T K Components Limited

Strategic Report, Directors' Report and financial statements

Registered number 02320087

12 month period ended 31 December 2019

Contents

Strategic Report

The directors present the Strategic Report, the Directors' Report and the Company's audited financial statements for the 12 month period ended 31 December 2019 (*prior period: 12 months ended 31 December 2018*).

Principal activity

The principal activity of the Company during the financial period was the marketing and distribution of kitchen and bedroom fittings and components to the furniture and trade sectors.

Review of business

The results are set out on page 8 of the financial statements. Turnover has increased by 7.6% *(2018: 22.5% decrease)* to £23,622,000 *(2018: £21,957,000)*. Operating profit, after non-underlying administrative expenses, has increased by 14.6% *(2018: 18.5% decrease)* to £1,487,000 *(2018: £1,297,000)*.

As at 31 December 2019 the Company had net assets of £14,116,000 *(2018: £12,983,000)*.

The key performance indicators used by the Company are turnover, operating profit and return on assets.

£000's	**Year ended 31 December 2019**	Year ended 31 December 2018
Turnover	23,622	21,957
Operating profit	1,487	1,297
Return on assets	10.5%	9.9%

Future developments

The Company had a very strong start to 2020 with profit significantly ahead of the same period in 2019 and the business on track to deliver the strategic plan. However, the COVID-19 pandemic initially created significant uncertainty across the Company's core markets and the wider UK & European economies, with trading levels through April and May significantly below March run-rate. Despite this, momentum built in the second half of May and continued throughout June, with June trading finishing ahead of both March and prior year comparators.

The Company also benefitted from entering the period of uncertainty strengthened by advancements in delivery of the strategic plan, and with a strengthened Senior Management Team in place. Further benefits were drawn from continuing to trade throughout the 'lockdown' period, in particular strong cash collection, plus the ability to advance strategic plan activities even further. The Company operated initially through April and into May with only a skeleton staff, utilising the Government Job Retention Scheme where appropriate to do so, however as trading levels returned, the Company steadily and safely returned to almost a full workforce at the end of June, with new safe systems of working implemented to protect employees health and wellbeing.

Cash protection measures initially enacted at the commencement of the pandemic continue to be regularly reviewed, with cashflow modelling regularly reviewed and assumptions stress tested. Management's current view is that the business will not require additional liquidity support, with cashflow forecasts currently demonstrating the Company will continue to operate within its current financing arrangements.

Notwithstanding, the Company has been in regular dialogue with its current third-party financier, HSBC Bank plc ("HSBC"), and via its parent company, T K Components Group Limited, has secured access to additional facilities totaling £2.0m expiring March 2021. In addition, HSBC has agreed to amend and extend the refinance date of the Company's existing Term Loan facility from June 2021 to September 2021. Furthermore, HSBC has replaced existing covenant tests with a liquidity test throughout the period to September 2021.

Severe but plausible sensitivity analysis has been applied to cashflow forecasts, which indicates that the business would have sufficient headroom within both the additional facilities and liquidity tests for the foreseeable future. Furthermore, should any short-term liquidity support be required beyond these facilities in terms of quantum or expiry, then NorthEdge Capital LLP have indicated that they are able to act in a discretionary manner to invest further funds subject to review of the investment case, with repayment of loan notes also deferred until December 2023.

Strategic Report *(continued)*

Future developments ***(continued)***

The Directors therefore confirm that, after due consideration, they have a reasonable expectation that the Group will have access to adequate resources to continue in operational existence for the foreseeable future and have continued to adopt the going concern basis in preparing the financial statements.

Principal risks and uncertainties

The principal risks and uncertainties facing the Company continue to be in relation to the current global economic climate as a result of the COVID-19 pandemic and also Brexit, with forces largely outside the control of the Company. The directors continue to manage all such risks and wider risks facing the Company to minimise the effect on the Company's performance.

Foreign exchange risk

The Company is sensitive to foreign exchange risks where a significant proportion of suppliers for goods sold are based overseas. The majority of such suppliers invoice in foreign currencies. Both Brexit and the COVID-19 pandemic has created significant uncertainty leading to unfavourable movements in foreign exchange rates and an increase in costs for goods sold. In order to mitigate this risk the Company places forward contracts covering a proportion of the forecasted currency commitments in order to partly mitigate exchange rate movements. The Company does not apply hedge accounting.

