

Company Registration No. 04109554 (England and Wales)

**ROTARY WATCHES LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

# ROTARY WATCHES LIMITED

## COMPANY INFORMATION

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<b>Directors</b>	K L Hon T Halim C W Fong L Lam M Lam J Lyu
<b>Company number</b>	04109554
<b>Registered office</b>	8th Floor Elm Yard 13-16 Elm Street London WC1X 0BJ
<b>Auditor</b>	Kingswood LLP 3 Coldbath Square London EC1R 5HL

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# ROTARY WATCHES LIMITED

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# ROTARY WATCHES LIMITED

## STRATEGIC REPORT

*FOR THE YEAR ENDED 31 DECEMBER 2020*

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The directors present the strategic report for the year ended 31 December 2020.

### **Business review and key performance indicators**

The directors actively monitor the key performance indicators (KPIs) for the entity and feel that turnover and gross margins are important indicators of the performance of the business.

The Statement of Comprehensive Income is set out on page 8 and shows turnover for the year of £5,408,697 (2019: – £8,050,187) and a profit after tax for the year of £85,632 (2019 – loss of £1,482,286).

Turnover decreased in comparison to the prior year by 32.8%. This was primarily a result of the Covid-19 impact on the market.

Gross margins increased to 47.5% from 36.8% in 2019 due to reduced customer discounts and improved purchasing strategies and effective stock control in 2020.

Expenses for the year decreased by 22.3% to £3,353,180 (2019 – £4,316,378) reflecting a reduction in headcount and ongoing focus on improving operational efficiencies.

### **Principal risks and uncertainties**

The market for wrist watches remains highly competitive and sensitive to the fortunes of the economy. The company seeks to manage the risk of losing customers to key competitors within its chosen sectors of the UK watch market through continued promotion of the brand and further productivity efficiencies to enhance the service levels enjoyed by its customers.

The impact of Brexit on the company will have little effect on sales and supplies in the perspective of key contracts and border crossing costs. Covid-19 remains an uncertainty as we look towards 2022.

### **Future developments**

2021 was another challenging year with demand dampened by the impact of Covid-19 on consumer confidence and discretionary spending habits. In the view of this uncertainty, we continued to cut our costs and improve margin wherever possible.

We continue the implementation of our diversification strategy in terms of a shift in emphasis to developing new markets over the next three years and building our product portfolio to accommodate the demands of this strategy.

In addition, we will continue to rationalise our resources to save costs and to examine sharing resources within the CWJ group to develop further savings and improved operational efficiencies.

# ROTARY WATCHES LIMITED

## STRATEGIC REPORT (CONTINUED)

*FOR THE YEAR ENDED 31 DECEMBER 2020*

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### **Going concern**

As at the year-end the company had significant net liabilities of £11,570,989 (2019 – £11,656,621) and continued to be loss making before non-recurring items. The company relies on the financial support of its ultimate parent company, Citychamp Watch and Jewellery Group Limited.

The company has received written confirmation from its ultimate parent company confirming that it will not recall existing loans and will continue to provide financial support in relation to the company's working capital requirements.

Taking into consideration the impact of Covid-19, having reviewed cashflow forecasts for a period of not less than 12 months from the date of approval of these financial statements, and having made appropriate enquiries of the ultimate parent company with regards to their intention and financial means to provide the ongoing financial support, the directors have concluded that it is appropriate to prepare the financial statements on a going concern basis.

### **Impact of Covid-19**

The biggest challenge that has affected business this year is the Global Coronavirus Pandemic that began to gather pace at the end of 2019 which continued throughout 2020 and 2021. During that period, the company has continued adequate operational functions, despite moving head office personnel to home working and carefully adapting the working environment and working practices within the warehouse to safeguard the health and wellbeing of colleagues.

The initial economic impact was on the supply chain but as the virus has spread around the globe, this is having a major impact on our customers as markets close, society comes to a virtual standstill and the global economy has fallen into recession.

