

Company Registration No. 06183896 (England and Wales)

MOVADO GROUP UK LIMITED
(formerly known as “MGS DISTRIBUTION LIMITED”)
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2018

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MOVADO GROUP UK LIMITED
(formerly known as “MGS DISTRIBUTION 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 Embankment Place, London WC2N 6RH United Kingdom

MOVADO GROUP UK LIMITED
(formerly known as “MGS DISTRIBUTION LIMITED”)

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MOVADO GROUP UK LIMITED **(formerly known as "MGS DISTRIBUTION LIMITED")**

STRATEGIC REPORT **FOR THE YEAR ENDED 31 JANUARY 2018**

The directors present their report and the audited financial statements for the year ended 31 January 2018.

Business review

As at 31 January 2018 the company has net liabilities of £ 31,986,578.

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 Ltd.

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. Consequently, the investment in the legal entity subsidiary has been impaired. The goodwill and brand have been accounted for in the Movado Group Inc consolidated Financial Statements.

	FY18	FY17
	£	£
Turnover	28,086,689	24,814,638
Gross profit	8,894,989	7,312,104
(Loss) / Profit for the financial year	(68,054,419)	39,015

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 £ 3,272,051 to £ 28,086,689 in FY18 whilst gross profit has increased by £ 1,582,885 to £ 8,894,989. 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 £ 68,054,419 in FY18 compared to a profit for the financial year £ 39,015 in FY17. During the year the company has acquired JLB Brands Ltd the owner of the Olivia Burton brand and further significant investments in marketing activities and enhanced infrastructure to support the additional business. The loss for the year is due to the impairment of the investment in JLB Brands Ltd following the hive up of the business into Movado Group UK Limited.

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.

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 risk management

This has been disclosed in the Directors' Report.

Approved by the board and signed on its behalf

Xavier Gauderlot
Director

21 December 2018

MOVADO GROUP UK LIMITED **(formerly known as “MGS DISTRIBUTION LIMITED”)**

DIRECTORS' REPORT **FOR THE YEAR ENDED 31 JANUARY 2018**

The directors present their report and audited financial statements for the year ended 31 January 2018.

Principal activities

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

Company Name Change

MGS Distribution Limited a company incorporated as private limited by shares, having its registered office situated in England and Wales, has changed its name to MOVADO GROUP UK LIMITED given at Companies House on 8 September 2017.

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.

Dividends

No dividend was paid for the year end 2018 and no dividend will be approved up to signing. (2017: NIL).

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

Having considered the company's exposure; the only significant financial risk is that relating 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 an Intercompany loan with an affiliate company and wholly owned subsidiary of the ultimate holding company, Movado Group Inc.

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 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.

MOVADO GROUP UK LIMITED
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DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 JANUARY 2018

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. To adopt the going concern basis a letter of support has been issued by the parent company Movado Group Inc.

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.

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 Gauderlot
Director
December 2018

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MOVADO GROUP UK LIMITED
(formerly known as “MGS DISTRIBUTION LIMITED”)

Independent auditors’ report to the members of MOVADO GROUP UK LIMITED
(formerly known as “MGS DISTRIBUTION 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 2018 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: the Balance Sheet as at 31 January 2018; the Profit and Loss Account, 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 when:

- 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 (formerly known as “MGS DISTRIBUTION LIMITED”)

Independent auditors' report to the members of MOVADO GROUP UK LIMITED (formerly known as “MGS DISTRIBUTION 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 2018 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 set out on page 6, 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.

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.

MOVADO GROUP UK LIMITED
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Independent auditors’ report to the members of MOVADO GROUP UK LIMITED
(formerly known as “MGS DISTRIBUTION LIMITED”) (continued)

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.



Emma Jarvis (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

21 December 2018

MOVADO GROUP UK LIMITED
(formerly known as “MGS DISTRIBUTION LIMITED”)

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 JANUARY 2018

	Note	2018 £	2017 £
Turnover	5	28,086,689	24,814,638
Cost of sales		(19,191,700)	(17,502,534)
Gross profit		8,894,989	7,312,104
Distribution costs		(2,739,890)	(2,496,104)
Administrative expenses		(72,924,496)	(4,616,278)
Operating profit	6	(66,769,397)	199,722
Profit before interest and taxation		(66,769,397)	199,722
Interest payable and similar expenses	8	(958,358)	(60,188)
Profit before taxation		(67,727,755)	139,534
Tax on profit	9	(326,664)	(100,519)
Profit for the financial year		(68,054,419)	39,015

There was no other comprehensive income other than the profit for the financial year as set out above.

The results in the above profit and loss account are wholly from continuing activities.

