



Company Registration No. 00142138

The Rolex Watch Company Limited

Annual report and financial statements

For the year ended 31 December 2021





The Rolex Watch Company Limited

Report and financial statements 2021

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The Rolex Watch Company Limited

Annual Report and financial statements 2021

Officers and professional advisers

Directors

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

Company 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
United Kingdom



The Rolex Watch Company Limited

Strategic report

The directors present their strategic report for the year ended 31st December 2021.

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 12, the company's KPIs of turnover at £519.9m and operating profit at £91.6m increased over the prior year by 11% and 10% respectively. This was due to a combination of factors including improvements in mix, price, volume and an increase in the level marketing activity. Profit after tax increased by 9% from £67m to £73m. The Covid-19 pandemic has not had a significant impact upon the company's operating activities. Another donation, following the 2020 donation of £1.7m, was made in 2021 of £1.6m to the British Red Cross to support their aid campaign during the pandemic.

The balance sheet on page 14 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 £11m increase in stock, a £18m decrease in debtors and a creditor increase of £7m. The operating cash generated during the year of £86m was utilised to make dividend payments of £90m (prior year dividend payments £70m). Details of amounts owed to group companies are shown in note 17 on page 30. A provision of £5m for the net defined benefit pension scheme deficit was recognised, the deficit has reduced since last year by £7m as explained in note 7 on page 24.

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 directors believe the company is well placed to manage its business risks successfully despite the current uncertain economic outlook, in particular with the ongoing global covid-19 pandemic. We are closely monitoring the current and potential impacts of covid-19 on our commercial operations and supply chain, as we are the likely implications of the Governments withdrawal of the "VAT free shopping" capability for international visitors from 1st January 2021. No significant effect has been observed since this change although it's impact may be reduced by recent international travel restrictions.

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 directors are continuing to monitor any potential risk that may be posed by the UK's withdrawal from the EU. 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.



The Rolex Watch Company Limited

Strategic report

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 £17m of trade debtors (£26m in 2020) with no concerns on its recoverability, 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.

Tax Policy

The tax policy applies to The Rolex Watch Company Ltd and covers the approach it takes to managing UK tax affairs. The policy will be periodically reviewed by the Board, and was 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.



The Rolex Watch Company Limited

Strategic report

Environment

The company 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 company's activities.

During the financial period the Company has installed a number of electric vehicle charging points for its employees use in a drive to encourage the adoption of electric vehicles. In addition to this the company has amended its company car sourcing policy to only purchase pure electric cars, during the year a third of the fleet was changed to pure electric vehicles.

The Company has a Corporate Social Responsibility (CSR) team who actively undertake and implement strategies for behavioural change across the organisation as part of the Rolex "Perpetual Planet" ethos. During 2021 the CSR team have engaged with an external advisor to assess various initiatives that could be implemented in the future to improve the company's "carbon footprint".

SECR Statement

Energy Consumption		FY 2021	FY 2020	Variance
Scope 1: Combustion of fuel and operation of facilities.	Natural Gas (kWh)	228,620	245,059	-7%
	Direct Transport (kWh)	53,509	44,012	22%
	Total Scope 1 Energy (kWh)	282,129	289,071	-2%
Scope 2: Electricity purchased.	Total Electricity (kWh)	943,025	969,823	-3%
Scope 3: Indirect emissions.	Indirect Transport (kWh)	58,367	39,008	50%
Total Scope 1, 2 and 3 Energy Consumption (kWh)		1,283,521	1,297,901	-1%

Emissions Assessment		FY 2021	FY 2020	Variance
Scope 1: Combustion of fuel and operation of facilities.	Natural Gas (tCO ₂ e)	45.1	45.1	-7%
	Direct Transport (tCO ₂ e)	12.7	10.6	20%
	Total Scope 1 - tCO ₂ e	54.5	55.6	-2%
Scope 2: Electricity purchased and heat and steam	Location Based (LB) (tCO ₂ e)	200.2	226.1	-11%
	Market Based (MB) (tCO ₂ e)	35.8	31.4	14%
Scope 3: Combustion of fuel	Employee Owned Vehicle Emissions (tCO ₂ e)	14.6	9.4	56%
Total Scope 1, 2 (LB) and 3 Emissions (tCO ₂ e)		269.4	291.1	-7%

Intensity Metric Assessment		FY 2021	FY 2020	Variance
Intensity Ratio (Scope 1-3)	tCO ₂ e/m ² Floor Area	0.042	0.045	-7%

Emissions Sources: Natural gas, fuel for transport; and electricity used by the company. There were no refrigerant leaks during FY 2021.

