

**Citizen Watch United Kingdom,
Limited**

Report and Financial Statements

Year Ended

31 December 2017

Company Number 4104163

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Citizen Watch United Kingdom, Limited

Report and financial statements for the year ended 31 December 2017

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Directors

N Takeuchi
K Kudo – resigned 7 April 2017
T Tsukamoto – appointed 7 April 2017
T Furukawa

Secretary and registered office

B P Gillingham, Citizen House, 7 Ashville Way, Wokingham, Berkshire, RG41 2PL

Company number

4104163

Auditors

BDO LLP, 55 Baker Street, London, W1U 7EU

Citizen Watch United Kingdom, Limited

Strategic report for the year ended 31 December 2017

The directors present their strategic report together with the audited financial statements for the year ended 31 December 2017.

Principal activity

During the year ended 31 December 2017, the principal activity of the company was the distribution of watches.

Business review

In a challenging market, the directors are pleased to report a turnover in 2017 of £25,219,053. Whilst turnover was down on 2016, the continued focus on our proprietary Eco-Drive watches through advertising and trade marketing programmes resulted in an increase in profitability, and market share. During 2017, we initiated the integration of the Frederique Constant and Bulova brands into the Citizen UK operation ready for a full and comprehensive launch in 2018. Frederique Constant's integration was successfully completed in 2017 whilst Bulova's integration was effective from 1 January 2018. The resultant investment and integration costs to gear the operation up for a multi brand approach reduced profit by £278,809.

The gross margin for the year of 35.11% (2016 - 32.98%) has been achieved even in the continuing challenging market conditions.

The key performance indicators used to manage the business are sales revenue, gross profit percentage, expenses ratios after integration costs (2017 – 31.32 %, 2016 - 31.50%) and profit before tax percentages before integration costs (2017 – 5.0 %, 2016 - 1.67%).

The results for the year are shown in the income statement on page 7.

Objectives and strategies

The company's objective is to continue to offer long term value to both its customers and shareholders.

The company's strategy is to sustain and grow the existing business and increase our market share wherever possible.

Principle risks and uncertainties

The market for wrist-watches remains a highly competitive market and is a continuing risk for the company, which could result in it losing sales to its key competitors. The company manages this risk by providing added value services to its customers, having fast response times not only in the supplying of products but in customer service, and by maintaining strong relationships with customers.

Financial instruments

Credit risk

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The company is mainly exposed to credit risk from credit sales. It is company policy to assess the credit risk of new customers before entering contracts. Each new customer is analysed individually for creditworthiness before the company's standard payment and delivery terms and conditions are offered. Purchase limits are established for each customer, which represents the maximum open amount without requiring approval.

Citizen Watch United Kingdom, Limited

Strategic report for the year ended 31 December 2017 (continued)

Financial instruments (continued)

Credit risk (continued)

A monthly review of the trade receivables' ageing analysis is undertaken and customers' credit is reassessed periodically. Existing customers that become "high risk" as a result of the periodic reassessment are placed on a restricted customer list and future credit sales are made only with approval of the local management, otherwise payment in advance is required.

Credit risk also arises from cash and cash equivalents and deposits with banks and financial institutions. For banks and financial institutions, only independently rated parties with minimum rating "A" are accepted.

Liquidity risk

Liquidity risk arises from the company's management of working capital. It is the risk that the company will encounter difficulty in meeting its financial obligations as they fall due.

In order to maintain liquidity to ensure sufficient funds are available for ongoing operations and future developments, the company maintains sufficient cash balances and monitors its cash on a timely basis.

Market risk

Market risk arises from the company's use of foreign currency financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates (currency risk).


Foreign exchange risk

Foreign exchange risk arises when the company enters into transactions denominated in a currency other than its functional currency.

The company is predominantly exposed to currency risk on purchases made from a major intercompany supplier based at the group headquarters in Japan. Purchases from this supplier are made in US dollars and the risk is hedged using forward exchange contracts.

Approval

This strategic report was approved by order of the Board on 10th April 2018


B P Gillingham

Secretary

Citizen Watch United Kingdom, Limited

Report of the directors for the year ended 31 December 2017

The directors present their report together with the audited financial statements for the year ended 31 December 2017.

