

**Company Registration No. 00142138**

**The Rolex Watch Company Limited**

**Report and Financial Statements**

**31 December 2010**

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# **The Rolex Watch Company Limited**

## **Report and financial statements 2010**

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# **The Rolex Watch Company Limited**

## **Report and financial statements 2010**

### **Officers and professional advisers**

#### **Directors**

Mr R V Maingot  
Mr R de Leyser  
Mr G E Richards  
Mr B Meier  
Mrs C Thomson

#### **Secretary**

Mr G E Richards

#### **Registered Office**

19 St James's Square  
London  
SW1Y 4JE

#### **Bankers**

Barclays Bank Plc  
1 Churchill Place  
London  
E14 5HP

#### **Solicitors**

Allen & Overy LLP  
1 Bishops Square  
London  
E1 6AD

#### **Auditors**

Deloitte LLP  
Chartered Accountants  
London

# **The Rolex Watch Company Limited**

## **Directors' report**

The directors present their annual report and the audited financial statements for the year ended 31 December 2010

### **Business review and principal activities**

The company is a wholly owned subsidiary of Rolex Holding a company incorporated in Switzerland and operates as part of the group's distribution and watch servicing operations

The company's principal activity is the sale of Rolex products to the watch industry in the UK and Ireland. There have not been any significant changes in the company's principal activity in the year under review. The directors are not aware, at the date of this report, of any likely major changes in the company's activity in the next year.

As shown in the company's profit and loss account on page 6, the company's turnover increased by 11.4% over the prior year but profit after tax reduced from £4.4m to £1.4m. This reflects the increased cost of sales on purchases from Rolex SA due to the continuing weakening of sterling against the Swiss Franc and costs incurred in the disruption in the move to the new facility.

The balance sheet on page 9 of the financial statements shows that the company's financial position at the year end is still strong. The material balance sheet movement relates to £9.78m of expenditure on the company's new state of art facility. This facility became operational in November 2010. Details of amounts owed to group companies are shown in note 10 on page 15.

There have been no significant events since the balance sheet date.

The directors do not recommend the payment of a final dividend.

The directors have performed a going concern assessment and, having concluded that the company is a going concern, have prepared the financial statements on this basis. Further information in respect of the going concern assessment is included in note 1 to the accompanying financial statements.

### **Principal risks and uncertainties**

Competitive pressure in the UK is a continuing risk for the company, which could result in it losing sales to its key competitors. The company manages this risk by providing added value services to its customers, having fast response times not only in supplying products but in handling all customer queries, and by maintaining strong relationships with customers.

The company's sales in Ireland are made in Euros and it is therefore exposed to the movement in the Euro to Sterling exchange rate. The majority of the company's purchases are in Swiss Francs and it is therefore exposed to the movement in the Swiss Franc to Sterling exchange rate.

The company does not use any financial derivatives.

# **The Rolex Watch Company Limited**

## **Directors' report (continued)**

### **Financial risk management objectives and policies**

The company's activities expose it to a number of financial risks including credit risk, cash flow risk and liquidity risk. These risks are managed by the company's policies approved by the board of directors, which provide written principles on the management of these risks.

#### ***Foreign exchange risk***

The Directors review the company's foreign exchange exposure on a regular basis and take necessary action as appropriate.

#### ***Credit risk***

The company's principal financial assets are bank balances and cash, trade and other receivables.

The company's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

#### ***Liquidity risk***

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the company maintains sufficient cash balance in its bank account.

### **Environment**

Rolex Holding recognises the importance of its environmental responsibilities, monitors its impact on the environment, and designs and implements policies to reduce any damage that might be caused by the Group's activities. Initiatives designed to minimise the company's impact on the environment include improving our energy use efficiency, reducing the amount of CO<sub>2</sub> emissions by switching from conventional to renewable energy sources and minimising the consumption of water and the production of waste (both hazardous and non-hazardous) are currently being considered.

### **Employees**

Details of the number of employees and related costs can be found in note 5 to the financial statements on page 12.