Exclusions: No mandatory emissions have been excluded from this report

Emissions Factors: DEFRA 2021 covering the FY 2021.

Estimations: 0% of the energy data (kWh) and 0% of the emissions data (tCO₂e) are based on extrapolated values.

Methodology: This report is aligned with the GHG Protocol and Environmental Reporting Guidelines including streamlined energy and carbon reporting guidance.

Scope of Emission Included in the Report. Electricity, Natural Gas, Direct Transport and Indirect Transport.



The Rolex Watch Company Limited

Strategic report

Estimations: 11% of emissions have been estimated in order that the report can be produced within required timescales. All estimations have been carried out using approved pro-rata calculation methodologies from known consumption figures.

Section 172 statement on customer, supplier and employee relationships

In the decisions taken during the year ended 31 December 2021 the directors have always acted in good faith and in a way that they consider would be most likely to promote the success of the company. In making decisions concerning the business, the directors have considered a variety of matters including the interest of various stakeholders, the consequences of their decisions in the short and long term and the overarching reputation of the company.

Customers - The Company maintains strong and long-standing partnerships with its luxury watch and jewellery retail customers. It supports them in their investment in store environments, staff training and marketing initiatives to ensure that the client experience is reflective of the prestige of its brands. The company continually reviews the retailer outlets and to this end a number of official retailer outlets have been opened, refurbished and closed during the year.

Suppliers – Our principal suppliers are group companies but we also maintain excellent relationships with our third party suppliers and contractors to deliver the highest standard of service expected of our brands.

Employees – The Company's employees are considered to be its most important asset. The company invests in ongoing training programs in product, skills and systems to ensure that staff build on their capabilities. Internal communications have been enhanced through the introduction of the Company's intranet site to ensure that all employees remain informed about the business and its relationship with other stakeholders.

Details of the number of employees and related costs can be found in note 5 to the financial statements on page 21.

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

D A Parker. Director 14th February 2022



The Rolex Watch Company Limited

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31st December 2021.

Directors

The directors confirm that there was no third party indemnity provision for the benefit of its directors 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 D Parker retires by rotation and, being eligible, offers himself for re-election in 2022.

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.

Financial risk management, policies and objectives - Please refer to the strategic report on pages 2 and 3 for these details.

Customer, supplier and employee relationships : Please refer to the strategic report on page 5 for these details.

Future developments: Please refer to the strategic report on page 2 for these details.

Dividend Payments

A final dividend of £50m was paid to the shareholder during the year, along with an interim dividend of £40m for 2021. The final dividend paid during 2020 was £30m along with an interim dividend of £40m for 2020. No further dividend has been proposed.

Going concern

The directors have performed a going concern assessment taking into account the impact of Covid-19 and considered downside scenarios. On reviewing the assets of the company and forecasts they consider that sufficient resources are available to meet liabilities as they fall due for a period of 12 months from signing the financial statements and therefore the accounts are prepared on a going concern 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 14th February 2022



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 judgements 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 of The Rolex Watch Company Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2021 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 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 18.

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 Financial Reporting Council's (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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.



The Rolex Watch Company Limited

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 this regard.

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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory framework that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act, HMRC tax legislation and pensions legislation; and



The Rolex Watch Company Limited

- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included employment law and the Health and Safety at Work Act.

We discussed among the audit engagement team including relevant internal specialists such as pensions and IT regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following area, and our specific procedures performed to address it are described below:

- Manual adjustments to revenue: we tested the design and implementation of controls in place to mitigate the risk of material misstatement; and we tested the appropriateness of manual journal entries to revenue, assessing whether the entries showed sensible business rationale and were not indicative of fraud.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and external legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

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.



The Rolex Watch Company Limited

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.

Helen Burridge

Helen Burridge (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
18 February 2022



The Rolex Watch Company Limited

Profit and loss account For the year ended 31 December 2021

	Notes	£(000)'s	2021 £(000)'s	£(000)'s	2020 £(000)'s
Turnover	2		519,883		468,080
Cost of sales			(394,235)		(356,036)
Gross profit			125,648		112,044
Distribution costs		(17,070)		(12,094)	
Administrative expenses		(17,019)		(16,768)	
			(34,089)		(28,862)
Operating profit			91,559		83,182
Interest receivable and similar income		12		47	
Interest payable and similar expense	3	(144)		(119)	
Net Interest expense			(132)		(72)
Profit before taxation	4		91,427		83,110
Tax on profit	6		(18,215)		(16,100)
Profit for the financial year attributable to the equity shareholders of the Company			73,212		67,010

All activities above are from continuing operations.