Directors

The directors of the company throughout the year were:

N Takeuchi	
K Kudo	(resigned 7 April 2017)
T Tsukamoto	(appointed 7 April 2017)
T Furukawa	

Dividends

Dividends of £Nil were paid to the shareholders during the year ended 31 December 2017 (2016 - £Nil).

Likely future developments in the business of the company

Information on likely future developments in the business of the company has been included in the Strategic Report on page 1.

Employment of disabled persons

The company is committed to a policy of recruitment and promotion on the basis of aptitude and ability without discrimination of any kind. Particular attention is given to the training and promotion of disabled employees to ensure that their career development is not unfairly restricted by their disability, or perceptions of it.

Where an employee becomes disabled whilst employed by the group, the human resources procedures also require that reasonable effort is made to ensure they have the opportunity for continued employment within the company. Retraining of employees who become disabled whilst employed by the company is offered where appropriate.

Citizen Watch United Kingdom, Limited

Report of the directors for the year ended 31 December 2017 (continued)

Directors' responsibilities

The directors are responsible for preparing the strategic report, the directors' 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;
- 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.

Auditors

All of the directors as at the date of this report have taken all the steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the company's auditor is unaware.

BDO LLP have expressed their willingness to continue in office and a resolution to re-appoint them as auditors will be proposed at the next annual general meeting.

Approval

This Directors' Report was approved by order of the Board on 10th April 2018



B P Gillingham

Secretary

Date 10th April 2018

Citizen Watch United Kingdom, Limited

Independent auditor's report

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CITIZEN WATCH UNITED KINGDOM, LIMITED

We have audited the financial statements of Citizen Watch United Kingdom, Limited for the year ended 31 December 2017 which comprise the Income statement, the balance sheet, the statement of changes in equity, the statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

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

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

Citizen Watch United Kingdom, Limited

Independent auditor's report (continued)

Opinion on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

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 or 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 directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Auditor's responsibilities for the audit of the financial statements

- This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.
- Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
- A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

BDO LLP

Nicole Martin (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
London
United Kingdom

Date 10th April 2018

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Citizen Watch United Kingdom, Limited

Income statement for the year ended 31 December 2017

	Note	2017 £	2016 £
Turnover		25,219,053	26,565,722
Cost of sales		(16,365,662)	(17,803,089)
Gross profit		8,853,391	8,762,633
Administrative expenses		(7,898,393)	(8,367,386)
Operating profit	3	954,998	395,247
Other interest receivable and similar income		14,714	42,171
Profit on ordinary activities before taxation		969,712	437,418
Taxation on profit on ordinary activities	6	(232,549)	(113,955)
Profit for the financial year		737,163	323,463

All amounts relate to continuing activities.

All recognised gains and losses are included in the income statement. Consequently, a statement of comprehensive income has not been prepared.

The notes on page 11 to 18 form part of these financial statements.

Citizen Watch United Kingdom, Limited

Balance sheet at 31 December 2017

Company number 4104163	Note	2017 £	2017 £	2016 £	2016 £
Fixed assets					
Tangible assets	7		2,589,431		1,541,150
Current assets					
Stocks	8	7,861,831		5,449,848	
Debtors	9	9,612,373		8,814,750	
Cash at bank and in hand		3,860,812		7,235,430	
		<u>21,335,016</u>		<u>21,500,028</u>	
Creditors: amounts falling due within one year	10	<u>(7,081,356)</u>		<u>(6,998,201)</u>	
Net current assets			<u>14,253,660</u>		<u>14,501,827</u>
Total assets less current liabilities			<u>16,843,091</u>		<u>16,042,977</u>
Provision for liabilities	11		<u>(642,986)</u>		<u>(580,035)</u>
			<u>16,200,105</u>		<u>15,462,942</u>
Capital and reserves					
Called up share capital	14		700,000		700,000
Profit and loss account			15,500,105		14,762,942
Shareholders' funds			<u>16,200,105</u>		<u>15,462,942</u>

The financial statements were approved by the Board of Directors and authorised for issue on 10th April 2018


T TSUKAMOTO
DIRECTOR


N TAKEUCHI
DIRECTOR

The notes on page 11 to 18 form part of these financial statements.