Price risk

The nature of the Company's operations and cost base is such that there is limited reliance on individual external suppliers, and the suppliers that do exist operate in price competitive markets. As a result of this, external supplier pricing risk is considered by the directors to be low.

In terms of sales price risk, the Company's objective is to remain innovative and ahead of the competition in the marketplace, so as to maintain a distinct offering and strong operating margins.

Credit risk

Credit to customers is monitored on a continual basis by management to identify risk of non-payment at an early stage, enabling steps to be taken to reduce exposure. The wide customer portfolio, low average sales value, and cash to credit mix is also considered to contribute to a low credit risk for the Company. Additional provisioning has been built as a result of the COVID-19 pandemic, albeit cash collection remains extremely strong and the ageing of debt within historic parameters.

Liquidity risk and cash flow risk

The Company held no external debt at the Balance Sheet date. The Company's main sources of liquidity are liquid assets held within the Company. In addition, the Company has secured access to debt facilities provided by HSBC to its parent company, T K Components Group Limited. A new revolving credit facility has been agreed to support the business through the COVID-19 pandemic, whilst the existing Term Loan facility has been renewed post year end and now is due for repayment in September 2021. Furthermore, revised covenants have been put in place for the period to September 2021. The Company continues to regularly monitor and review short-term and long-term cash flow requirements using ongoing cash flow forecasting and associated sensitivity analysis. The Directors therefore confirm that, after due consideration, they have a reasonable expectation that the Group will have access to adequate liquidity for the foreseeable future.

On behalf of the board

R Saunders

R Saunders
Director

04 August 2020

Directors' Report

Dividends

During the period, total dividends of £nil were proposed by the directors *(12 months ended 31 December 2018:£nil).*

Directors

The directors who held office during the period were as follows:

B Wade
R Saunders
A Haydon (resigned 14 May 2019)
P J Foster (resigned 11 October 2019)

Political contributions

The Company made no political donations nor incurred any political expenditure during the year (*12 months ended 31 December 2018: nil*).

Research and development

During the financial year, capitalised research and development costs totalled £248,157 *(2018: £225,837).*

Other information

An indication of likely future developments in the business and particulars of significant events which have occurred since the end of the financial period, in addition to how the directors manage financial risk, have been included in the Strategic Report on page 1.

Certain directors benefit from qualifying third party indemnity provisions in place during the financial year and at the date of this report. The Company provided qualifying third party indemnity provisions to certain directors of associated companies during the financial year and at the date of this report.

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

On behalf of the board

R Saunders

R Saunders
Director

Unit 3
Cranberry Drive
Denton
Manchester
M34 3UL

04 August 2020

Statement of directors' responsibilities in respect of the Strategic Report, the Directors' Report and the financial statements

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 the law, they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland.*

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 and 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 estimates that are reasonable and prudent;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

KPMG LLP
1 St Peter's Square
Manchester
M2 3AE
United Kingdom

Independent Auditor's Report to the members of T K Components Limited

Opinion

We have audited the financial statements of T K Components Limited ("the Company") for the period ended 31 December 2019 which comprise the profit and loss account and other comprehensive income, balance sheet, statement of changes in equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its profit for the period then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of thc financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Independent Auditor's Report to the members of T K Components Limited *(continued)*

Strategic Report and Directors' Report

The directors are responsible for the Strategic Report and the Directors' Report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the Strategic Report and the Directors' Report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the Strategic Report and the Directors' Report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 4, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditresponsibilities.

Independent Auditor's Report to the members of T K Components Limited
(continued)

The purpose of our audit work and to whom we owe our responsibilities

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.

