

Company Registration No. 6183896 (England and Wales)

MGS DISTRIBUTION LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2009

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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
Bankers	Barclays Bank Plc 1 Churchill Place London United Kingdom E14 5HP

MGS DISTRIBUTION LIMITED

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MGS DISTRIBUTION LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 JANUARY 2009

The directors present their report and financial statements for the year ended 31 January 2009.

Principal activities

The principal activity of the company continued to be that of watch distributors. The company was incorporated on 29 March 2007 and commenced trading on 1 May 2007. The comparative information therefore represents the period from incorporation to 31 January 2008.

Results and dividends

The results for the year are set out on page 5.

Directors

The following directors have held office since 1 February 2008:

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.

MGS DISTRIBUTION LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 JANUARY 2009

Directors' responsibilities

The directors are responsible for preparing 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). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

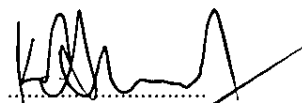
The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure to auditor

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 VII of the Companies Act 1985 relating to small companies.

On behalf of the board



K R Sheppard

Director

27 November 2009

MGS DISTRIBUTION LIMITED

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF MGS DISTRIBUTION LIMITED

We have audited the financial statements of MGS Distribution Limited for the year ended 31 January 2009 set out on pages 5 to 13. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

MGS DISTRIBUTION LIMITED

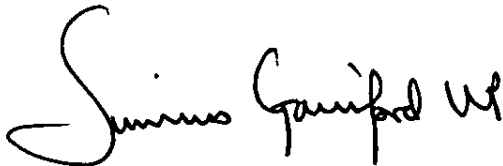
INDEPENDENT AUDITORS' REPORT (CONTINUED)

TO THE SHAREHOLDERS OF MGS DISTRIBUTION LIMITED

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 January 2009 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.



Simmons Gainsford LLP

Chartered Accountants
Registered Auditor

27 November 2009

7/10 Chandos Street
Cavendish Square
London
W1G 9DQ

MGS DISTRIBUTION LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 JANUARY 2009

		Year ended 31 January 2009 £	Period ended 31 January 2008 £
	Notes		
Turnover	2	4,472,922	3,137,282
Cost of sales		(2,989,125)	(2,042,109)
Gross profit		1,483,797	1,095,173
Distribution costs		(579,685)	(400,785)
Administrative expenses		(707,395)	(339,174)
Profit on ordinary activities before taxation	3	196,717	355,214
Tax on profit on ordinary activities	4	(59,713)	(109,208)
Profit for the year	9	137,004	246,006

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

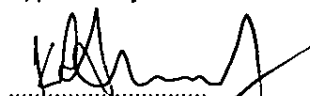
BALANCE SHEET

AS AT 31 JANUARY 2009

	Notes	2009 £	£	2008 £	£
Current assets					
Stocks	5	1,662,064		948,485	
Debtors	6	788,125		677,584	
Cash at bank and in hand		1,269,833		23,805	
		<u>3,720,022</u>		<u>1,649,874</u>	
Creditors: amounts falling due within one year	7	<u>(2,537,012)</u>		<u>(603,868)</u>	
Total assets less current liabilities		<u>1,183,010</u>		<u>1,046,006</u>	
Capital and reserves					
Called up share capital	8		100		100
Share premium account	9		799,900		799,900
Profit and loss account	9		383,010		246,006
Shareholders' funds	10		<u>1,183,010</u>		<u>1,046,006</u>

Approved by the Board and authorised for issue on

27 November 2009



K R Sheppard
Director

Company Registration No. 6183896

MGS DISTRIBUTION LIMITED

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 JANUARY 2009

	Year ended 31 January 2009 £	Period ended 31 January 2008 £
Net cash inflow/(outflow) from operating activities	1,355,238	(776,195)
Taxation	(109,210)	-
Net cash inflow/(outflow) before management of liquid resources and financing	1,246,028	(776,195)
Financing		
Issue of ordinary share capital	-	800,000
Net cash (outflow)/inflow from financing	-	800,000
Increase in cash in the year	1,246,028	23,805

MGS DISTRIBUTION LIMITED

NOTES TO THE CASH FLOW STATEMENT FOR THE YEAR ENDED 31 JANUARY 2009

1	Reconciliation of operating profit to net cash inflow/(outflow) from operating activities	2009	2008
		£	£
	Operating profit	196,717	355,214
	Increase in stocks	(713,579)	(948,485)
	(Increase) in debtors	(110,541)	(677,584)
	Increase in creditors within one year	1,982,641	494,660
	Net cash inflow/(outflow) from operating activities	1,355,238	(776,195)

