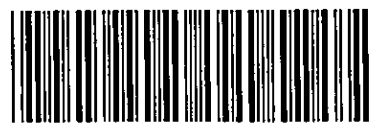


MGS DISTRIBUTION LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2012

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COMPANIES HOUSE

MGS DISTRIBUTION LIMITED

COMPANY INFORMATION

Directors	K R Sheppard J Halpin S Brydon X Gauderlot
Secretary	G Yip
Company number	6183896
Registered office	Meadway House Meadway Haslemere Surrey GU27 1NN
Auditors	Simmons Gainsford LLP 7/10 Chandos Street Cavendish Square London W1G 9DQ

MGS DISTRIBUTION LIMITED

CONTENTS

	Page
Directors' report	1 - 2
Independent auditors' report	3 - 4
Profit and loss account	5
Balance sheet	6
Cash flow statement	7
Notes to the cash flow statement	8
Notes to the financial statements	9 - 14

MGS DISTRIBUTION LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 JANUARY 2012

The directors present their report and financial statements for the year ended 31 January 2012

Principal activities and review of the business

The principal activity of the company continued to be that of watch distributors

Results and dividends

The results for the year are set out on page 5

A dividend of £nil (2011 £300,000) was declared in the year

Directors

The following directors have held office since 1 February 2011

K R Sheppard

J Halpin

S Brydon

X Gauderlot

Auditors

In accordance with section 485 of the Companies Act 2006, a resolution proposing that Simmons Gainsford LLP be reappointed as auditors of the company will be put to the Annual General Meeting

Statement of directors' responsibilities

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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 accounting 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 the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

MGS DISTRIBUTION LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 JANUARY 2012

Statement of disclosure to auditors

So far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware. Additionally, the directors have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditors are aware of that information.

This report has been prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 relating to small companies.

On behalf of the board



K R Sheppard

Director

28 SEPTEMBER 2012

MGS DISTRIBUTION LIMITED

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF MGS DISTRIBUTION LIMITED

We have audited the financial statements of MGS Distribution Limited for the year ended 31 January 2012 set out on pages 5 to 14. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom 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 auditors' 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 pages 1 - 2, 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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 January 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom 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.

MGS DISTRIBUTION LIMITED

INDEPENDENT AUDITORS' REPORT (CONTINUED) TO THE MEMBERS OF MGS DISTRIBUTION LIMITED

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
- the directors were not entitled to take advantage of the small companies' exemption in preparing the directors' report



Stephen Jennings FCA (Senior Statutory Auditor)
for and on behalf of Simmons Gainsford LLP



Chartered Accountants
Statutory Auditor

7/10 Chandos Street
Cavendish Square
London
W1G 9DQ

MGS DISTRIBUTION LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 JANUARY 2012

	Notes	2012 £	2011 £
Turnover	2	7,471,759	6,497,629
Cost of sales		(4,752,447)	(4,127,112)
Gross profit		2,719,312	2,370,517
Distribution costs		(1,200,609)	(995,573)
Administrative expenses		(926,376)	(857,558)
Profit on ordinary activities before taxation	3	592,327	517,386
Tax on profit on ordinary activities	4	(165,851)	(152,293)
Profit for the year	11	426,476	365,093

The profit and loss account has been prepared on the basis that all operations are continuing operations

There are no recognised gains and losses other than those passing through the profit and loss account

MGS DISTRIBUTION LIMITED

BALANCE SHEET

AS AT 31 JANUARY 2012

	Notes	2012 £	£	2011 £	£
Current assets					
Stocks	6	1,248,646		1,225,301	
Debtors	7	1,767,620		1,313,549	
Cash at bank and in hand		329,531		768,622	
		<u>3,345,797</u>		<u>3,307,472</u>	
Creditors amounts falling due within one year	8	<u>(1,430,280)</u>		<u>(1,818,431)</u>	
Total assets less current liabilities			<u>1,915,517</u>		<u>1,489,041</u>
Capital and reserves					
Called up share capital	10		100		100
Share premium account	11		799,900		799,900
Profit and loss account	11		<u>1,115,517</u>		<u>689,041</u>
Shareholders' funds	12		<u>1,915,517</u>		<u>1,489,041</u>

Approved by the Board and authorised for issue on *28 September 2012*



K R Sheppard
Director

Company Registration No. 6183896

MGS DISTRIBUTION LIMITED

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 JANUARY 2012

	£	2012 £	£	2011 £
Net cash (outflow)/inflow from operating activities		(274,341)		662,629
Taxation		(164,750)		(121,039)
Equity dividends paid		-		(300,000)
		<hr/>		<hr/>
Net cash (outflow)/inflow before management of liquid resources and financing		(439,091)		241,590
		<hr/>		<hr/>
(Decrease)/increase in cash in the year		<u>(439,091)</u>		<u>241,590</u>

MGS DISTRIBUTION LIMITED

NOTES TO THE CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 JANUARY 2012

1	Reconciliation of operating profit to net cash (outflow)/inflow from operating activities	2012		2011	
		£		£	
	Operating profit	592,327		517,386	
	Increase in stocks	(23,345)		(368,756)	
	Increase in debtors	(454,071)		(334,368)	
	(Decrease)/Increase in creditors within one year	(389,252)		848,367	
	Net cash (outflow)/inflow from operating activities	(274,341)		662,629	
2	Analysis of net funds	1 February 2011	Cash flow	Other non-cash changes	31 January 2012
		£	£	£	£
	Net cash				
	Cash at bank and in hand	768,622	(439,091)	-	329,531
	Net funds	768,622	(439,091)	-	329,531
3	Reconciliation of net cash flow to movement in net funds	2012		2011	
		£		£	
	(Decrease)/increase in cash in the year	(439,091)		241,590	
	Movement in net funds in the year	(439,091)		241,590	
	Opening net funds	768,622		527,032	
	Closing net funds	329,531		768,622	

