

Ryohin Keikaku Europe Limited

**Directors' report and financial statements
for the 52 weeks ended 29 January 2011**

Registered no: 2906861



Ryohin Keikaku Europe Limited

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Ryohin Keikaku Europe Limited

Directors' Report for the 52 weeks ended 29 January 2011

The directors present their directors' report and financial statements for the 52 weeks ended 29 January 2011

Business review and principal activities

The company's principal activity is the retail sale of merchandise conforming to the Mujirushi Ryohin concept

The profit and loss account for the financial year is set out on page 8

The company has 10 Stores throughout the UK, 2 concessions within the Selfridges Department Stores in London and Trafford and 1 concession within the House of Fraser Department Store in Victoria

Principal risks and uncertainties

The management of the business and the execution of the company's strategy are subject to a number of risks

The key business risks affecting the company are considered to relate to competition from both national and independent retailers especially in the fashion sector and the development and sourcing of new products

Key performance indicators ('KPI's')

Turnover has increased in the year by over 3 0% despite difficult trading conditions around the Christmas period and the closure of the Nottingham store in September 2010

Following the closure of the Nottingham store the Company's On-line operation has now moved to the Leeds store This has significantly improved that stores performance and as a result the onerous lease provision has been reduced by £1,972,422 in the year

During the year a debtor of the company went into liquidation and subsequently the Company has written off that company's debt The total costs incurred as part of the write-off totalled £1,962,324

Future developments

The company is actively looking to open new stores in the UK, especially in London, and will aim to increase the number of own stores it operates

Results and dividends

The Company's loss for the financial year is £655,960 (2010 £2,546,487) The directors do not recommend the payment of a dividend (2010 £nil)

Ryohin Keikaku Europe Limited

Directors' Report (*continued*) for the 52 weeks ended 29 January 2011

Financial risk factors and financial instruments

The company's financial instruments comprise borrowings, some cash and liquid resources, and various items, such as trade debtors and trade creditors that arise directly from its operations. The company's operations expose it to a variety of financial risks including market price risk, credit risk and liquidity risk. Overall responsibility for the management of these risks is vested in the board of directors who monitor them on an ongoing basis.

Market price risk - the company co-ordinates the handling of foreign exchange risks by netting off naturally occurring opposite exposures wherever possible.

Credit risk - the company's client base is predominantly customer retail and the historical incidence of default is low.

Liquidity risk – the company maintains sufficient liquid assets ensuring debtors and creditors are actively monitored.

Directors and their interests

The directors who held office during the year are set out below.

H Oki
M Furuta
D Brice
M Dowd

None of the directors had any beneficial interest in the shares of the company during the year.

Disabled Persons

The Company supports the employment of disabled people wherever possible through recruitment, by retention of those who become disabled during their employment and generally through training, career development and promotion.

Employee Involvement

The Company consults its employees on matters of concern to them in the context of their employment.

Subsequent Events

There have been no material post balance sheet events that would require disclosure in, or any adjustments to, these financial statements.

Ryohin Keikaku Europe Limited

Directors' Report (*continued*) for the 52 weeks ended 29 January 2011

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 he ought to have taken as a director to make himself 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



David Brice
Director

8 – 12 Leek Street
London
WC1X 9HT

28 March 2011

Ryohin Keikaku Europe Limited

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

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 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 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 judgments 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, and
- 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 the 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.



KPMG LLP

8 Salisbury Square
London
EC4Y 8BB
United Kingdom

Independent auditors' report to the members of Ryohin Keikaku Europe Limited

We have audited the financial statements of Ryohin Keikaku Europe Limited for the 52 weeks ended 29 January 2011 set out on pages 8 to 19. 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 auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 5, 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 (APB'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 APB's website at www.frc.org.uk/apb/scope/private.cfm.

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 29 January 2011 and of its loss 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.

Independent auditors' report to the members of Ryohin Keikaku Europe Limited (continued)

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

Scope of the audit of the financial statements

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

Matt Lewis
Senior Statutory Auditor
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
8 Salisbury Square
London
EC4Y 8BB

29 March 2011

Ryohin Keikaku Europe Limited

Profit and loss account for 52 weeks ended 29 January 2011

	Notes	52 weeks ended 29 January 2011 £	52 weeks ended 30 January 2010 £
Turnover		20,200,398	19,590,562
Cost of sales		(9,741,417)	(9,609,704)
Gross profit		10,458,981	9,980,858
Distribution costs		(1,200,174)	(1,252,547)
Administrative expenses		(9,923,838)	(11,558,661)
Operating loss	5	(655,031)	(2,830,350)
Interest receivable and similar income	4	12,599	16,884
Loss on ordinary activities before taxation		(652,432)	(2,813,466)
Tax on loss on ordinary activities	6	(3,528)	266,979
Loss for the financial year	14,15	(655,960)	(2,546,487)