2	Analysis of net funds	1 February 2008	Cash flow	Other non-cash changes	31 January 2009
		£	£	£	£
	Net cash:				
	Cash at bank and in hand	23,805	1,246,028	-	1,269,833
	Net funds	23,805	1,246,028	-	1,269,833

3	Reconciliation of net cash flow to movement in net funds	2009	2008
		£	£
	Increase in cash in the year	1,246,028	23,805
	Movement in net funds in the year	1,246,028	23,805
	Opening net funds	23,805	-
	Closing net funds	1,269,833	23,805

MGS DISTRIBUTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2009

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

	2009 £	2008 £
Operating profit is stated after charging:		
Loss on foreign exchange transactions	32,707	-
Operating lease rentals		
- Plant and machinery	23,398	12,455
Auditors' remuneration	15,612	12,750

Auditors' remuneration relates wholly to the audit of the financial statements.

MGS DISTRIBUTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JANUARY 2009

4	Taxation	2009	2008
		£	£
	Domestic current year tax		
	U.K. corporation tax	59,711	109,208
	Adjustment for prior years	2	-
		<u>59,713</u>	<u>109,208</u>
	Current tax charge		
		<u>59,713</u>	<u>109,208</u>
	Factors affecting the tax charge for the year		
	Profit on ordinary activities before taxation	<u>196,717</u>	<u>355,214</u>
	Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 28.00% (2008 - 30.00%)	<u>55,081</u>	<u>106,564</u>
	Effects of:		
	Non deductible expenses	3,939	2,644
	Adjustments to previous periods	2	-
	Effect of change in tax rate during the year	691	-
		<u>4,632</u>	<u>2,644</u>
	Current tax charge	<u>59,713</u>	<u>109,208</u>
5	Stocks	2009	2008
		£	£
	Finished goods and goods for resale	<u>1,662,064</u>	<u>948,485</u>
6	Debtors	2009	2008
		£	£
	Trade debtors	628,136	660,595
	Amounts owed by parent undertaking	159,989	16,989
		<u>788,125</u>	<u>677,584</u>

MGS DISTRIBUTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JANUARY 2009

7	Creditors: amounts falling due within one year	2009	2008
		£	£
	Trade creditors	530,432	422,430
	Amounts owed to parent undertaking	1,670,083	-
	Corporation tax	59,711	109,208
	Other taxes and social security costs	221,876	30,445
	Accruals and deferred income	54,910	41,785
		<u>2,537,012</u>	<u>603,868</u>
8	Share capital	2009	2008
		£	£
	Authorised		
	1,000 Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
	Allotted, called up and fully paid		
	100 Ordinary shares of £1 each	<u>100</u>	<u>100</u>
9	Statement of movements on reserves		
		Share premium account	Profit and loss account
		£	£
	Balance at 1 February 2008	799,900	246,006
	Profit for the period	-	137,004
	Balance at 31 January 2009	<u>799,900</u>	<u>383,010</u>

MGS DISTRIBUTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JANUARY 2009

10 Reconciliation of movements in shareholders' funds	2009 £	2008 £
Profit for the financial year	137,004	246,006
Proceeds from issue of shares	-	800,000
Net addition to shareholders' funds	137,004	1,046,006
Opening shareholders' funds	1,046,006	-
Closing shareholders' funds	1,183,010	1,046,006

11 Financial commitments

At 31 January 2009 the company was committed to making the following payments under non-cancellable operating leases in the year to 31 January 2010:

	Other 2009 £	2008 £
Operating leases which expire:		
Within one year	5,149	-
Between two and five years	12,463	18,517
	17,612	18,517

12 Directors' emoluments	2009 £	2008 £
Emoluments for qualifying services	113,836	73,501
Company pension contributions to money purchase schemes	1,350	1,602
	115,186	75,103

MGS DISTRIBUTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JANUARY 2009

13 Employees

Number of employees

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

	2009 Number	2008 Number
Administration and distribution	9	8

Employment costs

	2009 £	2008 £
Wages and salaries	338,871	208,594
Social security costs	43,813	8,267
Other pension costs	5,446	4,361
	<u>388,130</u>	<u>221,222</u>

14 Control

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

15 Related party transactions

During the year the company paid management fees amounting to £353,250 (2008:£148,500) to Swico Limited, a company which has a 49% shareholding in MGS Distribution Limited.

In the prior year, the company purchased its opening stock of £488,796 from Swico Limited and £392,000 was settled by way of the issue to Swico Limited of shares representing 49% of the issued share capital.

At the balance sheet date, Movado Group Inc, the ultimate parent company, owed the company £159,989 (2008: £16,989) and was owed by the company £1,670,083 (2008: £nil).

Various other administration costs and salaries have been recharged from Swico Limited at cost.