

Company registration number: 03231869

Basic Thinking Limited

Financial statements

31 December 2016

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Basic Thinking Limited

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Basic Thinking Limited

Directors and other information

Directors	K G Hickey A Openshaw
Company number	03231869
Registered office	Basic Thinking House 106 Grace Road Leicester LE2 8AZ
Auditor	Brooks Mayfield Limited 12 Bridgford Road West Bridgford Nottingham NG2 6AB
Bankers	HSBC 33 Park Row Leeds West Yorkshire LS1 1LD

Basic Thinking Limited
Strategic report
Year ended 31 December 2016

Review of the business and key performance indicators

The key financial and other performance indicators during the year were as follows

	2016	2015
Turnover	£16m	£18m
Operating profit	£1,207k	£640k
Profit after tax	£898k	£408k
Equity shareholder's funds	£1,739k	£1,332k

Current assets as % of current liabilities (quick ratio)	107%	97%
Number of employees	35	49

For most retailers the UK marketplace remains challenging. Our principal customers are the UK major supermarkets and discount retailers who have had flat performances during the year. Our turnover this year stands at £16m (2015: £18m), however we are delighted to report an increase in GP% from 23.7% to 24.2%, together with reduced operating overhead costs of £2.8m (2015: £3.6m). Profit before tax is £1,126,785 (2015: £547,563). A satisfying performance given market conditions

The total average number of employees reduced by 29% during the year. This was due to a drive to become more efficient and flexible given pressures on sales volumes.

Principal risks and uncertainties

The directors have assessed the main risks the company faces as follows:

Competitive risks

In the UK the company is reliant on major supermarket brands and discount retailers who themselves are subject to UK economic conditions.

Financial instrument risks

The company has established a risk and financial management framework whose primary objectives is to project the company from events that hinder the achievement of the company's performance objectives

The objectives aim to limit undue foreign currency exchange rate exposure, ensure sufficient working capital exists and rigorously monitor the management of risk at a company level

Use of derivatives

The company uses forward currency contracts to reduce exposure to the variability of foreign exchange rates by fixing the rate of any material payments in a foreign currency.

Liquidity risks

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The company aims to mitigate liquidity risk by managing cash generation by its operations and applying cash collection disciplines throughout the company.

This report was approved by the board of directors on 21 June 2017 and signed on behalf of the board by:



K G Hickey
Director

Basic Thinking Limited

Directors report Year ended 31 December 2016

The directors present their report and the financial statements of the company for the year ended 31 December 2016.

Directors

The directors who served the company during the year were as follows:

K G Hickey
A Openshaw

Dividends

During the year dividends of £97.02 were recommended per Ordinary share resulting in dividends of £970,200 being declared. One shareholder waived the right to shares of £479,090 resulting in dividends being paid of £491,110.

Future developments

Research and development

The company continually researches the latest designs and fabrics and produces competitive products for our customers.

Future developments

The company continues to seek for greater efficiencies thereby to improve margins as demonstrated this year. Overhead control is critical in this process.

Financial instruments

Details of the financial instruments are provided in the strategic report.

Disclosure of information in the strategic report.

The company has chosen in accordance with section 414C(11) of the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 to set out in the company's strategic report information required by schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations

Basic Thinking Limited

Directors report (continued) Year ended 31 December 2016

Directors responsibilities statement

The directors are responsible for preparing the strategic report, 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 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 judgments and accounting estimates that are reasonable and prudent;
- 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.

Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as they are aware, there is no relevant audit information of which the company's auditor is unaware; and
- they have taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

The auditor is deemed to have been re-appointed in accordance with section 487 of the Companies Act 2006.

This report was approved by the board of directors on 21 June 2017 and signed on behalf of the board by:



K G Hickey
Director

Basic Thinking Limited

Independent auditor's report to the members of Basic Thinking Limited Year ended 31 December 2016

We have audited the financial statements of Basic Thinking Limited for the year ended 31 December 2016 which comprise the statement of income and retained earnings, statement of financial position, statement of cash flows and related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standard (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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 auditors 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.

Respective responsibilities of directors and auditor

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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the strategic report and the directors report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 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.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion 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.

Matters on which we are required to report by exception

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 the 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.

