

**REGISTRAR'S COPY**

Company Registration No 6183896 (England and Wales)

**MGS DISTRIBUTION LIMITED**  
**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 JANUARY 2010**

**TUESDAY**



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# **MGS DISTRIBUTION LIMITED**

**REGISTRAR'S COPY**

## **COMPANY INFORMATION**

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### **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

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**DIRECTORS' REPORT**

**FOR THE YEAR ENDED 31 JANUARY 2010**

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The directors present their report and financial statements for the year ended 31 January 2010

**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

**Directors**

The following directors have held office since 1 February 2009

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

**DIRECTORS' REPORT (CONTINUED)**

**FOR THE YEAR ENDED 31 JANUARY 2010**

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**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

25 AUGUST 2010

**INDEPENDENT AUDITORS' REPORT****TO THE MEMBERS OF MGS DISTRIBUTION LIMITED**

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We have audited the financial statements of MGS Distribution Limited for the year ended 31 January 2010 set out on pages 5 to 13. 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 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.

**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 2010 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.

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

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**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 prepare the directors' report in accordance with the small companies regime



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

**25 August 2010**

**Chartered Accountants  
Statutory Auditor**

7/10 Chandos Street  
Cavendish Square  
London  
W1G 9DQ

## PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 JANUARY 2010

	Notes	2010 £	2009 £
Turnover	2	5,005,874	4,472,922
Cost of sales		(3,256,718)	(2,989,125)
<b>Gross profit</b>		1,749,156	1,483,797
Distribution costs		(754,936)	(579,685)
Administrative expenses		(652,267)	(707,395)
<b>Operating profit</b>	3	341,953	196,717
Interest payable and similar charges	4	(997)	-
<b>Profit on ordinary activities before taxation</b>		340,956	196,717
Tax on profit on ordinary activities	5	(100,018)	(59,713)
<b>Profit for the year</b>	10	240,938	137,004

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****REGISTRAR'S COPY****BALANCE SHEET****AS AT 31 JANUARY 2010**

	Notes	2010 £	£	2009 £	£
<b>Current assets</b>					
Stocks	6	856,545		1,662,064	
Debtors	7	979,181		788,125	
Cash at bank and in hand		527,032		1,269,833	
		<u>2,362,758</u>		<u>3,720,022</u>	
<b>Creditors amounts falling due within one year</b>	8	<u>(938,810)</u>		<u>(2,537,012)</u>	
<b>Total assets less current liabilities</b>			<u>1,423,948</u>		<u>1,183,010</u>
<b>Capital and reserves</b>					
Called up share capital	9		100		100
Share premium account	10		799,900		799,900
Profit and loss account	10		623,948		383,010
<b>Shareholders' funds</b>	11		<u>1,423,948</u>		<u>1,183,010</u>

Approved by the Board and authorised for issue on **25 AUGUST 2010**

K R Sheppard  
Director

Company Registration No 6183896

**MGS DISTRIBUTION LIMITED****REGISTRAR'S COPY****CASH FLOW STATEMENT****FOR THE YEAR ENDED 31 JANUARY 2010**

	£	2010 £	£	2009 £
<b>Net cash (outflow)/inflow from operating activities</b>		(639,593)		1,355,238
<b>Returns on investments and servicing of finance</b>				
Interest paid	(997)		-	
<b>Net cash outflow for returns on investments and servicing of finance</b>		(997)		-
<b>Taxation</b>		(102,211)		(109,210)
<b>Net cash (outflow)/inflow before management of liquid resources and financing</b>		(742,801)		1,246,028
<b>(Decrease)/increase in cash in the year</b>		(742,801)		1,246,028

**NOTES TO THE CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 31 JANUARY 2010**

1	Reconciliation of operating profit to net cash (outflow)/inflow from operating activities	2010		2009	
		£		£	
	Operating profit	341,953		196,717	
	Decrease/(increase) in stocks	805,519		(713,579)	
	Increase in debtors	(191,056)		(110,541)	
	(Decrease)/Increase in creditors within one year	(1,596,009)		1,982,641	
	<b>Net cash (outflow)/inflow from operating activities</b>	<b>(639,593)</b>		<b>1,355,238</b>	
2	Analysis of net funds	1 February 2009	Cash flow	Other non-cash changes	31 January 2010
		£	£	£	£
	Net cash				
	Cash at bank and in hand	1,269,833	(742,801)	-	527,032
	<b>Net funds</b>	<b>1,269,833</b>	<b>(742,801)</b>	<b>-</b>	<b>527,032</b>
3	Reconciliation of net cash flow to movement in net funds	2010		2009	
		£		£	
	(Decrease)/increase in cash in the year	(742,801)		1,246,028	
	<b>Movement in net funds in the year</b>	<b>(742,801)</b>		<b>1,246,028</b>	
	Opening net funds	1,269,833		23,805	
	<b>Closing net funds</b>	<b>527,032</b>		<b>1,269,833</b>	

