

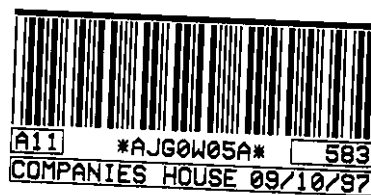


THE ROLEX WATCH COMPANY LIMITED

REPORT AND ACCOUNTS

31ST JANUARY 1997

Registered
in London
Number :— 142138





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 1997.

Financial results and dividends

Profit on ordinary activities after tax	6,808,190
Ordinary dividend - interims paid	<u>4,800,000</u>
Retained profit for the year transferred to reserves	<u>£2,008,190</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 4% to £62,502,207 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 £314,759 on fixed assets during the year.



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	£3,828 (1996: £2,362)
Political contributions	£ Nil (1996: £ 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

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

7th April 1997



REPORT OF THE AUDITORS

to the shareholders of The Rolex Watch Company Limited

We have audited the financial statements on pages 4 to 11 which have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and 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.

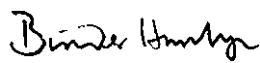
Basis of opinion

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 1997 and of its profit and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Binder Hamlyn

Chartered Accountants

Registered Auditors
20 Old Bailey
London
EC4M 7BH

7th April 1997

THE ROLEX WATCH COMPANY LIMITED



PROFIT AND LOSS ACCOUNT for the year ended 31st January 1997

	Notes	1997 £	1996 £
Turnover	2	62,502,207	59,953,731
Cost of sales		<u>45,623,629</u>	<u>47,999,115</u>
Gross profit		16,878,578	11,954,616
Distribution costs		4,515,007	3,322,252
Administration and establishment		<u>2,362,034</u>	<u>2,363,470</u>
		<u>6,877,041</u>	<u>5,685,722</u>
Operating profit	3	10,001,537	6,268,894
Interest receivable		<u>296,653</u>	<u>597,955</u>
Profit on ordinary activities before tax		10,298,190	6,866,849
Tax on profit on ordinary activities	6	<u>3,490,000</u>	<u>2,374,563</u>
Profit on ordinary activities after tax		6,808,190	4,492,286
Dividends	7	<u>4,800,000</u>	<u>3,000,000</u>
Retained profit for the year		<u>£2,008,190</u>	<u>£1,492,286</u>

STATEMENT OF RETAINED PROFITS

Retained profits brought forward		34,570,298	33,072,014
Retained profit for the year		2,008,190	1,492,286
Amortisation of revaluation surplus	14	<u>5,998</u>	<u>5,998</u>
Retained profit carried forward		<u>£36,584,486</u>	<u>£34,570,298</u>

NOTE OF HISTORICAL COST PROFIT AND LOSS

Reported profit on ordinary activities before taxation	10,298,190	6,866,849
Difference between a historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	<u>5,998</u>	<u>5,998</u>
Historical cost profit on ordinary activities before taxation	<u>£10,304,188</u>	<u>£6,872,847</u>
Historical cost profit for the year retained after taxation and dividends	<u>£2,014,188</u>	<u>£1,498,284</u>

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

THE ROLEX WATCH COMPANY LIMITED



BALANCE SHEET

31st January 1997

	Notes	1997 £	1996 £
Fixed assets			
Tangible assets	8	12,618,210	12,925,486
Current assets			
Stocks	9	11,263,538	9,872,922
Debtors	10	8,926,388	10,710,978
Cash at bank and in hand		<u>9,080,138</u>	<u>5,868,506</u>
		29,270,064	26,452,406
Creditors: amounts falling due within one year	11	<u>4,024,976</u>	<u>3,522,784</u>
Net current assets		<u>25,245,088</u>	<u>22,929,622</u>
Total assets less current liabilities		37,863,298	35,855,108
Provisions for liabilities and charges	12	<u>570,000</u>	<u>570,000</u>
		<u>£37,293,298</u>	<u>£35,285,108</u>
Capital and reserves			
Called up share capital	13	120,000	120,000
Share premium account		444,900	444,900
Revaluation reserve	14	143,912	149,910
Profit and loss account		<u>36,584,486</u>	<u>34,570,298</u>
Shareholders' funds		<u>£37,293,298</u>	<u>£35,285,108</u>

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

Approved by the board on 7th April 1997

R. V. Maingot

Directors

G. E. Richards



CASH FLOW STATEMENT
for the year ended 31st January 1997

	1997	1996
£	£	£
Net cash inflow from operating activities (see below)	11,352,400	5,469,862
Returns on investments and servicing of finance		
Interest received	296,653	597,955
Dividend paid	(4,800,000)	(3,000,000)
Net cash outflow from returns on investments and servicing of finance	(4,503,347)	(2,402,045)
Taxation		
UK taxation paid	(3,374,204)	(2,384,562)
Investing activities		
Purchases of tangible fixed assets	(314,759)	(186,873)
Sale of tangible fixed assets	<u>51,542</u>	<u>33,505</u>
Net cash outflow from investing activities	<u>(263,217)</u>	<u>(153,368)</u>
Increase/ (decrease) in cash at Bank and in hand	<u>£3,211,632</u>	<u>£ 529,887</u>
Change in the Balance of Cash and Cash Equivalents		
1st February 1996	5,868,506	5,338,619
Net cash inflow for year	<u>3,211,632</u>	<u>529,887</u>
31st January 1997	<u>£9,080,138</u>	<u>£5,868,506</u>