The notes on pages 17 to 30 form part of these financial statements.



The Rolex Watch Company Limited

Statement of comprehensive income For the year ended 31 December 2021

	Notes	2021 £(000)'s	2020 £(000)'s
Profit for the financial year		73,212	67,010
Actuarial gain/(loss) on defined benefit pension scheme	7	5,140	(5,844)
Tax relating to components of other comprehensive (gains) / losses	10	(239)	1,342
Total comprehensive income for the period		78,113	62,508

The notes on pages 17 to 30 form part of these financial statements



The Rolex Watch Company Limited

Balance sheet as at 31 December 2021

	Notes	2021 £(000)'s	2020 £(000)'s
Fixed assets			
Tangible assets	8	34,350	35,584
Current assets			
Stocks	9	35,817	25,109
Debtors	10	38,509	56,292
Cash at bank and in hand		32,068	36,027
		<u>106,394</u>	<u>117,428</u>
Creditors: amounts falling due within one year	11	<u>(47,298)</u>	<u>(40,762)</u>
Net current assets		<u>59,096</u>	<u>76,666</u>
Total assets less current liabilities		<u>93,446</u>	<u>112,250</u>
Provision for liabilities	12	<u>(6,247)</u>	<u>(13,164)</u>
Net assets		<u>87,199</u>	<u>99,086</u>
Capital and reserves			
Called up share capital	13	120	120
Share premium account		445	445
Profit and loss account		<u>86,634</u>	<u>98,521</u>
Shareholders' funds		<u>87,199</u>	<u>99,086</u>

The notes on pages 17 to 30 form part of these financial statements

The financial statements of The Rolex Watch Company Limited, registered number 00142138, were approved by the Board of Directors and authorised for issue on 14th February 2022.

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 For the year ended 31 December 2021

	Notes	Called up share capital £(000)'s	Share premium account £(000)'s	Profit and loss account £(000)'s	Total £(000)'s
At 31st December 2019		120	445	106,013	106,578
Profit for the financial year		-	-	67,010	67,010
Actuarial loss on defined benefit pension scheme	7	-	-	(5,844)	(5,844)
Tax relating to other comprehensive losses		-	-	1,342	1,342
Total Comprehensive income		-	-	62,508	62,508
Dividends paid on equity shares	14	-	-	(70,000)	(70,000)
At 31st December 2020		120	445	98,521	99,086
Profit for the financial year		-	-	73,212	73,212
Actuarial gain on defined benefit pension scheme	7	-	-	5,140	5,140
Tax relating to other comprehensive gains		-	-	(239)	(239)
Total Comprehensive income		-	-	176,634	177,199
Dividends paid on equity shares	14	-	-	(90,000)	(90,000)
At 31st December 2021		120	445	86,634	87,199



The Rolex Watch Company Limited

Cash flow statement

For the year ended 31 December 2021

	Note	£(000)'s	2021 £(000)'s	£(000)'s	2020 £(000)'s
Net cash inflow from operating activities	15		<u>86,436</u>		<u>75,085</u>
Cash flows from investing activities					
Interest received		12		47	
Proceeds from the sale of fixed assets		19		13	
Purchase of fixed assets		(426)		(6,379)	
Net cash used in investing activities			<u>(395)</u>		<u>(6,319)</u>
Cash flows from financing activities					
Dividends paid		(90,000)		(70,000)	
Net cash flows used in financing activities			<u>(90,000)</u>		<u>(70,000)</u>
Net (decrease) in cash and cash equivalents			<u>(3,959)</u>		<u>(1,234)</u>
Cash and cash equivalents at the beginning of the year			<u>36,027</u>		<u>37,261</u>
Cash and cash equivalents at the end of the year			<u>32,068</u>		<u>36,027</u>



The Rolex Watch Company Limited

Notes to the financial statements For the year ended 31 December 2021

1. Significant accounting policies

General information and basis of preparation

The Rolex Watch Company Limited is a private company, limited by shares and is incorporated in the United Kingdom and registered in England and Wales under the Companies Act 2006. 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 to 5. The financial statements have been prepared under the historical cost convention and 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 financial position are set out in the Strategic Report. This includes the risks created by Covid 19, 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 £32m.