Carla Kennaugh

Carla Kennaugh (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 St Peter's Square
Manchester
M2 3AE
United Kingdom

04 August 2020

Profit and Loss Account and Other Comprehensive Income
for the 12 month period ended 31 December 2019

	Note	**12 month period ended 31 December 2019 £000**	12 month period ended 31 December 2018 £000
Turnover	*2*	**23,622**	21,957
Cost of sales		**(14,099)**	(12,891)
Gross profit		**9,523**	9,066
Administrative expenses	*3*	**(8,036)**	(7,769)
Operating Profit		**1,487**	1,297
Interest (payable)/receivable and similar income		**(160)**	1
Profit on ordinary activities before taxation		**1,327**	1,298
Tax on profit on ordinary activities	*6*	**(194)**	(185)
Profit for the financial period		**1,133**	1,113
Other comprehensive income		-	-
Total comprehensive income for the period		**1,133**	1,113

The notes on pages 11 to 22 form an integral part of these financial statements.

Balance Sheet
at 31 December 2019

	Note	**2019** **£000**	**2019** **£000**	2018 £000	2018 £000
Fixed assets					
Intangible assets	*7*		**651**		498
Tangible assets	*8*		**1,793**		1,765
			2,444		2,263
Current assets					
Stocks	*9*	**4,184**		4,116	
Debtors	*10*	**11,207**		8,732	
Cash at bank and in hand		**1,859**		2,873	
		17,250		15,721	
Creditors: amounts falling due within one year	*11*	**(5,432)**		(4,877)	
Net current assets			**11,818**		10,844
Total assets less current liabilities			**14,262**		13,107
Provisions for liabilities	*12*		**(146)**		(124)
Net assets			**14,116**		12,983
Capital and reserves					
Called up share capital	*13*		**-**		-
Profit and loss account			**14,116**		12,983
Shareholders' funds			**14,116**		12,983

The notes on pages 11 to 22 form an integral part of these financial statements.

These financial statements were approved by the board of directors on 4 August 2020 and were signed on its behalf by:

R Saunders

R Saunders
Director

Company registered number: 02320087

Statement of Changes in Equity

	Profit and loss account £000	Total equity £000
Balance at 1 January 2018	11,870	11,870
Total comprehensive income for the period		
Profit or loss	1,113	1,113
Other comprehensive income	-	-
Total comprehensive income for the period	1,113	1,113
Balance at 31 December 2018	**12,983**	**12,983**

	Profit and loss account £000	Total equity £000
Balance at 1 January 2019	12,983	**12,983**
Total comprehensive income for the period		
Profit or loss	1,133	**1,133**
Other comprehensive income	-	-
Total comprehensive income for the period	1,133	**1,133**
Balance at 31 December 2019	**14,116**	**14,116**

The notes on pages 11 to 22 form an integral part of these financial statements.

Notes
(forming part of the financial statements)

1 Accounting policies

T K Components Limited (the "Company") is a company limited by shares and incorporated and domiciled in the UK. The registered number is 02320087 and the registered address is Unit 3, Cranberry Drive, Denton, Manchester, M34 3UL.

These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland ("FRS 102"). The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The Company's ultimate parent undertaking, T K Components (Holdings) Limited includes the Company in its consolidated financial statements. The consolidated financial statements of T K Components (Holdings) Limited are available to the public and may be obtained from Unit 3 Cranberry Drive, Denton, Manchester, M34 3UL. 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;
- Cash Flow Statement and related notes;
- Key Management Personnel compensation; and
- Certain disclosures required by FRS 102.11 *Basic Financial Instruments* and FRS 102.12 *Other Financial Instrument Issues* in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

1.1 Measurement convention

The financial statements are prepared on the historical cost basis.

1.2 Going concern

As stated above the Company is part of a group of companies headed by T K Components (Holdings) Limited.

Details of the funding arrangements in place within the Group at the year end, to which the Company is party, are set out in the financial statements of T K Components (Holdings) Limited, with the Group's external bank facilities repayable in September 2021 (extended after the balance sheet date from June 2021). Furthermore, and following the year end, the covenants to which the Group is subject to under its external banking facilities were reset and forecast to be complied with up to and including September 2021. In addition, and following the year end, the repayment dates for all shareholder loan notes were extended to December 2023.

The Directors have reviewed future trading and cashflow forecasts for the Group and the Company for the period to September 2021, including consideration of the repayments of bank and other debt which fall due for repayment during that period. Based on this review, including severe but plausible sensitivity analysis, additional short-term liquidity will be required by the Company as a direct result of the COVID-19 pandemic and additional facilities have therefore been secured from HSBC expiring in March 2021. With this additional funding in place, the directors consider that the Group and Company will continue to have access to sufficient funds to be able to meet all liabilities as they fall due and to comply with all relevant covenants.

