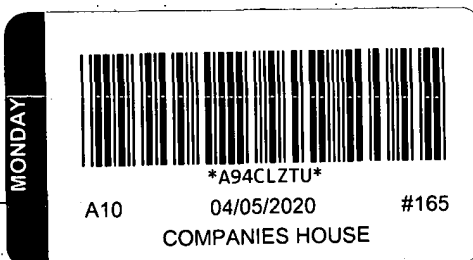


MOVADO GROUP UK LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2019



MOVADO GROUP UK LIMITED

COMPANY INFORMATION

Directors

Xavier Gauderlot
Sallie Demarsilis
Jochen Schulz

Secretary

Mitchell Sussis

Company number

06183896

Registered office

Meadway House
Meadway
Haslemere
Surrey, GU27 1NN

Independent Auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
1 Kingsway, Cardiff
CF10 3PW
United Kingdom

MOVADO GROUP UK LIMITED

CONTENTS

	Page(s)
Strategic report	4-5
Directors' report	6-8
Independent auditors' report	9-11
Profit and loss account	12
Balance sheet	13
Statement of changes in equity	14
Notes to the financial statements	15 - 26

MOVADO GROUP UK LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 JANUARY 2019

The directors present their report and the audited financial statements for the year ended 31 January 2019.

Business review

As at 31 January 2019 the company has net assets of £ 34,045,592.

The strategy of the company is primarily to work with brands which have a similar target customer market and image as the current portfolio.

On 5 July 2017 – Movado Group, Inc. (NYSE: MOV) announced that on 3 July 2017 it acquired JLB Brands Ltd the owner of the Olivia Burton brand for approx. £ 65.4m, which is one of the United Kingdom's fastest growing fashion watch and jewelry brands and which perfectly expands the existing portfolio of Movado Group UK Limited.

This was financed by an intercompany loan of £ 35.0m and share size of £ 33.9m, which consists of £ 27.9m ordinary shares and £ 6.0m preference shares.

Following the acquisition, the trade and assets of JLB Brands Limited were hived up into Movado Group UK Limited in FY19. The goodwill and brand have been accounted for in the Movado Group Inc consolidated Financial Statements.

	FY19	FY18 restated
	£	£
Turnover	46,999,426	28,086,689
Gross profit	17,454,350	8,894,989
(Loss) / profit for the financial year	(4,974,421)	459,862

Key performance indicators

The directors are pleased with the results for the year. The company's key performance indicators are turnover, gross profit and net profit. Turnover has increased by £ 18,912,737 to £ 46,999,426 in FY19 whilst gross profit has increased by £ 8,559,361 to £ 17,454,350. The increase in turnover was driven by a combination of organic growth from existing brands and the introduction of both licensed brands and owned brands. MOVADO GROUP UK LIMITED has a loss for the financial year of £ (4,974,421) in FY19 compared to a profit for the financial year £ 459,862 in FY18. The company continued to further significant investments in marketing activities and enhanced infrastructure to support the additional business. The loss for the year is in particular due to the amortization of the acquired and hived-up goodwill and other intangibles from the Olivia Burton acquisition in prior year of £ (6,719,949).

Principal risks and uncertainties

The company competes in a market that is increasingly dominated by a small number of multi-store retailers, where it is necessary to continue leveraging its brands and group strength to ensure strong access to the local retail network under appropriate conditions.

Continued sales growth in the UK watch category is dependent on a strong pipeline of new product to invigorate the ongoing portfolio and ensure its continued relevance to consumer preferences. The company works extensively with the Movado Group's design teams to ensure that new product that is appropriate for the UK market is forthcoming.

In December 2019, there was an outbreak of a novel strain of coronavirus (COVID-19) in Wuhan, China that has since spread to other regions in China and the rest of the world. In March 2020, the World Health Organization declared the outbreak of COVID-19 as a pandemic, resulting in travel restrictions, closed borders, the closing of many retail stores of the Company's direct and indirect customers, and various containment and mitigation measures imposed by governmental and other authorities around the world (such as quarantines and other social distancing requirements). Furthermore, as our potential customers face layoffs and other negative economic impact from the COVID-19 outbreak, their disposable income for discretionary purchases and their actual or perceived wealth may be negatively impacted.

