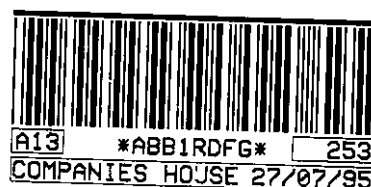




THE ROLEX WATCH COMPANY LIMITED
REPORT AND ACCOUNTS
31ST JANUARY 1995

Registered in London Number 142138





THE ROLEX WATCH COMPANY LIMITED

REPORT OF THE DIRECTORS

Directors

R. V. Maingot (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 1995.

Financial results and dividends

Profit on ordinary activities after tax	5,441,319
Ordinary dividend - interims paid	<u>3,000,000</u>
Retained profit for the year transferred to reserves	<u>£2,441,319</u>

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 increased by 11% to £54,894,980 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

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

The company spent £608,080 on fixed assets during the year.



THE ROLEX WATCH COMPANY LIMITED

REPORT OF THE DIRECTORS

Directors

The directors to date have had 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	£2,808 (1994: £3,649)
Political contributions	£ Nil (1994: £ Nil)

Statement of Directors' Responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss for that period. In preparing those financial statements, the directors are required to :-

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable 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 maintaining proper accounting records which 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 1985. 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.

Auditors

On 1 October 1994 our auditors, BDO Binder Hamlyn, joined the Arthur Andersen worldwide organisation and now practise in the name, Binder Hamlyn. They have signed their audit report in their new name. In accordance with Section 385 of the Companies Act 1985, a resolution proposing that Binder Hamlyn be re-appointed as auditors of the company will be put to the Annual General Meeting.

By order of the board

G. E. Richards

Secretary

25th April 1995



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 which have been prepared on the basis of the accounting policies set out on page 7.

Respective responsibilities of directors and auditors

As described on page 2, the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes the examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company at 31st January 1995 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Binder Hamlyn

Binder Hamlyn

Chartered Accountants

Registered Auditors
20 Old Bailey
London
EC4M 7BH

25th April 1995



THE ROLEX WATCH COMPANY LIMITED

PROFIT AND LOSS ACCOUNT for the year ended 31st January 1995

	Notes	1995		1994	
		£'000	£'000	£'000	£'000
Turnover	2	54,894,980		49,462,964	
Cost of sales		<u>41,797,039</u>		<u>36,433,587</u>	
Gross profit		13,097,941		13,029,377	
Distribution costs		2,922,649		3,194,318	
Administration and establishment		<u>2,246,697</u>		<u>2,243,305</u>	
		5,169,346		5,437,623	
Operating profit	3	7,928,595		7,591,754	
Interest receivable		<u>278,044</u>		<u>167,406</u>	
Profit on ordinary activities before tax		8,206,639		7,759,160	
Tax on profit on ordinary activities	6	<u>2,765,320</u>		<u>2,586,880</u>	
Profit on ordinary activities after tax		5,441,319		5,172,280	
Dividends	7	<u>3,000,000</u>		<u>1,500,000</u>	
Retained profit for the year		<u>£2,441,319</u>		<u>£3,672,280</u>	

STATEMENT OF RETAINED PROFITS

Retained profits brought forward		30,624,697		26,946,419	
Retained profit for the year		2,441,319		3,672,280	
Amortisation of revaluation surplus	14	<u>5,998</u>		<u>5,998</u>	
Retained profit carried forward		<u>£33,072,014</u>		<u>£30,624,697</u>	

NOTE OF HISTORICAL COST PROFIT AND LOSS

Reported profit on ordinary activities before taxation		8,206,639		7,759,160	
Difference between a historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount		5,998		5,998	
Historical cost profit on ordinary activities before taxation		<u>£8,212,637</u>		<u>£7,765,158</u>	
Historical cost profit for the year retained after taxation and dividends		<u>£2,447,317</u>		<u>£3,678,278</u>	

All recognised gains and losses are included in the profit and loss account.

