
KEEN & TOMS HOLDINGS LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 3 JULY 2010

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KEEN & TOMS HOLDINGS LIMITED

COMPANY INFORMATION

DIRECTORS	P G Keen J P G Keen
COMPANY NUMBER	06997035
REGISTERED OFFICE	c/o Hypnos Limited 1 Longwick Road Princes Risborough Buckinghamshire HP27 0QY
AUDITOR	Barnes Roffe LLP Chartered Accountants & Statutory Auditor 3 Brook Business Centre Cowley Mill Road Uxbridge Middlesex UB8 2FX

KEEN & TOMS HOLDINGS LIMITED

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The following pages do not form part of the statutory financial statements

KEEN & TOMS HOLDINGS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 3 JULY 2010

The directors present their report and the financial statements for the year ended 3 July 2010

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group 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 estimates that are reasonable and prudent,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group 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 the group 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

PRINCIPAL ACTIVITIES

The company was incorporated on 21 August 2009 and its principal activity is that of a holding company.

The principal activity of the company is to act as holding for company for a number trading subsidiaries involved chiefly in manufacture and sale of beds and furniture.

BUSINESS REVIEW

The company was established in August 2009 to acquire the shares in Keen and Toms Partnership Ltd and its subsidiaries under a share purchase and restructuring scheme.

The Group relocated its Buckinghamshire factory and offices from Station Road to Longwick Road in Princes Risborough. This was done in a controlled fashion and led to no adverse delivery issues with customers.

The economic outlook has improved since the early part of 2009 but the recovery is patchy. The austerity measures taken by the government in their first budget are yet to have an impact. Notwithstanding this, the business is well placed to benefit from the marketing initiatives it has undertaken in recent months to capitalise on those products and markets it has targeted.

The main trading subsidiary continues to make good progress towards having two profitable businesses, one retail and one contract. In the year to June 2010 the retail division broke even on turnover of £11.7m. This is a £1.0m improvement in the last 2 years and is the result of focused account and product management.

However, the contract division had a relatively poor year but remained profitable. This was as a result of intense competition as other manufacturers tried to expand into contract in the face of their poor retail performance and the depressed level of business through lack of access to investment capital for hoteliers.

KEEN & TOMS HOLDINGS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 3 JULY 2010

During the year the group has dealt with the ongoing credit problems in the economy by communication with suppliers and briefing them on our performance and progress. They continue to support us on extended credit terms. We continue to be affected by our own banks restrictive lending ability and have had around £300k withdrawn from our available cash with a reduction in invoice discount lending percentage from 85% to 70%. We are seeking alternative ways of reinstating an increased level of Invoice Discounting percentage advance based on improved trading performance.

The directors have not recommended a dividend.

The directors consider that it is appropriate for the accounts to be prepared on a going concern basis for three major reasons:

- Final payment on the property sale
- The successful exit of the business recovery group within Nat West and a return to local account management
- A strengthening order book with improving profitability

RESULTS

The loss for the year, after taxation, amounted to £808,369.

DIRECTORS

The directors who served during the year were:

P G Keen
J P G Keen

PRINCIPAL RISKS AND UNCERTAINTIES

Credit Risk

The group uses a confidential invoice discounting facility with RBS to finance its activities. Most of the customers with whom the company does business are covered by the credit insurance arrangements integral with the facility. All existing accounts are vetted regularly by the company's own credit control staff and RBS.

There are many customers with whom we deal with on a proforma basis, particularly new businesses and foreign businesses and will continue to do so.

Despite the very difficult trading conditions the company has suffered very limited exposure to bad debts. The Directors are confident the procedures in place and the constant vigilance of credit control staff will ensure the company's exposure is minimised.

Cash Flow Risk

The group operates a daily cash flow forecast projected 4-6 weeks into the future as well as a more summarised cash flow tool projected 12 months ahead for the main subsidiary. This has proved a key tool in ensuring any potential problems are dealt with in advance giving maximum time to communicate with the bank, customers and suppliers.