MOVADO GROUP UK LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 JANUARY 2019

While the disruption is currently expected to be temporary, there is uncertainty around the duration as well as the recovery timeline. Therefore, while the Company expects this matter to negatively impact its business, results of operations, including the potential for impairment surrounding indefinite and long-lived assets, and financial position, the related financial impact cannot be reasonably estimated at this time.

The company's operational, financial and IT infrastructure is supported closely by the relevant Movado Group teams to ensure high levels of business continuity and rapid recovery in the event of interruptions.

Financial and Brexit risk management

This has been disclosed in the Directors' Report.

Approved by the board and signed on its behalf

Xavier Gauderlot
Director

30 April 2020

MOVADO GROUP UK LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 JANUARY 2019

The directors present their report and audited financial statements for the year ended 31 January 2019.

Principal activities

The principal activity of the company continued to be that of watch and jewellery distribution.

Future developments

The company has a very strong portfolio of brands, whether licensed or owned. It is the company's intention to continue growing the current profitable brands, while devoting additional resources to the new brands. The company expects to continue investing in marketing activities, as well as expanding its salesforce to support turnover growth.

The impact of the outbreak of COVID-19 on the Company's liquidity, revenues and results of operations cannot be predicted at this time due to the high level of uncertainty, unknown future developments and duration of containment measures.

Prior Year restatement

As detailed in note 22, the company has considered its accounting treatment for its investment in JLB Brands Limited in the prior period, and subsequent hive up of trade and assets in the year ended 31 January 2019. Following consideration of the hybrid accounting rules applicable to FRS 102, the financial statements in respect of the prior period have been updated.

Dividends

No dividend was paid for the year end 2019 and no dividend will be approved up to signing. (2018: NIL).

Dividends of 12,579,452 GBP have been received from JLB Brands Ltd.

Directors

The directors of the Company who were in office during the year and up to the date of signing the financial statements were:

Xavier Gauderlot
Sallie Demarsilis
Jochen Schulz

Financial risk management

Adverse economic conditions due to the COVID-19 outbreak, including declines in employment levels, disposable income, consumer confidence and economic growth could result in decreased consumer spending that would adversely affect sales of consumer goods, particularly those, such as the Company's products, that are viewed as discretionary items. To mitigate the financial risk, management has implemented expense reduction measures, including but not limited to the reduction of salaries and discretionary operating expenses, and is working collaboratively with tax administration and other governmental agencies and landlords on timing of payments.

The Company is exposed to price risk due to normal inflation increases in the purchase price of product inventory and due to market factors affecting the price charged for its products and services.

Other potential risks are noted below:

Liquidity risk

The company currently maintains a long term intercompany loan with an affiliate company and wholly owned subsidiary of the ultimate holding company, Movado Group Inc.

MOVADO GROUP UK LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 JANUARY 2019

Interest rate cash flow risk

The company maintains a credit balance with its bank. The company does not have any interest bearing liabilities beyond the Intercompany loan referenced above.

Credit risk

The company carries out credit checks on all new customers prior to sales being made and appropriate credit limits and payment plans are put in place with each new customer.

Foreign currency exchange risk

The company invoices in GBP and a minority of customers are invoiced in EUR. The company purchases mainly in GBP which means that the company has minimal FX risk.

However, changes in currency are monitored monthly and hedging would be considered if a FX risk was identified.

Brexit risk management

At the time of writing, the terms of the UK's departure from EU (Brexit) remains uncertain. Brexit does not give rise to a new principal risk for Movado Group UK Limited, however it does have potential to impact a number of existing operational risks, e.g. product availability, exchange rate, change in tariffs and duties, regulatory changes and economic uncertainty. Movado Group UK Limited and the senior management continue to monitor Brexit negotiations and manage the risks and uncertainties accordingly. Management has looked at logistics processes and of number of products stored in the UK in particular to make sure product availability is not at risk. Management is closely monitoring operational expenditures and forecasts to mitigate the financial risk in case sale and gross margin should decline.

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors 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.

