

Company registration number: 03231869

Basic Thinking Limited

Financial statements

31 December 2017

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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 2017

Review of the business and key performance indicators

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

	2017	2016
Turnover	£13m	£16m
Operating profit	£820k	£1,270k
Profit after tax	£638k	£898k
Equity shareholder's funds	£1,887k	£1,739k

Current assets as % of current liabilities (quick ratio)	135%	116%
Number of employees	35	35

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 £13m (2016: £16m), however we are delighted to report an increase in GP% from 24.2% to 27.4%, together with reduced operating overhead costs of £2.7m (2016: £2.8m). Profit before tax is £768,204 (2016: £1,126,785). A satisfying performance given market conditions

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

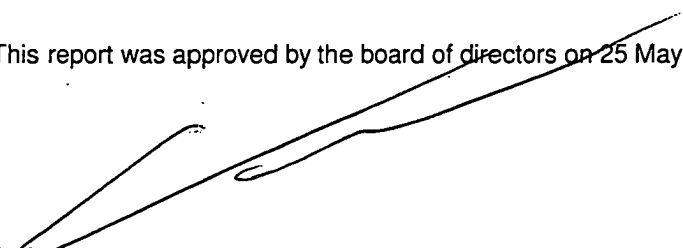
Use of derivatives

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 25 May 2018 and signed on behalf of the board by:



K. G. Hickey
Director

Basic Thinking Limited
Directors report
Year ended 31 December 2017

The directors present their report and the financial statements of the company for the year ended 31 December 2017.

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 £479,100 resulting in dividends being paid of £491,100.

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 2017

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; 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.

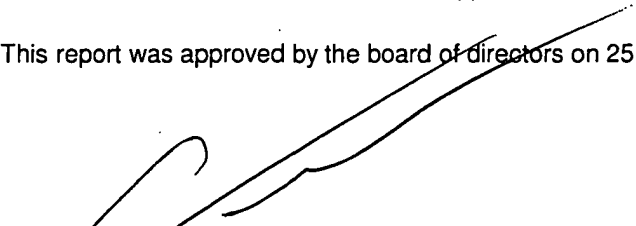
Auditor

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 25 May 2018 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 (continued) Year ended 31 December 2017

Opinion

We have audited the financial statements of Basic Thinking Limited for the year ended 31 December 2017 which comprise the statement of income and retained earnings, statement of financial position, 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 FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

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.

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 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. 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.

Basic Thinking Limited

Independent auditor's report to the members of Basic Thinking Limited (continued) Year ended 31 December 2017

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.

Opinions 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 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 has 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 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.

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.

Basic Thinking Limited

Independent auditor's report to the members of Basic Thinking Limited (continued) Year ended 31 December 2017

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.

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. we also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Basic Thinking Limited

**Independent auditor's report to the members of
Basic Thinking Limited (continued)
Year ended 31 December 2017**

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

25/5/18

Basic Thinking Limited

**Statement of income and retained earnings
Year ended 31 December 2017**

	Note	2017 £	2016 £
Turnover	4	12,765,645	16,400,328
Cost of sales		(9,262,689)	(12,423,354)
Gross profit		<u>3,502,956</u>	<u>3,976,974</u>
Distribution costs		(412,746)	(455,312)
Administrative expenses		(2,270,082)	(2,314,178)
Operating profit	5	<u>820,128</u>	<u>1,207,484</u>
Other interest receivable and similar income	8	24,000	24,000
Interest payable and similar expenses	9	(75,924)	(104,699)
Profit before taxation		<u>768,204</u>	<u>1,126,785</u>
Tax on profit	10	(129,855)	(228,803)
Profit for the financial year and total comprehensive income		<u><u>638,349</u></u>	<u><u>897,982</u></u>
Dividends declared and paid or payable during the year	11	(491,100)	(491,110)
Retained earnings at the start of the year		<u>1,719,324</u>	<u>1,312,452</u>
Retained earnings at the end of the year		<u><u>1,866,573</u></u>	<u><u>1,719,324</u></u>

All the activities of the company are from continuing operations.