KEEN & TOMS HOLDINGS LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 3 JULY 2010**

Cash Flow Risk (Continued)

There are two specific risk issues that lie outside the direct control of the company

- The liquidity risk of the group's own bankers This is improving but the group remains well positioned to be able to react to further reductions in facility should they occur
- The weather The nature of invoice discounting means cash flow is dependent on delivery of product The snow in early 2010 was a problem but the principle of communication meant we did not require additional support from RBS as we had in 2009

FINANCIAL INSTRUMENTS

The group's primary financial instruments are trade debtors, trade creditors arising directly from the its trading activities and management have implemented procedures to monitor and control the liquidity and credit risks related to the group's financial assets and liabilities

The company uses no derivative financial instruments and only operates a natural hedge between receivables and payables in foreign currencies when possible

PROVISION OF INFORMATION TO AUDITOR

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that

- so far as that director is aware, there is no relevant audit information of which the company and the group's auditor is unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the company and the group's auditor in connection with preparing its report and to establish that the company and the group's auditor is aware of that information

AUDITOR

The previous auditors, MacIntyre Hudson LLP, resigned during the year and Barnes Roffe LLP were appointed in their place Barnes Roffe LLP will be proposed for reappointment in accordance with section 485 of the Companies Act 2006

This report was approved by the board on 22ND FEBRUARY 2011 and signed on its behalf



P G Keen
Director

KEEN & TOMS HOLDINGS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF KEEN & TOMS HOLDINGS LIMITED

We have audited the group and parent company financial statements (the "financial statements") of Keen & Toms Holdings Limited for the year ended 3 July 2010, set out on pages 6 to 28. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (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 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.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

UNQUALIFIED OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements

- give a true and fair view of the state of the group's and the parent company's affairs as at 3 July 2010 and of the group's loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

KEEN & TOMS HOLDINGS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF KEEN & TOMS HOLDINGS LIMITED

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company 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

Barnes Roffe UR

David Aston
Senior Statutory Auditor
for and on behalf of
BARNES ROFFE LLP
Chartered Accountants & Statutory Auditor
3 Brook Business Centre
Cowley Mill Road
Uxbridge
Middlesex
UB8 2FX
Date *25 February 2011*

KEEN & TOMS HOLDINGS LIMITED

**CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 3 JULY 2010**

	Note	Year from 1 July 2009 to 3 July 2010 £
TURNOVER	1,2	23,001,417
Cost of sales		(17,058,314)
		<hr/>
GROSS PROFIT		5,943,103
Distribution costs		(34,391)
Administrative expenses		(6,622,903)
Other operating income	3	49,576
		<hr/>
OPERATING LOSS	4	(664,615)
Interest receivable and similar income		1,205
Interest payable and similar charges	7	(144,959)
		<hr/>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(808,369)
Tax on loss on ordinary activities	8	-
		<hr/>
LOSS FOR THE FINANCIAL PERIOD	18	(808,369)
		<hr/> <hr/>

All amounts relate to continuing operations

There were no recognised gains and losses for 2010 other than those included in the Profit and loss Account

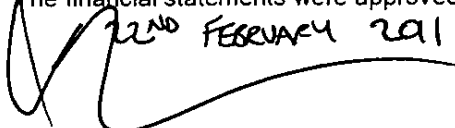
The notes on pages 10 to 28 form part of these financial statements

KEEN & TOMS HOLDINGS LIMITED
REGISTERED NUMBER 06997035

CONSOLIDATED BALANCE SHEET
AS AT 3 JULY 2010

	Note	£	2010 £
FIXED ASSETS			
Intangible assets	9		5,917,181
Tangible assets	10		1,135,731
			<u>7,052,912</u>
CURRENT ASSETS			
Stocks	12	1,108,898	
Debtors	13	4,672,499	
Cash at bank		385,732	
		<u>6,167,129</u>	
CREDITORS amounts falling due within one year	14	<u>(7,704,369)</u>	
NET CURRENT LIABILITIES			<u>(1,537,240)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>5,515,672</u>
CREDITORS amounts falling due after more than one year	15		(1,821,838)
PROVISIONS FOR LIABILITIES			
Deferred tax	16		(715,000)
NET ASSETS			<u><u>2,978,834</u></u>
CAPITAL AND RESERVES			
Called up share capital	17		3,787,203
Profit and loss account	18		(808,369)
SHAREHOLDERS' FUNDS	19		<u><u>2,978,834</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on