Citizen Watch United Kingdom, Limited

Statement of changes in equity for the year ended 31 December 2017

	Share capital £	Profit and loss account £	Total equity £
1 January 2017	700,000	14,762,942	15,462,942
Comprehensive income for the year			
Profit for the year	-	737,163	737,163
	<hr/>	<hr/>	<hr/>
Total comprehensive income for the year	-	737,163	737,163
	<hr/>	<hr/>	<hr/>
31 December 2017	700,000	15,500,105	16,200,105
	<hr/>	<hr/>	<hr/>
1 January 2016	700,000	14,439,479	15,139,479
Comprehensive income for the year			
Profit for the year	-	323,463	323,463
	<hr/>	<hr/>	<hr/>
Total comprehensive income for the year	-	323,463	323,463
	<hr/>	<hr/>	<hr/>
31 December 2016	700,000	14,762,942	15,462,942
	<hr/>	<hr/>	<hr/>

The notes on page 11 to 18 form part of these financial statements.

Citizen Watch United Kingdom, Limited

Statement of cash flows for the year ended 31 December 2017

	Note	2017 £	2016 £
Cash flows from operating activities			
Profit for the financial year		737,163	323,463
Adjustments for:			
Depreciation of fixed assets	7	785,312	730,260
Net interest receivable		(14,714)	(42,171)
Taxation expense	6	232,549	113,955
(Increase)/decrease in trade and other debtors		(797,623)	939,036
Increase in stocks		(2,411,983)	(807,464)
Increase in trade and other creditors		83,155	1,032,281
Increase in provisions		62,951	17,306
		<hr/>	<hr/>
Cash (outflow)/inflow from operations		(1,323,190)	2,306,666
Taxation paid		(144,608)	(174,020)
		<hr/>	<hr/>
Net cash generated from operating activities		(1,467,798)	2,132,646
		<hr/>	<hr/>
Cash flows from investing activities			
Purchases of tangible fixed assets	7	(1,833,593)	(667,786)
Interest received		14,714	42,171
		<hr/>	<hr/>
Net cash from investing activities		(1,818,879)	(625,615)
		<hr/>	<hr/>
Net (decrease)/increase in cash and cash equivalents		(3,286,677)	1,507,031
Effect of foreign currency translation on cash and cash equivalent		(87,941)	-
Cash and cash equivalents at beginning of year		7,235,430	5,728,399
		<hr/>	<hr/>
Cash and cash equivalents at end of year		3,860,812	7,235,430
		<hr/>	<hr/>
Cash and cash equivalents comprise:			
Cash at bank and in hand		3,860,812	7,235,430
		<hr/>	<hr/>

The notes on page 11 to 18 form part of these financial statements.

Citizen Watch United Kingdom, Limited

Notes forming part of the financial statements for the year ended 31 December 2017

1 Accounting policies

The financial statements have been prepared in accordance with FRS 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland.

The preparation of financial statements in compliance 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.

The following principal accounting policies have been applied:

Going concern

Based on forecasts and the banking facilities available to the company, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the company's financial statements.

Revenue

Revenue from the sale of goods is recognised when the company has transferred the significant risks and rewards of ownership to the buyer and it is probable that the company will receive the previously agreed upon payment. These criteria are considered to be met when the goods are despatched to the buyer. Where the buyer has a right of return, the company defers a portion of the revenue based on historical experience of the stocks physically returned.

Tangible fixed assets

Tangible fixed assets 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

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method. The estimated useful lives range as follows:

Leasehold improvements	-	over the period of the lease
Plant and equipment	-	5 years
Fixtures and fittings	-	5 years
Point of purchase displays	-	3 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, 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.

Citizen Watch United Kingdom, Limited

Notes forming part of the financial statements for the year ended 31 December 2017 (continued)

1 Accounting policies (continued)

Impairment of fixed assets

Assets that are subject to depreciation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Stocks

Stocks are stated at the lower of cost and net realisable value being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis.

At each reporting date, inventories are assessed for impairment. If inventory 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.

Warranty provision

Provision is made for the estimated cost of meeting liabilities that may arise under the terms of the warranties given on the sale of the company's watches.

