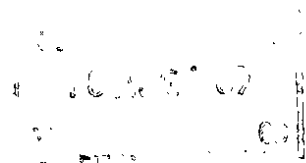




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THE ROLEX WATCH COMPANY LIMITED
REPORT AND ACCOUNTS
31ST JANUARY 1989





THE ROLEX WATCH COMPANY LIMITED

REPORT OF THE DIRECTORS

Directors

J.A.Nelson (Managing Director)
P.Heiniger
G.E.Richards

The directors submit their report together with the audited accounts of the company for the year ended 31st January 1989.

Financial results and dividends

Profit on ordinary activities after tax	3,834,068
Ordinary dividend - interim paid	960,000
	<hr/>
Retained profit for the year	£2,874,068
	=====

The directors do not recommend the payment of a final dividend

Review of the business

The principal activity of the company during the year remained the wholesaling and servicing of watches.
Turnover has increased by 22% to £32,011,588 during the year.

Events since the end of the year and future developments

On the 16th February 1989, an agreement was entered into for the development and purchase of a new London office at a cost of £9,000,000. This office will provide a vastly improved London Reception and space for additional watch repairing to be performed. A proportion of the building will be let to suitable tenants.
The directors are not aware of any exceptional events in the current financial year and are pleased to record that sales have continued to increase in line with last year.

Land and buildings

The freehold interest in the land and buildings was revalued on an open market basis at 31st January 1988 by Dron and Wright, Chartered Surveyors. The valuation of £475,000 has been incorporated in these accounts.

Fixed assets

The company spent £111,093 on fixed assets during the year.



THE ROLEX WATCH COMPANY LIMITED

REPORT OF THE DIRECTORS
continued

Directors

The directors have no interest in the £1 ordinary shares of the company.

Mr G.E.Richards retires by rotation and being eligible offers himself for re-election.

Political and charitable donations

During the year the company made the following contributions

Charitable contributions	£646 (1988: £10,467)
Political contributions	£NIL (1988: £ NIL)

Auditors

On 12th September 1988, Binder Hamlyn changed their name to BDO Binder Hamlyn and a resolution will be submitted at the forthcoming annual general meeting that BDO Binder Hamlyn, Chartered Accountants, be re-appointed as auditors.

By order of the board

G.E.Richards

Secretary

22nd May 1989



REPORT OF THE AUDITORS
to the members of The Rolex Watch Company Limited

We have audited the financial statements on pages 4 to 10 in accordance with approved Auditing Standards.

In our opinion the financial statements, which have been prepared on the basis of the accounting policies set out on page 7, give a true and fair view of the state of the company's affairs at 31st January 1989 and of its profit and source and application of funds for the year then ended and comply with the Companies Act 1985.

BDO Binder Hamlyn

BDO Binder Hamlyn

Chartered Accountants

London 22nd May 1989



THE ROLEX WATCH COMPANY LIMITED

PROFIT AND LOSS ACCOUNT
for the year ended 31st January 1989

	Notes	1989	1988
Turnover	2	32,011,588	26,314,051
Cost of sales		23,151,965	19,989,003
Gross profit		8,859,623	6,325,048
Distribution costs	1,734,107		1,469,625
Administration expenses	1,316,521		1,506,309
		3,050,628	2,975,934
Operating profit	3	5,808,995	3,349,114
Interest receivable		101,073	36,045
Profit on ordinary activities before tax		5,910,068	3,385,159
Tax on profit on ordinary activities	6	2,076,000	1,200,000
Profit on ordinary activities after tax		3,834,068	2,185,159
Dividends	7	960,000	360,000
Retained profit for the year		£2,874,068 =====	£1,825,159 =====

STATEMENT OF RETAINED PROFITS

Retained profits brought forward		7,815,136	5,974,537
Retained profit for the year		2,874,068	1,825,159
Amortisation of revaluation surplus	14	5,997	15,440
Retained profit carried forward		£10,695,201 =====	£7,815,136 =====



