

Company Registration No. 00142138

The Rolex Watch Company Limited

Report and Financial Statements

31 December 2012

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The Rolex Watch Company Limited

Report and financial statements 2012

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The Rolex Watch Company Limited

Report and financial statements 2012

Officers and professional advisers

Directors

Mr B Gros (Chairman)
Mrs C Thomson (Vice Chairman)
Mr R de Leyser (Managing Director)
Mr G E Richards

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

D Young & Co LLP
120 Holborn
London
EC1N 2DY

Auditor

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 2012

Business review and principal activities

The company is a wholly owned subsidiary of Rolex Holding SA 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 7, the company's turnover increased by 7.2% over the prior year due to a combination of factors including improvements in mix, price and volume. Profit after tax increased from £4.1m to £11.7m, due to the improvement in revenues and the benefit of stable exchange rates on purchases from Group companies.

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 a £16m decrease in amounts due to group companies. Details of amounts owed to group companies are shown in note 10 on page 17.

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 SA 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 CO₂ 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 14.

Directors

The directors who served throughout the year were

Mr R de Leyser

Mr B Gros

Mr G E Richards

Mrs C Thomson

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

The Rolex Watch Company Limited

Directors' report (continued)

Auditor

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 auditor is 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 auditor is 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

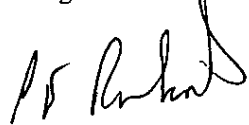
Charitable donations

During the year the company made charitable contributions of £1,134 (2011 £11,410)

Auditor

Deloitte LLP have expressed their willingness to continue in office as auditor 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

26th February 2013

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, 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 auditor's 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 2012 which comprise the profit and loss account, the statement of total recognised gains and losses, 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 auditor's 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. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 2012 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

27 February 2013

The Rolex Watch Company Limited

Profit and loss account Year ended 31 December 2012

	Notes	£	2012 £	£	2011 £
Turnover	2		142,588,045		133,026,553
Cost of sales			(110,021,455)		(110,826,237)
Gross profit			32,566,590		22,200,316
Distribution costs		(7,782,886)		(9,523,484)	
Administration and establishment costs		(9,189,128)		(8,090,640)	
			(16,972,014)		(17,614,124)
Operating profit	3		15,594,576		4,586,192
Profit on disposal of fixed asset		6,538		612,066	
Interest receivable		11,141		-	
Other finance (expense)	17	(131,000)		(63,000)	
Net Interest (payable)/receivable			(113,321)		549,066
Profit on ordinary activities before taxation			15,481,255		5,135,258
Tax on profit on ordinary activities	6		(3,798,142)		(991,048)
Profit on ordinary activities after taxation			11,683,113		4,144,210
Profit for the financial year	13		11,683,113		4,144,210

All results relate to continuing activities

The Rolex Watch Company Limited

Statement of total recognised gains and losses Year ended 31 December 2012

	Note	2012 £	2011 £
Profit for the financial year		11,683,113	4,144,210
Actuarial gain/(loss) relating to the pension scheme	18	1,564,000	(1,590,000)
Deferred tax attributable to actuarial gain/loss		(383,180)	415,470
Total recognised gains and losses relating to the year		<u>12,863,933</u>	<u>2,969,680</u>

The Rolex Watch Company Limited

Balance sheet 31 December 2012

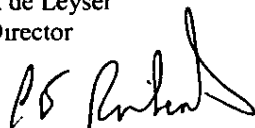
	Notes	£	2012 £	£	2011 £
Fixed assets					
Tangible assets	7		35,344,625		36,213,351
Current assets					
Stocks	8	31,976,028		30,946,920	
Debtors	9	26,890,681		30,516,039	
Cash at bank and in hand		2,229,494		4,578,382	
		61,096,203		66,041,341	
Creditors: amounts falling due within one year	10	(13,157,192)		(29,428,989)	
Net current assets			47,939,011		36,612,352
Total assets less current liabilities			83,283,636		72,825,703
Net assets excluding pension liability			83,283,636		72,825,703
Pension liability	18	(481,000)		(2,887,000)	
Net assets including pension liability			82,802,636		69,938,703
Capital and reserves					
Called up share capital	11	120,000		120,000	
Share premium account	12	444,900		444,900	
Profit and loss account	12	82,237,736		69,373,803	
Shareholders' funds	13	82,802,636		69,938,703	

