Ryohin Keikaku Europe Limited

Annual Report and Financial statements
for the year ended 31 January 2020

Registered no: 2906861

Ryohin Keikaku Europe Limited

Contents

Ryohin Keikaku Europe Limited

for the year ended 31 January 2020

Officers and Professional Advisors

Directors
D Brice
M Arai
T Nagahara
S Okazaki (resigned on the 1st of June 2019)
T Yamada (appointed on the 1st of June 2019)

Company Secretary
TLT secretaries Limited
One, Redcliff street,
Bristol
BS1 6TP

Registered Office
21A Bedford House
John Street, London
WC1N 2BF

Auditor
KPMG LLP
Chartered Accountants
15 Canada Square
London
E14 5GL

Company Registration Number: 2906861

Strategic Report

for the year ended 31 January 2020

The directors present their strategic report, directors' report and financial statements for Ryohin Keikaku Europe Limited ('the Company') for the year ended 31 January 2020.

Principal activity

The Company's principal activity is the retail sale of merchandise conforming to the Mujirushi Ryohin concept, selling high-quality household, fashion goods. This year the company started selling selected food products.

Business review

Although it was another successful year for the business, the Company's profit before tax for the period is £326,659 *(2018/19: £1,517,887.)* This is due to the decision not to progress with the London Flagship Store, the resulting expenses therefore affecting the non-operating expenses of the profit and loss by an additional £1,358,898. Taking this into consideration, the profit for the year, not including this additional cost, would be £1,685,557. This is an increase of 11% compared to the last financial year. Turnover for the period increased to £28,001,159 *(2018/19 £27,182,190)* with all areas of the business performing strongly.

During the financial year 2019-20 we have decreased the prices of the products with the objective of increasing both the number of customers and sales. As a result, transaction numbers increased, therefore successfully increasing sales. However, as we approached the year end, following the trend in the UK, the final discounts started in early December 2019, which lasted till the end of January 2020. As a result, the margin has decreased by 1.2% in comparison to the previous financial year.

During the year Company has 9 (*2018/19 – 9*) stores and 2 (*2018/19 – 3 concessions*) concessions.

Cash position of the Company remained strong. Year-end cash balance was £9,717k. (*2018/19 £8,563k*).

Principal risks and uncertainties

The management of the business and the execution of the Company's strategy are subject to several risks. The Company actively engage in enhancing its brand value in a very competitive market in order to retain its existing clients and recruit new ones. Additionally, the Company is subject to competition from both national and independent retailers especially in the fashion sector and the development and sourcing of new products.

Brexit

The UK formally left the EU on 31st January 2020. While the UK has agreed to the terms of its EU departure, there is still a lot to talk about and months of negotiation to come. The both sides need to work on what their future relationship will look like. As a result, there is still uncertainty looming around this topic.

The main warehouse is in Rosendale and business receives daily shipments to the UK via channel tunnel. Most of its inventory is imported from Asia and there is a small number of suppliers in the EU and the UK. To avoid business interruption the company is planning on stockpiling a small percentage of goods (circa 6 weeks) in the UK to minimise the risk of clearing goods in time at the border. This is in addition to 8 weeks stocks being held at most of

the retail locations. Expectation is a 6-week delay to deliveries should be enough to mitigate any risks associated with delays at the borders. This strategy has not changed from last year.

In addition to the above, the business has identified, there is a greater risk to imports into the UK in an event of an unorderly Brexit. Thus, the business is preparing all the administrative, legal and physical infrastructure that will be needed to operate effectively if the UK and EU are unable to agree a free trade agreement. This is including but not limited to converting the warehouse in Rotterdam to a bonded warehouse, direct imports from Asia to the UK etc. The business already has a deferment account with HMRC, thus does not expect the operations to be affected critically.

In Acton, the business operates a distribution channel for its ecommerce customers. This operation will continue and don't expect to be interrupted. However, this may affect the customers deliveries to the other EU countries. In such an event, the group is prepared to fulfil those orders from the delivery channels across mainland Europe.

Similar to last year, circa 30% of the UK based employees are from the EU. The business foresees a risk of finding right talent for retail if the business is to lose its EU staff at short notice. Considering the demand other retailers may have, it is expected the payroll costs may be increased to attract the talent which will ultimately hurt the bottom line.