Basic Thinking Limited

**Independent auditor's report to the members of
Basic Thinking Limited (continued)
Year ended 31 December 2016**

William Oates BA FCA (senior statutory auditor)

For and on behalf of
Brooks Mayfield Limited
Chartered Accountants and Statutory Auditors
12 Bridgford Road
West Bridgford
Nottingham
NG2 6AB

21/6/17

Basic Thinking Limited

**Statement of income and retained earnings
Year ended 31 December 2016**

	Note	2016 £	2015 £
Turnover	4	16,400,328	17,966,943
Cost of sales		(12,423,354)	(13,704,326)
Gross profit		3,976,974	4,262,617
Distribution costs		(455,312)	(616,373)
Administrative expenses		(2,314,178)	(3,006,027)
Operating profit	5	1,207,484	640,217
Other interest receivable and similar income	8	24,000	24,618
Interest payable and similar expenses	9	(104,699)	(117,272)
Profit before taxation		1,126,785	547,563
Tax on profit	10	(228,803)	(140,025)
Profit for the financial year and total comprehensive income		<u>897,982</u>	<u>407,538</u>
Dividends declared and paid or payable during the year ¹²		(491,110)	(415,425)
Retained earnings at the start of the year		1,312,452	1,320,339
Retained earnings at the end of the year		<u>1,719,324</u>	<u>1,312,452</u>

All the activities of the company are from continuing operations.

The notes on pages 12 to 26 form part of these financial statements.

Basic Thinking Limited

Statement of financial position

31 December 2016

	Note	2016 £	£	2015 £	£
Fixed assets					
Tangible assets	13	242,998		265,164	
			242,998		265,164
Current assets					
Stocks	14	806,563		745,950	
Debtors:					
Amounts falling due after more than one year	15	1,312,516		1,378,092	
Amounts falling due within one year	15	5,142,383		5,067,962	
Cash at bank and in hand		71,523		185,126	
		7,332,985		7,377,130	
Creditors: amounts falling due within one year	17	(5,649,534)		(6,154,166)	
Net current assets		1,683,451		1,222,964	
Total assets less current liabilities		1,926,449		1,488,128	
Creditors: amounts falling due after more than one year	18	(187,125)		(155,676)	
Net assets		1,739,324		1,332,452	
Capital and reserves					
Called up share capital	22	10,555		10,555	
Share premium account	23	9,445		9,445	
Profit and loss account	23	1,719,324		1,312,452	
Shareholders funds		1,739,324		1,332,452	

The notes on pages 12 to 26 form part of these financial statements.

Basic Thinking Limited

Statement of financial position (continued)
31 December 2016

These financial statements were approved by the board of directors and authorised for issue on 21 June 2017, and are signed on behalf of the board by:

A handwritten signature in black ink, appearing to be 'K G Hickey', written over a horizontal line.

K G Hickey
Director

Company registration number: 03231869

The notes on pages 12 to 26 form part of these financial statements.

Basic Thinking Limited

Statement of cash flows
Year ended 31 December 2016

	Note	2016 £	2015 £
Cash flows from operating activities			
Profit for the financial year		897,982	407,538
<i>Adjustments for:</i>			
Depreciation of tangible assets		137,357	166,573
Other interest receivable and similar income		(24,000)	(24,618)
Interest payable and similar expenses		104,699	117,272
Gain/(loss) on disposal of tangible assets		(17,196)	-
Tax on profit		228,803	140,025
Accrued expenses/(income)		115,235	(13,444)
<i>Changes in:</i>			
Stocks		(60,613)	470,579
Trade and other debtors		(8,845)	1,483,035
Trade and other creditors		(449,693)	(1,209,638)
Cash generated from operations		923,729	1,537,322
Interest paid		(104,699)	(117,272)
Interest received		24,000	24,618
Tax paid		(230,981)	(56,345)
Net cash from operating activities		<u>612,049</u>	<u>1,388,323</u>
Cash flows from investing activities			
Purchase of tangible assets		(7,667)	(26,910)
Proceeds from sale of tangible assets		50,250	-
Net cash from/(used in) investing activities		<u>42,583</u>	<u>(26,910)</u>
Cash flows from financing activities			
Repayments of borrowings		(71,812)	(924,683)
Payment of finance lease liabilities		(92,802)	(42,471)
Equity dividends paid		(491,110)	(415,425)
Net cash used in financing activities		<u>(655,724)</u>	<u>(1,382,579)</u>
Net increase/(decrease) in cash and cash equivalents		(1,092)	(21,166)
Cash and cash equivalents at beginning of year	16	59,534	80,700
Cash and cash equivalents at end of year	16	<u>58,442</u>	<u>59,534</u>

Basic Thinking Limited

Notes to financial statements Year ended 31 December 2016

1. General information

The company is a private company limited by shares, registered in England and Wales. The address of the registered office is Basic Thinking House, 106 Grace Road, Leicester, LE2 8AZ.

