

Regulus G.S.

Company Registration No 6183896 (England and Wales)

MGS DISTRIBUTION LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 JANUARY 2008

TUESDAY



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12/08/2008
COMPANIES HOUSE

MGS DISTRIBUTION LIMITED

COMPANY INFORMATION

Directors	K R Sheppard J Halpin S Brydon X Gauderlot
Secretary	G Yip
Company number	6183896
Registered office	Meadway House Meadway Haslemere Surrey GU27 1NN
Auditors	Simmons Gainsford LLP 7/10 Chandos Street Cavendish Square London W1G 9DQ
Bankers	Barclays Bank PLC 1 Churchill Place London BX3 2BB

MGS DISTRIBUTION LIMITED

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MGS DISTRIBUTION LIMITED

DIRECTORS' REPORT

FOR THE PERIOD ENDED 31 JANUARY 2008

The directors present their report and financial statements for the period ended 31 January 2008

Principal activities

The company was incorporated on 26th March 2007 and commenced trading on 1 May 2007. The principal activity of the company continued to be that of watch distributors.

Results and dividends

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

Directors

The following directors have held office since 26 March 2007:

K R Sheppard	(Appointed 3 May 2007)
J Halpin	(Appointed 3 May 2007)
S Brydon	(Appointed 3 May 2007)
X Gauderlot	(Appointed 3 May 2007)

Auditors

Simmons Gainsford LLP were appointed auditors to the company and in accordance with section 385 of the Companies Act 1985, a resolution proposing that they be re-appointed will be put to the Annual General Meeting.

MGS DISTRIBUTION LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE PERIOD ENDED 31 JANUARY 2008

Directors' responsibilities

The directors are responsible for preparing the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Statement of disclosure to auditor

(a) so far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware, and

(b) they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This report has been prepared in accordance with the special provisions of part VII of the Companies Act 1985 relating to small companies.

On behalf of the board



K R Sheppard

Director

16 June 2008

MGS DISTRIBUTION LIMITED

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF MGS DISTRIBUTION LIMITED

We have audited the financial statements of MGS Distribution Limited for the period ended 31 January 2008 set out on pages 5 to 13. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the directors and auditors

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

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

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

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

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

Basis of audit opinion

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

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

MGS DISTRIBUTION LIMITED

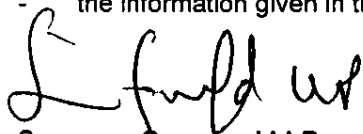
INDEPENDENT AUDITORS' REPORT (CONTINUED)

TO THE SHAREHOLDERS OF MGS DISTRIBUTION LIMITED

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 January 2008 and of its profit for the period then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements


Simmons Gainsford LLP

16 June 2008

Chartered Accountants
Registered Auditor

7/10 Chandos Street
Cavendish Square
London
W1G 9DQ

MGS DISTRIBUTION LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE PERIOD ENDED 31 JANUARY 2008

	Notes	Period ended 31 January 2008 £
Turnover	2	3,137,282
Cost of sales		(2,042,109)
Gross profit		1,095,173
Administrative expenses		(739,959)
Profit on ordinary activities before taxation	3	355,214
Tax on profit on ordinary activities	4	(109,208)
Profit for the period	9	246,006

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

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

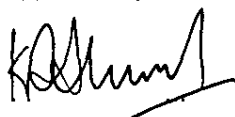
MGS DISTRIBUTION LIMITED

BALANCE SHEET

AS AT 31 JANUARY 2008

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

Approved by the Board and authorised for issue on 16 June 2008



Director
K. R. SHEPPARD

MGS DISTRIBUTION LIMITED

CASH FLOW STATEMENT

FOR THE PERIOD ENDED 31 JANUARY 2008

	Period ended 31 January 2008 £
Net cash outflow from operating activities	(776,195)
Net cash outflow before management of liquid resources and financing	(776,195)
Financing	
Issue of ordinary share capital	800,000
Net cash inflow/(outflow) from financing	800,000
Increase/(decrease) in cash in the period	23,805

