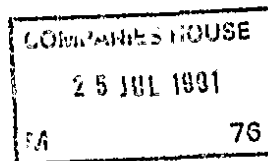




THE ROLEX WATCH COMPANY LIMITED

REPORT AND ACCOUNTS

31ST JANUARY 1991



Registered in London Number 142138



THE ROLEX WATCH COMPANY LIMITED

REPORT OF THE DIRECTORS

Directors

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

The directors submit their report together with the audited accounts of the company for the year ended 31st January 1991.

Financial results and dividends

Profit on ordinary activities after tax	5,093,448
Ordinary dividend - interim paid	360,000
	<hr/>
Retained profit for the year	£4,733,448
	<hr/>

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

Review of the business

The principal activity of the company during the year remained the wholesaling and servicing of watches.

Turnover has increased by 9% to £40,832,976 during the year.

Events since the end of the year and future developments

The directors are not aware of any exceptional events in the current financial year and are pleased to record that sales are in line with last year.

Fixed assets

During the year the development and fitting out of the new London office continued. This office will provide a vastly improved London Reception and additional watch repairing facilities. A proportion of the building will be let to suitable tenants.

The company has spent £2,529,205 on further development of this building during the year.

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

The company spent a further £1,375,441 on fixed assets other than freehold land and buildings during the year.



THE ROLEX WATCH COMPANY LIMITED

REPORT OF THE DIRECTORS

Directors

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

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

Political and charitable donations

During the year the company made the following contributions:

Charitable contributions	£4,088 (1990: £3,745)
Political contributions	£ Nil (1990: £ Nil)

Auditors

A resolution will be submitted at the forthcoming annual general meeting that BDO Binder Hamlyn, Chartered Accountants, be re-appointed as auditors.

By order of the board

G.E.Richards

Secretary

11th April 1991



THE ROLEX WATCH COMPANY LIMITED

REPORT OF THE AUDITORS

to the members of The Rolex Watch Company Limited

We have audited the financial statements on pages 4 to 11 in accordance with Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31st January 1991 and of its profit and source and application of funds for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

B D O Binsie Hanley

Chartered Accountants

London

11 April 1991



THE ROLEX WATCH COMPANY LIMITED

PROFIT AND LOSS ACCOUNT

for the year ended 31st January 1991

	Notes	1991	1990
Turnover	2	40,832,976	37,441,938
Cost of sales		29,571,330	27,433,789
Gross profit		11,261,646	10,008,149
Distribution costs	2,218,033		2,085,950
Administration expenses	1,488,674		1,309,943
		3,706,707	3,395,893
Operating profit	3	7,554,939	6,612,256
Interest receivable		185,874	207,643
Profit on ordinary activities before tax		7,740,813	6,819,899
Tax on profit on ordinary activities	6	2,647,365	2,422,770
Profit on ordinary activities after tax		5,093,448	4,397,129
Dividends	7	360,000	480,000
Retained profit for the year		£4,733,448	£3,917,129

STATEMENT OF RETAINED PROFITS

Retained profits brought forward		14,618,327	10,695,201
Retained profit for the year		4,733,448	3,917,129
Amortisation of revaluation surplus	14	5,998	5,997
Retained profit carried forward		£19,357,773	£14,618,327



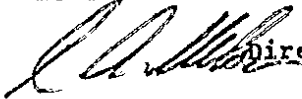
THE ROLEX WATCH COMPANY LIMITED

BALANCE SHEET
31st January 1991

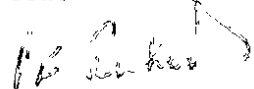
	Notes	1991	1990
Fixed assets			
Tangible assets	8	14,003,545	10,308,838
Current assets			
Stocks	9	4,755,973	1,587,801
Debtors	10	7,737,975	7,356,736
Cash at bank and in hand		1,192,302	580,698
		<u>13,686,250</u>	<u>9,525,235</u>
Creditors: amounts falling due within one year	11	7,117,222	4,179,948
		<u>6,569,028</u>	<u>5,345,287</u>
Net current assets			
		<u>20,572,573</u>	<u>15,654,125</u>
Total assets less current liabilities			
Provisions for liabilities and charges	12	470,000	285,000
		<u>£20,102,573</u>	<u>£15,369,125</u>
Capital and reserves			
Called up share capital	13	120,000	120,000
Share premium account		444,900	444,900
Revaluation reserve	14	179,900	185,898
Profit and loss account		19,357,773	14,618,327
		<u>£20,102,573</u>	<u>£15,369,125</u>