Foreign currency translation

Foreign currency transactions are translated into the company's functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Hedge accounting

The company has entered into forward exchange contracts to manage its exposure to foreign exchange movements on its US\$ purchases. These derivatives are measured at fair value at each reporting date. The movements in fair value are recognised in profit or loss for the period.

Financial liabilities and equity

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form.

Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders.

Citizen Watch United Kingdom, Limited

Notes forming part of the financial statements for the year ended 31 December 2017 (continued)

1 Accounting policies (continued)

Current and deferred taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a charge attributable to an item of income or 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.

Deferred balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except:

- 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.

Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

Leased assets: Lessee

All leases are treated as operating leases. Their annual rentals are charged to profit or loss on a straight-line basis over the term of the lease.

Pension costs

Contributions to the company's defined contribution pension scheme are charged to profit or loss in the year in which they become payable.

Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at the balance sheet date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the balance sheet date.

Summary of disclosure exemptions

In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period; and
- Key Management Personnel compensation.

Citizen Watch United Kingdom, Limited

Notes forming part of the financial statements
for the year ended 31 December 2017 (continued)

2 Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, the directors have made the following judgements:

- Determine whether there are indicators of impairment of the company's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset.

Other key sources of estimation uncertainty

- *Tangible fixed assets (see note 7)*

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.

3 Operating profit

	2017 £	2016 £
Operating profit is arrived at after charging:		
Inventory recognised as an expense	16,117,785	17,803,089
Depreciation of tangible fixed assets	785,312	730,260
Fees payable to the company's auditor and its associates for the audit of the company's annual accounts	27,040	26,000
Exchange differences	(121,055)	11,486
Operating lease expense	325,494	137,258
	<u> </u>	<u> </u>

4 Employees

	2017 £	2016 £
Staff costs (including directors) consist of:		
Wages and salaries	2,235,856	2,071,927
Social security costs	256,415	236,199
Cost of defined contribution scheme	110,814	116,264
	<u> </u>	<u> </u>
	2,603,085	2,424,390
	<u> </u>	<u> </u>
The average number of employees (including directors) during the year was as follows:	Number	Number
Sales staff	14	12
Office and management	41	44
	<u> </u>	<u> </u>
	55	56
	<u> </u>	<u> </u>

Citizen Watch United Kingdom, Limited

Notes forming part of the financial statements
for the year ended 31 December 2017 (continued)

5 Directors' remuneration

	2017 £	2016 £
Directors' emoluments	Nil	Nil

The directors are remunerated by the immediate holding company, Citizen Watch Company of America Inc. and the ultimate holding company, Citizen Watch Company Limited.

6 Taxation on profit on ordinary activities

	2017 £	2017 £	2016 £	2016 £
<i>UK corporation tax</i>				
Current tax on profits of the year		171,405		137,888
Under provided in previous year		20		-
		<u>171,425</u>		<u>137,888</u>
Total current tax		171,425		137,888
<i>Deferred tax</i>				
Origination and reversal of timing differences	61,124		(19,164)	
Over provision in respect of prior years	-		(4,769)	
	<u>61,124</u>		<u>(23,933)</u>	
Taxation on profit on ordinary activities		<u>232,549</u>		<u>113,955</u>

The tax assessed for the year is higher than the standard rate of corporation tax in the UK applied to profit before tax. The differences are explained below:

	2017 £	2016 £
Profit on ordinary activities before tax	969,712	437,418
Profit on ordinary activities at the standard rate of corporation tax in the UK of 19.25% (2016 - 20%)	186,670	87,484
Effects of:		
Fixed asset differences	32,067	9,455
Expenses not deductible for tax purposes	21,888	24,023
Adjustment to deferred tax	(8,076)	(7,007)
Total tax charge for period	<u>232,549</u>	<u>113,955</u>

For further information on deferred tax balances see notes 11 and 13.