### **Directors**

The directors who served throughout the year were

Mr R V Maingot (Managing Director up to 3 January 2011)

Mr R de Leyser was appointed Managing Director on 4 January 2011

Mr G E Richards

Mr B Meier

Mrs C Thomson

Mrs C Thomson retires by rotation and being eligible offers herself for re-election

# **The Rolex Watch Company Limited**

## **Directors' report (continued)**

### **Auditors**

Each of the persons who is a director at the date of approval of this report confirms that

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

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006

The directors confirm that there was no third party indemnity provision in place during the year or at the date of signing

### **Charitable donations**

During the year the company made charitable contributions of £1,390 (2009 £13,509)

### **Auditors**

Deloitte LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting

Approved by the Board of Directors  
and signed on behalf of the Board

G E Richards  
Secretary

25<sup>th</sup> February 2011

# **The Rolex Watch Company Limited**

## **Statement of directors' responsibilities**

The directors are responsible for preparing the annual report and 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). 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 these 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,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, 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 with reasonable accuracy at any time, the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

## **Independent auditors' report to the members of The Rolex Watch Company Limited**

We have audited the financial statements of The Rolex Watch Company Limited for the year ended 31 December 2010 which comprise the profit and loss account, the statement of total recognised gains and losses, the note of historical cost profit and loss, the balance sheet, the cash flow statement and the related notes 1 to 20. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 directors and auditor**

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2010 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on matters prescribed by the Companies Act 2006**

In our opinion the information in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

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

*M. R. Lee-Amies*

Mark Lee-Amies (Senior Statutory Auditor)  
for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditors  
London, United Kingdom  
25<sup>th</sup> February 2011



# The Rolex Watch Company Limited

## Profit and loss account Year ended 31 December 2010

	Notes	£	2010 £	£	2009 £
<b>Turnover</b>	2		109,322,063		98,112,721
<b>Cost of sales</b>			(89,486,307)		(75,230,791)
<b>Gross profit</b>			19,835,757		22,881,930
Distribution costs		(7,765,440)		(8,194,789)	
Administration and establishment costs		(9,755,392)		(8,038,703)	
			(17,520,832)		(16,233,492)
<b>Operating profit</b>	3		2,314,925		6,648,438
Interest receivable/(payable)		14,769		(139,533)	
Other service expense	17	(154,000)		(232,000)	
<b>Net Interest( payable)</b>			(139,231)		(371,533)
<b>Profit on ordinary activities before taxation</b>			2,175,694		6,276,905
Tax on profit on ordinary activities	6		(783,213)		(1,912,312)
<b>Profit on ordinary activities after taxation</b>			1,392,481		4,364,593
<b>Profit for the financial year</b>	14		1,392,481		4,364,593

All results relate to continuing activities

## The Rolex Watch Company Limited

### Statement of total recognised gains and losses Year ended 31 December 2010

	Note	2010 £	2009 £
Profit for the financial year		1,392,481	4,364,593
Actuarial gain/(loss) relating to the pension scheme	18	849,000	(3,270,000)
Deferred tax attributable to actuarial (gain)/loss		(227,230)	915,600
Total recognised gains and losses relating to the year		<u>2,014,251</u>	<u>2,010,193</u>

### Note of historical cost profit and loss Year ended 31 December 2010

	2010 £	2009 £
Reported profit on ordinary activities before taxation	2,175,694	6,276,905
Difference between a historical cost depreciation charge and the actual depreciation charge for the period calculated on the revalued amount	<u>5,998</u>	<u>5,998</u>
Historical cost profit on ordinary activities before taxation	<u>2,181,692</u>	<u>6,282,903</u>
Historical cost profit for the year after taxation	<u>1,398,479</u>	<u>4,370,591</u>

