

Company Registration No. 00142138

The Rolex Watch Company Limited

Annual Report and Financial Statements

For the year ended 31 December 2017



The Rolex Watch Company Limited

Report and financial statements 2017

Contents	Page
Officers and professional advisers	1
Strategic report	2
Directors' report	4
Statement of directors' responsibilities	5
Independent auditor's report	6
Profit and loss account	8
Statement of comprehensive income	9
Balance sheet	10
Statement of changes in equity	11
Cash flow statement	12
Notes to the accounts	13

The Rolex Watch Company Limited

Report and financial statements 2017

Officers and professional advisers

Directors

Mr B Gros (Chairman)
Mrs C Thomson (Vice Chairman)
Mr R de Leyser (Managing Director)
Mr D A Parker

Secretary

Mr D A Parker

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
Statutory Auditor
London

The Rolex Watch Company Limited

Strategic report

The directors present their strategic report for the year ended 31st December 2017.

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 8, the company's key KPI's of turnover and operating profit increased over the prior year by 23% and 86% respectively. This was due to a combination of factors including improvements in mix, price, volume and a control on the growth of operating costs. Profit after tax increased from £18m to £33m.

The balance sheet on page 10 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 cash at bank largely due to £45m of dividend payments made in the year, £9m increase in Trade debtors and stocks increased by £8m, while amounts due to group companies increased by £7m as shown in the creditors note 11 on page 23. Details of amounts owed to group companies are shown in note 16 on page 25. A provision of £7m for the net defined benefit pension scheme deficit was recognised as explained in note 7 on page 20.

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.

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 one customer who accounts for £26m of trade debtors (£22m in 2016) whilst the remainder of the company's credit risk exposure is spread over a number of other 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 balances in its bank account.

The Rolex Watch Company Limited

Strategic report

Tax Policy

The tax policy applies to The Rolex Watch Company Limited and covers the approach it takes to managing UK tax affairs. The policy will be periodically reviewed by the Board, and will be effective for the year ended 31 December 2016 and will remain in effect until any amendments are approved by the board.

Commitment to compliance - The Rolex Watch Company Ltd is a responsible tax payer who is committed to being compliant with tax law and practice in the UK. The company has a strong reputation for trust and therefore looks to maintain this in its approach to tax compliance through paying the correct amount of tax at the correct time and to engage with HMRC in an open and transparent way.

Approach to UK tax risk management and governance arrangements. - A key consideration around the company's tax risk management and governance arrangements is the maintenance of the corporate reputation. Managing the company's tax affairs requires collaboration across various areas of the business and as such risks may arise from time to time in relation to the interpretation of complex tax law and the nature of our compliance arrangements. The company aims to limit these risks by ensuring that all employees engaged with any element of taxation administration are adequately informed of the relevant tax law and practice and remain regularly updated on changes to the law. Where there may be uncertainty in how the relevant tax law should be applied external advice is sought to provide clarity and support.

Attitudes towards UK tax planning - The company always pursues its primary tax objective of paying the correct amount of tax at the correct time from a legal perspective and maintaining a strong reputation in our tax affairs. All tax decisions are taken at the appropriate level, with the appropriate authority within the business being involved in all commercial decision making processes ensuring that the company understands the tax consequences of any decisions being made. The UK company does not undertake tax planning that is artificial or contrived and designed to reduce UK tax. The company will not engage in tax efficiencies if the underlying commercial objectives do not support the position, or if the arrangements impact on the company's reputation, brand, corporate and social responsibilities or future working relationships with HMRC. If there is any uncertainty on the tax consequences of the decision being made external advice is sought to provide clarity and support.

Approach to dealing with the UK tax authorities - The company's aim is to engage with HMRC in an open and transparent way providing accurate and timely disclosures in our correspondence and returns. The company adopts a professional and pro-active approach to any tax enquiries and seeks to resolve any issues with HMRC in a timely manner through agreement and co-operation.

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 17.

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



D A Parker

Director 15th February 2018

The Rolex Watch Company Limited

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31st December 2017.

Directors

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

The directors who served throughout the year and up to the date of this report were:

Mr R de Leyser

Mr B Gros

Mr D A Parker

Mrs C Thomson

Mr B Gros retires by rotation and, being eligible, offers himself for re-election.