MOVADO GROUP UK LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 JANUARY 2019

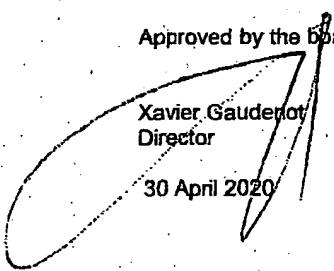
In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Independent Auditors

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

Approved by the board and signed on its behalf



Xavier Gaudenot
Director

30 April 2020

MOVADO GROUP UK LIMITED

Independent auditors' report to the members of Movado Group UK Limited

Report on the audit of the financial statements

Opinion

In our opinion, Movado Group UK Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 January 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Directors' Report and Financial Statements (the "Annual Report"), which comprise: balance sheet as at 31 January 2019; the profit and loss account and the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

MOVADO GROUP UK LIMITED

Independent auditors' report to the members of Movado Group UK Limited (continued)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 January 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also 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.

In preparing the financial statements, the directors are responsible for 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 the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

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 an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

MOVADO GROUP UK LIMITED

Independent auditors' report to the members of Movado Group UK Limited (continued)

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Jason Clarke (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cardiff

30 April 2020

MOVADO GROUP UK LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 JANUARY 2019

	Note	2019 £	2018 Restated £
Turnover	5	46,999,426	28,086,689
Cost of sales		(29,545,076)	(19,191,700)
Gross profit		17,454,350	8,894,989
Distribution costs		(817,035)	(106,629)
Selling and marketing expenses		(10,941,957)	(5,681,988)
Administrative expenses		(9,874,910)	(1,469,157)
Intercompany royalty income		1,218,238	-
Operating (loss) / profit	6	(2,961,314)	1,637,216
(Loss) / profit before interest and taxation		(2,961,314)	1,637,216
Interest payable and similar expenses	8	(1,466,842)	(958,358)
Financial expenses	8	(237,549)	-
(Loss) / profit before taxation		(4,665,705)	678,858
Tax on (loss) / profit	9	(308,716)	(218,996)
(Loss) / profit for the financial year		(4,974,421)	459,862

MOVADO GROUP UK LIMITED

BALANCE SHEET AS AT 31 JANUARY 2019

	Note	2019 £	2018 Restated £
Fixed assets			
Intangible assets	10	51,548,659	-
Tangible assets	10	1,533,024	622,216
Investments	11	169,439	68,408,613
		53,251,122	69,028,829
Current assets			
Inventories	12	4,291,226	272,662
Debtors	13	8,929,523	6,582,733
Cash at bank and in hand		7,916,137	2,422,173
		21,136,886	9,277,568
Creditors: amounts falling due within one year	14	(5,342,416)	(6,778,695)
Net current assets		15,794,470	2,498,874
Total assets less current liabilities		69,045,592	71,527,703
Creditors: amounts falling due after more than one year	15	(35,000,000)	(35,000,000)
Net assets		34,045,592	36,527,703
Capital and reserves			
Called up share capital	18	720	720
Share premium account		34,699,280	34,699,280
Merger Reserve		2,492,310	-
Retained earnings		(3,146,718)	1,827,703
Total equity		34,045,592	36,527,703

The notes on the pages 13 to 24 are integral part of these Financial Statements.
The Financial Statements on pages 10 to 24 were authorised for issue by the board of directors on 30 April 2020 and were signed on its behalf.



Jochen Schulz

Director

MOVADO GROUP UK LIMITED

Company Registration No. 06183896 (England and Wales)

MOVADO GROUP UK LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 JANUARY 2019

	Called up share capital £	Share premium account £	Retained Earnings / Accumulated Losses restated £	Merger Reserve £	Total equity restated £
Balance as at 1 February 2017	100	799,900	1,367,841	-	2,167,841
Ordinary Shares of £1 each	520	27,899,480	-	-	27,900,000
Preference Shares of £1 each	100	5,999,900	-	-	6,000,000
Loss for the financial year	-	-	(68,054,419)	-	(68,054,419)
Balance as at 31 January 2018 as previously stated	720	34,699,280	(66,686,578)	-	(31,986,578)
Changes due to prior period errors	-	-	68,514,281	-	68,514,281
Balance as at 31 January 2018 as restated	- 720	34,699,280	1,827,703	-	36,527,703
Loss for the financial year	-	-	(4,974,421)	-	(4,974,421)
Credit to equity as a result of the hive-up of JLB Brands Limited	-	-	-	2,492,310	2,492,310
Balance as at 31 January 2019	720	34,699,280	(3,146,718)	2,492,310	34,045,592

On 1 February 2018, the trade and assets of JLB Brands Limited were hived up into Movado UK in return for an intercompany loan of £12.6m. The difference between the total value of the assets and liabilities acquired and, the recoverable amount of the investment in JLB, of £2,412,858 has been credited to the merger reserve.