MGS DISTRIBUTION LIMITED

NOTES TO THE CASH FLOW STATEMENT FOR THE PERIOD ENDED 31 JANUARY 2008

1	Reconciliation of operating profit to net cash outflow from operating activities	2008
		£
	Operating profit/(loss)	355,214
	(Increase)/decrease in stocks	(948,485)
	(Increase) in debtors	(677,584)
	Increase in creditors within one year	494,660
	Net cash outflow from operating activities	(776,195)

2	Analysis of net funds/(debt)	26 March 2007	Cash flow	Other non-cash changes
		£	£	£
	Net cash			
	Cash at bank and in hand	-	23,805	-
	Bank deposits	-	-	-
	Net (debt)/funds	-	23,805	-

3	Reconciliation of net cash flow to movement in net funds	2008
		£
	Increase in cash in the period	23,805
	Movement in net funds in the period	23,805
	Opening net debt	-
	Closing net funds	23,805

MGS DISTRIBUTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 JANUARY 2008

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention

1.2 Compliance with accounting standards

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

1.3 Turnover

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

1.4 Leasing

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

1.5 Stock

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

1.6 Foreign currency translation

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

2 Turnover

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

3 Operating profit

2008

£

Operating profit is stated after charging

Operating lease rentals

- Plant and machinery

Auditors' remuneration

12,455

12,750

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

MGS DISTRIBUTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 JANUARY 2008

4	Taxation	2008
		£
	Domestic current year tax	
	U K corporation tax	109,208
		<hr/>
	Current tax charge	109,208
		<hr/>
	Factors affecting the tax charge for the period	
	Profit on ordinary activities before taxation	355,214
		<hr/>
	Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30.00%	106,564
	Effects of	
	Non deductible expenses	2,644
		<hr/>
	Current tax charge	109,208
		<hr/>
5	Stocks	2008
		£
	Finished goods and goods for resale	948,485
		<hr/>
6	Debtors	2008
		£
	Trade debtors	660,595
	Other debtors	16,989
		<hr/>
		677,584
		<hr/>

MGS DISTRIBUTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 JANUARY 2008

7	Creditors: amounts falling due within one year	2008
		£
	Trade creditors	422,430
	Corporation tax	109,208
	Other taxes and social security costs	30,445
	Accruals and deferred income	41,785
		<u>603,868</u>

8	Share capital	2008
		£
	Authorised	
	1,000 Ordinary of £1 each	1,000
		<u>1,000</u>
	Allotted, called up and fully paid	
	100 Ordinary of £1 each	100
		<u>100</u>

During the period 99 Ordinary shares of £1 each were allotted. Consideration paid for 50 shares was £400,000 and 49 Ordinary shares were allotted in consideration for the transfer of an inventory of branded watches in saleable condition, related display material and spare parts for such watches.

9	Statement of movements on reserves	Share premium account	Profit and loss account
		£	£
	Profit for the period	-	246,006
	Premium on shares issued during the period	799,900	-
		<u>799,900</u>	<u>246,006</u>
	Balance at 31 January 2008	799,900	246,006

MGS DISTRIBUTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 JANUARY 2008

10 Reconciliation of movements in shareholders' funds	2008
	£
Profit for the financial period	246,006
Proceeds from issue of shares	800,000
	<hr/>
Net addition to shareholders' funds	1,046,006
Opening shareholders' funds	-
	<hr/>
Closing shareholders' funds	<u>1,046,006</u>

11 Financial commitments

At 31 January 2008 the company was committed to making the following payments under non-cancellable operating leases in the year to 31 January 2009

	Other
	2008
	£
Operating leases which expire	
Between two and five years	18,517
	<hr/>

12 Directors' emoluments	2008
	£
Emoluments for qualifying services	68,500
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MGS DISTRIBUTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 JANUARY 2008

13 Employees

Number of employees

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

	2008 Number
Administration and distribution	8

Employment costs

	2008 £
Wages and salaries	212,955
Social security costs	8,267
	<u>221,222</u>

14 Control

The company is under the control of an American company, Movado Group Inc, who hold 51% of the shares. Movado Group Inc, is the immediate and ultimate parent company.

15 Related party transactions

The company paid management fees amounting to £148,500 to Swico Limited, a company which has a 49% shareholding in MGS Distribution Limited.

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

At the year end Movado Group Inc, the ultimate parent company, owed the company £16,989.

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