow statement are publicly available from KVK, Watertorenlaan 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).

**Related parties**

The Company forms part of a wholly-owned Group for which consolidated financial statements are publicly available and accordingly has taken advantage of the exemption allowed under FRS 8 "Related Party Disclosures" not to disclose transactions with other Group entities.

**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 28 '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 2014**

**1 Turnover**

Turnover of the Company has been derived from its principal activities. Turnover was made in the following geographical market:

|                | 2014<br>£'000 | 2013<br>£'000 |
|----------------|---------------|---------------|
| Rest of Europe | 45,258        | 40,117        |
|                | <u>45,258</u> | <u>40,117</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 within administrative expenses.

**2 Other Income**

|                 | 2014<br>£'000 | 2013<br>£'000 |
|-----------------|---------------|---------------|
| Rent receivable | 182           | -             |
|                 | <u>182</u>    | <u>-</u>      |

Other income related to external warehouse rental to third parties.

**3 Interest Receivable and Similar Income**

|   | 2014<br>£'000 | 2013<br>£'000 |
|---|---------------|---------------|
| Interest receivable from Group undertakings | 38            | 33            |
| Exchange gain                               | 38            | -             |
|   | <u>76</u>     | <u>33</u>     |

**4 Interest Payable and Similar Charges**

|   | 2014<br>£'000 | 2013<br>£'000 |
|---|---------------|---------------|
| Interest on loans from Group undertakings | 114           | 85            |
| Exchange loss                             | 29            | 40            |
|   | <u>143</u>    | <u>125</u>    |

**5 Operating Profit**

|  | 2014<br>£'000 | 2013<br>£'000 |
|--|---------------|---------------|
| Operating profit is stated after charging: |               |               |
| <b>Staff costs</b>                         |               |               |
| Salaries and wages                         | 6,726         | 5,129         |
| Social security costs                      | 596           | 493           |
| Other pension costs                        | 231           | 130           |
| <b>Total Staff Costs</b>                   | <u>7,553</u>  | <u>5,752</u>  |
| <b>Depreciation of tangible assets</b>     |               |               |
| - Owned assets                             | 934           | 1,139         |
| - Leased assets                            | -             | 643           |
| <b>Operating lease charges</b>             |               |               |
| - Others                                   | 10,245        | 10,899        |
| <b>Auditor's remuneration</b>              |               |               |
| - Audit                                    | 9             | 11            |
| <b>Director's emoluments</b>               |               |               |
|  | 2014<br>£'000 | 2013<br>£'000 |
| Aggregate emoluments                       | <u>93</u>     | <u>109</u>    |

**IKEA DISTRIBUTION SERVICES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 AUGUST 2014**

**5 Operating Profit (continued)**

|  | 2014<br>£'000 | 2013<br>£'000 |
|--|---------------|---------------|
| Directors' pension contribution to the money purchase scheme | <u>9</u>      | <u>5</u>      |

Retirement benefits are accruing to one director under the money purchase scheme £9k (2013: was £5k).

**6 Employee Information**

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

|                                   | 2014<br>£'000 | 2013<br>£'000 |
|-----------------------------------|---------------|---------------|
| Warehousing and office management | <u>252</u>    | <u>216</u>    |

**7 Taxation on Profit for the year**

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

|  | 2014<br>£'000 | 2013<br>£'000 |
|--|---------------|---------------|
| <b>Current tax</b>                             |               |               |
| UK corporation tax on profits of the period    | 616           | 865           |
| Adjustments in respect of previous periods     | <u>(139)</u>  | <u>(7)</u>    |
| Total current tax charge                       | <u>477</u>    | <u>858</u>    |
| <b>Deferred tax</b>                            |               |               |
| Origination and reversal of timing differences | (89)          | (84)          |
| Effect of changes in tax rates and laws        | 8             | 94            |
| Adjustment in respect of prior periods         | <u>7</u>      | <u>12</u>     |
| Tax on profits on ordinary activities          | <u>403</u>    | <u>880</u>    |

**(b) Factors affecting tax charge for the current period:**

The tax assessed for the period is lower (2013: higher) than the standard effective rate of corporation tax in the UK for the year ended 31 August 2014 of 22.16% (2013: 23.58%). The differences are explained below:

|   | 2014<br>£'000 | 2013<br>£'000 |
|---|---------------|---------------|
| Profit on ordinary activities before tax                                  | 2,215         | 3,066         |
| Profit on ordinary activities at the UK tax rate of 22.16% (2013: 23.58%) | 491           | 723           |
| <b>Effects of :</b>   |               |               |
| Expenses not deductible   | 36            | 65            |
| Accelerated capital allowances  | (31)          | 85            |
| Adjustments in respect of previous periods                                | (139)         | (7)           |
| Non taxable income  | -             | (8)           |
| Other timing differences  | <u>120</u>    | <u>-</u>      |
| Current tax charge for the year   | <u>477</u>    | <u>858</u>    |