On 31 March 2018, JLB Brands Limited extinguished an intercompany loan with Movado UK of £12,500,000 and accumulated interest on that loan of £79,452 via a dividend. The extinguishment of the principal has been treated as a return of capital and credited against the value of the investment in JLB. The extinguishment of the interest payable to JLB is not a realised profit and has been credited to the merger reserve.

MOVADO GROUP UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2019

1. General Information

MOVADO GROUP UK LIMITED license brands business represents sales to wholesaler of watches and jewellery. The owned brand Olivia Burton represent sales to retailers and wholesalers and the production of watches and jewellery.

The company is a private company limited by shares and is incorporated in the United Kingdom and registered in England. The address of its registered office is Meadway House, Meadway, Haslemere, Surrey, GU27 1NN.

2. Statement of compliance

The individual financial statements of MOVADO GROUP UK LIMITED have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

3. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The company has adopted FRS 102 in these financial statements.

The company is a wholly-owned subsidiary of Movado Group Inc. and is included in the consolidated financial statements of Movado Group Inc. which are publicly available. Consequently, the company has taken advantage of the exemption from preparing consolidated financial statements under the terms of section 401 of the Companies Act 2006.

(a) Basis of Preparation

These financial statements are prepared on a going concern basis, under the historical cost convention and in accordance with Companies Act 2006 and applicable accounting standards in the United Kingdom.

(b) Going concern

The parent Company Movado Group Inc. has committed to providing financial support to the Company by issuing a letter of support and therefore management have prepared the Financial Statements on the going concern basis. The impact of the outbreak of COVID-19 on the Company's liquidity, revenues and results of operations cannot be predicted at this time due to the high level of uncertainty, unknown future developments and duration of containment measures. The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing its financial statements.

(c) Exemptions for qualifying entities under FRS 102

The company has taken advantage of the following exemptions under FRS102:

- (i) a reconciliation of the number of shares outstanding at the beginning and end of the period (FRS 102 paragraph 4.12(a)(iv)).
- (ii) the requirement to prepare a statement of cash flow (Section 7 of FRS 102 and paragraph 3.17(d)).
- (iii) financial instrument disclosures providing equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated (FRS 102 paragraphs 11.39-11.48A, 12.26 - 12.29).
- (iv) the non-disclosure of key management personnel compensation in total (FRS 102 paragraph 33.7).

(d) Foreign currency translation

The company's functional and presentation currency is the pound sterling.

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 recognised in the profit and loss account.

MOVADO GROUP UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JANUARY 2019

(e) Turnover

Turnover is measured at the fair value of the consideration received or receivable and presents the amount receivable for goods supplied or services rendered, net of returns, discounts and rebates allowed by the company and value added taxes. The company bases its estimate of returns on historical results, taking into consideration the type of customer, type of transaction and specific of each arrangement.

3. Summary of significant accounting policies (continued)

The company recognises turnover when (a) the significant risks and rewards of ownership have been transferred to the buyer; (b) the company retains no continuing involvement or control over the goods and (c) the amount of turnover can be measured reliably.

(f) Employee benefits

The company provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements and defined contribution pension plans.

(i) Short term benefits

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

(ii) Defined contribution pension plans

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations. The contributions are recognised as an expense when they are due. Amounts not paid are shown in accruals in the balance sheet. The assets of the plan are held separately from the company in independently administered funds.

(g) Taxation

(i) Corporation Tax

Corporation tax represents amounts expected to be paid in respect of the taxable profit for the period and is calculated using tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

(ii) Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are temporary differences between profit as computed for taxation purposes and profit as stated in the financial statements which arise because certain items of income and expenditure in the financial statements are dealt with in different periods for taxation purposes.