Statement of disclosure to the 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.

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;
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself 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.

There are no subsequent material events after the balance sheet date up to the date of signing.

Principle risks and uncertainties and future developments

Please refer to the strategic report in pages 2 and 3 for these details

Dividend Payments

A final dividend of £20m was paid to shareholder during the year, along with an interim dividend of £25m for 2017. The final dividend paid during 2016 was £8m.

Going concern

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.

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



D A Parker
Director

15th February 2018

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), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". 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 judgments and accounting 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 and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 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.

The Rolex Watch Company Limited

Independent auditor's report to the members of The Rolex Watch Company Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of The Rolex Watch Company Limited (the 'company') which comprise:

- the profit and loss account;
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity;
- the cash flow statement; and
- the related notes 1 to 17.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs(UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

The Rolex Watch Company Limited

Responsibilities of directors

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters 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.

We have nothing to report in respect of these matters.



Helen Burridge (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

London, UK

15 February 2018

The Rolex Watch Company Limited

Profit and loss account Year ended 31 December 2017

	Notes	£(000)'s	2017 £(000)'s	£(000)'s	2016 £(000)'s
Turnover	2		329,079		268,043
Cost of sales			(259,857)		(220,789)
Gross profit			69,222		47,254
Distribution costs		(16,339)		(14,129)	
Administration and establishment costs		(11,086)		(10,601)	
			(27,425)		(24,730)
Operating profit			41,797		22,524
Interest receivable		64		74	
Other finance (expense) / income	3	(290)		42	
Net Interest (payable) / receivable			(226)		116
Profit before taxation	4		41,571		22,640
Tax on profit	6		(8,095)		(4,996)
Profit for the financial year attributable to the equity shareholders of the Company			33,476		17,644

All activities above are from continuing operations.

The Rolex Watch Company Limited

Statement of comprehensive income **Year ended 31 December 2017**

	Note	2017 £(000)'s	2016 £(000)'s
Profit for the financial year		33,476	17,644
Actuarial (gain) / loss on defined benefit pension scheme	7	3,878	(13,194)
Tax relating to components of other comprehensive (losses) / income	11	(659)	2,809
Reduction/(Increase) in unrecognised surplus on pension scheme	7	-	328
Total comprehensive income for the period		<u>36,695</u>	<u>7,587</u>

The Rolex Watch Company Limited

Balance sheet as at 31 December 2017

	Notes	2017 £(000)'s	2016 £(000)'s
Fixed assets			
Tangible assets	8	31,375	31,975
Current assets			
Stocks	9	24,543	16,816
Debtors	10	49,617	41,611
Cash at bank and in hand		39,608	55,736
		<u>113,768</u>	<u>114,163</u>
Creditors: amounts falling due within one year	11	<u>(38,655)</u>	<u>(27,257)</u>
Net current assets		<u>75,113</u>	<u>86,906</u>
Total assets less current liabilities		<u>106,488</u>	<u>118,881</u>
Provision for net defined benefit scheme deficit	7	<u>(7,324)</u>	<u>(11,412)</u>
Net assets		<u>99,164</u>	<u>107,469</u>
Capital and reserves			
Called up share capital	12	120	120
Share premium account		445	445
Profit and loss account		<u>98,599</u>	<u>106,904</u>
Shareholders' funds		<u>99,164</u>	<u>107,469</u>

The financial statements of The Rolex Watch Company Limited, registered number 00142138, were approved by the Board of Directors and authorised for issue on 15th February 2018.