The biggest issue the company has faced is the National Lockdowns and the impact this has had on the UK's spending habits. This is especially so as the UK market accounts for almost all the company's turnover, the majority of which is through High Street retailers. To reduce the impact of the closure of High Street retailers, some of whom may never reopen, we have increased our online presence through our own Website and that of Amazon and the Amazon Market Place.

Positively the UK has successfully achieved its Vaccine roll out programme with the news that the majority of restrictions should be lifted by the end of Q1 2022.

On behalf of the board

T Halim  
**Director**

22 March 2022

# ROTARY WATCHES LIMITED

## DIRECTORS' REPORT

**FOR THE YEAR ENDED 31 DECEMBER 2020**

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The directors present their annual report and financial statements for the year ended 31 December 2020.

### **Principal activities**

The principal activities of the company throughout the year were that of watch importing and selling, and of watch manufacturing and repair. Specifically the company sells the Rotary, Dreyfuss & Co. and Joseph & Thomas Windmills brands.

### **Directors**

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

K L Hon

T Halim

C W Fong

L Lam

M Lam

P J McKenna

(Resigned 24 February 2020)

J Lyu

### **Results and dividends**

The results for the year are set out on page 8.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

### **Qualifying third party indemnity provisions**

The company has arranged qualifying third party indemnity for all of its directors during the year. These provisions remain in force at the reporting date.

### **Financial risk management**

#### *Foreign exchange risk*

The company purchases finished watches in Swiss Francs, US Dollars and Chinese Yuan. The company is therefore exposed to movements in the Swiss Franc, US Dollar and Chinese Yuan to Sterling exchange rates. The Board monitors the overall exposure and takes out forward contracts to fix the exchange rate when sufficient funds are available to allow the company to utilise them.

#### *Credit risk*

The company's credit risk is primarily attributable to its trade debtors. Credit risk is managed by running credit checks on new customers and by monitoring payments against contractual agreements. In the meantime, as discussed in the strategic report, the company benefits from ultimate parent company support.

#### *Liquidity risk*

The company monitors cash flow as part of its day to day control procedures. The Board considers cash flow projections on a monthly basis that look forward for a period of not less than twelve months and ensures that appropriate facilities are available to be drawn upon as necessary.

### **Auditor**

Kingswood LLP were appointed as auditor to the company and in accordance with section 485 of the Companies Act 2006, a resolution proposing that they be re-appointed will be put at a General Meeting.

# ROTARY WATCHES LIMITED

## DIRECTORS' REPORT (CONTINUED)

*FOR THE YEAR ENDED 31 DECEMBER 2020*

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### **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). 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.

### **Matters covered in the strategic report**

The company has chosen in accordance with Companies Act 2006, s. 414C(11) to set out in the company's strategic report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the directors' report. It has done so in respect of future developments and exposure to certain risks.

### **Statement of disclosure to auditor**

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board

T Halim  
**Director**  
22 March 2022

# ROTARY WATCHES LIMITED

## INDEPENDENT AUDITOR'S REPORT

### TO THE MEMBER OF ROTARY WATCHES LIMITED

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#### Opinion

We have audited the financial statements of Rotary Watches Limited (the 'company') for the year ended 31 December 2020 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Material uncertainty related to going concern

We draw attention to Note 2.2 in the financial statements, which indicates that at the year ended 31 December 2020 the company's total liabilities significantly exceeded its total assets. The company remains wholly dependent on the support of its ultimate parent company. As stated in Note 2.2, these conditions indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

#### 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.

#### Opinions on other matters prescribed by the Companies Act 2006

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

# ROTARY WATCHES LIMITED

## INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBER OF ROTARY WATCHES LIMITED

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### **Matters on which we are required to report by exception**

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 material misstatements in the strategic report and the directors' report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you 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 remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

### **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.

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:

- the engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we identified the laws and regulations applicable to the company through discussions with directors and other management, and from our commercial knowledge and experience of the company's sector;
- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the company, including the Companies Act 2006, taxation legislation Covid-19 support legislation, data protection, antibribery, employment, environmental and health and safety legislation;
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management and inspecting legal correspondence; and
- identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

# ROTARY WATCHES LIMITED

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### TO THE MEMBER OF ROTARY WATCHES LIMITED

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We assessed the susceptibility of the company's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud; and
- considering the internal controls in place to mitigate risks of fraud and noncompliance with laws and regulations.