 22ND FEBRUARY 2011

P G Keen
Director

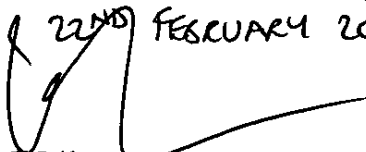
The notes on pages 10 to 28 form part of these financial statements

KEEN & TOMS HOLDINGS LIMITED

COMPANY BALANCE SHEET
AS AT 3 JULY 2010

	Note	2010 £
FIXED ASSETS		
Investments	11	<u>6,574,803</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>6,574,803</u>
CREDITORS amounts falling due after more than one year	15	<u>(1,300,000)</u>
NET ASSETS		<u><u>5,274,803</u></u>
CAPITAL AND RESERVES		
Called up share capital	17	<u>3,787,203</u>
Profit and loss account	18	<u>1,487,600</u>
SHAREHOLDERS' FUNDS	19	<u><u>5,274,803</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on

22ND FEBRUARY 2011

P G Keen
Director

The notes on pages 10 to 28 form part of these financial statements

KEEN & TOMS HOLDINGS LIMITED

CASH FLOW STATEMENT
FOR THE YEAR ENDED 3 JULY 2010

	Note	Year from 1 July 2009 to 3 July 2010 £
Net cash flow from operating activities	21	944,576
Returns on investments and servicing of finance	22	(143,754)
Capital expenditure and financial investment	22	(6,243,197)
Acquisitions and disposals	22	(209,578)
CASH OUTFLOW BEFORE FINANCING		(5,651,953)
Financing	22	5,545,368
DECREASE IN CASH IN THE YEAR		(106,585)

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS/DEBT
FOR THE YEAR ENDED 3 JULY 2010

	Year from 1 July 2009 to 3 July 2010 £
Decrease in cash in the year	(106,585)
Cash inflow from increase in debt and lease financing	(1,758,165)
CHANGE IN NET DEBT RESULTING FROM CASH FLOWS	(1,864,750)
Cash at acquisition (net position)	(1,296,448)
MOVEMENT IN NET DEBT IN THE YEAR	(3,161,198)
NET DEBT AT 3 JULY 2010	(3,161,198)

The notes on pages 10 to 28 form part of these financial statements

KEEN & TOMS HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 3 JULY 2010**

1 ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of certain fixed assets and in accordance with applicable accounting standards and on the assumption that the company and group is a going concern

1.2 Basis of consolidation

The financial statements consolidate the accounts of Keen & Toms Holdings Limited and all of its subsidiary undertakings ('subsidiaries')

The results of subsidiaries acquired during the year are included from the effective date of acquisition and accounted for under the acquisition method of accounting

The company has taken advantage of the exemption contained within section 408 of the Companies Act 2006 not to present its own Profit and Loss Account

1.3 Period of Account

The company maintains its accounting records on a weekly basis. For this reason the financial statements cover the period from 1 July 2009 to 3 July 2010, being the end of the last full trading week in the year

1.4 Turnover

Turnover comprises revenue recognised by the group in respect of goods and services supplied, exclusive of Value Added Tax and trade discounts

1.5 Intangible fixed assets and amortisation

Goodwill is the difference between amounts paid on the acquisition of a business and the fair value of the identifiable assets and liabilities. It is amortised to the Consolidated profit and loss account over its estimated economic life

Positive goodwill on acquisition is capitalised, classified as an asset on the balance sheet and amortised on a straight line basis over its useful economic life up to a maximum of 20 years. It is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable

Amortisation is provided at the following rates

Goodwill	-	10% straight line
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KEEN & TOMS HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 3 JULY 2010**

1 ACCOUNTING POLICIES (continued)

1.6 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Freehold property	-	1% straight line
Plant & machinery	-	10-30% straight line
Motor vehicles	-	10-25% straight line
Fixtures & fittings	-	15% straight line
Commercial vehicles	-	10-25% straight line

1.7 Investments

Investments in subsidiaries are valued at cost less provision for impairment.