The financial statements of The Rolex Watch Company Limited, registered number 00142138, were approved by the Board of Directors on 26th February 2013

Signed on behalf of the Board of Directors



R de Leyser
Director



G E Richards
Director

The Rolex Watch Company Limited

Cash flow statement Year ended 31 December 2012

	Notes	£	2012 £	£	2011 £
Net cash inflow/(outflow) from operating activities	14		52,484		(1,076,538)
Returns on investments and servicing of finance					
Interest received		11,141		-	
Net cash inflow from returns on investments and servicing of finance			11,141		-
Taxation					
UK taxation paid			(1,900,000)		(15,523)
Capital expenditure					
Purchases of tangible fixed assets		(519,051)		(980,374)	
Sale of tangible fixed assets		6,538		1,033,350	
Net cash (outflow)/inflow from capital expenditure			(512,513)		52,976
Decrease in cash at bank and in hand	15		(2,348,888)		(1,039,085)

The Rolex Watch Company Limited

Notes to the accounts Year ended 31 December 2012

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. 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 £2.2m.

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	50 years
Leasehold land	999 years
Leasehold improvements	10 years
Plant and equipment	4 to 10 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 2012

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

The Rolex Watch Company Limited

Notes to the accounts

Year ended 31 December 2012

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

	2012 £	2011 £
Geographical segment		
United Kingdom	139,301,104	130,324,795
Rest of Europe	3,286,941	2,701,758
	<u>142,588,045</u>	<u>133,026,553</u>

3. Operating profit

	2012 £	2011 £
Operating profit is stated after charging		
Operating lease rentals – other	1,608,412	1,608,412
Depreciation	1,387,777	1,490,714
(Loss) on disposal of fixed assets	-	(850)
Auditors' remuneration		
Fees payable to company's auditors for audit of the company's financial statement	49,750	47,775
Other services –accounts assistance	8,393	11,000
Other services –audit related services	5,500	5,512
Other services –general taxation advice	9,490	2,200
	<u></u>	<u></u>

4. Directors' emoluments

	2012 £	2011 £
Emoluments	<u>1,018,330</u>	<u>871,390</u>
Directors' remuneration excluding pension scheme contributions		
	2012 £	2011 £
Highest paid director	<u>762,726</u>	<u>541,963</u>

Two directors are members of the company's defined benefit pension scheme and the accrued pension of the highest paid director at 31 December 2012 was £4,416 (2011 £2,750)

The Rolex Watch Company Limited

Notes to the accounts Year ended 31 December 2012

5. Employees

The average number of employees including directors during the year was 160 (2011 162) made up as follows

	2012 No.	2011 No.
Production	89	90
Administration and management	46	44
Distribution and sales	20	22
Establishment	5	5
	<u>160</u>	<u>161</u>

Staff costs, including directors, during the year amounted to

	2012 £	2011 £
Wages and salaries	7,484,093	7,181,569
Social security costs	814,900	719,080
Other pension cost (see note 18)	2,893,000	2,331,000
	<u>11,191,993</u>	<u>10,231,649</u>

6. Tax

Analysis of tax charge on profit on ordinary activities

	2012 £	2011 £
United Kingdom corporation tax at 24.5% (2011 26.5%) based on the profit for the year	3,385,762	478,636
Adjustment in respect of prior years	(2,737)	(348,255)
	<u>3,383,025</u>	<u>130,381</u>
Deferred tax		
FRS17 timing difference	406,700	372,325
Timing differences, origination and reversal	70,542	529,809
Effective change in tax rate	(62,125)	(41,467)
	<u>415,117</u>	<u>860,667</u>
Total tax charge for the year	<u>3,798,142</u>	<u>991,048</u>