Approved by the board on 11th April 1991

J.A. Nelson

 Directors

G.E. Richards





THE ROLEX WATCH COMPANY LIMITED

**STATEMENT OF SOURCE AND APPLICATION OF FUNDS
for the year ended 31st January 1991**

	1991	1990
Profit on ordinary activities before tax	7,740,813	6,819,899
Adjustments to profit		
Depreciation	191,489	178,067
(Profit) on disposal of fixed assets	(2,844)	(12,138)
	<u>188,645</u>	<u>165,929</u>
Funds generated from trading operations	7,929,458	6,985,828
Funds from other sources		
Proceeds of disposals of fixed assets	21,294	17,754
	<u>21,294</u>	<u>17,754</u>
Total funds generated	7,950,752	7,003,582
Use of funds		
Dividends paid	360,000	680,000
Purchase of fixed assets	3,904,676	9,354,032
Tax paid	2,241,096	1,974,760
	<u>6,505,772</u>	<u>11,778,792</u>
Increase/(decrease) in working capital	1,445,000	(4,775,210)
Increase/(decrease) in stock	3,168,172	(1,364,103)
Increase/(decrease) in debtors	381,239	(212,913)
(Increase)/decrease in creditors	(2,716,007)	387,781
	<u>833,404</u>	<u>(1,189,235)</u>
Increase/(decrease) in cash balances	£611,604	£(8,505,901)



THE ROLEX WATCH COMPANY LIMITED

NOTES TO THE ACCOUNTS

I Accounting policies

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

(a) Basis of accounting

The accounts are prepared in accordance with applicable Accounting Standards under the historical cost convention as modified to include the revaluation of freehold land and buildings.

(b) Depreciation

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

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

(c) Stocks

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

(d) Foreign currencies

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

(e) Deferred taxation

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

(f) Pension costs

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

Company costs relating to the scheme are charged to the profit and loss account so as to spread the cost of pensions over the members' estimated working lives with the company, in accordance with Statement of Standard Accounting Practice No 24 "Accounting for Pension Costs".

Variations from the regular cost are spread over the average remaining service lives of current employees.



THE ROLEX WATCH COMPANY LIMITED

NOTES TO THE ACCOUNTS
continued

2 Turnover

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

3 Operating profit is stated after charging	1991	1990
Depreciation	191,489	178,067
Profit on disposal of fixed assets	2,844	12,138
Directors' emoluments (note 4)		
as executives	266,386	238,200
pension scheme contributions	22,625	24,875
Auditors' remuneration	17,000	15,500

4 Directors' remuneration excluding pension contributions

Highest paid director	<u>£221,991</u>	<u>£204,827</u>
Numbers		
£ 0 - £ 5,000	1	1
£ 30,001 - £ 35,000	-	1
£ 40,001 - £ 45,000	1	-
£200,001 - £205,000	-	1
£220,001 - £225,000	1	-

5 Employees

The average number of employees during the year was 89 made up as follows:

Production	37	36
Administration and management	29	30
Distribution and sales	18	18
Establishment	5	4
	<u>89</u>	<u>88</u>

Staff costs during the year amounted to:

Wages and salaries	1,330,400	1,185,363
Social security costs	106,468	91,940
Other pension costs	145,152	131,138
	<u>£1,582,020</u>	<u>£1,408,441</u>

6 Tax

Corporation tax at 34.2% (1990 35%) based on the adjusted profit for the year	2,462,365	2,199,600
Deferred tax	185,000	195,000
Adjustment to prior years	-	28,770
	<u>£2,647,365</u>	<u>£2,422,770</u>

7 Dividends

Interim paid 300% (1990 400%)	<u>£360,000</u>	<u>£480,000</u>
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THE ROLEX WATCH COMPANY LIMITED

