

128

THE ROLEX WATCH COMPANY LIMITED

REPORT AND ACCOUNTS

for the year ended

31ST JANUARY 1981



1.

REPORT OF THE DIRECTORS
TO THE MEMBERS OF THE ROLEX WATCH COMPANY LIMITED

To be presented at the Sixty-Sixth Annual General Meeting
of the Company

Board of Directors:

Mr. H. Van Gessel	Mr. J.A. Nelson
Mr. D.W.F. Kennard	Mr. C.H.F. Reynolds
Mr. J. Meddows	

The directors submit their report together with the audited accounts of the company for the year ended 31st January 1981.

PRINCIPAL ACTIVITIES

The principal activities of the company are the wholesaling and servicing of watches.

FINANCIAL RESULTS	1981	1980
The profit for the year after taxation and extraordinary item was	524,614	434,405
Balance on Profit and Loss Account brought forward	551,160	116,755
Balance on Profit and Loss Account carried forward	<u>£1,075,774</u>	<u>551,160</u>

The directors do not recommend the payment of a dividend.

DIRECTORS

Directors' interests in shares of the Company at the beginning and end of the year were:-

Mr. D.W.F. Kennard	4 shares
Mr. C.H.F. Reynolds	4 shares
Mr. J.A. Nelson	1 share
Mr. J. Meddows	1 share

Mr. H. Van Gessel and Mr. C.H.F. Reynolds the directors retiring by rotation, being eligible, offer themselves for re-election.

FIXED ASSETS

The net book value of the Company's fixed assets at 31st January 1981 amounted to £285,033 (1980: £282,597). Full details are shown in note 5 in the Notes to the Accounts.

Freehold land and buildings included at a valuation of £85,000 in these accounts are in the process of being disposed of, subject to contract, at approximately £251,000. It is estimated that this will give rise to a taxation liability of £94,000.

In the opinion of the Directors, the present value of the other properties is not materially different from that disclosed by the Accounts.

EXPORTS

The value of goods exported from the United Kingdom during the year was £157,893 (1980: £170,416).

CHARITABLE AND POLITICAL CONTRIBUTIONS

Charitable contributions made during the year amounted to £284 (1980: £218). There were no political contributions during the year (1980: Nil).

AUDITORS

Dearden Farrow have expressed their willingness to be re-appointed as auditors to the Company and an appropriate resolution will be submitted at the forthcoming General Meeting.

By order of the Board



J.A. NELSON

Managing Director

Bexley, Kent

15th June 1981

REPORT OF THE AUDITORS
TO THE MEMBERS OF THE ROLEX WATCH COMPANY LIMITED

We have audited the accounts set out on pages 4 to 9 in accordance with approved Auditing Standards.

In our opinion the accounts which have been prepared under the historical cost convention, as modified by the revaluation of Land and Buildings, give a true and fair view of the state of the company's affairs at 31st January 1981 and of its profit and source and application of funds for the year then ended and comply with the Companies Acts 1948 to 1980.

London

17th June 1981


DEARDEN FARROW

Chartered Accountants

THE ROLEX WATCH COMPANY LIMITED

4.

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST JANUARY 1981

	<u>Notes</u>	<u>1981</u>	<u>1980</u>
TURNOVER	1 (d)	<u>£3,290,974</u>	<u>£3,636,746</u>
TRADING PROFIT after charging items set out below		307,648	417,928
Remuneration of directors	2	65,452	64,463
Interest payable		8,812	202
Auditors' remuneration and expenses		5,500	5,000
Depreciation of fixed assets	1 (a)	<u>16,135</u>	<u>14,380</u>
OTHER INCOME			
Interest receivable		4,679	-
Income from listed investments		8,822	13,227
Income from rents		<u>3,117</u>	<u>3,250</u>
		<u>16,618</u>	<u>16,477</u>
PROFIT FOR YEAR before taxation and extraordinary item		324,266	434,405
Taxation	3	<u>4,600</u>	<u>-</u>
Profit before extraordinary item		319,666	434,405
Extraordinary item after taxation	4	<u>204,948</u>	<u>-</u>
PROFIT FOR THE YEAR		524,614	434,405
BALANCE ON PROFIT AND LOSS ACCOUNT AT 31ST JANUARY 1980		<u>551,160</u>	<u>116,755</u>
BALANCE CARRIED FORWARD		<u>£1,075,774</u>	<u>£551,160</u>

THE ROLEX WATCH COMPANY LIMITED

BALANCE SHEET AS AT 31ST JANUARY 1981

	<u>Notes</u>	<u>1981</u>	<u>1980</u>
FIXED ASSETS	5	285,033	282,597
CURRENT ASSETS			
Trading stock	1(b)	1,576,787	1,647,376
Debtors		872,533	883,154
Investments:			
Listed securities		-	18,632
Balance at bank and cash in hand		282,623	649
		<u>2,731,943</u>	<u>2,549,811</u>
CURRENT LIABILITIES			
Amount due to fellow subsidiary company		451,004	737,251
Creditors and accruals		199,177	233,716
Bank overdraft (secured)		-	79,160
Current taxation		59,900	-
		<u>710,081</u>	<u>1,050,127</u>
NET CURRENT ASSETS		2,021,862	1,499,684
NET ASSETS		<u>£2,306,895</u>	<u>£1,782,281</u>

Financed by:

SHARE CAPITAL

Authorised, issued and
fully paid:
120,000 ordinary shares
of £1 each

120,000 120,000

SHARE PREMIUM

444,900 444,900

CAPITAL RESERVE

476,221 476,221

REVENUE RESERVE

6 1,265,774 741,160

£2,306,895 £1,782,281

 J.A. NELSON

 J. MEDDOWS

} DIRECTORS
}

THE ROLEX WATCH COMPANY LIMITED
SOURCE AND APPLICATION OF FUNDS
FOR THE YEAR ENDED 31ST JANUARY 1981

	<u>1981</u>	<u>1980</u>
SOURCE OF FUNDS		
Profit before taxation	324,266	434,405
Adjustment for items not involving the movement of funds:		
Depreciation	16,135	14,380
Profit on Sale of Fixed Assets	(650)	(976)
TOTAL GENERATED FROM OPERATIONS	<u>339,751</u>	<u>447,809</u>
FUNDS FROM OTHER SOURCES		
Sale proceeds of listed investments	281,580	-
	<u>621,331</u>	<u>447,809</u>
APPLICATION OF FUNDS		
Tax paid during year	2,700	-
Invested in fixed assets	21,354	14,504
Less: Related sources		
Fixed assets disposals	(3,433)	(3,335)
	<u>20,621</u>	<u>11,169</u>
INCREASE IN WORKING CAPITAL	<u>£600,710</u>	<u>£436,640</u>
<u>Represented by:</u>		
(Decrease)/Increase in stock	(70,589)	303,977
(Decrease)/Increase in debtors	(10,621)	131,099
Decrease/(Increase) in creditors	34,539	(67,007)
Decrease in amount due to fellow subsidiary company	<u>286,247</u>	<u>208,845</u>
	239,576	576,914
Movement in net liquid funds:		
Increase/(Decrease) in bank balances	360,938	(140,048)
Increase/(Decrease) in cash in hand	<u>196</u>	<u>(226)</u>
	<u>361,134</u>	<u>(140,274)</u>
	<u>£600,710</u>	<u>£436,640</u>

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

The following are the more important accounting policies adopted by the company:

(a) Fixed assets and depreciation

Fixed assets are stated at cost or valuation and all repairs are written off as incurred. Depreciation is provided at the following straight line rates:

Freehold buildings	3% p.a.
Plant and equipment	10% to 25% p.a.
Motor vehicles	25% p.a.

(b) Trading stock is valued at the lower of cost and net realisable value.

(c) The liabilities in foreign currencies are converted to sterling at the rates of exchange ruling at the year end date.

(d) Turnover represents the total amount receivable for goods supplied and services provided, excluding Value Added Tax, during the year.

(e) Deferred taxation

Provision is made for the estimated future liability to taxation arising from the difference between the depreciation provided in the accounts and the corresponding allowances for taxation purposes, and the taxation deferred by stock appreciation relief, less the amount of losses for taxation purposes available for carry forward at the year end. No provision is made, however, where it can be estimated with reasonable probability that such taxation will not become payable in the foreseeable future.

2. DIRECTORS EMOLUMENTS

	<u>1981</u>	<u>1980</u>
Fees	262	262
Emoluments as executives	56,634	56,536
Pension scheme contributions	8,556	5,871
Pension to former directors	-	1,794
	<u>£65,452</u>	<u>£64,463</u>

The emoluments of the highest paid director were

<u>£34,192</u>	<u>£37,163</u>
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Other Directors

Scale of emoluments - Nil	- £ 5,000	2	2
£5,001	- £10,000	-	1
£10,001	- £15,000	2	1

NOTES TO THE ACCOUNTS

3. TAXATION

1981

1980

The charge for the year is made up as follows:

Corporation tax at 40% based on the interest for the year

1,953

-

Irrecoverable A.C.T. on investment income

2,647

-

£4,600

£ -

4. EXTRAORDINARY ITEM

1981

262,948

58,000

£204,948

Profit on sale of investments

Less: Corporation Tax at 30%

5. FIXED ASSETS

Freehold land and buildings

Motor vehicles

Plant and equipment

Total

Cost or valuation:

At 31st January 1980

Additions

Disposals

At 31st January 1981

240,000

-

-

£240,000

15,022

10,408

(5,512)

£20,417

79,389

10,446

(595)

£89,240

334,411

21,354

(6,108)

£349,657

Depreciation:

At 31st January 1980

Eliminated on disposals

Depreciation for the year

At 31st January 1981

4,200

-

4,200

£8,400

2,018

(2,730)

4,500

£3,788

45,596

(595)

7,435

£52,436

51,814

(3,325)

16,135

£64,624

Net book value:

31st January 1981

Net book value:

31st January 1980

£231,600

£235,800

£16,629

£13,004

£36,804

£33,793

£285,033

£282,597

Fixed assets are included at cost, with the exception of the freehold land and buildings, which are shown at a professional valuation of £240,000 as at January 1979. This was carried out by Dron & Wright, Chartered Surveyors on an open market existing use basis, and of this figure £140,000 has been attributed to the buildings for purposes of depreciation thereof. No provision has been made for any taxation which might arise on the disposal of the freehold property at the revalued figure.

NOTES TO THE ACCOUNTS

6. REVENUE RESERVES	<u>1981</u>	<u>1980</u>
General Reserve	180,000	180,000
Reserve for Bad Debts	10,000	10,000
Profit and Loss Account	1,075,774	551,160
	<u>£1,265,774</u>	<u>£741,160</u>

7. ULTIMATE HOLDING COMPANY

The ultimate holding company is Rolex Holding, a company incorporated in Switzerland.

8. DEFERRED TAXATION

In accordance with accounting policy 1(e), no provision for deferred taxation has been made as it is considered that no such taxation will become payable in the foreseeable future.

On a full potential liability basis there is a contingent liability for deferred taxation at 31st January 1981 in respect of stock appreciation relief, after deducting losses carried forward, of £151,000 (1980: Nil). If the provisions of the Finance Bill 1981, relating to stock relief, are enacted there will no longer be any potential liability.