All amounts above relate to continuing operations

The company has no recognised gains or losses other than the losses above and therefore no separate statement of total recognised gains and losses has been presented

There is no difference between the loss on ordinary activities before taxation and the retained loss for the period stated above, and their historical cost equivalents

The notes on pages 10 to 19 form part of these financial statements

Ryohin Keikaku Europe Limited

Balance sheet at 29 January 2011

	Notes	29 January 2011 £	30 January 2010 £
Fixed assets			
Tangible assets	7	874,160	1,327,159
Current assets			
Stock – goods for resale		1,036,584	950,054
Debtors	8	3,757,526	3,606,360
Cash at bank and in hand		3,357,581	5,888,845
		<u>8,151,691</u>	<u>10,445,259</u>
Creditors: amounts falling due within one year	9	<u>(5,499,735)</u>	<u>(5,617,920)</u>
Net current assets		<u>2,651,956</u>	<u>4,827,339</u>
Total assets less current liabilities		<u>3,526,116</u>	<u>6,154,498</u>
Provisions for liabilities	12	<u>(1,232,319)</u>	<u>(3,204,741)</u>
Net assets		<u><u>2,293,797</u></u>	<u><u>2,949,757</u></u>
Capital and reserves			
Called up share capital	13	12,000,000	12,000,000
Profit and loss account	14	(9,706,203)	(9,050,243)
Shareholders' funds	15	<u><u>2,293,797</u></u>	<u><u>2,949,757</u></u>

The notes on pages 10 to 19 form part of these financial statements

The financial statements on pages 8 to 19 were approved by the board of directors on 28 March 2011 and were signed on its behalf by



David Brice
Director

Ryohin Keikaku Europe Limited

Notes (forming part of the financial statements)

1 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

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards

Under Financial Reporting Standard 1 the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the Company in its own published consolidated financial statements

As the company is a wholly owned subsidiary of Muji Europe Holdings Limited, the Company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group. The directors regard Ryohin Keikaku Co Ltd as the ultimate parent undertaking. The consolidated financial statements of Ryohin Keikaku Co Ltd, within which Muji Europe Holdings Limited is included, can be obtained from the address given in note 19.

The financial year reported in these accounts represents the 52 weeks ended 29 January 2011 (prior financial year 52 weeks ended 30 January 2010) where the accounts are prepared for the year ended on the Saturday nearest to 30 January.

Going concern

The directors have considered the factors that impact the company's future development, performance, cash flows and financial position along with company's current liquidity in forming their opinion on the going concern basis. The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Turnover

Turnover, which excludes value-added tax and trade discounts, represents the invoiced value of goods and services supplied in retail stores. Turnover is stated net of returns.

Taxation

The charge for taxation is based on the profit for the period 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.

Ryohin Keikaku Europe Limited

Notes (continued)

1 Accounting policies (continued)

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is determined on an actual cost basis and includes transport and handling costs. Where necessary, provision is made for obsolete, slow moving and defective stocks.

Foreign currencies

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

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

Provisions

Provisions are recognised when the company has a present obligation as a result of a past event and it is more probable than not that there will be an outflow of resources and when a reliable estimate of that obligation can be made.

Fixed assets

The cost of fixed assets is their purchase cost, together with any incidental costs of acquisition. Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual values, on a straight line basis over the expected useful economic lives of the assets concerned.

The periods over which these assets are depreciated are

Leasehold additions	5 years
Office equipment (non-computer)	5 years
Office equipment (computers)	3 years
Fixtures & fittings	5 to 8 years

A review for impairment of fixed assets is carried out if events or changes in circumstances indicate that the carrying amount of fixed assets may not be recoverable.

Ryohin Keikaku Europe Limited

Notes (continued)

1 Accounting policies (continued)

Operating leases

Rental payments under operating leases are charged to the profit and loss account on a straight line basis over the lease term

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.

2 Remuneration of directors

	2011 £	2010 £
Aggregate emoluments	93,489	88,450
Company contributions to money purchase pension schemes	9,349	8,845

Retirement benefits are accruing to 2 directors (2010: 2) in respect of the company's money purchase pension scheme.