Note:
Reconciliation of operating profit to net cash inflow from operating activities

Operating profit	10,001,537	6,268,894
Depreciation	572,889	571,440
(Increase) in stocks	(1,390,616)	(2,832,872)
Decrease in debtors	1,784,590	1,547,855
Increase / (decrease) in creditors	386,396	(82,831)
(Profit) on disposal of fixed assets	<u>(2,396)</u>	<u>(2,624)</u>
Net cash inflow from operating activities	<u>£11,352,400</u>	<u>£5,469,862</u>



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

	1997 £	1996 £
3 Operating profit is stated after charging		
Depreciation	572,889	571,440
(Profit)/ loss on disposal of fixed assets	(2,396)	(2,624)
Auditors' remuneration - as auditors	21,750	21,000
- for other services	<u>14,485</u>	<u>15,750</u>
4 Directors' emoluments		
as executives	286,370	282,037
pension scheme contributions	<u>25,300</u>	<u>24,306</u>
Directors' remuneration excluding pension scheme contributions		
Highest paid director	<u>£207,437</u>	<u>£203,033</u>
Numbers		
£ 0 - £ 5,000	1	1
£ 75,001 - £ 80,000	1	1
£200,001 - £205,000	-	1
£205,001 - £210,000	1	-
5 Employees		
The average number of employees during the year was 99 made up as follows:		
Production	48	48
Administration and management	27	26
Distribution and sales	18	17
Establishment	<u>6</u>	<u>7</u>
	<u>99</u>	<u>98</u>
Staff costs during the year amounted to:		
Wages and salaries	2,089,709	1,949,962
Social security costs	171,147	160,241
Other pension cost	<u>235,233</u>	<u>242,053</u>
	<u>£2,496,089</u>	<u>£2,352,256</u>
6 Tax		
Corporation tax at 33% (1996 33%) based on the adjusted profit for the year	3,490,000	2,374,563
Deferred taxation	-	-
	<u>£3,490,000</u>	<u>£2,374,563</u>
7 Dividends		
Interims paid 4000% (1996 2500%)	<u>£4,800,000</u>	<u>£3,000,000</u>



NOTES TO THE FINANCIAL STATEMENTS
continued

8 Tangible fixed assets	Freehold property	Motor vehicles	Plant & equipment	Total
Cost or valuation				
1st February 1996	12,439,463	152,342	2,953,959	15,545,764
Additions	-	144,535	170,224	314,759
Disposals	-	105,964	138,497	244,461
31st January 1997	<u>12,439,463</u>	<u>190,913</u>	<u>2,985,686</u>	<u>15,616,062</u>
Accumulated depreciation				
1st February 1996	986,665	59,264	1,574,349	2,620,278
Charge for the year	245,200	36,942	290,747	572,889
Disposals	-	57,808	137,507	195,315
31st January 1997	<u>1,231,865</u>	<u>38,398</u>	<u>1,727,589</u>	<u>2,997,852</u>
Net book amount				
31st January 1997	<u>£11,207,598</u>	<u>£152,515</u>	<u>£1,258,097</u>	<u>£12,618,210</u>
1st February 1996	<u>£11,452,798</u>	<u>£93,078</u>	<u>£1,379,610</u>	<u>£12,925,486</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 £3 million apportioned as the value of the land, 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 1996 and 31st January 1997	<u>£277,108</u>			
Depreciation based on cost at 1st February 1996	£67,176			
Charge for the year	<u>8,397</u>			
Depreciation based on cost at 31st January 1997	<u>£75,573</u>			
Net historical cost value				
31st January 1997	<u>£201,535</u>			
1st February 1996	<u>£209,932</u>			



NOTES TO THE FINANCIAL STATEMENTS
continued

	1997	1996
9 Stocks		
Repair materials	949,645	1,061,893
Finished goods and goods for resale	<u>10,313,893</u>	<u>8,811,029</u>
	<u>£11,263,538</u>	<u>£9,872,922</u>
10 Debtors		
Trade debtors	8,893,815	10,680,406
Other debtors	3,992	4,181
Prepayments and accrued income	<u>28,581</u>	<u>26,391</u>
	<u>£8,926,388</u>	<u>£10,710,978</u>
11 Creditors		
Amounts falling due within one year:		
Payments received on account	12,844	8,844
Trade creditors	226,815	85,439
Amounts due to group companies	5,848	67,882
Corporation tax	2,288,228	2,172,432
Other taxes and social security costs	1,053,372	829,009
Other creditors	185,000	185,000
Accruals and deferred income	<u>252,869</u>	<u>174,178</u>
	<u>£4,024,976</u>	<u>£3,522,784</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>



NOTES TO THE FINANCIAL STATEMENTS

continued

	1997	1996
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 1996	149,910	155,908
Amortisation for the year	<u>(5,998)</u>	<u>(5,998)</u>
31st January 1997	<u>£143,912</u>	<u>£149,910</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 £235,233, being the employers' contribution to the scheme.

The most recent actuarial valuation of the scheme was undertaken as at 6th April 1996 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 1996 the market value of the scheme's assets was £5,807,000.

The actuarial value of these assets was sufficient to cover 97% 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. Total transactions with Subsidiaries of Rolex Holding amounted to purchases of £46 million during the year.