To address the risk of fraud through management bias and override of controls, we:

- performed analytical procedures to identify any unusual or unexpected relationships;
- tested journal entries to identify unusual transactions;
- assessed whether judgements and assumptions made in determining the accounting estimates were indicative of potential bias; and
- investigated the rationale behind significant or unusual transactions.

In response to the risk of irregularities and noncompliance with laws and regulations, we designed procedures which included, but were not limited to:

- agreeing financial statement disclosures to underlying supporting documentation;
- reading the minutes of meetings of those charged with governance;
- enquiring of management as to actual and potential litigation and claims; and
- reviewing correspondence with HMRC, relevant regulators including the Company's legal advisors.

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of noncompliance. Auditing standards also limit the audit procedures required to identify noncompliance with laws and regulations to enquiry of the directors and other management and the inspection of regulatory and legal correspondence, if any.

Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

#### **Use of our report**

This report is made solely to the company's member 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 member those matters we are required to state to the member 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 member for our audit work, for this report, or for the opinions we have formed.

**Richard Behan FCA (Senior Statutory Auditor)**  
For and on behalf of Kingswood LLP

22 March 2022

**Chartered Accountants**  
**Statutory Auditor**

3 Coldbath Square  
London  
EC1R 5HL

## ROTARY WATCHES LIMITED

### STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

		2020	2019
	Notes	£	£
Turnover	4	5,408,697	8,050,187
Cost of sales		(2,839,364)	(5,086,541)
<b>Gross profit</b>		<b>2,569,333</b>	<b>2,963,646</b>
Selling and distribution costs		(636,829)	(1,652,042)
Administrative expenses		(2,716,351)	(2,664,336)
Other operating income	5	340,796	-
<b>Operating loss</b>	6	<b>(443,051)</b>	<b>(1,352,732)</b>
Amounts written off group balances		644,580	-
Other interest receivable and similar income	9	1,699	-
Interest payable and similar expenses	10	(117,596)	(129,554)
<b>Profit/(loss) before taxation</b>		<b>85,632</b>	<b>(1,482,286)</b>
Tax on profit/(loss)	11	-	-
<b>Profit/(loss) for the financial year</b>		<b>85,632</b>	<b>(1,482,286)</b>

The income statement has been prepared on the basis that all operations are continuing operations.

The notes on pages 11 - 22 form part of these financial statements

# ROTARY WATCHES LIMITED

## STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

	Notes	2020		2019	
		£	£	£	£
<b>Fixed assets</b>					
Tangible assets	12		651,583		765,801
<b>Current assets</b>					
Stocks	13	4,113,864		5,148,684	
Debtors	14	11,182,609		11,593,978	
Cash at bank and in hand		1,139,128		782,873	
		<u>16,435,601</u>		<u>17,525,535</u>	
<b>Creditors: amounts falling due within one year</b>	15	<u>(28,312,406)</u>		<u>(29,378,094)</u>	
<b>Net current liabilities</b>			<u>(11,876,805)</u>		<u>(11,852,559)</u>
<b>Total assets less current liabilities</b>			<u>(11,225,222)</u>		<u>(11,086,758)</u>
<b>Provisions for liabilities</b>	16		<u>(345,767)</u>		<u>(569,863)</u>
<b>Net liabilities</b>			<u>(11,570,989)</u>		<u>(11,656,621)</u>
<b>Capital and reserves</b>					
Called up share capital	18	1,000,000		1,000,000	
Revaluation reserve		295,500		295,500	
Profit and loss reserves		<u>(12,866,489)</u>		<u>(12,952,121)</u>	
<b>Total equity</b>			<u>(11,570,989)</u>		<u>(11,656,621)</u>