The Rolex Watch Company Limited

Notes to the accounts

Year ended 31 December 2012

6. Tax (continued)

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

	2012 £	2011 £
Profit on ordinary activities before tax	15,481,255	5,135,258
Tax at 24.5% (2011: 26.5%) thereon	3,792,530	1,360,843
Expenses not deductible/(not taxable)	66,000	(109,047)
Capital allowance in excess of depreciation	(66,068)	(221,960)
Timing difference	(406,700)	(551,200)
Prior year adjustments	(2,737)	(348,255)
Current tax charge for year	3,383,025	130,381

A potential deferred tax asset of £690,000 (2011: £750,000) has not been recognised in respect of capital losses as there is insufficient evidence that the asset will be recovered

The Finance Act 2012, which provides for a reduction in the main rate of corporation tax from 24% to 23% effective from 1 April 2013, was substantially enacted on 3rd July 2012. This rate reduction has been reflected in the calculation of deferred tax at the balance sheet date.

The Government intends to enact future reductions in the main tax rate of 2%, down to 21% by 1 April 2014. We estimate that the future rate change to 21% would further reduce the UK deferred tax liability recognised at the balance sheet date from £1,037,927 to £947,673. The actual impact will be dependent on the deferred tax position at that time.

The Rolex Watch Company Limited

Notes to the accounts Year ended 31 December 2012

7. Tangible fixed assets

	Land and building	Short leasehold improvements	Motor vehicles	Plant and equipment	Total
Cost					
At 1 January 2012	32,990,488	6,162,195	136,828	5,115,884	44,405,395
Additions	-	-	-	519,051	519,051
Disposals	-	-	38,530	-	38,530
At 31 December 2012	32,990,488	6,162,195	98,298	5,634,935	44,885,916
Accumulated depreciation					
At 1 January 2012	616,051	5,744,634	136,828	1,694,531	8,192,044
Charge for the year	522,788	417,561	-	447,428	1,387,777
Disposals	-	-	38,530	-	38,530
At 31 December 2012	1,138,839	6,162,195	98,298	2,141,959	9,541,291
Net book value					
At 31 December 2012	31,851,649	-	-	3,492,976	35,344,625
At 31 December 2011	32,374,437	417,561	-	3,421,353	36,213,351

The Rolex Watch Company Limited

Notes to the accounts Year ended 31 December 2012

8. Stocks

	2012 £	2011 £
Repair materials	6,618,898	5,347,635
Finished goods and goods for resale	25,357,130	25,599,285
	<u>31,976,028</u>	<u>30,946,920</u>

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

9. Debtors

	2012 £	2011 £
Trade debtors	25,952,789	28,706,687
Other debtors	13,103	1,038,977
Amount due from group companies	-	1,576
Prepayments and accrued income	924,789	768,799
	<u>26,890,681</u>	<u>30,516,039</u>

10. Creditors: amounts falling due within one year

	2012 £	2011 £
Trade creditors	165,065	455,715
Amounts due to group companies	7,515,297	23,802,653
Corporation tax	1,598,220	115,195
Deferred tax liability	1,037,927	1,057,640
Other taxes and social security costs	1,588,896	3,205,575
Other creditors	185,000	203,681
Accruals and deferred income	1,066,787	588,530
	<u>13,157,192</u>	<u>29,428,989</u>

Deferred tax - creditors

	2012 £	2011 £
At 31 December 2011	1,057,640	612,443
Tax charge	70,542	529,809
Effect of change in tax rate	(90,255)	(84,612)
At 31 December 2012	<u>1,037,927</u>	<u>1,057,640</u>