2. Statement of compliance

These financial statements have been prepared in compliance with FRS 102, 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

3. Accounting policies

Basis of preparation

Basic Thinking Limited is a private company limited by shares incorporated in England, United Kingdom. The address of the registered office is given in the company information at the front of these financial statements. The nature of the company's operations and principal activities are the design, procurement and sale of fashion clothing.

The financial statements have been prepared in accordance with applicable accounting standards including Financial Reporting Standard 102 The Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006. The financial statements have been prepared on a going concern basis under the historical cost convention, modified to include certain items at fair value. The financial statements are presented in sterling which is the functional currency of the company.

Going concern

After reviewing the company's forecasts and projections, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing its financial statements.

Basic Thinking Limited

Notes to financial statements (continued)

Year ended 31-December-2016

Judgements and key sources of estimation uncertainty

- 1) Significant underperformance relative to historical or projected future operating results;
- 2) Significant changes in the use of the acquired assets or the business strategy, and
- 3) Significant negative industry or economic trends.

The following are the company's key sources of estimation uncertainty:

Depreciation and residual values

The directors have reviewed the asset lives and associated residual values of all fixed asset classes and have concluded that asset lives and residual values are 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 projects disposal values.

Carrying value of stocks

Management review the market value of and demand for the company's stocks on a periodic basis to ensure stock is recorded in the financial statements at the lower of cost and net realisable value. Any provision for impairment is recorded against the carrying value of stocks. Management use their knowledge of market conditions, historical experiences and estimates of future events to assess future demand for the company's products and achievable selling prices.

Recoverability of trade debtors

Trade and other receivables are recognised to the extent that they are judged recoverable. Management reviews are performed to estimate the level of reserves required for irrecoverable debt. Provisions are made specifically against invoices where recoverability is uncertain. Management makes allowance for doubtful debts based on an assessment of the recoverability of debtors. Allowances are applied to debtors where events or changes in circumstances indicate that the carrying amounts may not be recoverable. Management specifically analyse historical bad debts, customer creditworthiness, current economic trends and changes in customer payment terms when making a judgement to evaluate the adequacy of the provision for doubtful debts. Where the expectation is different from the original estimate, such difference will impact the carrying value of debtors and the charge in the profit and loss account.

Provisions

A provision is recognised when the company has a present legal or constructive obligation as a result of a past event for which it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. The nature and type of risks for these provisions differ and management's judgement is applied regarding the nature and extent of obligations in deciding if an outflow of resources is probable or not.

Taxation

There are many transactions and calculations for which the ultimate tax determination is uncertain. The company recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due.

Basic Thinking Limited

Notes to financial statements (continued) Year ended 31 December 2016

Turnover

Turnover is measured at the fair value of the consideration received or receivable for goods supplied and services rendered, net of discounts and Value Added Tax.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have transferred to the buyer, usually on despatch of the goods; the amount of revenue can be measured reliably; it is probable that the associated economic benefits will flow to the entity and the costs incurred or to be incurred in respect of the transactions can be measured reliably.

Taxation

The taxation expense represents the aggregate amount of current and deferred tax recognised in the reporting period. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in capital and reserves. In this case, tax is recognised in other comprehensive income or directly in capital and reserves, respectively.

Current tax is recognised on taxable profit for the current and past periods. Current tax is measured at the amounts of tax expected to pay or recover using the tax rates and laws that have been enacted or substantively enacted at the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

Foreign currencies

Foreign currency transactions are initially recorded in the functional currency, by applying the spot exchange rate as at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate ruling at the reporting date, with any gains or losses being taken to profit or loss.

Operating leases

Lease payments are recognised as an expense over the lease term on a straight-line basis. The aggregate benefit of lease incentives is recognised as a reduction to expense over the lease term, on a straight-line basis.