A net deferred tax asset is regarded as recoverable and therefore recognised only when on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax assets and liabilities are undiscounted.

(h) Intangible and tangible assets

The cost of intangible and tangible assets is their purchase cost together with any incidental costs of acquisition. Intangible and tangible assets are measured at historical cost less accumulated depreciation.

Depreciation is calculated so as to write off the cost of tangible fixed assets less their residual values, over their expected useful lives using the straight-line basis. The principal asset lives used for this purpose are undiscounted.

MOVADO GROUP UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JANUARY 2019

Asset	Useful Life
Intangibles goodwill	10 years
Other intangibles	3-10 years
Intangibles trademarks	10 years
Tangibles shop-in-shop	5 years
Display Materials	3-5 years
Fixtures, fittings, tools and equipment	4-10 years

(i) Leased assets

Rentals payable under operating leases are charged to the profit and loss account on a straight-line basis over the lease term.

3. Summary of significant accounting policies (continued)

(j) Inventories

Inventory are valued at the lower of cost and estimated selling price less costs to complete and sell

(k) Cash and cash equivalents

Cash and cash equivalents include cash in hand.

(l) Financial instruments

The Group has chosen to adopt the Sections 11 and 12 of FRS 102 in respect of financial instruments.

(i) Financial assets

Basic financial assets, including trade and other receivables, cash and bank are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is decrease in the impairment loss arising from an event occurring after the impairment was recognised the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

(ii) Financial liabilities

Basic financial liabilities, including trade and other payables, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Contractual terms for Intercompany loan with Movado Watch company SA are at market rate of interest and satisfied conditions.

MOVADO GROUP UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JANUARY 2019

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

(m) Share capital

Classification of shares

An equity instrument is a contract that evidences a residual interest in the assets of an entity after deducting all its liabilities. Accordingly, a financial instrument is treated as equity if:

(i) there is no contractual obligation to deliver cash or other financial assets or to exchange financial assets or liabilities on terms that may be unfavourable; and

(ii) the instrument is a non-derivative that contains no contractual obligations to deliver a variable number of shares or is a derivative that will be settled only by the Group exchanging a fixed amount of cash or other assets for a fixed number of the Group's own equity instruments.

When shares are issued, any component that creates a financial liability of the company or group is presented as a liability in the balance sheet, measured initially at fair value net of transaction costs and thereafter at amortised cost until extinguished on conversion or redemption. The corresponding dividends relating to the liability component are charged as interest expense in the income statement. The initial fair value of the liability component is determined using a market rate for an equivalent liability without a conversion feature.

The remainder of the proceeds on issue is allocated to the equity component and included in shareholders' equity, net of transaction costs. The carrying amount of the equity component is not re-measured in subsequent years. Transaction costs are apportioned between the liability and equity components of the shares based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

The company's preference and ordinary shares have been accounted for as equity.

(n) Investments in subsidiaries

Investments in subsidiaries are recognised initially at cost together with any costs that are deemed to be directly attributable to the acquisition. Investments in subsidiaries are subsequently measured at cost less accumulated impairment losses.

Dividends and other distributions from investments in subsidiaries that are in substance a return of the capital invested are credited against the cost of the related investment and no impairment charge is recognised in the Profit and Loss Account.

(o) Group reconstructions

Group reconstruction transactions are accounted for by applying the principles of merger accounting. Consideration involving shares is accounted for at nominal value whereas consideration involving cash or intra-group loans is accounted for at actual value. The net assets are transferred at book value. The difference between the consideration paid and the value of the net assets transferred is adjusted against reserves and recognised in a separate merger reserve.

MOVADO GROUP UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JANUARY 2019

Where a hive-up includes the transfer of goodwill and other intangible assets that were acquired previously, but not recognised by the hived-up entity, the value of the transfer from the cost of investments is limited to the amount of goodwill and other intangible assets that would have arisen had the hive up taken place immediately post-acquisition, less the amortisation that would have been charged on those assets.

4. Critical accounting judgements and estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

a) Impairment of debtors

The company makes an estimate of the recoverable value of trade and other debtors. When assessing trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience.