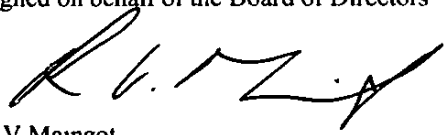
# The Rolex Watch Company Limited

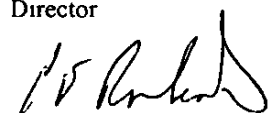
## Balance sheet 31 December 2010

	Notes	£	2010 £	£	2009 £
<b>Fixed assets</b>					
Tangible assets	7		37,144,975		28,435,147
<b>Current assets</b>					
Stocks	8	17,875,842		22,860,208	
Debtors	9	23,324,930		21,783,242	
Cash at bank and in hand		5,617,467		8,310,909	
		<u>46,818,239</u>		<u>52,954,359</u>	
<b>Creditors: amounts falling due within one year</b>	10	<u>(14,411,191)</u>		<u>(12,696,734)</u>	
<b>Net current assets</b>			<u>32,407,048</u>		<u>40,257,625</u>
<b>Total assets less current liabilities</b>			<u>69,552,023</u>		<u>68,692,772</u>
<b>Net assets excluding pension liability</b>			<u>69,552,023</u>		<u>68,692,772</u>
Pension liability	18		<u>(2,583,000)</u>		<u>(3,738,000)</u>
<b>Net assets including pension liability</b>			<u>66,969,023</u>		<u>64,954,772</u>
<b>Capital and reserves</b>					
Called up share capital	11		120,000		120,000
Share premium account	12		444,900		444,900
Revaluation reserve	12		60,440		66,438
Profit and loss account	12		66,343,683		64,323,434
<b>Shareholders' funds</b>	13		<u>66,969,023</u>		<u>64,954,772</u>

The financial statements of The Rolex Watch Company Limited, registered number 00142138, were approved by the Board of Directors on 25<sup>th</sup> February 2011

Signed on behalf of the Board of Directors

  
R V Maingot  
Director

  
G E Richards  
Director

# The Rolex Watch Company Limited

## Cash flow statement Year ended 31 December 2010

	Notes	£	2010 £	£	2009 £
Net cash inflow from operating activities	14		<u>6,980,528</u>		<u>14,740,977</u>
Returns on investments and servicing of finance					
Interest received/(paid)		<u>14,769</u>		<u>(139,533)</u>	
Net cash inflow from returns on investments and servicing of finance			14,769		(139,533)
Taxation					
UK taxation paid			-		(2,702,470)
Capital expenditure					
Purchases of tangible fixed assets		(9,730,239)		(14,134,230)	
Sale of tangible fixed assets		<u>41,500</u>		<u>33,700</u>	
Net cash outflow from capital expenditure			<u>(9,688,739)</u>		<u>(14,100,530)</u>
Decrease in cash at bank and in hand	15		<u>(2,693,442)</u>		<u>(2,201,556)</u>

# **The Rolex Watch Company Limited**

## **Notes to the accounts**

**Year ended 31 December 2010**

### **1. Accounting policies**

#### **Basis of preparation**

The accounts are prepared in accordance with applicable United Kingdom law and accounting standards under the historical cost convention as modified to include the revaluation of freehold property. The particular accounting policies adopted are described below and have been applied consistently throughout the year and the preceding year.

#### **Going concern basis**

The company's business activities, together with the factors likely to affect its future development, and principal risks, performance and position are set out under the director's report. This includes the risks created by the challenging economic environment and other risks referred to in the Directors Report.

The company meets its day to day working capital requirements through its cash reserves and generation of cash flow throughout the year. As at the year end the company had cash reserves of £8.3m.

The company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the company should be able to operate within the level of its current and expected cash resources.

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

#### **Tangible fixed assets**

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment. Depreciation is charged 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 to 50 years
Leasehold improvements	10 years
Plant and equipment	4 to 20 years
Motor vehicles	4 years

#### **Stocks**

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

#### **Foreign currencies**

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

# The Rolex Watch Company Limited

## Notes to the accounts

Year ended 31 December 2010

### 1 Accounting policies (continued)

#### Taxation

Corporation tax is provided at amounts expected to be paid using the tax rates and laws enacted or substantially enacted by the balance sheet date

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 differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no binding contract to dispose of those assets. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets and liabilities are not discounted.

#### Pension costs

The company operates a defined benefit scheme for those employees wishing to participate and who are eligible

The amounts charged to operating profit are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the profit and loss account if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest cost and the expected return on assets are shown as a net amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses.