The Rolex Watch Company Limited

Notes to the accounts Year ended 31 December 2012

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

	2012 £	2011 £
Capital allowances in excess of depreciation	1,037,927	1,057,640
Other timing differences	-	-
Deferred tax liability	<u>1,037,927</u>	<u>1,057,640</u>

11. Called up share capital

	2012 £	2011 £
Authorised:		
120,000 ordinary shares of £1 each	<u>120,000</u>	<u>120,000</u>
Called up, allotted and fully paid		
120,000 ordinary shares of £1 each	<u>120,000</u>	<u>120,000</u>

12. Reserves

	Share premium £	Profit and loss account £	Total £
At 1 January 2012	444,900	69,373,803	69,818,703
Retained profit for year	-	11,683,113	11,683,113
Actuarial gain (net)	-	1,180,820	1,180,820
At 31 December 2012	<u>444,900</u>	<u>82,237,736</u>	<u>82,682,636</u>

Reserves as at 31 December 2012 are after deducting a defined pension scheme liability, net of deferred tax, of £481,000 (2011 £2,887,000)

The Rolex Watch Company Limited

Notes to the accounts Year ended 31 December 2012

13. Reconciliation of movements in shareholders' funds

	2012 £	2011 £
Profit for the financial year	11,683,113	4,144,210
Actuarial gain/(loss)	1,180,820	(1,174,530)
Net addition to shareholders' funds	12,863,933	2,969,680
Opening shareholders' funds	69,938,703	66,969,023
Closing shareholders' funds	82,802,636	69,938,703

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

	2012 £	2011 £
Operating profit	15,594,576	4,586,192
Depreciation	1,387,777	1,490,714
Pension costs - total operating charge	1,102,000	989,000
- Contributions paid	(2,893,000)	(2,331,000)
	(1,791,000)	(1,342,000)
(Increase) in stock	(1,029,108)	(13,071,078)
Decrease/(increase) in debtors	3,625,358	(7,191,109)
(Decrease)/increase in creditors	(17,735,119)	14,450,743
	(15,138,869)	(5,811,444)
Net cash inflow/(outflow) from operating activities	52,484	(1,076,538)

15. Change in the balance of cash and cash equivalents

	2012 £	2011 £
1 January	4,578,382	5,617,467
Net cash (outflow)	(2,348,888)	(1,039,085)
31 December	2,229,494	4,578,382

The Rolex Watch Company Limited

Notes to the accounts Year ended 31 December 2012

16. Financial commitments

Capital commitments are as follows

	2012 £	2011 £
Contracted for but not provided for	-	-
- Other	-	-

Annual commitments under non-cancellable operating leases are as follows

	Land and buildings	
	2012 £	2011 £
Expiry date		
- after five years	1,608,412	1,608,412

17. Other service (expense)/income

	2012 £	2011 £
Net return on pension schemes	(131,000)	(63,000)

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 2013 are expected to be £3m.

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

	At 31 December 2012	At 31 December 2011
CARE revaluation rate	3.45%	3.85%
Discount rate	4.5%	4.9%
Inflation assumption	2.7%	3.10%
Rate of increase of pensions in payment	2.7%	3.00%
Assumed life expectancies on retirement at age 65 are		
Males	23	23
Females	25	25

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 2012

18 Pension costs (continued)

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

	31 December 2012		31 December 2011	
	Long-term rate of return expected %	Value at £'000	Long-term rate of return expected %	Value at £'000
Equities	6.2%	12,861	5.95%	8,586
Gilts			-	-
Cash	2.7%	848	0.50%	2,138
Bonds	3.9%	15,451	4.80%	13,678
		<hr/>		<hr/>
Fair value of plan assets		29,160		24,402

The actual return on assets over the period was

	2,707	577
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The amounts recognised in the balance sheet are as follows