Tangible assets

Tangible assets are initially recorded at cost, and are subsequently stated at cost less any accumulated depreciation and impairment losses.

Any tangible assets carried at revalued amounts are recorded at the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

An increase in the carrying amount of an asset as a result of a revaluation, is recognised in other comprehensive income and accumulated in capital and reserves, except to the extent it reverses a revaluation decrease of the same asset previously recognised in profit or loss. A decrease in the carrying amount of an asset as a result of revaluation is recognised in other comprehensive income to the extent of any previously recognised revaluation increase accumulated in capital and reserves in respect of that asset. Where a revaluation decrease exceeds the accumulated revaluation gains accumulated in capital and reserves in respect of that asset, the excess shall be recognised in profit or loss.

Basic Thinking Limited

Notes to financial statements (continued)

Year ended 31 December 2016

Depreciation

Depreciation is calculated so as to write off the cost or valuation of an asset, less its residual value, over the useful economic life of that asset as follows:

Plant and machinery	- 15%	straight line
Fittings fixtures and equipment	- 20/33%	straight line
Motor vehicles	- 25%	straight line

If there is an indication that there has been a significant change in depreciation rate, useful life or residual value of tangible assets, the depreciation is revised prospectively to reflect the new estimates.

Impairment

A review for indicators of impairment is carried out at each reporting date, with the recoverable amount being estimated where such indicators exist. Where the carrying value exceeds the recoverable amount, the asset is impaired accordingly. Prior impairments are also reviewed for possible reversal at each reporting date.

When it is not possible to estimate the recoverable amount of an individual asset, an estimate is made of the recoverable amount of the cash-generating unit to which the asset belongs. The cash-generating unit is the smallest identifiable group of assets that includes the asset and generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Stocks

Stocks are measured at the lower of cost and estimated selling price less costs to complete and sell. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the stocks to their present location and condition.

Stock is included on a first in, first out basis.

Hire purchase and finance leases

Assets held under finance leases are recognised in the statement of financial position as assets and liabilities at the lower of the fair value of the assets and the present value of the minimum lease payments, which is determined at the inception of the lease term. Any initial direct costs of the lease are added to the amount recognised as an asset.

Lease payments are apportioned between the finance charges and reduction of the outstanding lease liability using the effective interest method. Finance charges are allocated to each period so as to produce a constant rate of interest on the remaining balance of the liability.

Financial instruments

Derivative financial instruments are recognised at fair value using a valuation technique with any gains or losses being reported in profit or loss.

Basic Thinking Limited

Notes to financial statements (continued) Year ended 31 December 2016

Defined contribution plans

Contributions to defined contribution plans are recognised as an expense in the period in which the related service is provided. Prepaid contributions are recognised as an asset to the extent that the prepayment will lead to a reduction in future payments or a cash refund.

When contributions are not expected to be settled wholly within 12 months of the end of the reporting date in which the employees render the related service, the liability is measured on a discounted present value basis. The unwinding of the discount is recognised in finance costs in profit or loss in the period in which it arises.

Debtors and creditors receivable / payable within one year

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the profit and loss account in other administrative expenses.

4. Turnover

Turnover arises from:

	2016	2015
	£	£
Sale of goods	16,400,328	17,966,943

The turnover is attributable to the one principal activity of the company. An analysis of turnover by the geographical markets that substantially differ from each other is given below:

	2016	2015
	£	£
United Kingdom	16,210,745	17,811,972
Europe	189,583	154,971
	16,400,328	17,966,943

5. Operating profit

Operating profit is stated after charging/(crediting):

	2016	2015
	£	£
Depreciation of tangible assets	137,357	166,573
(Gain)/loss on disposal of tangible assets	(17,196)	-
Cost of stock recognised as an expense	12,399,541	13,672,777
Impairment of trade debtors	37,300	-
Operating lease rentals	53,333	102,790
Foreign exchange differences	(120,227)	(200)
Fees payable for the audit of the financial statements	13,380	14,060

Basic Thinking Limited

Notes to financial statements (continued)
Year ended 31 December 2016

6. Staff costs

The average number of persons employed by the company during the year, including the directors, amounted to:

	2016	2015
Administrative staff	28	38
Production staff	7	11
	<u>35</u>	<u>49</u>

The aggregate payroll costs incurred during the year were:

	2016	2015
	£	£
Wages and salaries	1,261,656	1,697,772
Social security costs	124,276	181,521
Other pension costs	19,279	25,126
	<u>1,405,211</u>	<u>1,904,419</u>

7. Directors remuneration

The directors aggregate remuneration in respect of qualifying services was:

	2016	2015
	£	£
Remuneration	168,697	269,632
Company contributions to pension schemes in respect of qualifying services	9,900	18,900
	<u>178,597</u>	<u>288,532</u>

The number of directors who accrued benefits under company pension plans was as follows:

	2016	2015
	Number	Number
Defined contribution plans	<u>2</u>	<u>2</u>

8. Other interest receivable and similar income

	2016	2015
	£	£
Bank deposits	-	1
Other interest receivable and similar income	24,000	24,617
	<u>24,000</u>	<u>24,618</u>

Basic Thinking Limited

Notes to financial statements (continued)
Year ended 31 December 2016

9. Interest payable and similar expenses

	2016	2015
	£	£
Bank loans and overdrafts	1,793	3,154
Other loans made to the company:		
Finance leases and hire purchase contracts	17,852	24,493
Factoring loans	78,141	86,276
Other interest payable and similar expenses	6,913	3,349
	<u>104,699</u>	<u>117,272</u>

10. Tax on profit

Major components of tax expense

	2016	2015
	£	£
Current tax:		
UK current tax expense	228,803	140,025
Tax on profit	<u>228,803</u>	<u>140,025</u>

Reconciliation of tax expense

The tax assessed on the profit for the year is higher than (2015: higher than) the standard rate of corporation tax in the UK of 20.00% (2015: 20.00%).

	2016	2015
	£	£
Profit before taxation	1,126,785	547,563
Profit multiplied by rate of tax	225,357	109,513
Effect of expenses not deductible for tax purposes	4,317	10,048
Effect of capital allowances and depreciation	(871)	19,249
Effect of different UK tax rates on some earnings	-	1,711
Marginal relief	-	(496)
Tax on profit	<u>228,803</u>	<u>140,025</u>

Basic Thinking Limited

Notes to financial statements (continued)

Year ended 31 December 2016

11. Earnings per share

Basic earnings/(loss) per share

The earnings/(loss) and weighted average number of shares used in the calculation of basic earnings/(loss) per share are as follows:

	2016	2015
	£	£
Profit for the year attributable to the owners of the company	<u>897,982</u>	<u>407,538</u>

Diluted earnings/(loss) per share

The earnings/(loss) and weighted average number of shares used in the calculation of diluted earnings/(loss) per share are as follows:

	2016	2015
	£	£
Earnings/(loss) used in calculation of basic earnings/(loss) per share	<u>897,982</u>	<u>407,538</u>

12. Dividends

Equity dividends

	2016	2015
	£	£
Dividends paid during the year (excluding those for which a liability existed at the end of the prior year)	<u>491,110</u>	<u>415,425</u>

Basic Thinking Limited

Notes to financial statements (continued)
Year ended 31 December 2016

13. Tangible assets

	Plant and machinery	Fixtures, fittings and equipment	Motor vehicles	Total
	£	£	£	£
Cost				
At 1 January 2016	181,974	433,772	381,847	997,593
Additions	-	7,665	140,580	148,245
Disposals	(119,284)	(262,644)	(97,714)	(479,642)
At 31 December 2016	<u>62,690</u>	<u>178,793</u>	<u>424,713</u>	<u>666,196</u>
Depreciation				
At 1 January 2016	155,339	363,421	213,669	732,429
Charge for the year	9,403	45,958	81,996	137,357
Disposals	(119,284)	(262,644)	(64,660)	(446,588)
At 31 December 2016	<u>45,458</u>	<u>146,735</u>	<u>231,005</u>	<u>423,198</u>
Carrying amount				
At 31 December 2016	<u>17,232</u>	<u>32,058</u>	<u>193,708</u>	<u>242,998</u>
At 31 December 2015	<u>26,635</u>	<u>70,351</u>	<u>168,178</u>	<u>265,164</u>

Tangible fixed asset with a carrying value of £193,709 (2015: £156,246) are pledged as security for the company's obligations under finance leases.