THE ROLEX WATCH COMPANY LIMITED

BALANCE SHEET
31st January 1989

	Notes	1989	1988
Fixed assets			
Tangible assets	8	1,138,489	1,192,683
Current assets			
Stocks	9	2,951,904	2,307,987
Debtors	10	7,569,649	7,291,076
Cash at bank and in hand		4,166,679	1,669,064
		<u>14,688,232</u>	<u>11,268,127</u>
Creditors: amounts falling due within one year	11	4,284,725	3,798,882
Net current assets		<u>10,403,507</u>	<u>7,469,245</u>
Total assets less current liabilities		<u>11,541,996</u>	<u>8,661,928</u>
Provisions for liabilities and charges	12	118,000	112,000
		<u>£11,423,996</u>	<u>£8,549,928</u>
		=====	=====
Capital and reserves			
Called up share capital	13	120,000	120,000
Share premium account		444,900	444,900
Revaluation reserve	14	163,895	169,892
Profit and loss account		10,695,201	7,815,136
		<u>£11,423,996</u>	<u>£8,549,928</u>
		=====	=====

Approved by the board on 22nd May 1989


J.A. Nelson

Directors

G.E. Richards




THE ROLEX WATCH COMPANY LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS
for the year ended 31st January 1989

	1989	1988
Profit on ordinary activities before tax	5,910,068	3,385,159
Adjustments to profit		
Depreciation	163,507	105,116
(Profit) on disposal of fixed assets	(449)	-
	<u>163,058</u>	<u>105,116</u>
Funds generated from trading operations	6,073,126	3,490,275
Funds from other sources		
Proceeds of disposal of fixed assets	2,229	-
	<u>2,229</u>	<u>-</u>
Total funds generated	6,075,355	3,490,275
Use of funds		
Dividends paid	960,000	360,000
Purchase of fixed assets	111,093	570,282
Tax paid	1,288,346	964,968
	<u>2,359,439</u>	<u>1,895,250</u>
Increase in working capital	3,715,916	1,595,025
Increase/(decrease) in stock	643,917	(570,513)
Increase in debtors	278,573	2,435,034
Decrease/(increase) in creditors	295,811	(87,552)
	<u>1,218,301</u>	<u>1,776,969</u>
Increase/(decrease) in cash balances	<u>£2,497,615</u> =====	<u>£(181,944)</u> =====



NOTES TO THE ACCOUNTS

1 Accounting policies

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

(a) Basis of accounting

The accounts are prepared under the historical cost convention, modified to include the revaluation of freehold land and buildings.

(b) Depreciation

Depreciation is provided on all tangible fixed assets, apart from freehold land, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset evenly over its estimated useful life, which is reviewed annually. The estimated useful lives are as follows

Freehold buildings	33 years
Plant and equipment	4 to 20 years
Motor vehicles	4 years

(c) Stocks

Stocks are valued at the lower of cost and net realisable value. Cost comprises the purchase price on the first in first out basis.

(d) Foreign currencies

Assets and liabilities denominated in foreign currencies are translated at the rate 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 the profit and loss account.

(e) Deferred taxation

Deferred taxation is provided on timing differences where a liability for the payment of such taxation is expected to arise in the foreseeable future.

2 Turnover

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

3 Operating profit is stated after charging	1989	1988
Depreciation of fixed assets	163,507	105,116
Profit on disposal of fixed assets	449	-
Directors' emoluments (note 4)		
as executives	210,428	175,048
pension scheme contributions	21,661	20,543
Auditors' remuneration	14,000	9,500
- underprovision previous years	-	1,000
	=====	=====