Should any short-term liquidity support be required beyond these facilities in terms of quantum or expiry, then NorthEdge Capital LLP have indicated that they are able to act in a discretionary manner to invest further funds subject to review of the investment case. As with any company placing reliance on other group entities for financial support, the Directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

On this basis the directors of the Company continue to adopt the going concern basis in the preparation of these financial statements.

Notes *(continued)*

1 Accounting policies *(continued)*

1.3 Foreign currency

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

1.4 Classification of financial instruments issued by the Company

In accordance with FRS 102.22, financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

(a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and

(b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

1.5 Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

1.6 Other financial instruments

Financial instruments not considered to be Basic financial instruments (Other financial instruments)

Other financial instruments not meeting the definition of Basic Financial Instruments are recognised initially at fair value. Subsequent to initial recognition other financial instruments are measured at fair value with changes recognised in profit or loss.

Notes *(continued)*

1 Accounting policies *(continued)*

1.7 *Tangible fixed assets*

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Leases in which the Company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases. Leased assets acquired by way of finance lease are stated on initial recognition at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, including any incremental costs directly attributable to negotiating and arranging the lease. At initial recognition a finance lease liability is recognised equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The present value of the minimum lease payments is calculated using the interest rate implicit in the lease. Lease payments are accounted for as described at 1.14 below.

The Company assesses at each reporting date whether tangible fixed assets (including those leased under a finance lease) are impaired.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. The estimated useful lives are as follows:

- improvement to property 4% per annum on cost
- plant and equipment 15% per annum on reducing balance
- fixtures and fittings 15-25% per annum on reducing balance and 25% per annum on cost
- motor vehicles 25% per annum on reducing balance

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the Company expects to consume an asset's future economic benefits.

1.8 Intangible assets

Research and development

Expenditure on research activities is recognised in the profit and loss account as an expense as incurred.

Expenditure on development activities may be capitalised if the product or process is technically and commercially feasible and the Company intends and has the technical ability and sufficient resources to complete development, future economic benefits are probable and if the Company can measure reliably the expenditure attributable to the intangible asset during its development. Development activities involve design for, construction or testing of the production of new or substantially improved products or processes. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads and capitalised borrowing costs. Other development expenditure is recognised in the profit and loss account as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses.

Amortisation

Amortisation is charged to the profit or loss on a straight-line basis over the estimated useful lives of intangible assets. Intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

- capitalised development costs 5 years

The Company reviews the amortisation period and method when events and circumstances indicate that the useful life may have changed since the last reporting date.

1.9 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is based on the weighted average principle and includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition.

Notes *(continued)*

1 Accounting policies *(continued)*

1.10 Impairment excluding stocks and deferred tax assets

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

1.11 Product samples and display accounting

Costs of product samples and display units that have been sent out to customers are capitalised within prepayments and recognised over the estimated useful economic life of the samples and displays or over the life of the contract they relate to.

1.12 Employee benefits

Defined contribution plans and other long term employee benefits

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

1.13 Turnover

Turnover comprises the invoiced cost of goods sold during the year, excluding value added tax, and net of trade discounts. The Company's policy is to recognise a sale when substantively all the risks and rewards in connection with the goods have been passed to the buyer.

1.14 Expenses

Operating lease

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

1.15 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Notes *(continued)*

1 Accounting policies *(continued)*

1.15 Taxation (continued)

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries, to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset (other than goodwill) or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax. Goodwill is adjusted by the amount of such deferred tax.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that is it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

2 Turnover

	12 month period ended 31 December 2019	12 month period ended 31 December 2018
By geographical market	**£000**	£000
United Kingdom	**23,519**	21,747
Other EC Countries	**103**	210
	23,622	21,957

All turnover relates to the sale of goods *(2018: 100%)*.

3 Expenses and auditor's remuneration

Auditor's remuneration:	**12 month period ended 31 December 2019**	12 month period ended 31 December 2018
	£000	£000
Audit of these financial statements	**40**	26

Amounts receivable by the Company's auditor in respect of services, other than the audit of the financial statements, have not been disclosed as the information is required instead to be disclosed in the consolidated financial statements of the Company's parent, T K Components (Holdings) Limited.