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 for at least 12 months from the date of approval of this report.

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	Infinite
Short Leasehold improvements	10 years
Plant and equipment	3 to 10 years
Motor vehicles	3 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 financial statements For the year ended 31 December 2021

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 recognised on final completion of those services and revenue for finished goods is recognised 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 financial statements For the year ended 31 December 2021

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.

Objective evidence of impairment could include

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

Financial instruments

Financial assets and financial liabilities are recognised in the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the company are recognised at the proceeds received, net of direct issue costs.

All financial assets and liabilities are initially measured at fair value, which is deemed to be equal to the transaction price (including transaction costs). All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are originally measured at fair value, plus transaction costs.

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.



The Rolex Watch Company Limited

Notes to the financial statements For the year ended 31 December 2021

1. Significant accounting policies (continued)

Financial liabilities are derecognised when, and only when, the Company's obligation specified in the contract are discharged, cancelled or they expire.

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 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 sources of estimation uncertainty

Key estimates are relating to assumptions used to value the pension liability and are detailed in Note 7. The sensitivities on these assumptions are as follows, a decrease in the discount rate of 0.5% would increase the liability by £6.5m, an increase in the inflation rate of 0.5% would increase the liability by £5.2m and an increase in the life expectancy of 1 year would increase the liability by £2.2m.

2. Turnover by geographical segment

	2021 £(000)'s	2020 £(000)'s
United Kingdom	508,891	459,575
Rest of World	10,992	8,505
	<u>519,883</u>	<u>468,080</u>

An analysis of the Company's turnover is as follows

	2021 £(000)'s	2020 £(000)'s
Sale of goods	507,728	457,258
Sale of services	12,155	10,822
	<u>519,883</u>	<u>468,080</u>



The Rolex Watch Company Limited

Notes to the financial statements For the year ended 31 December 2021

3. Other finance (expense)

	2021 £(000)'s	2020 £(000)'s
Net interest on defined benefit liability	(144)	(119)

4. Profit before taxation

	2021 £(000)'s	2020 £(000)'s
Profit before taxation is stated after charging/(crediting):		
Operating lease rentals	2,111	2,276
Depreciation	1,657	1,428
(Gain) on disposal of fixed assets	(16)	(12)
Movement in stock provision recognised as an expense	469	(34)
Foreign exchange (gain)/loss	(620)	4,109
Auditor's remuneration:		
Fees payable to company's auditor for audit of the company's financial statement	97	79
Other services –general taxation advice	48	40

5. Employees

The average number of employees including directors during the year was 197 (2020: 203) made up as follows:

	2021 No.	2020 No.
Production	111	111
Administration and management	51	54
Distribution and sales	26	25
Establishment	9	13
	197	203

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

	2021 £(000)'s	2020 £(000)'s
Wages and salaries	11,051	10,957
Social security costs	1,303	1,290
Defined contribution pension costs (see note 7)	735	755
	13,089	13,002



The Rolex Watch Company Limited

Notes to the financial statements For the year ended 31 December 2021

5. Employees (continued)

Directors' emoluments

	2021 £(000)'s	2020 £(000)'s
Emoluments	2,862	2,753
Directors' remuneration excluding pension scheme contributions		
	2021 £(000)'s	2020 £(000)'s
Highest paid director	2,445	2,365

The total remuneration for key management personnel for the period totalled £2,884,832 (2020: £2,786,288), being remuneration disclosed as above of £2,862,137 (2020: £2,752,591) and pension costs for a money purchase scheme for two directors of £22,695 (2020: two directors £33,697).

The highest paid director did not exercise any share options nor were any shares received by them under any long term incentive schemes. The highest paid director received pension contributions into a money purchase scheme of £4,000 (2020: £6,500)

6. Tax on profit

Analysis of tax charge on profit

	2021 £(000)'s	2020 £(000)'s
United Kingdom corporation tax at 19.00% (2020:19.00%) based on the profit for the year	17,332	15,795
Adjustment in respect of prior years	(85)	(38)
Total current tax	17,247	15,757
Deferred tax		
Timing differences, origination and reversal	119	126
Adjustments in respect of previous periods	64	-
Effective changes in tax rate	785	217
Total deferred tax	968	343
Total tax charge for the year	18,215	16,100



The Rolex Watch Company Limited

Notes to the financial statements For the year ended 31 December 2021

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:

	2021 £(000)'s	2020 £(000)'s
Profit before tax	91,428	83,110
	<u>17,369</u>	<u>15,848</u>
Tax at 19.00% (2020: 19.07%) thereon:		
Expenses not deductible	82	73
Adjustments from previous periods	(21)	(38)
Effect of change in tax rate	<u>785</u>	<u>217</u>
Total tax charge for year	<u>18,215</u>	<u>16,100</u>

A potential deferred tax asset of £752,846 (2020: 572,163) 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 19.00% (2020 19%).
In the March 2021 Budget the UK Government announced that legislation will be introduced in Finance Bill 2021 to increase the main rate of UK corporation tax from 19% to 25%, effective 1 April 2023.