THE ROLEX WATCH COMPANY LIMITED

BALANCE SHEET 31st January 1995

	Notes	1995 £'000	1994 £'000
Fixed assets			
Tangible assets	8	13,340,934	13,270,986
Current assets			
Stocks	9	7,040,050	4,183,864
Debtors	10	12,258,833	11,219,845
Cash at bank and in hand		<u>5,338,619</u>	<u>6,591,343</u>
		24,637,502	21,995,052
Creditors: amounts falling due within one year	11	<u>3,615,614</u>	<u>3,344,535</u>
Net current assets		<u>21,021,888</u>	<u>18,650,517</u>
Total assets less current liabilities		34,362,822	31,921,503
Provisions for liabilities and charges	12	<u>570,000</u>	<u>570,000</u>
		<u>£33,792,822</u>	<u>£31,351,503</u>
Capital and reserves			
Called up share capital	13	120,000	120,000
Share premium account		444,900	444,900
Revaluation reserve	14	155,908	161,906
Profit and loss account		<u>33,072,014</u>	<u>30,624,697</u>
Shareholders' funds		<u>£33,792,822</u>	<u>£31,351,503</u>

The movement in Shareholders' funds during the year is represented by the retained profit for the year.

Approved by the board on 25th April 1995

R.V. Maingot

Directors

G. E. Richards



THE ROLEX WATCH COMPANY LIMITED

CASH FLOW STATEMENT

for the year ended 31st January 1995

	1995		1994	
	£'000	£'000	£'000	£'000
Net cash inflow from operating activities (see below)		4,704,156		7,846,316
Returns on investments and servicing of finance				
Interest received	278,044		167,406	
Dividend paid	(3,000,000)		(1,500,000)	
Net cash outflow from returns on investments and servicing of finance		(2,721,956)		(1,332,594)
Taxation				
UK taxation paid		(2,662,889)		(2,601,787)
Investing activities				
Purchases of tangible fixed assets	(608,080)		(224,030)	
Sale of tangible fixed assets	<u>36,045</u>		<u>33,008</u>	
Net cash outflow from investing activities		(572,035)		(191,022)
(Decrease)/ increase in cash at Bank and in hand		£(1,252,724)		£3,720,913
Change in the Balance of Cash and Cash Equivalents				
1st February 1994		6,591,343		2,870,430
Net cash (outflow)/inflow for year		(1,252,724)		3,720,913
31st January 1995		<u>£5,338,619</u>		<u>£6,591,343</u>
Reconciliation of operating profit to net cash inflow from operating activities				
Operating profit		7,928,595		7,591,754
Depreciation		498,304		494,274
(Increase)/ decrease in stock		(2,856,186)		341,119
(Increase) in debtors		(1,038,988)		(550,827)
Increase/ (decrease) in creditors		168,648		(29,983)
Loss/ (profit) on disposal of fixed assets		3,783		(21)
Net cash inflow from operating activities		<u>£4,704,156</u>		<u>£7,846,316</u>

THE ROLEX WATCH COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1 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 to 40 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.

2 Turnover

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



THE ROLEX WATCH COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS continued

	1995	1994
3 Operating profit is stated after charging		
Depreciation	498,304	494,274
Loss/ (profit) on disposal of fixed assets	3,783	(21)
Auditors' remuneration - as auditors	20,100	19,375
- for other services	<u>14,150</u>	<u>13,316</u>
4 Directors' emoluments		
as executives	262,669	436,873
pension scheme contributions	<u>23,244</u>	<u>16,465</u>
Directors' remuneration excluding pension scheme contributions		
Highest paid director	<u>£189,609</u>	<u>£272,385</u>
Numbers		
£ 0 - £ 5,000	1	1
£ 60,000 - £ 65,000	-	1
£ 70,000 - £ 75,000	1	-
£ 95,000 - £100,000	-	1
£185,000 - £190,000	1	-
£270,000 - £275,000	-	1
5 Employees		
The average number of employees during the year was 98 made up as follows:		
Production	48	46
Administration and management	26	27
Distribution and sales	17	18
Establishment	<u>7</u>	<u>6</u>
	<u>98</u>	<u>97</u>
Staff costs during the year amounted to:		
Wages and salaries	1,817,632	1,867,624
Social security costs	151,465	161,545
Other pension cost	<u>238,474</u>	<u>205,066</u>
	<u>£2,207,571</u>	<u>£2,234,235</u>
6 Tax		
Corporation tax at 33% (1994 33%) based on the adjusted profit for the year	2,765,320	2,580,000
Deferred tax	-	20,000
Adjustment to prior years	-	(13,120)
	<u>£2,765,320</u>	<u>£2,586,880</u>
7 Dividends		
Interims paid 2500% (1994 1250%)	<u>£3,000,000</u>	<u>£1,500,000</u>