MOVADO GROUP UK LIMITED
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BALANCE SHEET
AS AT 31 JANUARY 2018

	Note	2018 £	2017 £
Fixed assets			
Tangible assets	10	622,216	835,022
Subsidiary undertakings	11	-	-
		622,216	835,022
Current assets			
Inventories	12	272,662	2,254,008
Debtors	13	6,631,708	5,137,363
Cash at bank and in hand		2,422,173	499,817
		9,326,543	7,891,188
Creditors: amounts falling due within one year	14	(6,935,337)	(4,346,386)
Net current assets		2,391,206	3,544,802
Total assets less current liabilities		3,013,422	4,379,824
Creditors: amounts falling due after more than one year	15	(35,000,000)	(2,211,983)
Net assets		(31,986,578)	2,167,841
Capital and reserves			
Called up share capital	18	720	100
Share premium account		34,699,280	799,900
Retained earnings		(66,686,578)	1,367,841
Total equity		(31,986,578)	2,167,841

The notes on the pages 13 to 21 are integral part of these Financial Statements.

The Financial Statements on pages 10 to 21 were authorised for issue by the board of directors on **21** December 2018 and were signed on its behalf.



Jochen Schulz

Director

MOVADO GROUP UK LIMITED

Company Registration No. 06183896 (England and Wales)

MOVADO GROUP UK LIMITED
(formerly known as “MGS DISTRIBUTION LIMITED”)

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 JANUARY 2018

	Called up share capital £	Share premium account £	Retained Earnings £	Total equity £
Balance as at 1 February 2016	100	799,900	1,328,826	2,128,826
Profit for the financial year	-	-	39,015	39,015
Balance as at 31 January 2017	100	799,900	1,367,841	2,167,841
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
Profit for the financial year	-	-	(68,054,419)	(68,054,419)
Balance as at 31 January 2018	720	34,699,280	(66,686,578)	(31,986,578)

MOVADO GROUP UK LIMITED **(formerly known as “MGS DISTRIBUTION LIMITED”)**

NOTES TO THE FINANCIAL STATEMENTS **FOR THE YEAR ENDED 31 JANUARY 2018**

1. General Information

MOVADO GROUP UK LIMITED is wholesaler 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 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.

(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.

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.

MOVADO GROUP UK LIMITED
(formerly known as “MGS DISTRIBUTION LIMITED”)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 JANUARY 2018

3. Summary of significant accounting policies (continued)

(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 recognized 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) Tangible assets

The cost of tangible assets is their purchase cost together with any incidental costs of acquisition. 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.

Asset	Useful Life
Fixtures, fittings, tools and equipment	4-5 years
Display Materials	3 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.

(j) Investments

Investments in JLB Brands Ltd., the owner of the Olivia Burton brand is held at cost less accumulated impairment losses.

(k) Inventories

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

MOVADO GROUP UK LIMITED
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 JANUARY 2018

3. Summary of significant accounting policies (continued)

(l) Cash and cash equivalents

Cash and cash equivalents includes cash in hand.

(m) 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.

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.

(n) 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 unfavorable; and

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 JANUARY 2018

(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.

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

The total turnover of the company for the year has been derived from its principal activity wholly undertaken in the United Kingdom. There is no turnover generated outside of the UK. The geographical destination of turnover is not materially different from the origin.

6. Operating Profit

Operating profit is stated after charging:	Note	2018 £	2017 £
Wages and salaries		1,357,854	1,121,207
Social security costs		161,123	138,780
Other pension costs		126,636	77,989
Staff costs		1,645,613	1,337,976
Impairment of investment in JLB Brands Ltd		(65,474,176)	-
Operating lease charges		195,635	156,001
Foreign exchange		24,508	1,561
Inventory recognised as expense		19,156,127	17,502,534
Depreciation	10	595,535	489,677
Audit fees payable to the company's auditor		25,344	26,845

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. Consequently, the investment in the legal entity subsidiary has been impaired.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 JANUARY 2018

7. Employees & Directors

(i) Employees

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

By activity	2018	2017
Administration and distribution	34	22

Directors

No directors were paid directly from the company during the year (2017: NIL).

In FY18, 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.

MOVADO GROUP UK LIMITED
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 JANUARY 2018

8. Interest payable and similar expenses

	2018 £	2017 £
Interest payable on intercompany loans	958,900	55,878
Other (income) / expense	(542)	4,310
Total interest payable and similar expenses	958,358	60,188
Net interest expense	958,358	60,188

9. Income Tax on Profit

(a) Tax expense included in profit or loss account

	2018 £	2017 £
Current tax:		
– UK Corporation tax on profit for the year	366,284	149,853
– Adjustment in respect of prior periods	11,513	1,010
Total current tax	377,797	148,843
Deferred tax:		
– Origination and reversal of timing differences	(47,754)	(72,068)
– Adjustment in respect of prior periods	(8,766)	15,470
– Impact of changes in tax rates	5,387	8,274
Total deferred tax	(51,133)	(48,324)
Total tax per Profit and loss account	326,664	100,519