The notes on pages 13 to 27 form part of these financial statements.

Basic Thinking Limited
Statement of financial position
31 December 2017

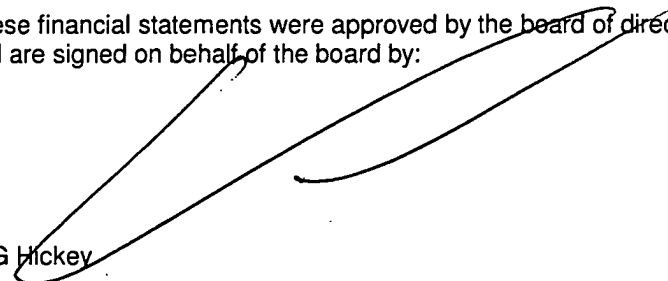
	Note	2017 £	£	2016 £	£
Fixed assets					
Tangible assets	12	<u>263,331</u>		<u>242,998</u>	
			263,331		242,998
Current assets					
Stocks	13	317,322		806,563	
Debtors:					
Amounts falling due after more than one year	14	1,431,715		1,451,089	
Amounts falling due within one year	14	4,222,288		5,003,810	
Cash at bank and in hand		<u>17,275</u>		<u>71,523</u>	
		5,988,600		7,332,985	
Creditors: amounts falling due within one year	16	<u>(4,192,902)</u>		<u>(5,649,534)</u>	
Net current assets			1,795,698		1,683,451
Total assets less current liabilities			2,059,029		1,926,449
Creditors: amounts falling due after more than one year	17		<u>(172,456)</u>		<u>(187,125)</u>
Net assets			<u>1,886,573</u>		<u>1,739,324</u>
Capital and reserves					
Called up share capital	21		10,555		10,555
Share premium account	22		9,445		9,445
Profit and loss account	22		1,866,573		1,719,324
Shareholders funds			<u>1,886,573</u>		<u>1,739,324</u>

The notes on pages 13 to 27 form part of these financial statements.

Basic Thinking Limited

Statement of financial position (continued)
31 December 2017

These financial statements were approved by the board of directors and authorised for issue on 25 May 2018, and are signed on behalf of the board by:



K G Hickey
Director

Company registration number: 03231869

The notes on pages 13 to 27 form part of these financial statements.

Basic Thinking Limited
Statement of cash flows
Year ended 31 December 2017

	Note	2017 £	2016 £
Cash flows from operating activities			
Profit for the financial year		638,349	897,982
<i>Adjustments for:</i>			
Depreciation of tangible assets		112,573	137,357
Other interest receivable and similar income		(24,000)	(24,000)
Interest payable and similar expenses		75,924	104,699
Gain/(loss) on disposal of tangible assets		(11,917)	(17,196)
Tax on profit		129,855	228,803
Accrued expenses/(income)		561	115,235
<i>Changes in:</i>			
Stocks		489,241	(60,613)
Trade and other debtors		800,896	(8,845)
Trade and other creditors		(970,944)	(449,693)
Cash generated from operations		1,240,538	923,729
Interest paid		(75,924)	(104,699)
Interest received		24,000	24,000
Tax paid		1,401	(230,981)
Net cash from operating activities		<u>1,190,015</u>	<u>612,049</u>
Cash flows from investing activities			
Purchase of tangible assets		(53,320)	(7,667)
Proceeds from sale of tangible assets		53,000	50,250
Net cash (used in)/from investing activities		<u>(320)</u>	<u>42,583</u>
Cash flows from financing activities			
Repayments of borrowings		(605,181)	(71,812)
Payment of finance lease liabilities		(134,581)	(92,802)
Equity dividends paid		(491,100)	(491,110)
Net cash used in financing activities		<u>(1,230,862)</u>	<u>(655,724)</u>
Net increase/(decrease) in cash and cash equivalents		(41,167)	(1,092)
Cash and cash equivalents at beginning of year	15	58,442	59,534
Cash and cash equivalents at end of year	15	<u>17,275</u>	<u>58,442</u>

Basic Thinking Limited

Notes to the financial statements Year ended 31 December 2017

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 the financial statements (continued) Year ended 31 December 2017

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.