THE ROLEX WATCH COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS continued

8 Tangible fixed assets	Freehold property	Motor vehicles	Plant & equipment	Total
Cost or valuation				
1st February 1994	12,101,648	135,614	2,805,998	15,043,260
Additions	315,215	71,494	221,371	608,080
Disposals	-	57,171	38,833	96,004
31st January 1995	<u>12,416,863</u>	<u>149,937</u>	<u>2,988,536</u>	<u>15,555,336</u>
Accumulated depreciation				
1st February 1994	545,070	29,884	1,197,320	1,772,274
Charge for the year	196,395	37,818	264,091	498,304
Disposals	-	17,343	38,833	56,176
31st January 1995	<u>741,465</u>	<u>50,359</u>	<u>1,422,578</u>	<u>2,214,402</u>
Net book amount				
31st January 1995	<u>£11,675,398</u>	<u>£99,578</u>	<u>£1,565,958</u>	<u>£13,340,934</u>
1st February 1994	<u>£11,556,578</u>	<u>£105,730</u>	<u>£1,608,678</u>	<u>£13,270,986</u>

Freehold property includes the cost of the London office, part of which is unoccupied.
The depreciation charge is based on the total cost, less the value of the land and the cost attributed to the unoccupied area, on an expected useful life of 40 years.

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

Historical cost at 1st February 1994 and 31st January 1995	<u>£277,108</u>
Depreciation based on cost at 1st February 1994	£50,382
Charge for the year	<u>8,397</u>
Depreciation based on cost at 31st January 1995	<u>£58,779</u>
Net historical cost value	
31st January 1995	<u>£218,329</u>
1st February 1994	<u>£226,726</u>



THE ROLEX WATCH COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS continued

	1995	1994
9 Stocks		
Repair materials	877,600	841,204
Finished goods and goods for resale	<u>6,162,450</u>	<u>3,342,660</u>
	<u>£7,040,050</u>	<u>£4,183,864</u>
10 Debtors		
Trade debtors	12,231,795	11,175,460
Other debtors	9,614	10,843
Prepayments and accrued income	<u>17,424</u>	<u>33,542</u>
	<u>£12,258,833</u>	<u>£11,219,845</u>
11 Creditors		
Amounts falling due within one year:		
Payments received on account	9,749	12,264
Trade creditors	213,596	130,428
Amounts due to group companies	111,856	39,282
Corporation tax	2,182,431	2,080,000
Other taxes and social security costs	605,518	736,826
Other creditors	185,000	185,000
Accruals and deferred income	<u>307,464</u>	<u>160,735</u>
	<u>£3,615,614</u>	<u>£3,344,535</u>
12 Provisions for liabilities and charges		
Deferred taxation provided in the accounts and the potential liability are as follows:		
Accelerated capital allowances	<u>£570,000</u>	<u>£570,000</u>



THE ROLEX WATCH COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS continued

	1995	1994
13 Called up share capital		
Ordinary shares of £1 each		
Number authorised	<u>120,000</u>	<u>120,000</u>
Allotted, issued and fully paid	<u>£120,000</u>	<u>£120,000</u>
14 Revaluation reserve		
1st February 1994	161,906	167,904
Amortisation for the year	<u>(5,998)</u>	<u>(5,998)</u>
31st January 1995	<u>£155,908</u>	<u>£161,906</u>
15 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 £238,474, being the employers' contribution to the scheme.

The most recent actuarial valuation of the scheme was undertaken as at 6th April 1993 using the projected unit method.

The assumptions which have the most significant effect on the results of the valuation are:

Investment returns	9% per annum
Salary increases	7% per annum
Dividend increase	4.5% per annum
Pension increase	4.5% per annum

As at 6th April 1993 the market value of the scheme's assets was £4,025,000.

The actuarial value of these assets was sufficient to cover 95% of the benefits that had accrued to members after allowing for expected future increases in earnings.

16 Ultimate holding company

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