Signed on behalf of the Board of Directors



R de Leyser
Director



D A Parker
Director

The Rolex Watch Company Limited

Statement of changes in equity Year ended 31 December 2017

	Called up share capital	Share premium account	Profit and loss account	Total
	£(000)'s	£(000)'s	£(000)'s	£(000)'s
At 31st December 2015	120	445	107,317	107,882
Profit for the financial year	-	-	17,644	17,644
Actuarial gain / (loss) on defined benefit pension scheme	-	-	(13,194)	(13,194)
Tax relating to other comprehensive income/(losses)	-	-	2,809	2,809
Reduction in unrecognised surplus on pension scheme	-	-	328	328
Total Comprehensive income / (losses)	-	-	7,587	7,587
Dividends paid on equity shares	-	-	(8,000)	(8,000)
At 31st December 2016	120	445	106,904	107,469
Profit for the financial year	-	-	33,476	33,476
Actuarial gain / (loss) on defined benefit pension scheme	-	-	3,878	3,878
Tax relating to other comprehensive income/(losses)	-	-	(659)	(659)
Total Comprehensive income / (losses)	-	-	36,695	36,695
Dividends paid on equity shares	-	-	(45,000)	(45,000)
At 31st December 2017	120	445	98,599	99,164

The Rolex Watch Company Limited

Cash flow statement

Year ended 31 December 2017

	Notes	£(000)'s	2017 £(000)'s	£(000)'s	2016 £(000)'s
Net cash inflow from operating activities	14		<u>29,336</u>		<u>37,523</u>
Cash flows from investing activities					
Interest received		64		74	
Proceeds from the sale of fixed assets		3		-	
Purchase of fixed assets		(531)		(509)	
			<u></u>	<u></u>	
Net cash from investing activities			(464)		(435)
Cash flows from financing activities					
Dividends paid		(45,000)		(8,000)	
			<u></u>	<u></u>	
Net cash flows from financing activities			(45,000)		(8,000)
Net (decrease) / increase in cash and cash equivalents			<u>(16,128)</u>		<u>29,088</u>
 Cash and cash equivalents at beginning of year			<u>55,736</u>		<u>26,648</u>
Cash and cash equivalents at end of year			<u>39,608</u>		<u>55,736</u>

The Rolex Watch Company Limited

Notes to the accounts

Year ended 31 December 2017

1. Significant accounting policies

General information and basis of preparation

The Rolex Watch Company Limited is a company incorporated in England under the Companies Act. The address of the registered office is given on page 1. The nature of the company's operations and its principal activities are set out in the Strategic Report on pages 2 and 3. The accounts are prepared in accordance with applicable United Kingdom law in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The functional currency of the company is considered to be pounds sterling because that is the currency of the primary economic environment in which the company operates.

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 in the Strategic Report. This includes the risks created by the challenging economic environment and other risks referred to in the Strategic 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 £40m.

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 net of depreciation and any provision for impairment. Depreciation is charged on all tangible fixed assets, 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
Land	999 years
Leasehold improvements	10 years
Plant and equipment	4 to 10 years
Motor vehicles	4 years

Residual value represents the estimated amount which would currently be obtained from the disposal of an asset, after deducting estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

Stocks

Stocks are valued at the lower of cost and estimated selling price less costs to sell, which is the equivalent to the net realisable value. Cost comprises the purchase price on a first in first out basis. Provision is made for obsolete, slow-moving or defective items where appropriate.

The Rolex Watch Company Limited

Notes to the accounts Year ended 31 December 2017

1. Significant accounting policies (continued)

Foreign currencies

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

Taxation

Corporation tax is provided at amounts expected to be paid using the tax rates and laws enacted or substantively 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. Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all other evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. 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 measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference.

The tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income.

Current tax assets or liabilities are offset only when there is a legally enforceable right to set off the amounts and the company intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset only if: a) the company has a legally enforceable right to set off current tax assets against current tax liabilities; and b) the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on the company which intends either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Turnover

Turnover represents the amount receivable for the goods supplied and services provided for continuing activities, excluding Value Added Tax and trade discounts, during the year. The revenue for services is recorded on final completion of those services and finished goods on delivery of those goods.

Retirement benefits

The company operates a defined benefit scheme which has been closed to future accrual on the 31st August 2016.

For defined benefit schemes 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. The net interest cost on the net defined benefit liability is shown within finance costs. Remeasurement comprising actuarial gains and losses, the

The Rolex Watch Company Limited

Notes to the accounts

Year ended 31 December 2017

1. Significant accounting policies (continued)

effect of the asset ceiling (if applicable) and the return on scheme assets (excluding interest) are recognised immediately in other comprehensive income.

The defined benefit scheme is funded, with the assets of the scheme held separately from those of the company in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit method. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date.

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other post retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in 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 a basis.