The defined benefit scheme is funded, with the assets of the scheme held separately from those of the company. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting defined benefit asset or liability, net of the related deferred tax, is presented separately after other net assets on the face of the balance sheet.

#### Leases

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such as basis.

### 2 Turnover

Turnover represents the amount receivable for the goods supplied and services provided for continuing activities, excluding Value Added Tax, during the year. The analysis of geographical segment of the group's turnover is set out below.

	2010 £	2009 £
<b>Geographical segment</b>		
United Kingdom	106,941,432	95,883,155
Rest of Europe	2,380,631	2,229,566
	<u>109,322,063</u>	<u>98,112,721</u>

# The Rolex Watch Company Limited

## Notes to the accounts Year ended 31 December 2010

### 3. Operating profit

	2010 £	2009 £
Operating profit is stated after charging		
Operating lease rentals – other	1,608,412	1,608,412
Depreciation	978,546	839,741
(Loss)/profit on disposal of fixed assets	(365)	1,434
Auditors' remuneration		
Fees payable to company's auditors for audit of the company's financial statement	45,500	45,000
Other services –audit related	7,500	5,000
Other services –general taxation advise	4,700	12,500

### 4. Directors' emoluments

	2010 £	2009 £
Emoluments	1,628,449	788,968

#### Directors' remuneration excluding pension scheme contributions

	2010 £	2009 £
Highest paid director	1,318,170	546,466

Two directors are members of the company's defined benefit pension scheme and the accrued pension of the highest paid director at 31 December 2010 was £51,700 (2009 £51,669)

### 5. Employees

The average number of employees including directors during the year was 136 (2009 132) made up as follows

	2010 No.	2009 No.
Production	73	69
Administration and management	36	36
Distribution and sales	23	23
Establishment	4	4
	136	132

Staff costs, including directors, during the year amounted to

	2010 £	2009 £
Wages and salaries	6,929,188	5,704,414
Social security costs	691,769	535,713
Other pension cost (see note 18)	1,829,000	1,224,242
	9,449,957	7,464,369

# The Rolex Watch Company Limited

## Notes to the accounts

### Year ended 31 December 2010

#### 6. Tax

##### Analysis of tax charge on profit on ordinary activities

	2010 £	2009 £
United Kingdom corporation tax at 27% (2009 28%) based on the profit for the year	-	1,659,813
Adjustment in respect of prior years	-	42,739
	-	1,702,552
Deferred tax		
Timing differences, origination and reversal	783,213	209,760
	<u>783,213</u>	<u>1,912,312</u>

##### Factors affecting tax charge for the current year

The tax assessed for the period is higher than that resulting from applying the standard rate of corporation tax in the UK

The differences are explained below

	2010 £	2009 £
Profit on ordinary activities before tax	<u>2,175,694</u>	<u>6,276,905</u>
Tax at 27% (2009 28%) thereon	609,194	1,757,533
Expenses not allowable for tax purposes	175,708	130,552
Capital allowances in excess of depreciation	(530,206)	(127,011)
Timing difference	(303,485)	(101,611)
Prior year adjustments	-	42,689
Tax losses not utilised in year	48,789	-
Current tax charge for year	<u>0</u>	<u>1,702,152</u>

A potential deferred tax asset of £840,000 (2009 £840,000) has not been recognised in respect of timing differences relating to capital losses as there is insufficient evidence that the asset will be recovered

The Finance Act 2010, which provides for a reduction in the main rate of corporation tax from 28% to 27% effective from 1 April 2011, received Royal Assent on 27 July 2010. As it was enacted at the balance sheet date, the rate reduction is reflected in these financial statements in accordance with FRS 12.

The Government has also indicated that it intends to enact future reductions in the main rate of 1% each year down to 24% by 1 April 2014. The future 1% main tax rate reductions are expected to have a similar impact on our financial statements as outlined above, however the actual impact will be dependent on our deferred tax position at that time.