THE ROLEX WATCH COMPANY LIMITED

NOTES TO THE ACCOUNTS
continued

	1989	1988
4 Directors' remuneration excluding pension contributions		
Highest paid director	£177,669	£149,189
	=====	=====
Numbers		
£ 0 - £ 5,000	1	2
£25,001 - £ 30,000	-	1
£30,001 - £ 35,000	1	-
£145,001 - £150,000	-	1
£175,001 - £180,000	1	-
5 Employees		
The average number of employees during the year was 85, made up as follows		
Production	34	30
Administration and management	31	33
Distribution and sales	16	15
Establishment	4	4
	85	82
	==	==
Staff costs during the year amounted to		
Wages and salaries	1,048,343	916,248
Social security costs	79,553	71,029
Other pension costs	234,648	121,309
	£1,362,544	£1,108,586
	=====	=====
6 Tax		
Corporation tax at 35% based on the adjusted profit for the year	2,070,000	1,173,885
Deferred tax	6,000	23,000
Adjustment to prior years	-	3,115
	£2,076,000	£1,200,000
	=====	=====
7 Dividends		
Interim paid 800% (1988 300%)	£960,000	£360,000
	=====	=====



THE ROLEX WATCH COMPANY LIMITED

NOTES TO THE ACCOUNTS
continued

8 Tangible fixed assets

	<u>Freehold property</u>	<u>Motor vehicles</u>	<u>Plant & equipment</u>	<u>Total</u>
Cost or valuation				
1st February 1988	475,000	64,050	844,210	1,383,260
Additions	-	7,009	104,084	111,093
Disposals	-	-	22,009	22,009
31st January 1989	475,000	71,059	926,285	1,472,344
	=====	=====	=====	=====
Accumulated depreciation				
1st February 1988	-	12,946	177,631	190,577
Charge for the year	14,395	17,219	131,893	163,507
Disposals	-	-	20,229	20,229
31st January 1989	14,395	30,165	289,295	333,855
	=====	=====	=====	=====
Net book amount				
31st January 1989	£460,605	£40,894	£636,990	£1,138,489
	=====	=====	=====	=====
1st February 1988	£475,000	£51,104	£666,579	£1,192,683
	=====	=====	=====	=====

The freehold property is included at the valuation made in 1988:-

Historical cost at 1st February 1988 and 31st January 1989	£277,108
	=====

Depreciation based on cost at 1st February 1988	-
Charge for the year	8,397
Depreciation based on cost at 31st January 1988	£8,397
	=====
Net historical cost value	
31st January 1989	£268,711
	=====
1st February 1988	£277,108
	=====

1989 1988

9 Stocks

Repair materials	257,567	231,787
Finished goods and goods for resale	2,694,337	2,076,200
	£2,951,904	£2,307,987
	=====	=====

10 Debtors

Trade debtors	7,531,031	7,269,926
Other debtors	10,947	5,780
Prepayments and accrued income	27,671	15,370
	£7,569,649	£7,291,076
	=====	=====



THE ROLEX WATCH COMPANY LIMITED

NOTES TO THE ACCOUNTS
continued

	1989	1988
11 Creditors		
Amounts falling due within one year:-		
Payments received on account	24,000	13,011
Trade creditors	59,164	362,149
Amounts due to group companies	1,329,624	1,622,645
Corporation tax	1,865,729	1,084,075
Other taxes and social security costs	684,013	347,857
Directors' current accounts	100	878
Other creditors	185,000	141,000
Accruals and deferred income	137,095	227,267
	<u>£4,284,725</u>	<u>£3,798,882</u>
	=====	=====
12 Provisions for liabilities and charges		
Deferred taxation provided in the accounts and the potential liability are as follows		
Capital allowances	90,000	84,000
Taxation on revaluation surplus	<u>28,000</u>	<u>28,000</u>
	<u>£118,000</u>	<u>£112,000</u>
	=====	=====
13 Share capital		
Ordinary shares of £1 each		
Authorised	120,000	120,000
	=====	=====
Allotted, issued and fully paid	<u>£120,000</u>	<u>£120,000</u>
	=====	=====
14 Revaluation reserve		
1st February 1988	169,892	69,9
Amortisation for the year	(5,997)	(15,4
Revaluation	<u>-</u>	<u>115,2</u>
31st January 1989	<u>£163,895</u>	<u>£169,1</u>
	=====	=====
15 Capital commitments		
Expenditure authorised but not contracted for and not provided in these accounts	<u>£9,000,000</u>	<u>£ -</u>
	=====	=====
16 Ultimate holding company		

The ultimate holding company is Rolex Holding, a company incorporated in Switze