Impairment of financial assets

Financial assets (being trade debtors) are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Financial Instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

All financial assets and liabilities are initially measured at transaction price (including transaction costs). If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the statement of financial position when, and only when there exists a legally enforceable right to set off the recognised amounts and the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets are derecognised when and only when (a) the contractual rights to the cash flows from the financial asset expire or are settled, (b) the Company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or (c) the Group, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are

The Rolex Watch Company Limited

Notes to the accounts Year ended 31 December 2017

1. Significant accounting policies (continued)

based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the Company's accounting policies

The directors do not consider there to be any critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Company's accounting policies and have a significant effect on the amounts recognised in the financial statements.

Key estimates are relating to assumptions used to value the pension liability and are detailed in Note 7.

2. Turnover by geographical segment

	2017 £(000)'s	2016 £(000)'s
United Kingdom	322,366	262,217
Rest of Europe	7,713	5,826
	<u>329,079</u>	<u>268,043</u>

An analysis of the Company's turnover is as follows

	2017 £(000)'s	2016 £(000)'s
Sale of goods	316,696	257,223
Sale of services	12,383	10,820
	<u>329,079</u>	<u>268,043</u>

3. Other finance (expense) / income

	2017 £(000)'s	2016 £(000)'s
Net interest on defined benefit liability	<u>(290)</u>	<u>42</u>

The Rolex Watch Company Limited

Notes to the accounts

Year ended 31 December 2017

4. Profit before taxation

	2017 £(000)'s	2016 £(000)'s
Profit before taxation is stated after charging/(crediting):		
Operating lease rentals – other	2,137	2,140
Depreciation	1,103	1,116
(Gain) on disposal of fixed assets	(3)	-
Movement in stock provision recognised as an expense / (gain)	112	(190)
Foreign exchange (gain) / loss	(2,675)	4,014
Auditor's remuneration:		
Fees payable to company's auditor for audit of the company's financial statement	66	62
Other services –audit related services	19	9
Other services –general taxation advice	21	39
	<u> </u>	<u> </u>

5. Employees

The average number of employees including directors during the year was 191 (2016: 174) made up as follows:

	2017 No.	2016 No.
Production	107	99
Administration and management	50	50
Distribution and sales	25	22
Establishment	9	3
	<u>191</u>	<u>174</u>

Staff costs, including directors, during the year amounted to:

	2017 £(000)'s	2016 £(000)'s
Wages and salaries	9,436	8,912
Social security costs	1,094	968
Defined benefit pension costs (see note 7)	-	731
Defined contribution pension costs (see note 7)	688	306
	<u>11,218</u>	<u>10,917</u>

The Rolex Watch Company Limited

Notes to the accounts Year ended 31 December 2017

5. Employees (continued)

Directors' emoluments

	2017 £(000)'s	2016 £(000)'s
Emoluments	2,225	1,874

Directors' remuneration excluding pension scheme contributions

	2017 £(000)'s	2016 £(000)'s
Highest paid director	1,845	1,462

The total remuneration for key management personnel for the period totalled £2,290,380 (2016: £1,880,021), being remuneration disclosed as above of £2,224,566 (2016: £1,874,446) and pension costs for a money purchase scheme for two directors of £65,814 (2016: £5,575).

The highest paid director did not exercise any share options nor were any shares received by them under any long term incentive schemes.

6. Tax on profit.

Analysis of tax charge on profit.

	2017 £(000)'s	2016 £(000)'s
United Kingdom corporation tax at 19.25% (2016: 20.00%) based on the profit for the year	8,067	4,281
Adjustment in respect of prior years	7	(54)
Total Current Tax	8,074	4,227
Deferred tax		
Timing differences, origination and reversal	24	1,033
Prior year adjustment	-	2
Effective changes in tax rate	(3)	(266)
Total deferred tax	21	769
Total tax charge for the year	8,095	4,996

The Rolex Watch Company Limited

Notes to the accounts Year ended 31 December 2017

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:

	2017 £(000)'s	2016 £(000)'s
Profit on ordinary activities before tax	41,571	22,640
	8,002	4,528
Tax at 19.25% (2016: 20.00%) thereon:		
Expenses not deductible/(not taxable)	89	54
Effect change in tax rate	(3)	(266)
Timing difference	-	732
Prior year adjustments	7	(52)
Total tax charge for year	8,095	4,996

A potential deferred tax asset of £511,935 (2016: £536,842) has not been recognised in respect of capital losses as there is insufficient evidence that the asset will be recovered.