The financial statements were approved by the board of directors and authorised for issue on 22 March 2022 and are signed on its behalf by:

T Halim  
**Director**

**Company Registration No. 04109554**

The notes on pages 11 - 22 form part of these financial statements

## ROTARY WATCHES LIMITED

### STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

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	Share capital	Revaluation	Profit and reserves	Total
	£	£	£	£
Notes				
<b>Balance at 1 January 2019</b>	1,000,000	295,500	(11,469,835)	(10,174,335)
<b>Year ended 31 December 2019:</b>				
Loss and total comprehensive income for the year	-	-	(1,482,286)	(1,482,286)
<b>Balance at 31 December 2019</b>	1,000,000	295,500	(12,952,121)	(11,656,621)
<b>Year ended 31 December 2020:</b>				
Profit and total comprehensive income for the year	-	-	85,632	85,632
<b>Balance at 31 December 2020</b>	1,000,000	295,500	(12,866,489)	(11,570,989)

The notes on pages 11 - 22 form part of these financial statements

# ROTARY WATCHES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

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### 1 Company information

Rotary Watches Limited is a private company limited by shares incorporated in England and Wales. The registered office is 8th Floor Elm Yard, 13-16 Elm Street, London, WC1X 0BJ. The principal activities of the company throughout the year were those of watch importing and selling, and of watch manufacturing and repair. Specifically the company sells the Rotary, Dreyfuss & Co. and Joseph & Thomas Windmills brands.

### 2 Accounting policies

#### 2.1 Accounting convention

These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and financial instruments at fair value in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The preparation of financial statements in accordance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies (see note 3).

The principal accounting policies adopted are set out below.

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 7 'Statement of Cash Flows' – Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues' – Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 33 'Related Party Disclosures' – Compensation for key management personnel.

The financial statements of the company are consolidated in the financial statements of Citychamp Watch & Jewellery Group Limited. These consolidated financial statements are available from Hong Kong Stock Exchange through its website [www.hkex.com.hk](http://www.hkex.com.hk).

# ROTARY WATCHES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

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### 2 Accounting policies

(Continued)

#### 2.2 Going concern

As at the year-end the company had significant net liabilities of £11,570,989 (2019 – £11,656,621) and continued to be loss making before non-recurring items. The company relies on the financial support of its ultimate parent company, Citychamp Watch and Jewellery Group Limited.

The company has received written confirmation from its ultimate parent company confirming that it will not recall existing loans and will continue to provide financial support in relation to the company's working capital requirements.

Taking into consideration the impact of Covid-19, having reviewed cashflow forecasts for a period of not less than 12 months from the date of approval of these financial statements, and having made appropriate enquiries of the ultimate parent company with regards to their intention and financial means to provide the ongoing financial support, the directors have concluded that it is appropriate to prepare the financial statements on a going concern basis.

#### 2.3 Turnover

Turnover comprises revenue recognised by the company in respect of goods and services supplied during the year in the normal course of business and is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

#### 2.4 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation is charged so as to allocate the cost of assets, except the "Vintage Watch Collection", less their residual value over their estimated useful lives, using the straight line method.

Depreciation is provided on the following basis:

Improvements to leasehold property	Equal instalments over the period of the lease
Marketing - Display equipment	20% to 40% per annum
Fixtures and fittings	10% to 25% per annum
Computer equipment	25% to 50% per annum

# ROTARY WATCHES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

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### 2 Accounting policies

(Continued)

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other operating income' in the Statement of Comprehensive Income.