Notes *(continued)*

4 Staff numbers and costs

The average number of persons employed by the Company (including directors) during the period, analysed by category, was as follows:

	Number of employees	
	2019	2018
Administration	**71**	62
Sales	**12**	14
Warehouse	**57**	54
	140	130

The aggregate payroll costs of these persons were as follows:

	12 month period ended 31 December 2019	12 month period ended 31 December 2018
	£000	£000
Wages and salaries	**3,751**	4,204
Social security	**393**	390
Contributions to defined contribution plans	**131**	105
	4,275	4,699

5 Directors' remuneration

	12 month period ended 31 December 2019	12 month period ended 31 December 2018
	£000	£000
Directors' remuneration	**593**	543
Company contributions to money purchase pension plans	**17**	16
	610	559

The aggregate of remuneration and amounts receivable under long term incentive schemes of the highest paid director was £276,000 *(2018: £226,000)*, and company pension contributions of £8,600 *(2018: £7,000)* were made to a money purchase scheme on his behalf.

	Number of directors	
	2019	2018
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	**5**	5

Notes *(continued)*

6 Taxation

Total tax expense recognised in the profit and loss account, other comprehensive income and equity

	12 month period ended 31 December 2019		12 month period ended 31 December 2018	
	£000	£000	£000	£000
Current tax				
Current tax on income for the period	160		97	
Adjustments in respect of prior periods	12		82	
Total current tax		172		179
Deferred tax (see note 13)				
Origination and reversal of timing differences	23		5	
Change in tax rate	-		-	
Adjustments in respect of prior periods	(1)		1	
Total deferred tax		22		6
Total tax		194		185

	2019 £000 Current tax	2019 £000 Deferred tax	2019 £000 Total tax	2018 £000 Current tax	2018 £000 Deferred tax	2018 £000 Total tax
Recognised in profit and loss account	172	22	194	179	6	185
Recognised in other comprehensive income	-	-	-	-	-	-
Total tax	172	22	194	179	6	185

Notes *(continued)*

6 Taxation *(continued)*

Analysis of current tax recognised in profit and loss

	12 month period ended 31 December 2019	12 month period ended 31 December 2018
	£000	£000
UK corporation tax	**160**	97
Total current tax recognised in profit and loss	**160**	97

Reconciliation of effective tax rate

	12 month period ended 31 December 2019	12 month period ended 31 December 2018
	£000	£000
Profit for the period	**1,133**	1,113
Total tax expense	**194**	185
Profit excluding taxation	**1,327**	1,298
Tax using the UK corporation tax rate of 19.0%	**252**	246
Fixed asset adjustments	**17**	18
Group relief	**(108)**	(174)
Effect of rate change on deferred tax	**14**	-
Non-deductible expenses	**8**	12
Under/(over) provided in prior years – current tax	**11**	83
Total tax expense included in profit or loss	**194**	185

Factors that may affect future current tax changes

A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015. A further reduction in the UK corporation tax rate from 19% to 17% (effective from 1 April 2020) was substantially enacted on 6 September 2016. In the 11 March 2020 Budget it was announced that the UK tax rate will remain at the current 19% and not reduce to 17% effective from 1 April 2020, and the UK deferred tax asset/(liability) as at 31 December 2019 has been calculated based on this rate.

Notes *(continued)*

7 Intangible fixed assets

	Website development costs £000
Cost	
Balance at 1 January 2019	736
Additions	248
Balance at 31 December 2019	984
Depreciation and impairment	
Balance at 1 January 2019	238
Depreciation charge for the year	95
Balance at 31 December 2019	333
Net book value	
At 1 January 2019	498
At 31 December 2019	**651**

8 Tangible fixed assets

	Improvements to property £000	Plant and machinery £000	Fixtures & fittings £000	Motor vehicles £000	Total £000
Cost					
Balance at 1 January 2019	667	1,618	929	740	3,954
Additions	2	163	57	175	397
Balance at 31 December 2019	669	1,781	986	915	4,351
Depreciation and impairment					
Balance at 1 January 2019	187	851	709	442	2,189
Depreciation charge for the year	53	139	57	120	369
Balance at 31 December 2019	240	990	766	562	2,558
Net book value					
At 1 January 2019	480	767	220	298	1,765
At 31 December 2019	**429**	**791**	**220**	**353**	**1,793**

NBV and depreciation of assets held under finance leases

Depreciation charged on assets held under finance leases amounted to £67,751 *(2018: £40,914)*. At 31 December 2019, the Net Book Value of these assets totalled £203,254 *(2018: £122,739)*.