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.

Basic Thinking Limited

Notes to the financial statements (continued) Year ended 31 December 2017

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 the financial statements (continued) Year ended 31 December 2017

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%	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.

Basic Thinking Limited

Notes to the financial statements (continued) **Year ended 31 December 2017**

Financial instruments

A financial asset or a financial liability is recognised only when the company becomes a party to the contractual provisions of the instrument.

Basic financial instruments are initially recognised at the transaction price, unless the arrangement constitutes a financing transaction, where it is recognised at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Debt instruments are subsequently measured at amortised cost.

Where investments in non-convertible preference shares and non-puttable ordinary shares or preference shares are publicly traded or their fair value can otherwise be measured reliably, the investment is subsequently measured at fair value with changes in fair value recognised in profit or loss. All other such investments are subsequently measured at cost less impairment.

Other financial instruments, including derivatives, are initially recognised at fair value, unless payment for an asset is deferred beyond normal business terms or financed at a rate of interest that is not a market rate, in which case the asset is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Other financial instruments are subsequently measured at fair value, with any changes recognised in profit or loss, with the exception of hedging instruments in a designated hedging relationship.

Financial assets that are measured at cost or amortised cost are reviewed for objective evidence of impairment at the end of each reporting date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss immediately.

For all equity instruments regardless of significance, and other financial assets that are individually significant, these are assessed individually for impairment. Other financial assets are either assessed individually or grouped on the basis of similar credit risk characteristics.

Any reversals of impairment are recognised in profit or loss immediately, to the extent that the reversal does not result in a carrying amount of the financial asset that exceeds what the carrying amount would have been had the impairment not previously been recognised.

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

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.

Basic Thinking Limited

Notes to the financial statements (continued) Year ended 31 December 2017

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:

	2017	2016
	£	£
Sale of goods	12,765,645	16,400,328

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:

	2017	2016
	£	£
United Kingdom	12,743,785	16,210,745
Europe	21,860	189,583
	12,765,645	16,400,328

5. Operating profit

Operating profit is stated after charging/(crediting):

	2017	2016
	£	£
Depreciation of tangible assets	112,573	137,357
(Gain)/loss on disposal of tangible assets	(11,917)	(17,196)
Cost of stock recognised as an expense	9,240,100	12,399,541
Impairment of trade debtors	(30,645)	37,300
Operating lease rentals	59,400	53,333
Foreign exchange differences	104,765	(120,227)
Fees payable for the audit of the financial statements	15,100	13,380

Basic Thinking Limited

Notes to the financial statements (continued)
Year ended 31 December 2017

6. Staff costs

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

	2017	2016
Administrative staff	28	28
Production staff	7	7
	<u>35</u>	<u>35</u>

The aggregate payroll costs incurred during the year were:

	2017	2016
	£	£
Wages and salaries	1,198,764	1,261,656
Social security costs	106,118	124,276
Other pension costs	23,835	19,279
	<u>1,328,717</u>	<u>1,405,211</u>

7. Directors remuneration

The directors aggregate remuneration in respect of qualifying services was:

	2017	2016
	£	£
Remuneration	52,183	168,697
Company contributions to pension schemes in respect of qualifying services	10,060	9,900
	<u>62,243</u>	<u>178,597</u>

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

	2017	2016
	Number	Number
Defined contribution plans	<u>2</u>	<u>2</u>

8. Other interest receivable and similar income

	2017	2016
	£	£
Other interest receivable and similar income	<u>24,000</u>	<u>24,000</u>