#### *Vintage Watch Collection*

The "Vintage Watch Collection", comprising a valuable collection of over 300 Rotary watches dating back some 100 years, is maintained at its fair value. These fixed assets are used to promote the tradition and heritage of the company as Swiss Manufacturers at sales conferences and directly with customers. In accordance with FRS102, all watches in this asset category are valued at fair value at the date of the revaluation, being open market value.

#### *Marketing – Display equipment*

Internal costs directly incurred in developing display equipment are capitalised as a tangible fixed asset.

### 2.5 Impairment of fixed assets

At each reporting date, the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined, which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

### 2.6 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Work in progress and finished goods include labour and attributable overheads.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

### 2.7 Financial instruments

The company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from banks, current accounts and loans to and from related parties.

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Comprehensive Income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate, which is an approximation of the amount that the company would receive for the asset if it were to be sold at the reporting date.

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# ROTARY WATCHES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

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### 2 Accounting policies

(Continued)

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received. However if the arrangements of a short term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out right short term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

#### 2.8 Taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except that a change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

#### 2.9 Provisions for liabilities

Provisions are made where an event has taken place that gives the company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of Comprehensive Income in the year that the company becomes aware of the obligation, and are measured at the best estimate at the Statement of Financial Position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of Financial Position.

# ROTARY WATCHES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

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### 2 Accounting policies

(Continued)

#### 2.10 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

#### 2.11 Retirement benefits

*Defined contribution pension plan*

The company contributes to a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payments obligations.

The contributions are recognised as an expense in the Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the company in independently administered funds.

#### 2.12 Leases

Where assets are financed by leasing agreements that give rights approximating to ownership (finance leases), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to profit or loss over the shorter of estimated useful economic life and the term of the lease. Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to profit or loss over the term of the lease and is calculated so that it represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leases asset are consumed.

#### 2.13 Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

# ROTARY WATCHES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

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### 2 Accounting policies

(Continued)

#### 2.14 Foreign currency translation

##### *Functional and presentation currency*

Items included in the financial statements for the company are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in sterling, which is the company's functional and presentation currency.

##### *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions. At each period end foreign currency monetary items are translated using the closing rate. Nonmonetary items measured at historical cost are translated using the exchange rate at the date of the transaction and nonmonetary items measured at fair value are measured using the exchange rate when fair value was determined.

### 3 Judgements and key sources of estimation uncertainty

In preparing these financial statements, the directors have had to make the following judgements:

- Determine whether there are indications of impairment of tangible and intangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future performance of the asset.
- Stock provision – stock is carried at the lower of cost and net realisable value. In determining if there is a requirement for a provision and deciding on an appropriate level of provision, management consider the likelihood that any stock held is likely to be sold for less than the cost held in the statement of financial position and provide for any stock accordingly.
- Valuation of vintage watch collection – The collection is valued in accordance with the accounting policy at 2.4 which is the consideration that an independent party feels the company would receive should the decision be made to sell the antique watches in the open market.
- Assumptions applied in the calculation of warranty provisions. Management have applied their best estimate combined with historical results in order to derive a suitable warranty provision.

##### *Other key sources of estimation uncertainty*

- Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.
- Deferred tax assets are recognised to the extent that it is probable that sufficient future taxable profits will be made in order to utilise available tax losses. Management have considered forecasts in order to assess the likelihood and timing of future profits.

# ROTARY WATCHES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

### 4 Turnover and other revenue

	2020	2019
	£	£
<b>Turnover analysed by geographical market</b>		
United Kingdom	5,374,780	8,034,613
Rest of the World	33,915	15,574
	<u>5,408,695</u>	<u>8,050,187</u>