Citizen Watch United Kingdom, Limited

Notes forming part of the financial statements
for the year ended 31 December 2017 (continued)

7 Tangible fixed assets

	Leasehold improvements £	Plant and equipment £	Fixtures and fittings £	Point of purchase displays £	Total £
<i>Cost</i>					
At 1 January 2017	808,956	1,104,443	161,767	1,742,153	3,817,319
Additions	1,168,103	352,445	42,529	270,516	1,833,593
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2017	1,977,059	1,456,888	204,296	2,012,669	5,650,912
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>					
At 1 January 2017	480,070	635,582	126,489	1,034,028	2,276,169
Provision for year	57,205	161,727	11,791	554,589	785,312
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2017	537,275	797,309	138,280	1,588,617	3,061,481
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>					
At 31 December 2017	1,439,784	659,579	66,016	424,052	2,589,431
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2016	328,886	468,861	35,278	708,125	1,541,150
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

8 Stocks

	2017 £	2016 £
Finished goods and goods for resale	7,861,831	5,449,848
	<hr/>	<hr/>

9 Debtors

	2017 £	2016 £
Amounts falling due within one year:		
Trade debtors	8,948,275	8,247,082
Amounts owed by group undertakings	60,670	9,591
Other debtors	109,586	406,717
Prepayments and accrued income	493,842	151,360
	<hr/>	<hr/>
	9,612,373	8,814,750
	<hr/>	<hr/>

The impairment loss recognised in the company profit or loss for the period in respect of bad and doubtful trade debts was £30,568 (2016 - £30,789).

Citizen Watch United Kingdom, Limited

Notes forming part of the financial statements
for the year ended 31 December 2017 (continued)

10 Creditors: amounts falling due within one year

	2017 £	2016 £
Trade creditors	765,823	575,558
Amounts owed to group undertakings	3,479,097	3,609,410
Taxation and social security	793,210	826,692
Other creditors	64,136	203,516
Accruals	1,979,090	1,783,025
	<u>7,081,356</u>	<u>6,998,201</u>

11 Provisions for liabilities

	Deferred taxation (Note 13) £	Dilapidation £	Warranty Provision £	Total £
At 1 January 2017	66,817	151,547	361,671	580,035
Charge to profit and loss	61,124	-	10,000	71,124
Utilised in year	-	(8,173)	-	(8,173)
	<u>127,941</u>	<u>143,374</u>	<u>371,671</u>	<u>642,986</u>
At 31 December 2017	127,941	143,374	371,671	642,986

The dilapidations provision is management's surveyor's best estimate of any work that is required to the property before re-letting or handing back to the landlord at the end of the lease.

The warranty provision relates to expected warranty claims on products sold during the previous five years.

12 Pensions

The company contributes to the individual employees' personal pension plans. The pension charge for the year represents contributions payable by the company to these plans and amounted to £110,184 (2016 - £116,264). Contributions amounting to £17,235 (2016 - £14,164) were payable to the scheme and are included in creditors.

Citizen Watch United Kingdom, Limited

Notes forming part of the financial statements
for the year ended 31 December 2017 (continued)

13 Deferred taxation

Deferred tax liabilities

	Short term timing differences 2017 £	Accelerated capital allowances 2017 £	Total 2017 £
Deferred tax liability	(8,070)	136,011	127,941
	Short term timing differences 2016 £	Accelerated capital allowances 2016 £	Total 2016 £
Deferred tax liability	(8,366)	75,183	66,817

14 Share capital

	2017 £	2016 £
<i>Allotted, called up and fully paid</i> 700,000 ordinary shares of £1 each	700,000	700,000

15 Commitments under operating leases

The company had minimum lease payments under non-cancellable operating leases as set out below:

	2017 £	2016 £
Not later than 1 year	168,837	37,824
Later than 1 year and not later than 5 years	770,784	169,372
More than 5 years	926,172	-
Total	1,865,793	207,196

16 Related parties

The ultimate controlling party of the group is Citizen Watch Company incorporated in Japan. Copies of the group accounts can be obtained from The Government Publications Service Center, Kasumigaseki, Japan. The company is a wholly owned subsidiary undertaking of Citizen Watch Company of America Inc. incorporated in the United States of America.

As a 100% owned indirect subsidiary, the Company has taken advantage of the exemption under FRS 102 Section 33.1A: Related Party Disclosures, which enable it to exclude disclosure of transactions with Citizen Watch Company of America Inc. and its wholly owned subsidiaries.