Obligations under finance leases

Included within the carrying value of tangible assets are the following amounts relating to assets held under finance leases or hire purchase agreements:

	Motor vehicles
	£
At 31 December 2016	<u>193,709</u>
At 31 December 2015	<u>156,246</u>

14. Stocks

	2016	2015
	£	£
Raw materials	20,000	141,526
Work in progress	382,745	293,781
Finished goods	403,818	310,643
	<u>806,563</u>	<u>745,950</u>

Basic Thinking Limited

Notes to financial statements (continued)

Year ended 31-December-2016

15. Debtors

Debtors falling due within one year are as follows:

	2016	2015
	£	£
Trade debtors	4,184,546	3,910,857
Prepayments and accrued income	54,023	49,577
Other debtors	903,814	1,107,528
	<u>5,142,383</u>	<u>5,067,962</u>

Debtors falling due after one year are as follows:

	2016	2015
	£	£
Other debtors	<u>1,312,516</u>	<u>1,378,092</u>

Included within trade debtors are balances totalling £4,184,546 (2015 : £3,910,857) that are subject to invoice discounting arrangements. The trade debtor balances have been transferred to the counterparty, though the transaction does not qualify for derecognition on the basis that the late payment risk / reward is retained by the company. The associated liability recognised in creditors amounts to £3,049,983 (2015: £3,069,182).

16. Cash and cash equivalents

	2016	2015
	£	£
Cash at bank and in hand	71,523	185,126
Bank overdrafts	(13,081)	(125,592)
	<u>58,442</u>	<u>59,534</u>

Basic Thinking Limited

Notes to financial statements (continued)
Year ended 31 December 2016

17. Creditors: amounts falling due within one year

	2016	2015
	£	£
Bank loans and overdrafts	3,066,127	3,245,775
Trade creditors	1,696,926	2,187,872
Accruals and deferred income	347,121	231,886
Corporation tax	244,504	246,684
Social security and other taxes	239,206	195,639
Obligations under finance leases	54,526	42,872
Other creditors	1,124	3,438
	<u>5,649,534</u>	<u>6,154,166</u>

Bank loans and overdrafts totalling £3,066,127(2015: £3,245,775) are secured by:

Debenture including Fixed Charge over all present freehold and leasehold property; First fixed Charge over book and other debts, chattels, goodwill and uncalled capital, both present and future; and First Floating Charge over all assets and undertaking both present and future dated 15 January 2014. All of which are with HSBC.

Contract Monies Charge by HSBC dated 17 February 2014.

General Letter of Pledge by HSBC dated 15 January 2014.

Bank loan terms of repayment are over the next 5-14 months and interest is payable at 2.5%-3.5% per annum over the Bank of England Base Rate.

18. Creditors: amounts falling due after more than one year

	2016	2015
	£	£
Bank loans and overdrafts	-	4,675
Obligations under finance leases	187,125	151,001
	<u>187,125</u>	<u>155,676</u>

Bank loans totalling £nil (2015: £4,675) are secured by:

Debenture including Fixed Charge over all present freehold and leasehold property; First fixed Charge over book and other debts, chattels, goodwill and uncalled capital, both present and future; and First Floating Charge over all assets and undertaking both present and future dated 15 January 2014. All of which are with HSBC.

Contract Monies Charge by HSBC dated 17 February 2014.

General Letter of Pledge by HSBC dated 15 January 2014.

Basic Thinking Limited

Notes to financial statements (continued) Year ended 31 December 2016

19. Obligations under finance leases

Company lessee

The total future minimum lease payments under finance lease agreements are as follows:

	2016	2015
	£	£
Not later than 1 year	54,526	42,872
Later than 1 year and not later than 5 years	187,125	151,001
	<u>241,651</u>	<u>193,873</u>
Present value of minimum lease payments	<u>241,651</u>	<u>193,873</u>

The hire purchases relate primarily to the purchase of motor vehicles. All hire purchase creditors are secured on the assets which they relate to.

20. Employee benefits

The amount recognised in profit or loss in relation to defined contribution plans was £19,279 (2015: £25,126).