Like with any other business, working capital is very important to the company. The UK business has enough working capital to finance its operations in the short term. Should there is a requirement to have additional working capital, the business has setup GBP pooling facility with MUFG Bank PLC. This facility will allow the business to borrow against EUR pooling holding under the parent company, Muji Europe Holding Ltd.

In terms of the regulation changes there was not much of an update for the businesses at large. Thus, the company's scope has been limited for the changes directly affecting the business in the short term. The company has taken steps to mitigate the risks involved in importing goods directly to the UK, Online sales to customers outside the UK, changes to non-UK staff working in the UK, cash pooling etc.

Since the Brexit vote in June 2016 GBP had been in its lowest rate since 2008 credit crunch. The group has executed forward exchange contracts to minimise the foreign exchange risk between EUR and GBP.

There are significant challenges involved in preparing for a no free trade agreement outcome and the company would not want to understate the work the business is doing to prepare for this eventuality. However, the business does not believe that the direct risks of a no-deal Brexit pose a material threat to the ongoing operations and profitability of Muji business in the UK or in the EU.

Sustainability Reporting

MUJI is a lifestyle brand that harmonises its existence with the nature and people. Nature and people are a part of MUJI products and its design. In the UK we are working with several suppliers to recycle the plastics wastage at our retail locations. In addition, we are operating in store recycling project to collect damaged Muji products. Customers can bring their damaged or unwanted MUJI products to the store. We will work with our partners to recycle them responsibly. In all store across the UK we will be replacing the plastic shopping bags to large recyclable bags. In addition, with guidance from our parent company in Japan, all innerwear garments would come in paper packaging starting April this year. Eventually they are planning to convert entire fashion range wrapping to recyclable materials.

COVID – 19 Outbreak

Safety of our customers and the staff is our priority. We will act accordingly to protect their interest. The directors are monitoring this situation closely and has followed the guidelines issued by each government in supporting its effort contain the outbreak.
Thus far the supply chain is working normal to us. Almost all our products are imported from Asia via the Netherlands. It seems the virus outbreak is in control in China, Japan and South east Asia where most of these products are being manufactured. However, as production were halted in China for a couple of weeks, the business might have some low stock for products manufactured in China in the next couple of weeks. Now, business has enough stock of these products in the UK and at the warehouse in the Netherlands. Thus, the business is not expecting to have a major disruption to its inventory levels. However, any disruptions to the operations at the warehouse would disrupt the supply chain across Europe. The business is working closely with its logistics partners in order to minimise the potential impact the business could have on such a down time.
Due to the outbreak, all the regions had a temporary disruption to operate the retail and direct channel. We are continuing to operate a limited number of direct channels. Nevertheless, sales were materially affected forcing the management to closely control its working capital. Business has spoken to the landlords, suppliers and service providers to negotiate possible delay of large payments and to cancel contracts that are due to expire or given notices to cancel.

In addition, management would like to appreciate the support given by each regional government. Although it's still unclear how some of the business reliefs given would affect the working capital in the short term, business hoping that it will be able to get these necessary claims in due time.

The ultimate parent company is financing the working capital deficit so that the group can overcome this turbulent time. The business understand that it is more important than ever to take care of its customers. As such the discussion are already been made how to rebound from this downtime successfully.

Financial risk factors and financial instruments

The Company's financial instruments comprise 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 monitors 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.

Strategic Report *(continued)*
for the year ended 31 January 2020

Key performance indicators ('KPIs')

The Company uses a range of financial and non-financial performance measures to measure and manage performance of the business effectively. The most of which are key performance indicators. These include a range of KPIs that are reported on a weekly basis, including turnover, product margin, stock levels and performance of the channels. KPIs are assessed against the budget and historical performance. Selected KPIs have been presented below. These are in line with the management expectations.

	2019/20	2018/19
Turnover Growth	3.0%	2.5%
Gross Margin	53%	55%

Future Development

The entire retail landscape has changed during the last couple of years. MUJI has adopted a few strategies in line with this change. In this financial period, MUJI will introduce locally manufactured products in its stores. The Company introduced food products in 2018/19 and is expanded its fashion product offering in the last financial year. This had very good feedback from our customers. This year, the business is planning on further expanding its fashion range offering. Also, the business will expand its children fashion ranges.

The Company is also focused on ensuring infrastructure is in place to accommodate the current business and growth.