As the changes have been substantively enacted at the balance sheet date, the deferred tax balances as at 31 December 2021 have been measured at a rate of 25% unless the asset/liability is expected to unwind before 1 April 2023 in which case 19% is used.



The Rolex Watch Company Limited

Notes to the financial statements For the year ended 31 December 2021

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 £2m was paid during 2021. The expected contribution to be paid in 2022 is £2m, with further annual payments of £2m in 2023 and 2024 as agreed in the triennial valuation in April 2020. The total charge for the defined contribution scheme for the year was £735k (£755k in 2020) all paid within the period.

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

	At 31 December 2021	At 31 December 2020
CARE revaluation rate	4.15%	3.75%
Discount rate	1.9%	1.4%
Inflation assumption	3.4%	3.0%
Rate of increase of pensions in payment	3.3%	2.9%
Assumed life expectancies on retirement at age 65 are:		
Males	22.0	21.9
Females	24.3	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 2021 Value at £(000)'s	31 December 2020 Value at £(000)'s
Equities	20,171	19,955
Cash	1,071	887
Bonds	27,406	23,502
Fair value of plan assets	48,648	44,344
The actual return on assets over the period was	3,931	3,245
The amounts recognised in the balance sheet are as follows:		
Present value of scheme liabilities	(53,321)	(56,013)
Fair value of scheme assets	48,648	44,344
(Deficit) / restricted surplus before tax	(4,673)	(11,669)



The Rolex Watch Company Limited

Notes to the financial statements For the year ended 31 December 2021

7. Pension costs (continued)

	2021 £(000)'s	2020 £(000)'s
Reconciliation of opening and closing balances of the present value of the scheme liabilities		
Liabilities at beginning of year	56,013	47,965
Interest cost	745	948
Actuarial (Gain)/loss	(1,810)	8,260
Benefits paid	(1,627)	(1,160)
Liabilities at end of year	<u>53,321</u>	<u>56,013</u>
Reconciliation of opening and closing balances of the fair value of scheme assets		
Fair value of scheme assets at the beginning of the year	44,344	41,759
Expected return on scheme assets	601	829
Actuarial gain	3,330	2,416
Contributions by employers	2,000	500
Benefits paid	(1,627)	(1,160)
Fair value of scheme assets at the end of the year	<u>48,648</u>	<u>44,344</u>
Actuarial gains/(losses) amount included in the statement of comprehensive income	<u>5,140</u>	<u>(5,844)</u>
Analysis of the amount charged to other finance expense		
Expected return on pension scheme assets	601	829
Interest on pension scheme liabilities	(745)	(948)
Net (charge)	<u>(144)</u>	<u>(119)</u>



The Rolex Watch Company Limited

Notes to the financial statements For the year ended 31 December 2021

8. Tangible fixed assets

£(000)'s	Freehold land and building	Short leasehold improvements	Motor vehicles	Plant and equipment	Total
Cost					
At 1 January 2021	33,696	5,506	110	7,443	46,755
Additions	-	10	44	372	426
Disposals	-	-	(31)	(7)	(38)
At 31 December 2021	33,696	5,516	123	7,808	47,143
Accumulated depreciation					
At 1 January 2021	4,904	806	81	5,380	11,171
Charge for the year	1,075	47	23	512	1,657
Disposals	-	-	(31)	(4)	(35)
At 31 December 2021	5,979	853	73	5,888	12,793
Net book value					
At 31 December 2020	28,792	4,700	29	2,063	35,584
At 31 December 2021	27,717	4,663	50	1,920	34,350

9. Stocks

	2021 £(000)'s	2020 £(000)'s
Repair materials	8,020	7,199
Finished goods and goods for resale	27,797	17,910
	35,817	25,109

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

10. Debtors

	2021 £(000)'s	2020 £(000)'s
Trade debtors	36,981	51,606
Other debtors	8	14
Corporation tax	94	341
Prepayments and accrued income	1,426	3,209
Deferred tax asset due > 1 year	-	1,122
	38,509	56,292