Notes *(continued)*

9 Stocks

	2019 £000	2018 £000
Finished goods and goods for resale	**4,184**	4,116

Stock purchases recognised in cost of sales within the year is £12,672 *(2018: £11,589).*

10 Debtors

	2019 £000	2018 £000
Trade debtors	**1,801**	1,463
Amounts owed from group undertakings	**8,597**	6,521
Deferred tax asset	**-**	(13)
Other debtors	**3**	86
Prepayments and accrued income	**806**	675
	11,207	8,732

Amounts owed from group undertakings are repayable on demand and interest free. No impairment charge was incurred during the financial year *(2018: £nil).*

11 Creditors: amounts falling due within one year

	2019 £000	2018 £000
Obligations under finance leases	**244**	164
Trade creditors	**3,466**	3,584
Corporation tax	**270**	179
Other taxation and social security	**818**	605
Other creditors	**196**	20
Accruals and deferred income	**438**	325
	5,432	4,877

Included within the above are secured creditors of £243,105 *(2018: £158,143)* in respect of assets held under finance leases.

12 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets 2019 £000	2018 £000	Liabilities 2019 £000	2018 £000	Net 2019 £000	2018 £000
Accelerated capital allowances	**-**	-	**150**	124	**150**	124
Short term timing differences	**(4)**	-	**-**	-	**(4)**	-
Net tax (assets) / liabilities	**(4)**	-	**150**	124	**146**	124

Notes *(continued)*

12 Deferred tax assets and liabilities *(continued)*

	Deferred tax liability £000
Balance at 1 January 2019	124
Recognised during the year	22
Balance at 31 December 2019	**146**

13 Capital and reserves

Share capital

	2019	2018
Allotted, called up and fully paid		
45,000 *(2018: 45,000)* Ordinary shares of £0.01p each	**450**	450
	450	450

Dividends

During the year, total dividends of £nil were declared and paid. After the balance sheet date, total dividends of £nil were proposed by the directors.

14 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2019 £000	2018 £000
Less than one year	**343**	416
Between one and five years	**351**	349
More than five years	**-**	-
	694	765

During the period £457,088 was recognised as an expense in the profit and loss account in respect of operating leases (2018: £483,955).

Notes *(continued)*

15 Related parties

As permissible under FRS 102, particulars have not been provided for related party transactions entered into between two or more members of a company, provided that any member which is a party to the transaction is wholly-owned by that company.

The related party transactions with other parties are outlined below:

NorthEdge Fund I LLP

The related party is the majority shareholder of T K Components (Holdings) Limited, a parent company of T K Components Limited.

Services of £50,000 *(2018: £50,000)* were acquired by the Company from the related party during the period.

At the balance sheet date, no balances were due between the related party and the Company *(2018: £nil)*.

The related party holds a fixed charge over the assets of the Company and a floating charge over the whole of its undertaking and assets.

16 Ultimate parent company and parent company of larger group

The Company is a subsidiary undertaking of T K Components (Holdings) Limited. The ultimate controlling party is NorthEdge Capital Fund, a limited partnership incorporated in the United Kingdom which holds a controlling stake in T K Components (Holdings) Limited.

The largest group in which the results of the Company are consolidated is that headed by T K Components (Holdings) Limited, incorporated in the United Kingdom. No other group financial statements include the results of the Company. The consolidated financial statements of this group are available to the public and may be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ, United Kingdom.

17 Post Balance Sheet events

Following the balance sheet date, the COVID-19 pandemic significantly impacted the Company's core markets and the wider UK & European economies. Further details of the impact of this global pandemic are disclosed in the Future Developments section of the Strategic Report together with note 1.2 of these financial statements, which sets out the actions that have been taken in conjunction with external and related party lenders to ensure the company continues as a going concern.