Masato Arai
Director

Bedford House, 21A
John Street, London
WC1N 2BF

27 May 2020

Directors' Report
for the year ended 31 January 2020

Directors and their interests

The directors who held office during the period are set out below:

D Brice
M Arai
T Nagahara
S Okazaki (resigned on the 1st of June 2019)
T Yamada (appointed on the 1st of June 2019)

None of the directors had any beneficial interest in the shares of the Company during the year or in the previous year.

Dividends

The directors do not recommend the payment of a dividend *(2017/18: £nil)*.

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.

Political contributions

The Company made no political donations or incurred any political expenditure during the period *(2017/18: £nil)*

Subsequent Events

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

Going Concern

The directors consider the Company has adequate resources to continue in operational existence for the foreseeable future, it continues to perform well, generating strong profit and cash flows. On this basis, it is therefore appropriate to adopt the going concern basis in preparing the financial statements.

Directors' Report *(continued)*
for the year ended 31 January 2020

Disclosure of information to auditor

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 he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

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

By order of the Board

Masato Arai
Director

Bedford House, 21A
John Street, London
WC1N 2BF

27 May 2020

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

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), FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland.*

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; and
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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

KPMG LLP
15 Canada Square
London
E14 5GL
United Kingdom

Independent auditor's report to the members of Ryohin Keikaku Europe Limited

Opinion

We have audited the financial statements of Ryohin Keikaku Europe Limited ("the company") for the year ended 31 January 2020 which comprise the Profit and Loss Account and Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 January 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Other information

The directors are responsible for the other information, which comprises the strategic report and the directors' report. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the other information;
- in our opinion the information given in the strategic report and the directors' report for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 9, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.

M Smith

Mark Smith (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL
29 May 2020

Ryohin Keikaku Europe Limited

Profit and Loss Account and Other Comprehensive Income

For the year ended 31 January 2020

	Notes	Year ended 31 January 2020	Year ended 31 January 2019
		£	£
Turnover		**28,001,159**	27,182,190
Cost of sales		**(13,065,269)**	(12,355,682)
Gross profit		**14,935,890**	14,826,508
Distribution costs		**(1,646,656)**	(1,556,672)
Administrative expenses		**(11,634,835)**	(11,772,133)
Operating profit		**1,654,399**	1,497,703
Other interest receivable and similar income	4a	**15,974**	20,184
Other extraordinary expenses	4b	**(1,343,714)**	-
Profit before taxation	5	**326,659**	1,517,887
Tax on profit	6	**(92,236)**	(377,809)
Profit for the financial year	14	**234,423**	1,140,078
Other comprehensive income		**-**	-
Total comprehensive income for the year		**234,423**	1,140,078

All amounts above relate to continuing operations in the United Kingdom.

The notes on pages 16 to 27 form part of these financial statements.

Ryohin Keikaku Europe Limited

Balance sheet
at 31 January 2020

	Notes	31 January 2020 £	31 January 2019 £
Fixed assets			
Tangible assets	7	**540,476**	771,658
Current assets			
Finished goods for resale		**1,855,343**	1,544,884
Debtors (includes £252,470 due in more than one year)	8	**1,321,454**	1,471,741
Cash at bank and in hand	9	**9,716,276**	8,562,836
		12,893,073	11,579,461
Creditors: amounts falling due within one year	10	**(3,768,505)**	(2,920,515)
Net current assets		**9,124,568**	8,658,946
Total assets less current liabilities		**9,665,044**	9,430,604
Net assets		**9,665,044**	9,430,604
Capital and reserves			
Called up share capital	13	**12,000,000**	12,000,000
Profit and loss account	14	**(2,334,973)**	(2,569,396)
Shareholders' funds	15	**9,665,027**	9,430,604

The notes on pages 16 to 27 form part of these financial statements.

The financial statements on pages 13 to 27 were approved by the board of directors on 27 May 2020 and were signed on its behalf by:

Masato Arai
Director

Company Registration Number: 2906861

Statement of changes in equity at 31 January 2020

	Called Up Share Capital £	Profit and Loss Account £	Total Equity £
Balance at 31 January 2019	**12,000,000**	**(2,569,396)**	**9,430,604**
Total comprehensive income for the period			
Profit for the year	-	**234,423**	**234,423**
Other comprehensive income	-	-	-
Total comprehensive income	-	**234,423**	**234,423**
Balance at 31 January 2020	12,000,000	(2,334,973)	9,665,027

The notes on pages 16 to 27 form part of these financial statements.