Ryohin Keikaku Europe Limited

Notes (continued)

3 Staff numbers and costs

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

	Number of employees	
	2011	2010
Selling and distribution	141	131
Administration	30	28
	<u>171</u>	<u>159</u>

The aggregate payroll costs of these persons were as follows

	£	£
The aggregate payroll costs of these persons were as follows:		
Wages and salaries	2,532,692	2,508,169
Social security costs	192,971	187,634
Other pension costs (see note 10)	31,678	28,345
	<u>2,757,341</u>	<u>2,724,148</u>

4 Interest receivable and similar income

	2011 £	2010 £
Bank interest receivable	12,599	16,884
	<u>12,599</u>	<u>16,884</u>

5 Notes to the profit and loss account

	2011 £	2010 £
Loss on ordinary activities before taxation is stated after charging/(crediting)		
Depreciation of tangible fixed assets – owned assets	479,386	507,131
Onerous lease provision	(1,972,422)	2,184,292
Hire of other assets - operating leases	<u>3,418,470</u>	<u>3,392,662</u>
<i>Auditors' remuneration</i>		
Audit of these financial statements	<u>36,350</u>	<u>35,000</u>

Ryohin Keikaku Europe Limited

Notes (continued)

6 Taxation

	2011 £	2010 £
<i>UK corporation tax</i>		
Current tax charge/(credit) on income for the year	3,528	(266,979)
Total current tax charge/(credit)	3,528	(266,979)
<i>Deferred tax</i>		
Origination and reversal of timing differences (note 11)	-	-
Tax charge/(credit) on loss on ordinary activities	3,528	(226,979)

Factors affecting the tax charge for the current period

The current tax charge for the period is higher (2010 lower) than the standard rate of corporation tax in the UK 28% (2010 28%) The differences are explained below

	2011 £	2010 £
<i>Current tax reconciliation</i>		
Loss on ordinary activities before taxation	(652,432)	(2,813,466)
Loss on ordinary activities multiplied by the rate of corporation tax at 28% (2010 28%)	(182,681)	(787,770)
<i>Effects of</i>		
Capital allowances (in excess of)/less than depreciation	36,665	(97,377)
Utilisation of brought forward losses	(33,985)	356,620
Expenses not deductible for tax purposes	180,937	(5,462)
Other short term timing differences	2,592	-
Group relief surrendered	-	339,235
Refund of Corporation Tax	-	(226,979)
Total current tax charge/(credit) (see above)	3,528	(226,979)

Ryohin Keikaku Europe Limited

Notes (continued)

7 Tangible fixed assets

	Leasehold Improvements £	Equipment £	Fixtures and Fittings £	Total £
Cost				
At 31 January 2010	3,827,901	911,246	3,886,457	8,625,604
Additions	20,634	1,818	3,938	26,387
Disposals	(1,015,665)	(305,117)	(1,086,887)	(2,407,669)
At 29 January 2011	2,832,867	607,947	2,803,508	6,244,322
Depreciation				
At 31 January 2010	2,764,275	773,339	3,760,831	7,298,445
Charge for year	313,923	87,075	78,388	479,386
Disposals	(1,015,665)	(305,117)	(1,086,887)	(2,407,669)
At 29 January 2011	2,062,533	555,297	2,752,332	5,370,162
Net book value				
At 29 January 2011	770,334	52,650	51,176	874,160
At 31 January 2010	1,063,626	137,907	125,626	1,327,159

8 Debtors

	2011 £	2010 £
Trade debtors	408,610	401,326
Amounts owed by group undertakings	2,339,620	1,390,562
Taxation and social security	9,007	106,474
Other debtors and deposits	222,500	895,612
Prepayments and accrued income	777,789	812,386
	3,757,526	3,606,360

Ryohin Keikaku Europe Limited

Notes (continued)

9 Creditors: amounts falling due within one year

	2011 £	2010 £
Trade creditors	2,763,435	3,159,065
Amounts due to group undertakings	2,366,726	2,187,915
Taxation and social security	63,351	60,352
Accruals and deferred income	306,223	210,588
	<u>5,499,735</u>	<u>5,617,920</u>

The company's banking facility with Barclays Bank is secured by way of a fixed and floating charge over the company's assets

Amounts due to group undertakings are unsecured, interest free and have no fixed date of repayment

10 Pension scheme

The company operates a group personal pension scheme operated by Scottish Equitable with assets held in a separately administered fund. The scheme is a defined contribution scheme. The pension cost for the year amounted to £31,678 (2010 £28,345). Included in creditors is £9,257 (2010 £4,703) in respect of contributions due to the scheme.