**IKEA DISTRIBUTION SERVICES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 AUGUST 2014**

**8 Tangible Fixed Assets**

|                          | Short<br>leasehold<br>£'000 | Building<br>Installations<br>£'000 | Plant and<br>Machinery<br>£'000 | Total<br>£'000  |
|--------------------------|-----------------------------|------------------------------------|---------------------------------|-----------------|
| <b>Cost</b>              |                             |                                    |                                 |                 |
| At beginning of the year | 30,103                      | 8,149                              | 28,981                          | 67,233          |
| Additions in the year    | -                           | -                                  | 1,031                           | 1,031           |
| At the end of the year   | <u>30,103</u>               | <u>8,149</u>                       | <u>30,012</u>                   | <u>68,264</u>   |
| <b>Depreciation</b>      |                             |                                    |                                 |                 |
| At beginning of the year | (30,103)                    | (8,149)                            | (26,267)                        | (64,519)        |
| Charge for period        | -                           | -                                  | (934)                           | (934)           |
| At the end of the year   | <u>(30,103)</u>             | <u>(8,149)</u>                     | <u>(27,201)</u>                 | <u>(65,453)</u> |
| <b>Net book value</b>    |                             |                                    |                                 |                 |
| At 31 August 2014        | <u>-</u>                    | <u>-</u>                           | <u>2,811</u>                    | <u>2,811</u>    |
| At 31 August 2013        | <u>-</u>                    | <u>-</u>                           | <u>2,714</u>                    | <u>2,714</u>    |

**9 Debtors**

|                                   | 2014<br>£'000 | 2013<br>£'000 |
|-----------------------------------|---------------|---------------|
| Trade debtors                     | 64            | -             |
| Amount owed by Group undertakings | 7,976         | 7,285         |
| Prepayments and accrued income    | 2,746         | 1,346         |
| VAT receivable                    | 966           | 765           |
| Deferred tax asset                | 687           | 613           |
| Other                             | 4             | 33            |
|                                   | <u>12,443</u> | <u>10,042</u> |

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.

|  |               |               |
|--|---------------|---------------|
| <b>Deferred taxation</b>                       | 2014<br>£'000 | 2013<br>£'000 |
| At beginning of year                           | 613           | 634           |
| Credit/(charge) to the profit and loss account | 74            | (21)          |
| At the end of year                             | <u>687</u>    | <u>613</u>    |
| <b>Analysis of deferred tax balance:</b>       | 2014<br>£'000 | 2013<br>£'000 |
| Accelerated capital allowances                 | 579           | 613           |
| Other timing differences                       | 108           | -             |
| Total provision for deferred tax               | <u>687</u>    | <u>613</u>    |

**IKEA DISTRIBUTION SERVICES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 AUGUST 2014**

**10 Creditors (amounts falling due within one year)**

|  | 2014<br>£'000 | 2013<br>£'000 |
|--|---------------|---------------|
| Trade creditors                          | 3,059         | 354           |
| Amount owed to Group undertaking         | 10,272        | 12,043        |
| Other taxation and social security costs | 350           | 176           |
| Accruals and other creditors             | 2,256         | 1,894         |
|  | <u>15,937</u> | <u>14,467</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.

**11 Share Capital**

|   | 2014<br>Number   | 2013<br>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>     |

**12 Profit and Loss Account**

|                               | 2014<br>£'000 | 2013<br>£'000 |
|-------------------------------|---------------|---------------|
| 1 September 2013              | 2,630         | 2,444         |
| Dividend                      | -             | (2,000)       |
| Profit for the financial year | <u>1,812</u>  | <u>2,186</u>  |
| 31 August 2014                | <u>4,442</u>  | <u>2,630</u>  |

**13 Reconciliation of Movements in Equity Shareholders' Funds**

|                               | 2014<br>£'000 | 2013<br>£'000 |
|-------------------------------|---------------|---------------|
| Opening shareholders' funds   | 7,630         | 7,444         |
| Profit for the financial year | 1,812         | 2,186         |
| Dividend                      | -             | (2,000)       |
| Closing shareholders' funds   | <u>9,442</u>  | <u>7,630</u>  |

**14 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 £44.2 million to the Company at the year end (2013: £32.8 million).

The Company is registered under a Group registration for VAT and is jointly liable for the amount payable of £15.2 million at 31 August 2014 (2013: £16.5 million) in respect of certain UK companies.

**15 Pension Commitments**

The Company contributes to a defined contribution scheme operated by the IKEA UK 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 £231k (2013: £130k). No contributions were outstanding at the year end.

**16 Commitments under Operating Lease**

At 31 August 2014 there were annual commitments under non-cancellable operating leases as follows:

|                    | 2014<br>£'000 | 2013<br>£'000 |
|--------------------|---------------|---------------|
| Land and buildings |               |               |
| After 5 years      | <u>10,245</u> | <u>10,899</u> |
|                    | <u>10,245</u> | <u>10,899</u> |

**IKEA DISTRIBUTION SERVICES LIMITED  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 AUGUST 2014**

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**17 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% wholly owned Group.

**18 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 publicly available and copies can be obtained from Companies House, Crown Way, Cardiff CF14 3UZ in respect of IKEA Limited, and from KVK, Watmolenlaan 1, PO Box 265, 3440 AG Woerden, The Netherlands in respect of INGKA Holding BV.