21. Financial instruments

The carrying amount for each category of financial instrument is as follows:

	2016	2015
	£	£
Financial assets that are debt instruments measured at amortised cost		
Trade debtors	4,184,546	3,910,857
Other debtors	2,216,330	2,485,620
Cash at bank and in hand	71,523	185,126
	<u>6,472,399</u>	<u>6,581,603</u>
Financial liabilities measured at amortised cost		
Bank and other loans	3,066,127	3,245,775
Trade creditors	1,696,926	2,187,872
Other creditors	242,775	197,311
	<u>5,005,828</u>	<u>5,630,958</u>

Basic Thinking Limited

Notes to financial statements (continued) Year ended 31 December 2016

22. Called up share capital Issued, called up and fully paid

	2016		2015	
	No	£	No	£
Ordinary shares of £ 1.00 each	10,000	10,000	10,000	10,000
Ordinary B shares of £ 1.00 each	555	555	555	555
	<u>10,555</u>	<u>10,555</u>	<u>10,555</u>	<u>10,555</u>

Ordinary shares have full voting and participating rights.
B Ordinary shares are non-voting with participating rights.

23. Reserves

Share premium account

The share premium account represents the premium arising on the issues of shares net of issue costs.

Profit and loss account

The profit and loss account represents cumulative profits and losses net of dividends and other adjustments.

24. Operating leases

The company as lessee

The total future minimum lease payments under non-cancellable operating leases are as follows:

	2016 £	2015 £
Not later than 1 year	111,628	111,628
Later than 1 year and not later than 5 years	442,849	444,477
Later than 5 years	<u>73,333</u>	<u>183,333</u>
	<u>627,810</u>	<u>739,438</u>

Basic Thinking Limited

Notes to financial statements (continued) Year ended 31 December 2016

25. Directors advances, credits and guarantees

During the year the directors entered into the following advances and credits with the company:

2016				
	Balance brought forward	Advances /(credits) to the directors	Amounts repaid	Balance o/standing
	£	£	£	£
K G Hickey	547,114	62,804	-	609,918
A Openshaw	-	519	-	519
	<u>547,114</u>	<u>63,323</u>	<u>-</u>	<u>610,437</u>
2015				
	Balance brought forward	Advances /(credits) to the directors	Amounts repaid	Balance o/standing
	£	£	£	£
K G Hickey	778,496	104,817	(336,199)	547,114
A Openshaw	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The loan to K G Hickey is unsecured and interest is charged on it at 3.25%. There are no repayment terms.

The loan to A Openshaw is unsecured, interest free and repayable on demand.

Basic Thinking Limited

Notes to financial statements (continued) Year ended 31 December 2016

26. Related party transactions

During the year the company entered into the following transactions with related parties:

	Transaction value		Balance owed by/(owed to)	
	2016	2015	2016	2015
	£	£	£	£
Purchases from other related parties	4,991,104	5,778,615	(127,616)	(64,080)
Sales to other related parties	1,213,164	1,724,714	141,881	374,691
Interest paid on loans from other related parties	20	179	-	(2,254)
Loans less than one year to other related parties	-	-	149,571	138,571
Loans greater than one year to other related parties	-	-	1,160,038	1,241,316

Purchases and sales with related parties are made at normal market prices. Outstanding balances with entities are unsecured, interest free and cash settlement is due 30 days from the date of invoice. The company has not provided or benefitted from any guarantees for any related party receivables or payables.

The loans from other related parties are unsecured and interest is charged at a rate of base rate + 3%. The company has not provided any guarantees for the loan. All amounts were due less than 1 year.

The loans due in less than one year to other related parties are unsecured and interest free. The company has not benefitted from any guarantees for the loan. All amounts are due less than 1 year.

The loans due greater than one year to other related parties are unsecured and interest free. The company has not benefitted from any guarantees for the loan. All amounts are due on demand with a 53 weeks' notice period.

27. Key management personnel

All directors and certain senior employees who have authority and responsibility for planning, directing and controlling the activities of the company are considered to be key management personnel. Total remuneration in respect of these individuals is £178,597 (2015: £274,017), fees paid to them were £100,278 (2015: £101,391) and dividends paid to them were £491,110 (2015: £415,425). Rent paid to them amounted to £55,000 (2015: £98,530). Fees outstanding at the year end were £3,332 (2015: £3,032). There were no other amounts outstanding at the year end.

28. Controlling party

K Hickey is in overall control of the company due to his directorship, day to day involvement and 50% shareholding.

29. Guarantees

On the 12 February 2014 a guarantee was signed in the favour of HMRC for £200,000.