Notes
(forming part of the financial statements)

1 Accounting policies

Ryohin Keikaku Europe Limited (the "Company") is a company limited by shares and incorporated and domiciled in the UK.

These financial statements were prepared in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102"), as issued in August 2014. The amendments to FRS 102 issued in July 2015 and effective immediately have been applied.

The presentation currency of these financial statements is sterling.

The Company's ultimate parent undertaking, Ryohin Keikaku Co. Ltd, a company incorporated in Japan, includes the Company in its consolidated financial statements. The consolidated financial statements of Ryohin Keikaku Co. Ltd are available to the public and may be obtained from 4-26-3, Higashi-Ikebukuro, Toshima-Ku, Tokyo, 170 Japan.

The Company's intermediate parent company, Muji Europe Holdings Ltd., a company incorporated in the UK, includes the Company it its consolidated financial statements. The consolidated financial statements of Muji Europe Holdings Ltd. are available to the public and may be obtained from the Companies House's website at https://www.gov.uk/government/organisations/companies-house.

In these financial statements, the Company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the Cash Flow Statement and related notes. As the consolidated financial statements of Ryohin Keikaku Co Ltd. include the disclosures equivalent to those required by FRS 102, the Company has also taken the exemptions available in respect of the following disclosures:
Certain disclosures required by FRS 102.26 Share Based Payments.

The financial period reported in these accounts represents the year ended 31 January 2020 (prior financial year 52 Weeks ended 31 January 2019) where the accounts are prepared for the year ended on 31 January.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

1.1 Measurement Convention

The financial statements have been prepared on the historical cost basis.

1.2 Going concern

The financial statements have been prepared on the going concern basis which the directors consider appropriate for the reasons outlined below and where they have reviewed cash flow forecasts for a period of 19 months from the date of signing these financial statements. The Directors have reviewed the Companies operations and have considered liquidity risk, key assumptions and uncertainties and prepared forecasts until the end of December 2021 as part of the review. Specifically, in light of COVID-19 impacts, the directors have considered severe but plausible downsides in preparing forecasts which include the closure of our retail outlets and department stores until October 2020 with a phased reopening of stores in line with the government guidance and therefore a return to the normal level of sales by this time period.

Muji Europe Holdings Limited

Notes *(continued)*

1 Accounting policies *(continued)*

1.2 Going concern

. This forecast also takes into account the continuing ability to sell products via the online platform. Finally the forecasts included mitigating factors such as cost reduction initiatives whilst the retail outlets and department stores are closed. In addition, the forecast considers the receipt of funding from the ultimate parent company. The companies immediate parent received (£17m) from its ultimate parent in April 2020 and further funding facilities have been committed to by the ultimate parent if the Company (via its immediate parent) requires to draw down on them. The ultimate parent company has also issued a letter of support and indicated its intention to continue to make available such funds as are needed by the company, and that it does not intend to seek repayment of the amounts due at the balance sheet date. The ultimate parent has experienced strong financial results and continues to be in a position to provide support for the company. The Directors have reviewed the cash flow forecasts of its ultimate parent entity are our satisfied they have the ability to provide the required funding.

As a result of this assessment for both its base case and severe but plausible downside scenarios, the directors consider that the Company is well positioned to manage risk during the period of economic uncertainty and is able to realise its assets and discharge its liabilities and commitments in the normal course of business and for a period of at least 12 months from the date of approval of these financial statements. Therefore the Directors have adopted the going concern basis of accounting for the preparation of these financial statements.

1.3 Foreign currencies

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at previous month's closing date.

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

Foreign exchange differences arising on translation are recognised in the profit and loss account.

1.4 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. The Company assesses at each reporting date whether tangible fixed assets are impaired. Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. The estimated useful lives are as follows:

Leasehold improvements	5 years
Equipment	3 to 5 years
Fixtures & fittings	3 to 8 years

Notes *(continued)*

1 Accounting policies *(continued)*

1.4 Tangible fixed assets *(continued)*

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the Company expects to consume an asset's future economic benefits.

1.5 Stock

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is based on the weighted average principle and includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition.

1.6 Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in the profit or loss account. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

1.7 Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

1.8 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. All turnover is generated from sales in the UK.

1.9 Expenses

Operating leases

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

1 Accounting policies *(continued)*

1.9 Expenses *(continued)*

Interest receivable and Interest payable

Interest payable and similar charges include interest payable, finance charges on shares classified as liabilities and finance leases are recognised in the profit or loss account using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy).

Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method.

Foreign currency gains and losses are reported on a net basis.

1.10 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.

1.11 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries, to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference.

Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset (other than goodwill) or liability is recognised

1 Accounting policies *(continued)*

in a business combination and the corresponding amount that can be deducted or assessed for tax. Goodwill is adjusted by the amount of such deferred tax.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.
Unrelieved tax losses and other deferred tax assets are recognised only to the extent that is it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

1.12 Accounting estimates and judgements

Key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Impairment of non-financial assets

Where there are indicators of impairment of individual assets, the Company performs impairment tests based on fair value less costs to sell or a value in use calculation. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction on similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget and do not include restructuring activities that the Company is not yet permitted to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash flows and the growth rate used for extrapolation purposes.

2 Remuneration of directors

	2020	2019
	£	£
Aggregate emoluments	**129,805**	127,257
Company contributions to money purchase pension schemes	**12,981**	12,726

Retirement benefits are accruing for 1 director *(2018/19: 1)* in respect of the Company's money purchase pension scheme.

3 Staff numbers and costs

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

Notes *(continued)*

	Number of employees	
	2020	2019
Selling and distribution	**165**	138
Administration	**11**	6
	176	144

The aggregate payroll costs of these persons were as follows:

	2020	2019
	£	£
The aggregate payroll costs of these persons were as follows:		
Wages and salaries	**3,337,164**	2,972,545
Share based payments	**52,607**	92,275
Social security costs	**240,794**	205,809
Other pension costs (see note 11)	**76,438**	41,577
	3,707,003	3,312,206

Company is part of a group-wide share-based payment scheme which gives employees share options over the shares of the parent entity. Upon maturity in May 2021 parent entity will make payment to eligible employees as per the terms of the scheme.

4a Interest receivable and similar income

	2020	2019
	£	£
Bank interest receivable	**15,974**	20,184

4b Other extraordinary expenses

	2020	2019
	£	£
Other extraordinary expenses	**(1,343,714)**	-

Notes *(continued)*

5 Notes to the profit and loss account

	2020 £	2019 £
Profit before taxation is stated after charging/(crediting):		
Depreciation of tangible fixed assets – owned assets (see note 7)	**283,540**	321,795
Hire of other assets - operating leases (see note 16)	**3,512,049**	3,654,041
Auditor's remuneration:		
Audit of these financial statements	**38,129**	37,000
Non audit related fees (in respect of taxation)	**-**	1,000

6 Taxation

	2020 £	2019 £
UK corporation tax		
Current tax charge on income for the year	**97,591**	314,070
Adjustment to prior period	**(5,355)**	63,739
Tax on profit	**92,236**	377,809

The current tax charge for the year is the same as the last financial year *(2019: higher than)* and is the standard rate of corporation tax in the UK of 19.00% *(2019: 19.00%)*. The differences are explained below.

	2020 £	2019 £
Current tax reconciliation		
Profit before taxation	**326, 658**	1,517,887
Profit multiplied by the rate of corporation tax at 19.00% *(2018/19: 19.00%)*	**62,065**	288,375
Effects of:		
Fixed Asset differences	**29,142**	34,346
Expenses not deductible for tax purposes	**1,337**	18,350
Group Relief surrendered/ (Claimed)	**-**	-
Adjustments to tax charge in respect to prior year	**(5,355)**	63,739
Adjustments to tax charge in respect of previous periods – deferred tax	**4,812**	
Adjust Closing Deferred tax to average rate of 19.00%	**530**	4,628
Adjust opening Deferred tax to average rate of 19.00%	**-**	(7,471)
Deferred tax not recognised (Note 12)	**(295)**	(24,158)
Total current tax charge (see above)	**92, 236**	377,809

6 Taxation *(continued)*

Factors which may affect future tax charges

UK corporate tax rate is 19% (effective 1 April 2020). The deferred tax asset at 31 January 2020 has been calculated based on these rates.