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 JANUARY 2010**

**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**

	2010	2009
	£	£
Operating profit is stated after charging		
Loss on foreign exchange transactions	23,925	32,707
Operating lease rentals		
- Plant and machinery	34,462	23,398
Auditors' remuneration	13,362	15,612
	<u>          </u>	<u>          </u>

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 JANUARY 2010

<b>4</b>	<b>Interest payable</b>	<b>2010</b>	<b>2009</b>
		<b>£</b>	<b>£</b>
	On overdue tax	997	-
		<u>          </u>	<u>          </u>
<b>5</b>	<b>Taxation</b>	<b>2010</b>	<b>2009</b>
		<b>£</b>	<b>£</b>
	<b>Domestic current year tax</b>		
	U K corporation tax	100,018	59,711
	Adjustment for prior years	-	2
		<u>          </u>	<u>          </u>
	<b>Current tax charge</b>	<b>100,018</b>	<b>59,713</b>
		<u>          </u>	<u>          </u>
	<b>Factors affecting the tax charge for the year</b>		
	Profit on ordinary activities before taxation	340,956	196,717
		<u>          </u>	<u>          </u>
	Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 28.00% (2009 - 28.00%)	95,468	55,081
		<u>          </u>	<u>          </u>
	<b>Effects of</b>		
	Non deductible expenses	4,550	3,939
	Adjustments to previous periods	-	2
	Effect of change in tax rate during the year	-	691
		<u>          </u>	<u>          </u>
		4,550	4,632
		<u>          </u>	<u>          </u>
	<b>Current tax charge</b>	<b>100,018</b>	<b>59,713</b>
		<u>          </u>	<u>          </u>
<b>6</b>	<b>Stocks</b>	<b>2010</b>	<b>2009</b>
		<b>£</b>	<b>£</b>
	Finished goods and goods for resale	856,545	1,662,064
		<u>          </u>	<u>          </u>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 JANUARY 2010**

<b>7 Debtors</b>	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
Trade debtors	595,519	628,136
Amounts owed by parent undertaking	383,662	159,989
	<u>979,181</u>	<u>788,125</u>
<b>8 Creditors amounts falling due within one year</b>	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
Trade creditors	56,433	530,432
Amounts owed to parent undertaking	739,083	1,670,083
Corporation tax	57,518	59,711
Other taxes and social security costs	31,397	221,876
Accruals and deferred income	54,379	54,910
	<u>938,810</u>	<u>2,537,012</u>
<b>9 Share capital</b>	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
<b>Authorised</b>		
1,000 Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
<b>Allotted, called up and fully paid</b>		
100 Ordinary shares of £1 each	<u>100</u>	<u>100</u>
<b>10 Statement of movements on reserves</b>	<b>Share premium account</b>	<b>Profit and loss account</b>
	<b>£</b>	<b>£</b>
Balance at 1 February 2009	799,900	383,010
Profit for the year	-	240,938
Balance at 31 January 2010	<u>799,900</u>	<u>623,948</u>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 JANUARY 2010**

<b>11 Reconciliation of movements in shareholders' funds</b>	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
Profit for the financial year	240,938	137,004
Opening shareholders' funds	1,183,010	1,046,006
	<u>          </u>	<u>          </u>
Closing shareholders' funds	<u>1,423,948</u>	<u>1,183,010</u>

**12 Financial commitments**

At 31 January 2010 the company was committed to making the following payments under non-cancellable operating leases in the year to 31 January 2011

	<b>Other</b>	
	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
Operating leases which expire		
Within one year	7,562	5,149
Between two and five years	31,015	12,463
	<u>          </u>	<u>          </u>
	<u>38,577</u>	<u>17,612</u>

<b>13 Directors' emoluments</b>	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
Emoluments for qualifying services	115,195	113,836
Company pension contributions to money purchase schemes	2,450	1,350
	<u>          </u>	<u>          </u>
	<u>117,645</u>	<u>115,186</u>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 JANUARY 2010**

**14 Employees**

**Number of employees**

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

	2010 Number	2009 Number
Administration and distribution	10	9

**Employment costs**

	2010 £	2009 £
Wages and salaries	345,688	338,871
Social security costs	38,487	43,813
Other pension costs	12,406	5,446
	<u>396,581</u>	<u>388,130</u>

**15 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

**16 Related party transactions**

During the year the company paid management fees amounting to £363,000 (2009 £353,250) 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 £383,662 (2009 £159,989) and was owed by the company £739,083 (2009 £1,670,083)

During the year the company made purchases of £2,435,713 (2009 £3,358,335) from Movado Group Inc

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