5. Turnover

In the year ending 31 January 2019 the total turnover of the company was derived from its principal activity wholly undertaken in the UK.

Following the acquisition of Olivia Burton brand in July 2017 and the subsequent hive up into MOVADO GROUP UK LIMITED in the year ending 31 January 2019, the turnover of the company by geographical destination was as follows:

Turnover, analysed geographically between markets	Note	2019 £	2018 £
United Kingdom		44,595,176	28,081,952
Asia		1,569,748	-
Rest of Europe		817,101	4,588
North America		17,401	149
Turnover		46,999,426	28,086,689

6. Operating (Loss) / Profit

Operating (loss) / profit is stated after charging / (crediting):	Note	2019 £	2018 £
Wages and salaries		4,278,209	1,357,854
Social security costs		538,036	161,123
Other pension costs		78,657	126,636
Staff costs		4,894,902	1,645,613
Operating lease charges		1,318,183	195,635
Foreign exchange		(33,174)	24,508
Inventory recognised as expense		28,349,214	19,156,127
Amortisation and depreciation	10	7,465,257	595,535
Audit fees payable to the company's auditors		58,707	25,344

On 5 July 2017 – Movado Group, Inc. (NYSE: MOV) announced that on 3 July 2017 it acquired JLB Brands Ltd the owner of the Olivia Burton brand. Following the acquisition, the trade and assets of JLB Brands Limited were hived up into Movado Group UK Limited in FY19.

MOVADO GROUP UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JANUARY 2019

7. Employees & Directors

(i) Employees

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

By activity	2019	2018
Administration and distribution	106	34

Directors

No directors were paid directly from the company during the year (2018: NIL).

In FY19, the directors are employed by MGI Luxury Group SA, a Movado Group Inc. company, receiving no remuneration from MOVADO GROUP UK LIMITED. The emoluments of these directors are paid by MGI Luxury Group SA.

The services of these directors are of a non-executive nature and their emoluments are deemed to be wholly attributable to their services to MGI Luxury Group SA. Accordingly, the above details include no emoluments in respect of these directors.

8. Interest payable and similar expenses, income from shares in group undertaking and write down of investment in subsidiary

	2019 £	2018 £
Interest payable on intercompany loans	1,423,460	958,900
Other expense / (income)	280,930	(542)
Total interest payable and similar expenses	1,704,390	958,358
Intercompany royalty (income)	(1,218,238)	-

9. Tax on (loss) / profit

(a) Tax expense included in profit or loss account

	2019 £	2018 restated £
Current tax:		
– UK Corporation tax on profit for the year	412,166	209,643
– Adjustment in respect of prior periods	-	11,513
Total current tax	412,166	221,156
Deferred tax:		
– Origination and reversal of timing differences	(115,621)	7,447
– Adjustment in respect of prior periods	-	(8,766)
– Impact of changes in tax rates	12,171	(841)
Total deferred tax	(103,450)	(2,160)
Total tax per Profit and loss account	308,716	218,996

MOVADO GROUP UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JANUARY 2019

(b) Reconciliation of tax charge

The charge for the year can be reconciled to the profit per the income statement as follows:

	2019 £	2018 restated £
(Loss) / profit before taxation	(4,665,705)	678,857
Tax on (loss) / profit at standard UK tax rate of 19.00% (2018: 19.16%)	(886,484)	130,080
Effects of:		
– Expenses not deductible	1,183,029	87,010
– Losses not utilised / (utilised)	-	-
– Adjustments from previous periods	-	2,747
– Tax rate changes	12,171	(841)
Tax charge for the year	308,716	218,996

(c) Tax rate changes

Reductions in the UK corporation tax from 19.16% to 19.00% (effective from 1 April 2019) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly.