Ryohin Keikaku Europe Limited

Notes (continued)

11 Deferred Taxation

The company has the following unrecognised deferred tax asset

	2011 £	2010 £
Short-term timing differences	2,499	-
Difference between accumulated depreciation and capital allowances	143,454	57,495
Tax losses - trading	279,619	362,542
Tax losses - capital	51,134	53,028
Unrecognised deferred tax asset	<u>476,706</u>	<u>473,065</u>

In accordance with the guidelines set out in FRS 19 'Deferred tax' the company has not recognised the above deferred tax asset within these financial statements as the recoverability is uncertain in the foreseeable future

The above deferred tax liability has been calculated at a rate of 27% (2010 28%) which is the future standard tax rate

12 Provisions for liabilities

	2011 £	2010 £
At beginning of year	(3,204,741)	(1,020,449)
Credited/(charged) to the profit and loss account	1,972,422	(2,184,292)
At end of year	<u>(1,232,319)</u>	<u>(3,204,741)</u>

The company has rental obligations under leases in respect of retail properties where the unavoidable costs associated with each lease are expected to exceed the income generated. A provision is made for the onerous element of the lease. A provision has also been made for reinstatement costs where necessary.

13 Called up share capital

	2011 £	2010 £
Allotted, called up and fully paid		
12,000,000 (2010 12,000,000) ordinary shares of £1 each	<u>12,000,000</u>	<u>12,000,000</u>

Ryohin Keikaku Europe Limited

Notes (continued)

14 Reserves

	2011 £	2010 £
At beginning of year	(9,050,243)	(6,503,756)
Loss for the year	(655,960)	(2,546,487)
At end of year	<u>(9,706,203)</u>	<u>(9,050,243)</u>

15 Reconciliation of movements in shareholders' funds

	2011 £	2010 £
Loss for the financial year	(655,960)	(2,546,487)
Opening shareholders' funds	2,949,757	5,496,244
Closing shareholders' funds	<u>2,293,797</u>	<u>2,949,757</u>

16 Commitments under operating leases

At 29 January 2011 the company had annual commitments under non-cancellable operating leases as set out below

	Land and buildings	
	2011 £	2010 £
Operating leases which expire		
Within one year	218,121	28,852
In the second and fifth year inclusive	705,921	672,800
After five years	1,641,629	2,047,500
	<u>2,565,671</u>	<u>2,749,152</u>

Ryohin Keikaku Europe Limited

Notes (continued)

17 Guarantees

On 5 February 2002 the company assigned the lease on its Trafford store to a third party tenant. As part of the assignment, the company issued a guarantee to the Landlord, The Trafford Centre, for the rent due on the original lease agreement between the company and The Trafford Centre. A Deed of Release for this guarantee was completed on 6 October 2010.

On 5 February 2007, a resolution was signed authorising the execution of a guarantee and debenture with Barclay's Bank. Under the agreement, Ryohin Keikaku Europe Limited and its parent, Muji Europe Holdings Limited (i) cross guarantee the liabilities to the Bank of each entity and (ii) each charge to the Bank all the assets and undertaking present and future of the entities as security for the liabilities. There are no bank liabilities outstanding at year end.

The following amount is guaranteed on behalf of the company by the Bank of Tokyo Mitsubishi: £400,000 to HM Customs and Excise for Import VAT and duty.

The company also has rent deposits on two of its other stores, Tottenham Court Road (£97,500) and Birmingham (£125,000), to their respective Landlords, Land Securities Properties Limited and Joseph Patrick, Peter K and Michael Cosgrave. These deposits are included in other debtors and deposits.

18 Related party transactions

The company has the following related party transactions:

Company Name	Relationship	Type of Transaction	Value of Transaction £	Year end creditor £
Ryohin Keikaku Co Ltd	Ultimate Parent Company	Royalty	399,158	399,158
Mitsubishi Corporation (UK) Plc	Subsidiary of Shareholder	Purchase of Stock	2,656,710	313,811
Mitsubishi Corporation	Shareholder	Purchase of Stock	386,969	-

19 Ultimate parent undertaking

The directors regard Ryohin Keikaku Co Ltd, a company incorporated in Japan, as the ultimate parent undertaking. A copy of the consolidated accounts of Ryohin Keikaku Co Ltd is available from 4-26-3, Higashi-Ikebukuro, Toshima-Ku, Tokyo, 170 Japan.

The smallest group in which these financial statements are included is that headed by Muji Europe Holdings Limited and largest group in which these financial statements are included is that headed by Ryohin Keikaku Co Ltd.