NOTES TO THE ACCOUNTS
continued

8 Tangible fixed assets

	Freehold property	Motor vehicles	Plant & equipment	Total
Cost or valuation				
1st February 1990	9,433,692	97,039	1,249,984	10,780,715
Additions	2,529,205	57,880	1,317,561	3,904,646
Disposals	-	47,660	46,502	94,162
31st January 1991	<u>11,962,897</u>	<u>107,259</u>	<u>2,521,043</u>	<u>14,591,199</u>
Accumulated depreciation				
1st February 1990	28,790	32,826	410,261	471,877
Charge for the year	14,395	24,298	152,796	191,489
Disposals	-	29,885	45,827	75,712
31st January 1991	<u>43,185</u>	<u>27,239</u>	<u>517,230</u>	<u>587,654</u>
Net book amount				
31st January 1991	<u>£11,919,712</u>	<u>£80,020</u>	<u>£2,003,813</u>	<u>£14,003,545</u>
1st February 1990	<u>£9,404,902</u>	<u>£64,213</u>	<u>£839,723</u>	<u>£10,308,838</u>

Included in tangible fixed assets are costs of £11,487,897 in respect of freehold property and £1,487,372 of plant and equipment relating to a property in the course of construction. No depreciation has been charged as the property has yet to be completed and occupied.

Freehold property includes a property at a valuation made in 1988 at £475,000.

Historical cost at 1st February 1990 and 31st January 1991 £277,108

Depreciation based on cost at 1st February 1990 16,794
Charge for year 8,397

Depreciation based on cost at 31st January 1991 £25,191

Net historical cost value

31st January 1991 £251,917

1st February 1990 £260,314



THE ROLEX WATCH COMPANY LIMITED

NOTES TO THE ACCOUNTS
continued

	1991	1990
9 Stocks		
Repair materials	386,898	390,053
Finished goods and goods for resale	4,369,075	1,197,748
	<u>£4,755,973</u>	<u>£1,587,801</u>
10 Debtors		
Trade debtors	7,712,225	7,324,275
Other debtors	8,912	9,046
Prepayments and accrued income	16,838	23,415
	<u>£7,737,975</u>	<u>£7,356,736</u>
11 Creditors		
Amounts falling due within one year:		
Payments received on account	26,870	25,517
Trade creditors	446,303	321,408
Amounts due to group companies	3,434,119	1,224,510
Corporation tax	2,370,000	2,148,733
Other taxes and social security costs	495,656	116,700
Directors' current accounts	339	350
Other creditors	185,072	185,470
Accruals and deferred income	158,863	157,260
	<u>£7,117,222</u>	<u>£4,179,948</u>
12 Provisions for liabilities and charges		
Deferred taxation provided in the accounts and the potential liability are as follows:		
Capital allowances	<u>470,000</u>	<u>285,000</u>
1st February 1990	285,000	
Transfer from profit and loss account	<u>185,000</u>	
31st January 1991	<u>£470,000</u>	



THE ROLEX WATCH COMPANY LIMITED

NOTES TO THE ACCOUNTS
continued

	1991	1990
13 Share capital		
Ordinary shares of £1 each		
Number authorised	120,000	120,000
Allotted, issued and fully paid	<u>£120,000</u>	<u>£120,000</u>
14 Revaluation reserve		
1st February 1990	185,898	163,895
Amortisation for the year	(5,998)	(5,997)
Release of taxation on revaluation surplus	-	28,000
	<u>£179,900</u>	<u>£185,898</u>
15 Capital commitments		
Expenditure not provided in these accounts: authorised and contracted for	£ -	£1,275,000

16 Pension costs

The company operates a defined benefit scheme. The funds of the scheme are administered by Trustees and are separate from the company.

A complete valuation of the scheme is undertaken by independent qualified actuaries at least every three years, and the annual contributions to the scheme are paid in accordance with their recommendations to secure the benefits set out in the rules of the scheme and the periodic augmentation of current pensions.

The total pension costs charged to these accounts amounted to £145,151, being the employers' contribution to the scheme.

The most recent actuarial valuation of the scheme was undertaken as at 6th April 1988 using the projected unit method.

The assumptions which have the most significant effect on the results of the valuation are the rate current salaries and pensions will increase and the return the scheme will earn on its assets. It has been assumed that salaries will increase by 7.5% per annum and that the scheme's investments will earn 9.0% per annum.

As at 6th April 1990 the market value of the scheme's assets was £2,860,000. The actuarial value of these assets was sufficient to cover 105% of the benefits that had accrued to members after allowing for expected future increases in earnings.

17 Ultimate holding company

The ultimate holding company is Rolex Holding, a company incorporated in Switzerland.