The Rolex Watch Company Limited

Notes to the financial statements For the year ended 31 December 2021

Deferred tax – (creditor)

	2021 £(000)'s	2020 £(000)'s
At 1 st January	(1,122)	(123)
Adjustment in respect of prior years	64	343
Tax charge	904	-
Deferred tax charge /(credit) in OCI for period	239	(1,342)
At 31 st December	85	(1,122)

	2021 £(000)'s	2020 £(000)'s
Capital allowances in excess of depreciation	1,460	1,095
Short term timing differences - trading	(1,375)	(2,217)
Provision for deferred tax	85	(1,122)

	2021 £(000)'s	2020 £(000)'s
Deferred tax (assets)	(1,375)	(2,217)

	2021 £(000)'s	2020 £(000)'s
Deferred tax liabilities	1,460	1,095

11. Creditors: amounts falling due within one year

	2021 £(000)'s	2020 £(000)'s
Trade creditors	1,216	241
Amounts due to parent company *	26,944	26,228
Amounts due to other group companies *	70	46
Deferred tax liability due	85	-
Other taxes and social security costs	15,890	10,623
Accruals and deferred income	3,093	3,624
	47,298	40,762

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



The Rolex Watch Company Limited

Notes to the financial statements For the year ended 31 December 2021

12. Provision for liabilities

		2021 £(000)'s	2020 £(000)'s
	Note		
Sales warranty opening provision at 1 st January		(1,495)	(185)
Charged to profit and loss account		(79)	(1,310)
Sales warranty closing provision at 31 st December		(1,574)	(1,495)
Net defined benefit scheme deficit	7	(4,673)	(11,669)
		<u>(6,247)</u>	<u>(13,164)</u>

13. Called up share capital

	2021 £(000)'s	2020 £(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>

14. Dividends on equity share

	2021 £(000)'s	2020 £(000)'s
Amounts recognised as distributions to equity holders in the period	<u>90,000</u>	<u>70,000</u>
120,000 ordinary shares at £750 per share in 2021 and £583 in 2020.		



The Rolex Watch Company Limited

Notes to the financial statements For the year ended 31 December 2021

15. Net cash inflow from operating activities

	2021	2020
£(000)'s	£(000)'s	£(000)'s
Operating profit	91,559	83,182
Depreciation	1,657	1,428
(Gain) on disposal of fixed assets	(16)	(12)
Operating cash flow before movement in working capital	93,200	84,598
(Increase)/Decrease in stock	(10,708)	19,246
Decrease/(Increase) in debtors	16,414	(14,661)
Increase in creditors	6,451	7,365
Increase in watch sales warranty provision	79	1,310
UK Taxation paid	(17,000)	(22,543)
Defined benefit pension costs - total operating charge		
- Contributions paid	(2,000)	(500)
	(6,764)	(9,513)
Net cash inflow from operating activities	86,436	75,085

16. Financial commitments

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

	Land and buildings	
	2021	2020
	£(000)'s	£(000)'s
- One year	1,490	751
- Between one and five years	5,960	-
- after five years	14,029	-



The Rolex Watch Company Limited

Notes to the financial statements For the year ended 31 December 2021

17. Related party transactions

Total transactions with subsidiaries of Rolex Holding SA amounted to cost of purchases and services provided of £405 million (2020: £333 million) during the year. Invoices are paid at the end of the month after invoice and remain unsecured.

	2021 £ million	2020 £ million
Rolex SA	376	307
St James's Property Investment Limited	3	3
Rolex Promotions SA	1	0
Montres Tudor SA	25	23
Total	405	333
	2021 £(000)'s	2020 £(000)'s
Amounts due to fellow subsidiaries:		
Rolex SA	26,944	26,228
St James's Property Investment Ltd	40	46
Rolex Hong Kong Ltd	30	-
Total	27,014	26,274

18. Ultimate holding company

The direct parent company at the balance sheet dates was Rolex Holding SA, a company incorporated in Switzerland, registered address at Rue Francois-Dussaud 3-5-7 CH-1211 Geneva 26. The ultimate parent entity is Fondation Hans Wilsdorf, a foundation registered in Switzerland. The consolidation of the results of the smallest and largest group is performed by delegation by ROLEX SA, a company incorporated in Switzerland, registered address at Rue Francois-Dussaud 3-5-7 CH-1211 Geneva 26.