10. Assets

a) Intangible assets

	Goodwill £	Other intangibles £	Trademarks £	Total intangible assets £
Cost				
At 1 February 2018	-	-	-	-
Hive-up	45,399,494	16,700,000	45,935	62,145,429
Additions	-	-	56,300	56,300
At 31 January 2019	45,399,494	16,700,000	102,235	62,201,729
Accumulated depreciation				
At 1 February 2018	-	-	-	-
Hive-up	2,648,304	1,271,667	5,968	3,925,939
Retirement	-	-	-	-
Charge for the year	4,539,949	2,180,000	7,182	6,727,131
At 31 January 2019	7,188,253	3,451,667	13,150	10,653,070
Net book value at 31 January 2018	-	-	-	-
Net book value at 31 January 2019	38,211,241	13,248,333	89,085	51,548,659

Following the Olivia Burton acquisition other intangibles of £16,700,000 have been capitalized which consist of

- trade name of £9,800,000 amortised over 10 years
- customer list of £6,600,000 amortised over 6 years
- non-compete agreement of £300,000 amortised over 3 years

MOVADO GROUP UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JANUARY 2019

b) Tangible assets

	Shop in Shop	Display materials	Fixtures, fittings, tools and equipment	Total
	£	£	£	£
Cost				
At 1 February 2018	-	1,951,507	41,299	1,992,806
Additions	109,943	1,175,459	701,882	1,987,284
Retirements	-	(644,971)	(9,365)	(654,336)
At 31 January 2019	109,943	2,481,995	733,816	3,325,754
Accumulated depreciation				
At 1 February 2018	-	1,354,773	15,816	1,370,589
At 1 February 2018 Olivia Burton	-	25,512	20,351	45,863
Retirement	-	(353,440)	(8,408)	(361,848)
Charge for the year	3,489	651,607	83,029	738,125
At 31 January 2019	3,489	1,678,452	110,788	1,792,729
Net book value at 31 Jan 2018	-	596,734	25,482	622,216
Net book value at 31 Jan 2019	106,454	803,543	623,027	1,553,024

11. Investments

	2019	2018 restated
	£	£
At 1 February	68,406,613	-
Acquisition of JLB Brands Ltd	-	68,406,613
Transfers to other assets and liabilities following the hive-up of JLB Brands Limited [1]	(68,237,174)	-
At 31 January	169,439	68,406,613

[1] As a result of the hive-up of JLB Brands Limited during the year, £68,237,174 of the cost of the investment in JLB was treated as a return of investment and reclassified to other asset and liability categories.

JLB Brands Ltd, (Olivia Burton brand), Company number 07793580, Registered office 1st Floor, Unit D, Zetland House, 5-25, Scrutton Street, London, EC2A 4HJ.

12. Inventories

	2019	2018
	£	£
Finished goods and goods for resale	4,291,226	272,662
Total	4,291,226	272,662

MOVADO GROUP UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JANUARY 2019

13. Debtors

	2019	2018 restated
	£	£
Trade debtors	8,296,887	6,440,743
Amounts owed by group undertakings	209,344	2,863
Deferred tax asset (note 17)	97,022	20,298
Prepayments and accrued income	326,270	118,830
Total	8,929,523	6,582,733

Amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are payable on demand.

14. Creditors: amounts falling due within one year

	2019	2018 restated
	£	£
Trade creditors	(669,287)	(368,403)
Amounts owed to group undertakings	(157,921)	(1,730,565)
Intercompany Loan with MGI Luxury Group SA	-	(2,300,463)
Taxation and social security	(908,585)	(369,999)
Accruals and deferred income	(3,606,623)	(2,009,265)
Total	(5,342,416)	(6,778,685)

Amounts owed to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

The Intercompany loan with MGI Luxury Group SA of £ 2.3 m, which is unsecured and bears interest at 2% has been repaid as per the loan agreement on 31 July 2018.

15. Creditors: amounts falling due after more than one year

	2019	2018
	£	£
Intercompany Loan with Movado Watch Company AG	(35,000,000)	(35,000,000)
Total	(35,000,000)	(35,000,000)

Amounts of £ 35m owed to group undertakings with Movado Watch Company AG are unsecured, bear interest at 4% and are repayable on 31 July 2027.

16. Defined contribution scheme

The amount recognised as an expense for the defined contribution scheme was:

	2019	2018
	£	£
Current year contributions	78,657	126,636

There are no amounts prepaid or outstanding as at the year end.