The standard rate of tax applied to reported profit on ordinary activities is 19.25% (2016 20.00%).

Pursuant to the Finance Act 2016 the main rate of UK corporation tax has been reduced to 19% with effect from 1 April 2017 and to 17% with effect from 1 April 2020. Existing timing differences on which deferred tax has been provided may therefore unwind in periods subject to these reduced rates.

The Rolex Watch Company Limited

Notes to the accounts Year ended 31 December 2017

7. Pension costs

The company operates one defined benefit scheme in the UK which offers both pensions in retirement and death benefits to members. The scheme was closed to future accrual on the 31st August 2016. Members earn benefits on a career average revalued earnings structure. A contribution of £500k was paid during 2017 bringing forwards the agreed contributions of £500k from April 2018. The expected contribution to be paid in 2018 is £500k with three further annual payments of £500k as agreed in the triennial valuation in April 2017. The total charge for the defined contribution scheme for the year was £688k (£306k in 2016).

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

	At 31 December 2017	At 31 December 2016
CARE revaluation rate	4.05%	4.05%
Discount rate	2.45%	2.60%
Inflation assumption	3.3%	3.3%
Rate of increase of pensions in payment	3.2%	3.2%
Assumed life expectancies on retirement at age 65 are:		
Males	21.9	22.2
Females	23.7	24.2

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

The analysis of the scheme assets at the balance sheet date were:

	31 December 2017 Value at £(000)'s	31 December 2016 Value at £(000)'s
Equities	19,903	25,464
Cash	1,194	2,464
Bonds	18,708	13,142
Fair value of plan assets	39,805	41,070
The actual return on assets over the period was	3,503	5,221
The amounts recognised in the balance sheet are as follows:		
Present value of scheme liabilities	(47,129)	(52,482)
Fair value of scheme assets	39,805	41,070
(Deficit) / restricted surplus before tax	(7,324)	(11,412)

The Rolex Watch Company Limited

Notes to the accounts Year ended 31 December 2017

7. Pension costs (continued)

	2017 £(000)'s	2016 £(000)'s
Reconciliation of opening and closing balances of the present value of the scheme liabilities		
Liabilities at beginning of year	52,482	39,214
Current service cost	-	731
Interest cost	1,296	1,466
Contributions by scheme participants	-	64
Actuarial (gain) / loss	(1,381)	16,907
Benefits paid	(5,268)	(5,900)
	<u>47,129</u>	<u>52,482</u>
Reconciliation of opening and closing balances of the fair value of scheme assets		
Fair value of scheme assets at beginning of year	41,070	39,542
Expected return on scheme assets	1,006	1,508
Actuarial gain	2,497	3,713
Contributions by employers	500	2,143
Contribution by scheme participants	-	64
Benefits paid	(5,268)	(5,900)
	<u>39,805</u>	<u>41,070</u>
Actuarial gains/(losses) amount included in the statement of comprehensive income	3,878	(13,194)
Analysis of the amount charged to operating profit	2017 £(000)'s	2016 £(000)'s
Current service cost	-	731
	<u>-</u>	<u>731</u>
Analysis of the amount charged to other finance expense	2017 £(000)'s	2016 £(000)'s
Expected return on pension scheme assets	1,006	1,508
Interest on pension scheme liabilities	(1,296)	(1,466)
	<u>(290)</u>	<u>42</u>

The Rolex Watch Company Limited

Notes to the accounts Year ended 31 December 2017

8. Tangible fixed assets

£(000)'s	Land and building	Short leasehold improvements	Motor vehicles	Plant and equipment	Total
Cost					
At 1 January 2017	32,990	6,441	139	6,097	45,667
Additions	288	22	-	221	531
Disposals	-	-	(15)	(13)	(28)
At 31 December 2017	33,278	6,463	124	6,305	46,170
Accumulated depreciation					
At 1 January 2017	3,230	6,176	70	4,216	13,692
Charge for the year	524	32	25	549	1,130
Disposals	-	-	(15)	(12)	(27)
At 31 December 2017	3,754	6,208	80	4,753	14,795
Net book value					
At 31 December 2016	29,760	265	69	1,881	31,975
At 31 December 2017	29,524	255	44	1,552	31,375