Present value of scheme liabilities	(29,785)	(28,251)
Fair value of scheme assets	29,160	24,402
	<hr/>	<hr/>
Net pension liability recognised before tax	(625)	(3,849)
	<hr/>	<hr/>
Deficit	(625)	(3,849)
Related deferred tax asset	144	962
	<hr/>	<hr/>
Net pension liability	(481)	(2,887)
	<hr/>	<hr/>

The Rolex Watch Company Limited

Notes to the accounts Year ended 31 December 2012

18 Pension costs (continued)

	2012 £'000	2011 £'000
Reconciliation of opening and closing balances of the present value of the scheme liabilities		
Liabilities at beginning of year	28,251	25,763
Current service cost	1,102	943
Interest cost	1,359	1,448
Contributions by scheme participants	211	194
Actuarial (gain)/loss	(85)	782
Benefits paid	(1,053)	(925)
Past service cost		46
Liabilities at end of year	<u>29,785</u>	<u>28,251</u>
Reconciliation of opening and closing balances of the fair value of scheme assets		
Fair value of scheme assets at beginning of year	24,402	22,224
Expected return on scheme assets	1,228	1,385
Actuarial gain	1,479	(808)
Contributions by employers	2,893	2,332
Contribution by scheme participants	211	194
Benefits paid	(1,053)	(925)
Fair value of scheme assets at end of year	<u>29,160</u>	<u>24,402</u>
Actuarial gains/(losses)	<u>1,564</u>	<u>(1,590)</u>
Total	<u>1,564</u>	<u>(1,590)</u>

	As at 31 December 2012 £'000	As at 31 December 2011 £'000	As at 31 December 2010 £'000	As at 31 December 2009 £'000	As at 31 December 2008 £'000
Present value of scheme liabilities	29,785	28,251	25,763	24,179	19,005
Fair value of scheme assets	29,160	24,402	22,224	18,987	16,691
Deficit in the scheme	(625)	(3,849)	(3,539)	(5,192)	(2,314)
Experience adjustments arising on scheme liabilities	364	17	920	(350)	(168)
Experience item as a percentage of scheme liabilities	1.2%	0.1%	3.6%	-1.4%	-0.9%
Experience adjustments arising on scheme assets	1,479	(808)	961	1,196	(3,789)
Experience item as a percentage of scheme assets	5.1%	-3.3%	4.3%	6.3%	-22.7%
Cumulative actuarial (loss) shown in the STRGL	<u>(3,732)</u>	<u>(5,296)</u>	<u>(3,706)</u>	<u>(4,555)</u>	<u>(1,285)</u>

The Rolex Watch Company Limited

Notes to the accounts Year ended 31 December 2012

18 Pension costs (continued)

Analysis of the amount charged to operating profit

	2012 £'000	2011 £'000
Current service cost	1,102	943
Past service cost	-	46
	<u>1,102</u>	<u>989</u>

Analysis of the amount charged to other finance expense

	2012 £'000	2011 £'000
Expected return on pension scheme assets	1,228	1,385
Interest on pension scheme liabilities	(1,359)	(1,448)
	<u>(131)</u>	<u>(63)</u>

19 Related party transactions

Total transactions with subsidiaries of Rolex Holding SA amounted to cost of purchases and services provided of £110 million (2011 £124 million) during the year

	2012 £ million	2011 £ million
Rolex SA	107	120
Roldeco SA	1	2
St James's Property Investment Limited	2	2
	<u>110</u>	<u>124</u>

	2012 £	2011 £
Amounts due to fellow subsidiaries		
Rolex SA	7,514,021	23,780,416
Rolex Promotions SA	1,276	-
St James's Property Investment Limited	-	22,237
	<u>7,515,297</u>	<u>23,802,653</u>

Amounts due from fellow subsidiaries
Rolex Promotions

	-	1,576
	<u>-</u>	<u>1,576</u>

The Rolex Watch Company Limited

Notes to the accounts

Year ended 31 December 2012

20. Ultimate holding company

The immediate holding company is Rolex Holding SA, 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.