7 Tangible fixed assets

	Leasehold Improvements	Equipment	Fixtures and Fittings	Software	Total
	£	£	£	£	£
Cost					
At 31 January 2019	2,383,910	122,638	774,136	-	3,250,684
Additions	12,263	29,109	-	13,221	54,593
Disposals	-	(28,139)	(2,682)	-	(30,821)
At 31 January 2020	**2,396,173**	**123,608**	**741,454**	**13,221**	**3,274,456**
Depreciation					
At 31 January 2019	1,874,512	100,402	504,112	-	2,479,026
Charge for period	180,794	11,163	87,543	4,040	283,540
Disposals	-	(28,139)	(447)	-	(28,586)
At 31 January 2020	**2,055,306**	**83,426**	**591,208**	**4,040**	**2,733,980**
Net book value					
At 31 January 2020	**340,867**	**40,182**	**150,247**	**9,181**	**540,476**
At 31 January 2019	**509,398**	**22,236**	**240,024**	-	**771,658**

Notes *(continued)*

8 Debtors

	2020	2019
	£	£
Trade debtors	**334,523**	394,409
Amounts owed by group undertakings	-	-
Prepayments and accrued income	**734,461**	824,862
Due within one year	**1,068,984**	1,219,271
Due after more than one year		
Other debtors and deposits	**252,470**	252,470
	1,321,454	1,471,741

Amounts owed by Group Undertakings are unsecured, interest free and repayable on demand.

9 Cash and cash equivalents/bank overdrafts

	2020	2019
	£	£
Cash at bank and in hand	**9,716,276**	8,562,836

10 Creditors: amounts falling due within one year

	2020	2019
	£	£
Trade creditors	**343,503**	221,196
Amounts due to group undertakings	**1,494,780**	492,158
Taxation and social security	**823,581**	1,084,392
Accruals and deferred income	**1,106,641**	1,122,769
	3,768,505	2,920,515

Amounts owed by Group Undertakings are unsecured, interest free and repayable on demand

Notes *(continued)*

15 Reconciliation of movements in shareholders' funds

	2020	2019
	£	£
Profit for the year	**234,423**	1,140,078
Opening shareholders' funds	**9,430,604**	8,290,526
Closing shareholders' funds	**9,665,027**	9,430,604

16 Commitments under operating leases

The total of future lease commitments was as follows:

	Land and buildings	
	2020	2019
	£	£
Within one year	**3,122,652**	2,853,278
Between one and five years	**6,493,781**	7,219,816
More than five years	**604,989**	1,345,775
	10,221,422	11,418,869

During the year £3,512,049 *(2018/19: £3,654,041)* was recognised as an expense in the profit and loss account in respect of operating leases.

17 Guarantees

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 period end.

The following amount is guaranteed on behalf of the Company by the MUFG Bank Ltd: £625,000 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 as well as on its Online store warehouse (£29,970) whose Landlord is Brixton Properties Limited. These deposits are due in more than one year and are included in other debtors and deposits.

Notes *(continued)*

11 Pension scheme

The Company operates a group personal pension scheme operated by Aegon with assets held in a separately administered fund. The scheme is a defined contribution scheme. The pension cost for the period amounted to £76,733 *(2018/19: £41,577)*. Included in creditors is £25,455 *(2018/19: £13,521)* in respect of contributions due to the scheme.

12 Deferred Taxation

The Company has the following unrecognised deferred tax asset:

	2020	2019
	£	£
Short-term timing differences	**(2,030)**	(2,349)
Difference between accumulated depreciation and capital allowances	**(2,487)**	26,507
Unrecognised deferred tax asset	**(4,517)**	24,158

Management will reassess its position in the F20/21 financial year to determine whether to recognize the deferred tax asset. This is due to the fact that the retained earnings of the company is still negative (please see note 15), although the company has performed well for the last two years.

The above deferred tax asset has been calculated at a rate of 19.00% *(2018/19: 19.00%)* which is the standard tax rate.

13 Called up share capital

	2020	**2019**
	£	£
Allotted, called up and fully paid		
12,000,000 *(2018/19: 12,000,000)* ordinary shares of £1 each	**12,000,000**	12,000,000

14 Reserves

	2020	2019
	£	£
At beginning of the year	**(2,569,396)**	(3,709,474)
Profit for the financial year	**234,423**	1,140,078
At end of the year	**(2,334,973)**	(2,569,396)

Notes *(continued)*

18 Related party transactions

The Company has the following related party transactions:

Company Name	Relationship	Type of Transaction	Value of Transaction £	Period end creditor £
Mitsubishi Corporation (UK) Plc	Subsidiary of Shareholder		-	-

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.

20 Commitments

The Company had no capital commitments at the year end.