MGS DISTRIBUTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JANUARY 2012

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention

1.2 Compliance with accounting standards

The financial statements are prepared in accordance with applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), which have been applied consistently (except as otherwise stated)

1.3 Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts

1.4 Leasing

Rentals payable under operating leases are charged against income on a straight line basis over the lease term

1.5 Stock

Stock is valued at the lower of cost and net realisable value

1.6 Pensions

The company operates a defined contribution scheme for the benefit of its employees. Contributions payable are charged to the profit and loss account in the year they are payable

1.7 Foreign currency translation

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

2 Turnover

The total turnover of the company for the year has been derived from its principal activity wholly undertaken in the United Kingdom

3 Operating profit

	2012	2011
	£	£
Operating profit is stated after charging		
Operating lease rentals		
- Plant and machinery	64,436	52,034
Fees payable to the company's auditor for the audit of the company's annual accounts	12,648	14,148
Non-audit fees	895	1,197
	<u> </u>	<u> </u>

MGS DISTRIBUTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JANUARY 2012

4	Taxation	2012	2011
		£	£
	Domestic current year tax		
	U K corporation tax	165,851	152,293
	Total current tax	<u>165,851</u>	<u>152,293</u>
	Factors affecting the tax charge for the year		
	Profit on ordinary activities before taxation	<u>592,327</u>	<u>517,386</u>
	Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 26.00% (2011 - 28.00%)	<u>154,005</u>	<u>144,868</u>
	Effects of		
	Non deductible expenses	<u>11,846</u>	<u>7,425</u>
		<u>11,846</u>	<u>7,425</u>
	Current tax charge for the year	<u>165,851</u>	<u>152,293</u>
5	Dividends	2012	2011
		£	£
	Ordinary final paid	<u>-</u>	<u>300,000</u>
	Subsequent to the year end, a dividend of £300,000 has been declared		
6	Stocks	2012	2011
		£	£
	Finished goods and goods for resale	<u>1,248,646</u>	<u>1,225,301</u>

MGS DISTRIBUTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JANUARY 2012

7 Debtors	2012	2011
	£	£
Trade debtors	1,130,726	865,707
Amounts owed by parent undertaking	611,894	385,321
Other debtors	25,000	19,667
Prepayments and accrued income	-	42,854
	<u>1,767,620</u>	<u>1,313,549</u>
8 Creditors amounts falling due within one year	2012	2011
	£	£
Trade creditors	43,305	69,574
Amounts owed to parent undertaking	1,002,450	1,639,361
Corporation tax	89,873	88,772
Other taxes and social security costs	249,658	-
Accruals and deferred income	44,994	20,724
	<u>1,430,280</u>	<u>1,818,431</u>
9 Pension and other post-retirement benefit commitments		
Defined contribution		
	2012	2011
	£	£
Contributions payable by the company for the year	<u>15,529</u>	<u>12,376</u>
10 Share capital	2012	2011
	£	£
Allotted, called up and fully paid		
100 Ordinary shares of £1 each	<u>100</u>	<u>100</u>

MGS DISTRIBUTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JANUARY 2012

11 Statement of movements on reserves

	Share premium account £	Profit and loss account £
Balance at 1 February 2011	799,900	689,041
Profit for the year	-	426,476
Balance at 31 January 2012	<u>799,900</u>	<u>1,115,517</u>

12 Reconciliation of movements in shareholders' funds

	2012 £	2011 £
Profit for the financial year	426,476	365,093
Dividends	-	(300,000)
Net addition to shareholders' funds	<u>426,476</u>	<u>65,093</u>
Opening shareholders' funds	1,489,041	1,423,948
Closing shareholders' funds	<u>1,915,517</u>	<u>1,489,041</u>

13 Financial commitments

At 31 January 2012 the company was committed to making the following payments under non-cancellable operating leases in the year to 31 January 2013

	Other 2012 £	2011 £
Operating leases which expire		
Within one year	12,876	9,347
Between two and five years	46,777	50,793
	<u>59,653</u>	<u>60,140</u>

MGS DISTRIBUTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JANUARY 2012

14 Directors' remuneration	2012 £	2011 £
Remuneration for qualifying services	131,364	143,456
Company pension contributions to defined contribution schemes	2,000	3,000
	<u>133,364</u>	<u>146,456</u>

15 Employees

Number of employees

The average monthly number of employees (including directors) during the year was

	2012 Number	2011 Number
Administration and distribution	<u>16</u>	<u>13</u>

Employment costs

	2012 £	2011 £
Wages and salaries	640,303	521,062
Social security costs	86,228	74,502
Other pension costs	15,529	12,376
	<u>742,060</u>	<u>607,940</u>

16 Control

Movado Group Inc, incorporated in America, is considered the ultimate parent company in both this and the prior year, by virtue of its shareholding in the company

MGS DISTRIBUTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JANUARY 2012

17 Related party relationships and transactions

During the year the company paid management fees amounting to £423,000 (2011 £393,000) to Swico Limited, a company which has a 49% shareholding in MGS Distribution Limited

At the balance sheet date, Movado Group Inc and its related companies, owed the company £611,894 (2011 £385,321) and was owed by the company £1,002,450 (2011 £1,639,361)

During the year the company made purchases of £4,835,379 (2011 £4,126,934) from Movado Group Inc

During the year a dividend of £nil (2011 £153,000 and £147,000 was paid to Movado Group Inc and Swico Limited respectively)

In addition, various other administration costs and salaries have been recharged from Swico Limited at cost