Basic Thinking Limited

Notes to the financial statements (continued)
Year ended 31 December 2017

9. Interest payable and similar expenses

	2017	2016
	£	£
Bank loans and overdrafts	822	1,793
Other loans made to the company:		
Finance leases and hire purchase contracts	18,606	17,852
Factoring loans	53,676	78,141
Other interest payable and similar expenses	2,820	6,913
	<u>75,924</u>	<u>104,699</u>

10. Tax on profit

Major components of tax expense

	2017	2016
	£	£
Current tax:		
UK current tax expense	133,294	228,803
Adjustments in respect of previous periods	(3,439)	-
Tax on profit	<u>129,855</u>	<u>228,803</u>

Reconciliation of tax expense

The tax assessed on the profit for the year is lower than (2016: higher than) the standard rate of corporation tax in the UK of 19.00% (2016: 20.00%).

	2017	2016
	£	£
Profit before taxation	<u>768,204</u>	<u>1,126,785</u>
Profit multiplied by rate of tax	145,959	225,357
Adjustments in respect of prior periods	(3,439)	-
Effect of expenses not deductible for tax purposes	5,065	4,317
Effect of capital allowances and depreciation	(19,437)	(871)
Change in rate of tax	1,707	-
Tax on profit	<u>129,855</u>	<u>228,803</u>

The tax rate was reduced by legislation from 20% to 19% from 1 April 2017.

Factors affecting future tax expense

Legislation changes have been announced which will eventually reduce the main rate of corporation tax to 17%, thus reducing the overall tax charge of future years. This change will be effective from 1 April 2020.

Basic Thinking Limited

Notes to the financial statements (continued)
Year ended 31 December 2017

11. Dividends

Equity dividends

	2017 £	2016 £
Dividends paid during the year (excluding those for which a liability existed at the end of the prior year)	<u>491,100</u>	<u>491,110</u>

12. Tangible assets

	Plant and machinery £	Fixtures, fittings and equipment £	Motor vehicles £	Total £
Cost				
At 1 January 2017	62,690	178,793	424,713	666,196
Additions	3,329	49,991	120,669	173,989
Disposals	-	-	(147,350)	(147,350)
At 31 December 2017	<u>66,019</u>	<u>228,784</u>	<u>398,032</u>	<u>692,835</u>
Depreciation				
At 1 January 2017	45,458	146,735	231,005	423,198
Charge for the year	9,611	35,587	67,375	112,573
Disposals	-	-	(106,267)	(106,267)
At 31 December 2017	<u>55,069</u>	<u>182,322</u>	<u>192,113</u>	<u>429,504</u>
Carrying amount				
At 31 December 2017	<u>10,950</u>	<u>46,462</u>	<u>205,919</u>	<u>263,331</u>
At 31 December 2016	<u>17,232</u>	<u>32,058</u>	<u>193,708</u>	<u>242,998</u>

Tangible fixed asset with a carrying value of £205,919 (2016: £193,708) 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 2017	<u>205,919</u>
At 31 December 2016	<u>193,708</u>

Basic Thinking Limited

Notes to the financial statements (continued)
Year ended 31 December 2017

13. Stock

	2017	2016
	£	£
Raw materials	19,342	20,000
Work in progress	3,461	382,745
Finished goods	294,519	403,818
	<u>317,322</u>	<u>806,563</u>

14. Debtors

Debtors falling due within one year are as follows:

	2017	2016
	£	£
Trade debtors	2,886,620	4,184,546
Prepayments and accrued income	43,058	54,023
Other debtors	1,292,610	765,241
	<u>4,222,288</u>	<u>5,003,810</u>

Debtors falling due after one year are as follows:

	2017	2016
	£	£
Other debtors	<u>1,431,715</u>	<u>1,451,089</u>

Included within trade debtors are balances totalling £2,886,091 (2016: £4,184,546) 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 £2,447,865 (2016: £3,049,983).