9. Stocks

	2017 £(000)'s	2016 £(000)'s
Repair materials	7,234	7,012
Finished goods and goods for resale	17,309	9,804
	24,543	16,816

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

10. Debtors

	2017 £(000)'s	2016 £(000)'s
Trade debtors	48,158	39,480
Other debtors	15	14
Prepayments and accrued income	1,134	1,127
Deferred tax asset due > 1 year	310	990
	49,617	41,611

The Rolex Watch Company Limited

Notes to the accounts Year ended 31 December 2017

11. Creditors: amounts falling due within one year

	2017 £(000)'s	2016 £(000)'s
Trade creditors	192	1,164
Amounts due to group companies *	22,941	16,115
Corporation tax	3,766	1,181
Other taxes and social security costs	7,541	6,169
Other creditors	185	185
Accruals and deferred income	4,030	2,443
	<u>38,655</u>	<u>27,257</u>

*payment terms are net 30 days and therefore considered at fair value

Deferred tax – creditors / (debtors)

	2017 £(000)'s	2016 £(000)'s
At 1 st January 2017	(990)	1,050
Tax charge	21	767
Prior year adjustment	-	2
Deferred tax (credit) in OCI for period	659	(2,809)
At 31 December 2017	<u>(310)</u>	<u>(990)</u>

	2017 £(000)'s	2016 £(000)'s
Capital allowances in excess of depreciation	935	950
Short term timing differences - trading	(1,245)	(1,940)
Provision for deferred tax	<u>(310)</u>	<u>(990)</u>

12. Called up share capital

	2017 £(000)'s	2016 £(000)'s
Authorised:		
120,000 ordinary shares of £1 each	<u>120</u>	<u>120</u>
Called up, allotted and fully paid		
120,000 ordinary shares of £1 each	<u>120</u>	<u>120</u>

13. Dividends on equity share

	2017 £(000)'s	2016 £(000)'s
Amounts recognised as distributions to equity holders in the period	<u>45,000</u>	<u>8,000</u>
120,000 ordinary shares at £375 per share		

The Rolex Watch Company Limited

Notes to the accounts Year ended 31 December 2017

14. Cash flow statement

	2017 £(000)'s	2016 £(000)'s
Operating profit	41,797	22,524
Depreciation	1,130	1,116
Gain on disposal of fixed assets	(3)	-
Operating cash flow before movement in working capital	42,924	23,640
(Increase)/decrease in stock	(7,727)	10,860
(Increase)/decrease in debtors	(8,686)	(825)
Increase/(decrease) in creditors	8,813	9,344
UK Taxation paid	(5,488)	(4,084)
Defined benefit pension costs - total operating charge	-	731
- Contributions paid	(500)	(2,143)
		13,883
Cash generated by operations	29,336	37,523

15. Financial commitments

Total future minimum lease payments under non-cancellable operating leases are as follows:

	Land and buildings	
	2017 £(000)'s	2016 £(000)'s
- One year	2,133	2,133
- Between one and five years	4,977	7,110
- after five years	-	-

The Rolex Watch Company Limited

Notes to the accounts

Year ended 31 December 2017

16. Related party transactions

Total transactions with subsidiaries of Rolex Holding SA amounted to cost of purchases and services provided of £270 million (2016: £206 million) during the year.

	2017 £ million	2016 £ million
Rolex SA	258	197
Roldeco SA	-	1
St James's Property Investment Limited	3	3
Tudor SA	9	5
Total	270	206
	2017 £(000)'s	2016 £(000)'s
Amounts due to fellow subsidiaries:		
Rolex SA	22,933	16,115
Rolex Promotions SA	8	-
Total	22,941	16,115

17. Ultimate holding company

The immediate holding company is Rolex Holding SA, a company incorporated in Switzerland, registered address at Rue Francois-Dussaud 3-5-7 CH-1211 Geneve 26. 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.