MOVADO GROUP UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JANUARY 2019

17. Deferred tax

	2019	2018 restated
	£	£
Opening deferred tax balance	(20,298)	(18,138)
Recognised during the year	-	-
Adjustments in respect of prior periods	-	-
Deferred tax charge to income statement for the period	(103,450)	(2,160)
Movement arising from the transfer of trade	26,726	-
Provision at the end of year	(97,022)	(20,298)
Fixed asset timing differences	(63,698)	(14,956)
Short term timing differences - trading	(33,324)	(5,342)
Total (asset) / liability	(97,022)	(20,298)

18. Called up share capital

Ordinary shares of £1 each

	2019	2018
	£	£
Allotted and fully paid		
At 1 February	620	100
Issued during the year	-	520
At 31 January	620	620

Preference shares of £1 each

	2019	2018
	£	£
Allotted and fully paid		
At 1 February	100	-
Issued during the year	-	100
At 31 January	100	100

MOVADO GROUP UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JANUARY 2019

19. Financial commitments

The company had following future minimum lease payments under non-cancellable operating leases for each of following years:

	2019 £	2018 £
Payments due		
Not later than one year	828,133	163,471
Later than one year and not later than five years	1,869,160	155,489
	2,697,293	318,960

20. Related party transactions

During the year 2019 no dividend (2018: NIL) was paid to Movado Group, Inc

On 1 February 2018 assets of JLB Brands Limited were hived-up into MOVADO GROUP UK LIMITED in return for an intercompany loan of £12,579,452. On 31 March 2018 the intercompany loan was extinguished via a corresponding dividend by JLB Brands Limited.

- A long term intercompany loan of £35,000,000 has been taken up with Movado Watch Company AG in June 2017 to finance the Olivia Burton acquisition. The interest rate is 4% and interests have been paid by end of the fiscal year. The loan has to be paid back in June 2027.

The SAP system is maintained centrally in the US and insurances are handled globally in the US by Movado Group, Inc. For fiscal year 2019 MOVADO GROUP UK LIMITED received an invoice concerning SAP allocation charges of £ 747,230 (2018: £482,794) and insurance chargebacks of £28,738 (2018: £12,942) from Movado Group, Inc.

21. Controlling Parties

The immediate parent undertaking is Movado Watch Company AG.

The ultimate parent undertaking and the smallest and largest group to consolidate these financial statements is Movado Group Inc. Copies of the is Movado Group Inc. consolidated financial statements can be obtained from the Company Secretary at Movado Group Inc. 650 From Road, Ste. 375 Paramus, NJ 07652-3556, USA.

The ultimate controlling party is Movado Group Inc.

22. Prior Year Adjustment

The company has considered its accounting treatment for its investment in JLB Brands Limited in the prior period, and subsequent hive up of trade and assets in the year ended 31 January 2019. Following consideration of the hybrid accounting rules applicable to FRS 102, it has been determined that the investment was not impaired as at 31 January 2018 and the investment value was subsequently realised through the hive up of the trade and assets of JLB Brands Limited in the year ended 31 January 2019. Therefore the impairment of the investment in JLB by £65,474,176 has been reversed in the prior period.

It has also been determined that costs relating to the acquisition of JLB Brands Limited of £2,932,437 which were expensed through the Profit and Loss Account in the prior period should have been included as part of the cost of the investment. As such these costs have been reclassified to the cost of the investment.

MOVADO GROUP UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JANUARY 2019

The difference in favourable tax charge by £107,668 between the original disclosures provided for year end 31 Jan 2018 and the restated disclosures for 31 Jan 18 is based off the finalised figures as submitted to HMRC as part of the y/e 31 Jan 2018 refiling. The restatement itself led to the adjustment of non-deductible expenses and therefore there was no change to the 2018 tax charge as a result of the restatement. Deferred tax assets decreased by £ (48,974) and deferred tax liabilities decreased by £156,642.

The comparative figures in the primary statements and notes have been restated to reflect the prior period error.

The effects of the prior period error are summarised below:

	2018 £
Profit and Loss Account	
Administrative expenses	2,932,437
Write-down of investment in subsidiary	65,474,176
Profit in restated tax charges	107,668
Increase in profit for the financial year	68,514,281
	2018 £
Balance sheet	
Investments	68,406,613
Decrease in debtors	(48,974)
Decrease in creditors falling due within 1 year	156,642
Increase in net assets	68,514,281