15. Cash and cash equivalents

	2017	2016
	£	£
Cash at bank and in hand	17,275	71,523
Bank overdrafts	-	(13,081)
	<u>17,275</u>	<u>58,442</u>

Basic Thinking Limited

Notes to the financial statements (continued)
Year ended 31 December 2017

16. Creditors: amounts falling due within one year

	2017	2016
	£	£
Bank loans and overdrafts	2,447,865	3,066,127
Trade creditors	824,052	1,696,926
Accruals and deferred income	347,682	347,121
Corporation tax	375,760	244,504
Social security and other taxes	138,970	239,206
Obligations under finance leases	55,283	54,526
Other creditors	3,290	1,124
	<u>4,192,902</u>	<u>5,649,534</u>

Bank loans and overdrafts totalling £2,447,865 (2016: £3,066,127) 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 loans and overdraft relate to the discount facility. Interest is payable at 1.8% per annum over the Bank of England Base Rate.

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

	2017	2016
	£	£
Obligations under finance leases	<u>172,456</u>	<u>187,125</u>

Basic Thinking Limited

Notes to the financial statements (continued)
Year ended 31 December 2017

18. Obligations under finance leases

Company lessee

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

	2017	2016
	£	£
Not later than 1 year	55,283	54,526
Later than 1 year and not later than 5 years	172,456	187,125
	<u>227,739</u>	<u>241,651</u>
Present value of minimum lease payments	<u>227,739</u>	<u>241,651</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.

19. Employee benefits

The amount recognised in profit or loss in relation to defined contribution plans was £23,835 (2016: £19,279).

20. Financial instruments

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

	2017	2016
	£	£
Financial assets that are debt instruments measured at amortised cost		
Trade debtors	2,886,620	4,184,546
Other debtors	2,724,325	2,216,330
Cash at bank and in hand	17,275	71,523
	<u>5,628,220</u>	<u>6,472,399</u>
Financial liabilities measured at amortised cost		
Bank and other loans	2,447,865	3,066,127
Trade creditors	824,052	1,696,926
Other creditors	231,029	242,775
	<u>3,502,946</u>	<u>5,005,828</u>

Basic Thinking Limited

Notes to the financial statements (continued)
Year ended 31 December 2017

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

	2017		2016	
	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.

22. 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.

23. Operating leases

The company as lessee

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

	2017	2016
	£	£
Not later than 1 year	112,505	111,628
Later than 1 year and not later than 5 years	404,554	442,849
Later than 5 years	-	73,333
	<u>517,059</u>	<u>627,810</u>

Basic Thinking Limited
Notes to the financial statements (continued)
Year ended 31 December 2017

24. Directors advances, credits and guarantees

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

2017		Balance brought forward	Advances /(credits) to the directors	Balance o/standing
	£	£	£	£
K G Hickey	609,918	376,366	986,284	
A Openshaw	519	835	1,354	
	<u>610,437</u>	<u>377,201</u>	<u>987,638</u>	
2016		Balance brought forward	Advances /(credits) to the directors	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>610,437</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 the financial statements (continued) **Year ended 31 December 2017**

25. Related party transactions

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

	Transaction value		Balance owed by/(owed to)	
	2017	2016	2017	2016
	£	£	£	£
Purchases from other related parties	7,079,370	4,991,104	(62,446)	(127,617)
Sales to other related parties	874,690	1,214,659	335,202	142,634
Interest paid on loans from other related parties	-	20	-	-
Loans less than one year to other related parties	-	-	-	11,000
Loans greater than one year to other related parties	-	-	1,156,479	1,298,609
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

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.

26. 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 £130,768 (2016: £178,597), fees paid to them were £97,333 (2016: £100,278) and dividends paid to them were £491,100 (2016: £491,110). Rent paid to them amounted to £60,000 (2016: £55,000) and interest received from them amounted to £24,000 (2016 £24,000). Fees outstanding at the year end were £2,258 (2015: £3,332). There were no other amounts outstanding at the year end.

27. Controlling party

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

28. Guarantees

On the 12 February 2014 a guarantee was signed in the favour of HMRC for £10,000.