# The Rolex Watch Company Limited

## Notes to the accounts Year ended 31 December 2010

### 7. Tangible fixed assets

	Land and building	Short leasehold improvements	Motor vehicles	Assets in course of construction	Plant and equipment	Total
<b>Cost</b>						
At 1 January 2010	8,025,075	5,792,622	220,528	18,975,843	3,323,274	36,337,342
Additions	-	140,590	-	6,802,385	2,787,264	9,730,239
Disposals	-	(120,000)	(57,871)	-	(1,516,761)	(1,694,632)
Transfers	25,778,228	306,125	-	(25,778,228)	(306,125)	-
At 31 December 2010	33,803,303	6,119,337	162,657	-	4,287,652	44,372,949
<b>Accumulated depreciation</b>						
At 1 January 2010	492,165	4,427,277	98,458	-	2,884,295	7,902,195
Charge for the year	115,227	646,038	41,413	-	175,868	978,546
Disposals	-	(120,000)	(16,006)	-	(1,516,761)	(1,652,767)
Transfers	-	246,179	-	-	(246,179)	-
At 31 December 2010	607,392	5,199,494	123,865	-	1,297,223	7,227,974
<b>Net book value</b>						
At 31 December 2010	33,195,911	919,843	38,792	-	2,990,429	37,144,975
At 31 December 2009	7,532,910	1,365,345	122,070	18,975,843	438,979	28,435,147

Land and Buildings includes a freehold property at valuation of £475,000

	£
Historical cost at 1 January 2010 and 31 December 2010	277,108
Accumulated depreciation based on cost at 1 January 2010	184,034
Charge for the year	8,397
Accumulated depreciation based on cost at 31 December 2010	192,431
<b>Net historical cost value</b>	
At 31 December 2010	84,677
At 31 December 2009	93,074

The company has taken advantage of the transitional provisions of FRS 15 "Tangible fixed assets" and retained the book amounts of the freehold property which was revalued prior to the implementation of that standard. The property was last revalued in 1988 and the valuation has not subsequently been updated.

# The Rolex Watch Company Limited

## Notes to the accounts Year ended 31 December 2010

### 8. Stocks

	2010 £	2009 £
Repair materials	3,353,507	2,580,116
Finished goods and goods for resale	14,522,335	20,280,092
	<u>17,875,842</u>	<u>22,860,208</u>

There is no material difference between the balance sheet value of stocks and their replacement cost

### 9. Debtors

	2010 £	2009 £
Trade debtors	22,697,865	21,215,985
Other debtors	18,212	25,684
Deferred tax asset	-	-
Prepayments and accrued income	608,853	541,573
	<u>23,324,930</u>	<u>21,783,242</u>

### 10. Creditors: amounts falling due within one year

	2010 £	2009 £
Payments received on account	45,584	19,868
Trade creditors	855,021	339,521
Amounts due to group companies	7,912,742	8,265,901
Corporation tax	-	-
Deferred tax liability	612,443	100,000
Other taxes and social security costs	3,024,754	2,326,881
Other creditors	483,646	185,000
Accruals and deferred income	1,522,001	1,459,563
	<u>14,411,191</u>	<u>12,696,734</u>

#### Deferred tax - creditors

	2010 £
At 31 December 2009	100,000
Tax charge	513,443
Effect of change in tax rate	(1,000)
At 31 December 2010	<u>612,443</u>

# The Rolex Watch Company Limited

## Notes to the accounts

### Year ended 31 December 2010

#### 10 Creditors: amounts falling due within one year (continued)

	2010 £
Capital allowances in excess of depreciation	794,693
Other timing differences	(182,250)
Deferred tax liability	<u>612,443</u>

#### 11. Called up share capital

	2010 £	2009 £
<b>Authorised:</b>		
120,000 ordinary shares of £1 each	<u>120,000</u>	<u>120,000</u>
<b>Called up, allotted and fully paid</b>		
120,000 ordinary shares of £1 each	<u>120,000</u>	<u>120,000</u>