(b) Reconciliation of tax charge

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

	2018 £	2017 £
Profit / (Loss) for the period-continuing operations	(67,727,755)	139,534
Tax on loss at standard UK tax rate of 19.16% (2017: 20.00%)	(12,977,751)	27,907
Effects of:		
– Expenses not deductible for tax purposes	13,296,280	49,878
– Losses not utilised / (utilised)		
– Adjustments in respect of prior periods	2,748	14,460
– Deferred tax rate changes	5,387	8,274
Tax charge for the year	326,664	100,519

(c) Tax rate changes

Reductions in the UK corporation tax from 20.00% to 19.16% (effective from 1 April 2017) 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.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 JANUARY 2018

10. Tangible assets

	Display materials £	Fixtures, fittings, tools and equipment £	Total £
Cost			
At 1 February 2017	1,585,367	24,709	1,610,076
Additions	366,140	16,589	382,729
At 31 January 2018	1,951,507	41,298	1,992,805
Accumulated depreciation			
At 1 February 2017	767,289	7,765	775,054
Charge for the year	587,484	8,051	595,535
At 31 January 2018	1,354,773	15,816	1,370,589
Net book value at 31 January 2017	818,078	16,944	835,022
Net book value at 31 January 2018	596,734	25,482	622,216

11. Subsidiary undertakings

	2018 £	2017 £
At 1 February 2017	-	-
Aquisition of JLB Brands Ltd	65,474,176	-
Impairment of JLB Brands Ltd	(65,474,176)	-
At 31 January 2018	-	-

Movado Group UK has following subsidiary: JLB Brands Ltd, (Olivia Burton brand). Registered office 1st Floor, Unit D, Zetland House, 5-25 Scrutton Street, London, EC2A 4HJ. Movado Group UK investment in JLB Brands Ltd is 100%. The nature of the business representing sales to retailers and wholesalers and the production of watches and jewelry.

12. Inventories

	2018 £	2017 £
Finished goods and goods for resale	272,662	2,254,008
Total	272,662	2,254,008

13. Debtors

	2018 £	2017 £
Trade debtors	6,440,743	4,761,184
Amounts owed by group undertakings	2,863	340,193
Prepayments and accrued income	118,830	17,848
Deferred Tax Asset (note 17)	69,272	18,138
Total	6,631,708	5,137,363

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

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 JANUARY 2018

14. Creditors: amounts falling due within one year

	2018	2017
	£	£
Trade creditors	(367,393)	(409,929)
Amounts owed to group undertakings	(1,730,565)	(3,137,018)
Intercompany Loan with MGI Luxury Group SA	(2,300,463)	-
Taxation and social security	(527,651)	(148,843)
Accruals and deferred income	(2,009,265)	(650,596)
Total	(6,935,337)	(4,346,386)

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

	2018	2017
	£	£
Intercompany Loan with MGI Luxury Group SA	-	(2,211,983)
Intercompany Loan with Movado Watch Company AG	(35,000,000)	-
Total	(35,000,000)	(2,211,983)

Amounts of £ 2.3m owed to group undertakings with MGI Luxury Group SA are unsecured, bear interest at 2% and are repayable on 31 July 2018 and therefore have been reclassified to creditors: amounts falling due within one year.

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:

	2018	2017
	£	£
Current year contributions	126,636	77,989

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

17. Deferred tax

	2018	2017
	£	£
Opening deferred tax balance	(18,138)	30,186
Recognised during the year	(42,367)	(63,794)
Adjustments in respect of prior periods	(8,767)	15,470
Provision at the end of year	(69,272)	(18,138)
Excess of capital allowances over depreciation	(14,956)	25,783
Other timing differences	(54,316)	(43,921)
Total (asset) / liability	(69,272)	(18,138)

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FOR THE YEAR ENDED 31 JANUARY 2018

18. Called up share capital

Ordinary shares of £1 each

	2018	2017
	£	£
Allotted and fully paid		
At 1 February	100	100
Issued during the year	520	-
At 31 January	620	100

Preference shares of £1 each

	2018	2017
	£	£
Allotted and fully paid		
At 1 February	-	-
Issued during the year	100	-
At 31 January	100	-

19. Financial commitments

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

	2018	2017
	£	£
Payments due		
Not later than one year	163,471	120,293
Later than one year and not later than five years	155,489	145,026
	318,960	265,319

20. Related party transactions

During the year, on 3 July 2017 Lesa Bennett and Jemma Louise Fennings ceased being directors of JLB Brands Limited (“Olivia Burton”) they have no family members with any financial involvement in JLB Brands Limited (“Olivia Burton”) Brands.

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.