### 5 Other operating income

	2020	2019
	£	£
Government grants	340,796	-
	<u>340,796</u>	<u>-</u>

### 6 Operating loss

	2020	2019
	£	£
Operating loss for the year is stated after charging/(crediting):		
Exchange differences apart from those arising on financial instruments measured at fair value through profit or loss	(755,885)	(889,513)
Fees payable to the company's auditor for the audit of the company's financial statements	55,425	70,850
Fees payable to the company's auditor for other services	23,550	21,050
Depreciation of owned tangible fixed assets	170,904	268,810
Loss on disposal of tangible fixed assets	1,314	891
Operating lease charges	380,048	442,652
	<u>380,048</u>	<u>442,652</u>

### 7 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2020	2019
	Number	Number
Management and administration	39	61
Sales	8	7
	<u>47</u>	<u>68</u>

# ROTARY WATCHES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

### 7 Employees (Continued)

Their aggregate remuneration comprised:

	2020 £	2019 £
Wages and salaries	1,765,028	2,156,754
Social security costs	205,318	276,425
Pension costs	86,715	110,541
	<u>2,057,061</u>	<u>2,543,720</u>

### 8 Directors' remuneration

	2020 £	2019 £
Directors' emoluments	101,156	181,211
Payments to defined contribution pension schemes	3,356	12,000
	<u>104,512</u>	<u>193,211</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 1 (2019 - 1).

### 9 Interest receivable and similar income

	2020 £	2019 £
<b>Interest income</b>		
Other interest income	1,699	-
	<u>1,699</u>	<u>-</u>

### 10 Interest payable and similar expenses

	2020 £	2019 £
Interest on bank overdrafts and loans	-	68,354
Other interest	117,596	61,200
	<u>117,596</u>	<u>129,554</u>

# ROTARY WATCHES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

### 11 Taxation

The actual charge for the year can be reconciled to the expected charge/(credit) for the year based on the profit or loss and the standard rate of tax as follows:

	2020 £	2019 £ (As restated)
Profit/(loss) before taxation	85,632	(1,482,286)
Expected tax charge/(credit) based on the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%)	16,270	(281,634)
Tax effect of expenses that are not deductible in determining taxable profit	22,665	4,628
Adjustments in respect of prior years	-	(94,106)
Amounts written off group balances	(122,470)	-
Deferred tax not recognised	83,535	371,112
Taxation charge for the year	-	-

A deferred tax asset has not been recognised in respect of depreciation in excess of capital allowances £526,143 (2019 - £495,882) and tax losses of £2,771,450 (2019 - £2,715,682).

### 12 Tangible fixed assets

	Improvements to leasehold property	Fixtures, fittings and computer equipment	Vintage watch collection	Total
	£	£	£	£
<b>Cost</b>				
At 1 January 2020	216,187	1,646,291	318,000	2,180,478
Additions	15,430	42,570	-	58,000
Disposals	-	(1,359)	-	(1,359)
At 31 December 2020	231,617	1,687,502	318,000	2,237,119
<b>Depreciation and impairment</b>				
At 1 January 2020	33,383	1,381,294	-	1,414,677
Depreciation charged in the year	56,067	114,837	-	170,904
Eliminated in respect of disposals	-	(45)	-	(45)
At 31 December 2020	89,450	1,496,086	-	1,585,536
<b>Carrying amount</b>				
At 31 December 2020	142,167	191,416	318,000	651,583
At 31 December 2019	182,804	264,997	318,000	765,801

## ROTARY WATCHES LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

#### 12 Tangible fixed assets (Continued)

A member of the National Association of Goldsmiths carried out an open market valuation of the vintage watch collection on 20 March 2019. The valuation gave rise to a value of £318,000 which was updated as at 31 December 2018. The directors are of the opinion that the valuation as at 31 December 2020 has not materially changed. The historical cost of these assets less depreciation was £22,500.