#### 12. Reserves

	Share premium £	Profit and loss account £	Revaluation reserve £	Total £
At 1 January 2010	444,900	64,323,434	66,438	64,834,772
Retained profit for year	-	1,392,481	-	1,392,481
Actuarial gain (net)	-	621,770	-	621,770
Amortisation of revaluation surplus	-	5,998	(5,998)	-
At 31 December 2010	<u>444,900</u>	<u>66,343,683</u>	<u>60,440</u>	<u>66,849,023</u>

Reserves as at 31 December 2010 are after deducting a defined pension scheme liability, net of deferred tax of £2,583,000 (2009 £3,738,000)

# The Rolex Watch Company Limited

## Notes to the accounts

Year ended 31 December 2010

### 13. Reconciliation of movements in shareholders' funds

	2010 £	2009 £
Profit for the financial year	1,392,481	4,364,593
Actuarial gain/(loss)	621,770	(2,354,400)
Net addition to shareholders' funds	2,014,251	2,010,193
Opening shareholders' funds	64,834,772	62,824,579
Closing shareholders' funds	66,849,023	64,834,772

### 14. Reconciliation of operating profit to net cash inflow/(outflow) from operating activities

	2010 £	2009 £
Operating profit	2,314,925	6,648,438
Depreciation	978,546	839,741
Pension costs - total operating charge	871,000	600,000
- Contributions paid	(1,829,000)	(1,224,242)
	(958,000)	(624,242)
Decrease/increase) in stock	4,984,366	5,855,493
(Increase)/decrease in debtors	(1,541,688)	(6,690,426)
Increase/(decrease) in creditors	1,202,014	8,713,407
Loss/(profit) on disposal of fixed assets	365	(1,434)
	4,645,057	7,877,040
Net cash inflow/(outflow) from operating activities	6,980,528	14,740,977

### 15. Change in the balance of cash and cash equivalents

	2010 £'000	2009 £'000
1 January	8,310,909	10,512,465
Net cash (outflow)	(2,693,442)	(2,201,556)
31 December	5,617,467	8,310,909

# The Rolex Watch Company Limited

## Notes to the accounts Year ended 31 December 2010

### 16. Financial commitments

Capital commitments are as follows

	2010 £'000	2009 £'000
Contracted for but not provided for		
- Other	-	6,531,000

Annual commitments under non-cancellable operating leases are as follows

	Land and buildings 2010 £'000	2009 £'000
Expiry date		
- after five years	1,608,412	1,608,412

### 17 Other service (expense)/income

	2010 £'000	2009 £'000
Net return on pension schemes	(154,000)	(232,000)

### 18. Pension costs

The company operates one defined benefit scheme in the UK which offers both pensions in retirement and death benefits to members. Members earn benefits on a career average revalued earnings structure. Contributions to the scheme for the year beginning 1 January 2011 are expected to be £2.3m.

The major assumptions used by the actuary were (in nominal terms)

	At 31 December 2010	At 31 December 2009
CARE revaluation rate	4.35%	4.35%
Discount rate	5.6%	5.8%
Inflation assumption	3.6%	3.6%
Rate of increase of pensions in payment	3.45%	3.45%
Assumed life expectancies on retirement at age 65 are		
Retiring today		
Males	22.3	22.2
Females	24.7	24.6
Retiring in 20 years time		
Males	24.2	24.1
Females	26.6	26.5

The assumptions used in determining the overall return of the scheme have been set with reference to yields available on government bonds and appropriate risk margins.

# The Rolex Watch Company Limited

## Notes to the accounts Year ended 31 December 2010

### 18 Pension costs (continued)

The assets in the scheme and the expected rate of return were

	31 December 2010		31 December 2009	
	Long-term rate of return expected %	Value at £'000	Long-term rate of return expected %	Value at £'000
Equities	7.2%	9,117	7.5%	5,419
Gilts	-	-	-	-
Cash	0.5%	536	0.5%	300
Bonds	5.4%	12,571	5.8%	7,745
Assets due for reinvestment	-	-	6.48%	5,523
Fair value of plan assets		22,224		18,897
The actual return on assets over the period was		2,208		2,144
The amounts recognised in the balance sheet are as follows				
Present value of scheme liabilities	(25,763)		(24,179)	
Fair value of scheme assets	22,224		18,987	
Net pension liability recognised before tax		(3,539)		(5,192)
Deficit		(3,539)		(5,192)
Related deferred tax asset		956		1,454
Net pension liability		(2,583)		(3,738)

# The Rolex Watch Company Limited

## Notes to the accounts Year ended 31 December 2010

### 18 Pension costs (continued)

	2010 £'000	2009 £'000
<b>Reconciliation of opening and closing balances of the present value of the scheme liabilities</b>		
Liabilities at beginning of year	24,179	19,005
Current service cost	841	600
Interest cost	1,401	1,180
Contributions by scheme participants	171	174
Actuarial gain	112	4,466
Benefits paid	(971)	(1,246)
Past service cost	30	-
Liabilities at end of year	<u>25,763</u>	<u>24,179</u>
<b>Reconciliation of opening and closing balances of the fair value of scheme assets</b>		
Fair value of scheme assets at beginning of year	18,987	16,691
Expected return on scheme assets	1,247	948
Actuarial gain	961	1,196
Contributions by employers	1,829	1,224
Contribution by plan participants	171	174
Benefits paid	(971)	(1,246)
Fair value of scheme assets at end of year	<u>22,224</u>	<u>18,987</u>
Actuarial gains/(losses)	849	(3,270)
Impact of surplus restriction	-	-
Total	<u>849</u>	<u>(3,270)</u>

	As at 31 December 2010 £'000	As at 31 December 2009 £'000	As at 31 December 2008 £'000	As at 31 December 2007 £'000	As at 31 December 2006 £'000
Present value of scheme liabilities	25,763	24,179	19,005	20,367	20,606
Fair value of scheme assets	22,224	18,987	16,691	18,433	17,215
Deficit in the scheme	(3,539)	(5,192)	(2,314)	(1,934)	(3,391)
Experience adjustments arising on scheme liabilities	920	(350)	(168)	(88)	44
Experience item as a percentage of scheme liabilities	3.6%	-1.4%	-0.9%	-0.4%	0.2%
Experience adjustments arising on scheme assets	961	1,196	(3,789)	65	582
Experience item as a percentage of scheme assets	4.3%	6.3%	-22.7%	0.4%	3.4%
Cumulative actuarial (loss) shown in the STRGL	<u>(3,706)</u>	<u>(4,555)</u>	<u>(1,285)</u>	<u>(157)</u>	<u>(1,903)</u>

# The Rolex Watch Company Limited

## Notes to the accounts

Year ended 31 December 2010

### 18 Pension costs (continued)

#### Analysis of the amount charged to operating profit

	2010 £'000	201009 £'000
Current service cost	841	600
Past service cost	30	-
	<u>871</u>	<u>600</u>

#### Analysis of the amount charged to other finance expense

	2010 £'000	2010 £'000
Expected return on pension scheme assets	1,247	948
Interest on pension scheme liabilities	(1,401)	(1,180)
Net charge	<u>(154)</u>	<u>(232)</u>

### 19 Related party transactions

Total transactions with subsidiaries of Rolex Holding amounted to cost of purchases and services provided of £85 million (2009 £75 million) during the year

	2010 £ million	2009 £ million
Rolex SA	82	71
Roldeco SA	1	2
St James's Property Investment Limited	2	2
Total	<u>85</u>	<u>75</u>

	2010 £	2009 £
Amounts due to fellow subsidiaries		
Rolex SA	7,830,110	8,246,546
Roldeco SA	6,015	-
Rolex Promotions SA	4,592	-
Rolex Watch USA Inc	59,376	-
St James's Property Investment Limited	12,649	19,355
Total	<u>7,912,742</u>	<u>8,265,901</u>

There were no amounts due from fellow subsidiaries



# **The Rolex Watch Company Limited**

## **Notes to the accounts**

### **Year ended 31 December 2010**

#### **20. Ultimate holding company**

The immediate holding company is Rolex Holding, a company incorporated in Switzerland. The smallest and largest group in which the results are consolidated is that headed by Rolex Holding, which the directors consider to be the ultimate controlling party.