#### 13 Stocks

	2020	2019
	£	£
Finished goods and goods for resale	4,113,864	5,148,684

#### 14 Debtors

	2020	2019
	£	£
<b>Amounts falling due within one year:</b>		
Trade debtors	933,799	1,152,411
Amounts owed by related parties	1,745,904	1,648,339
Amounts owed by group undertakings	8,091,239	8,176,954
Other debtors	223,016	323,533
Prepayments and accrued income	188,651	292,741
	<u>11,182,609</u>	<u>11,593,978</u>

#### 15 Creditors: amounts falling due within one year

	2020	2019
	£	£
Trade creditors	827,537	1,807,981
Amounts owed to related parties	3,735,139	3,691,685
Amounts owed to group undertakings	20,293,224	20,967,078
Other taxation and social security	812,034	463,111
Other creditors	1,294,640	854,572
Accruals and deferred income	1,349,832	1,593,667
	<u>28,312,406</u>	<u>29,378,094</u>

HSBC hold a fixed and floating charge over all assets of Rotary Watches Limited and its immediate parent company, The Dreyfuss Group Limited.

#### 16 Provisions for liabilities

	2020	2019
	£	£
Warranty provision	345,767	569,863

# ROTARY WATCHES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

### 16 Provisions for liabilities (Continued)

Movements on provisions:

	<b>Warranty provision £</b>
At 1 January 2020	569,863
Additional provisions in the year	(224,096)
	345,767
	345,767

### 17 Retirement benefit schemes

	<b>2020 £</b>	<b>2019 £</b>
<b>Defined contribution schemes</b>		
Charge to profit or loss in respect of defined contribution schemes	86,715	110,541
	86,715	110,541

The company contributes to personal pension plans. The assets of the scheme are held separately from those of the company in an independently administered fund. Contributions totalling £8,657 (2019 - £17,330) were payable to the fund at the Statement of Financial Position date are included in other creditors.

### 18 Share capital

	<b>2020 Number</b>	<b>2019 Number</b>	<b>2020 £</b>	<b>2019 £</b>
<b>Ordinary share capital Issued and fully paid</b>				
Ordinary shares of £1 each	1,000,000	1,000,000	1,000,000	1,000,000
	1,000,000	1,000,000	1,000,000	1,000,000

### 19 Operating lease commitments

#### Lessee

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	<b>2020 £</b>	<b>2019 £</b>
Within one year	371,239	411,173
Between two and five years	539,893	919,289
	911,132	1,330,462

## ROTARY WATCHES LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

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#### 20 Related party transactions

##### Transactions with related parties

In accordance with FRS 102 paragraph 33.1A, the company has taken the exemption from disclosing related party transactions with entities that are part of The Dreyfuss Group Limited. The company has also taken exemption from disclosing transactions with entities which are wholly owned subsidiaries of Citychamp Watch & Jewellery Group Limited, the ultimate controlling party.

Other related party balances are as follows:

The amount owed by Eterna AG Limited, a fellow subsidiary of the Citychamp Watch & Jewellery Group Limited, at the year end was £1,745,904 (2019 - £1,648,339).

During the year company purchased watches from Fair Future Industrial Ltd which is 25% owned by Citychamp Watch & Jewellery Group Limited, totalling £669,616 (2019 - £1,842,798). The amount owed to Fair Future Industrial Ltd at the year end was £3,735,140 (2019 - £3,540,009).

At the year end the company had loans from one of the directors totalling £473,260 (2019: £nil). The loan was fully repaid by March 2021. Interest is chargeable at 5% per annum.

#### 21 Ultimate controlling party

At 31 December 2020 the company's immediate parent company was The Dreyfuss Group Limited which is the parent of the UK based group of which the company is a member.

The ultimate parent company and controlling party is Citychamp Watch & Jewellery Group Limited, a company incorporated in Cayman Islands and listed on the Hong King Stock Exchange, by virtue of its shareholding in The Dreyfuss Group Limited. Citychamp Watch & Jewellery Group Limited is the smallest and the largest group in which the company's results are consolidated. Copies of the consolidated financial statements of Citychamp Watch & Jewellery Group Limited are available from Hong Kong Stock Exchange through its website [www.hkex.com.hk](http://www.hkex.com.hk).

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