1.8 Leasing and hire purchase

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the Profit and loss Account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

1.9 Operating leases

Rentals under operating leases are charged to the Profit and loss Account on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period until the date the rent is expected to be adjusted to the prevailing market rate.

1.10 Stocks and work in progress

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks. Cost includes all direct costs and an appropriate proportion of fixed and variable overheads.

KEEN & TOMS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 3 JULY 2010

1 ACCOUNTING POLICIES (continued)

1 11 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse

Deferred tax assets and liabilities are not discounted

1 12 Pensions

The company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the year

1 13 Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities

2 TURNOVER

The whole of the turnover is attributable to the principal activity of the group

A geographical analysis of turnover is as follows

	Year from 1 July 2009 to 3 July 2010 £
United Kingdom	22,189,076
Rest of Europe	635,768
Rest of World	176,550
North America	23
	<hr/>
	23,001,417
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KEEN & TOMS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 3 JULY 2010

3 OTHER OPERATING INCOME

	Year from 1 July 2009 to 3 July 2010 £
Sundry income	49,576

4 OPERATING LOSS

The operating loss is stated after charging/(crediting)

	Year from 1 July 2009 to 3 July 2010 £
Amortisation - intangible fixed assets	680,151
Depreciation of tangible fixed assets	
- owned by the group	160,682
Auditors' remuneration	12,700
Auditors' remuneration - non-audit	7,606
Operating lease rentals	
- plant and machinery	163,612
- other operating leases	608,725
Difference on foreign exchange	(1,934)
Profit/loss on sale of tangible assets	(117,990)

KEEN & TOMS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 3 JULY 2010

5 STAFF COSTS

Staff costs, including directors' remuneration, were as follows

	Year from 1 July 2009 to 3 July 2010 £
Wages and salaries	6,308,437
Social security costs	532,241
Other pension costs	233,075
	<u>7,073,753</u>

The average monthly number of employees, including the directors, during the year was as follows

	Year from 1 July 2009 to 3 July 2010 No
Production	170
Administration	62
	<u>232</u>

6 DIRECTORS' REMUNERATION - GROUP

	Year from 1 July 2009 to 3 July 2010 £
Emoluments	552,744
Company pension contributions to defined contribution pension schemes	<u>87,414</u>

During the period retirement benefits were accruing to 2 directors in respect of defined contribution pension schemes

The highest paid director received remuneration of £108,420

The value of the group's contributions paid to a money purchase pension scheme in respect of the highest paid director amounted to £13,569

COMPANY

During the period, no director received any remuneration from the company

KEEN & TOMS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 3 JULY 2010

7 INTEREST PAYABLE

	Year from 1 July 2009 to 3 July 2010 £
On bank loans and overdrafts	1,383
On other loans	143,576
	<u>144,959</u>

8 TAXATION

The tax assessed for the year is higher than the standard rate of corporation tax in the UK of 28%. The differences are explained below

	Year from 1 July 2009 to 3 July 2010 £
Loss on ordinary activities before tax	(808,369)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 28%	(226,343)
Effects of	
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	209,202
Capital allowances for year in excess of depreciation	(40,893)
Utilisation of tax losses	58,034
Current tax charge for the year (see note above)	<u>-</u>

Factors that may affect future tax charges

There were no factors that may affect future tax charges

KEEN & TOMS HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 3 JULY 2010**

9 INTANGIBLE FIXED ASSETS

	Goodwill £
Group	
Cost	
At 21 August 2009	-
Additions	6,415,226
On acquisition of subsidiaries	182,106
	<u>6,597,332</u>
At 3 July 2010	<u>6,597,332</u>
Amortisation	
At 21 August 2009	-
Charge for the year	680,151
	<u>680,151</u>
At 3 July 2010	<u>680,151</u>
Net book value	
At 3 July 2010	<u><u>5,917,181</u></u>

GOODWILL

Positive goodwill arose on the acquisition of the subsidiary Keen & Toms Partnership Limited, and there is also an element of externally generated goodwill in one of the group companies. The split is shown below:

GOODWILL SPLIT

	Cost £	Amortisation charge £	Net book value £
Externally generated goodwill	182,106	38,628	143,478
Goodwill on acquisition of subsidiary (Note 20)	6,415,226	641,523	5,773,703
	<u>6,597,332</u>	<u>680,151</u>	<u>5,917,181</u>
Total	<u><u>6,597,332</u></u>	<u><u>680,151</u></u>	<u><u>5,917,181</u></u>

KEEN & TOMS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 3 JULY 2010

10 TANGIBLE FIXED ASSETS

	Freehold property £	Plant & machinery £	Motor vehicles £	Fixtures & fittings £	Other fixed assets £
Group					
Cost					
At 21 August 2009	-	-	-	-	-
Additions	-	148,810	-	121,841	-
Disposals	(324,690)	-	-	-	-
On acquisition of subsidiaries	692,214	609,000	12,726	30,368	6,144
At 3 July 2010	<u>367,524</u>	<u>757,810</u>	<u>12,726</u>	<u>152,209</u>	<u>6,144</u>
Depreciation					
At 21 August 2009	-	-	-	-	-
Charge for the year	4,179	132,836	5,106	14,985	3,576
At 3 July 2010	<u>4,179</u>	<u>132,836</u>	<u>5,106</u>	<u>14,985</u>	<u>3,576</u>
Net book value					
At 3 July 2010	<u>363,345</u>	<u>624,974</u>	<u>7,620</u>	<u>137,224</u>	<u>2,568</u>
					Total £
Group					
Cost					
At 21 August 2009					-
Additions					270,651
Disposals					(324,690)
On acquisition of subsidiaries					1,350,452
At 3 July 2010					<u>1,296,413</u>
Depreciation					
At 21 August 2009					-
Charge for the year					160,682
At 3 July 2010					<u>160,682</u>
Net book value					
At 3 July 2010					<u>1,135,731</u>

Included within land and buildings is a freehold property revalued in line with a valuation obtained by the directors in March 2008. The directors considered the value of the properties at 3 July 2010 to be £340,000. The directors do not consider the value of these assets to be materially different at the period end.

KEEN & TOMS HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 3 JULY 2010**

If the land and buildings had not been included at valuation they would have been included under the historical cost convention as follows

	2010 £
Cost	65,714
Accumulated depreciation	-
Net book value	<u>65,714</u>

11 FIXED ASSET INVESTMENTS

Company	Investments in subsidiary companies £
Cost or valuation	
At 21 August 2009	-
Additions	<u>6,574,803</u>
At 3 July 2010	<u>6,574,803</u>
Net book value	
At 3 July 2010	<u>6,574,803</u>

Details of the principal subsidiaries can be found under note number 29

12 STOCKS

	<u>Group</u>	<u>Company</u>
	2010 £	2010 £
Raw materials	670,753	-
Finished goods and goods for resale	438,145	-
	<u>1,108,898</u>	<u>-</u>

KEEN & TOMS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 3 JULY 2010

13 DEBTORS

	<u>Group</u>	<u>Company</u>
	2010	2010
	£	£
Trade debtors	2,926,094	-
Other debtors	1,135,081	-
Prepayments and accrued income	611,324	-
	<u>4,672,499</u>	<u>-</u>

14 CREDITORS
Amounts falling due within one year

	<u>Group</u>	<u>Company</u>
	2010	2010
	£	£
Bank loans and overdrafts	1,830,560	-
Other loans	144,532	-
Trade creditors	3,672,692	-
Social security and other taxes	911,464	-
Other creditors	215,362	-
Accruals and deferred income	929,759	-
	<u>7,704,369</u>	<u>-</u>

Other creditors for the group and the company includes £250,000 of secured loan notes which are non-qualifying corporate bonds with an annual coupon rate of 1% in the first year and 2% in the second year payable quarterly in arrears. They are repayable after two years. Whilst Keen & Toms Holdings has the ability to repay the loan notes early, no loan notes can be redeemed within 6 months of issue. They were issued on 26 October 2009.

The loan note amount of £250,000 is secured by a second charge against the freehold property of one of the directors, P G Keen.

Details of the first charge over the director's freehold property can be found in note 26.

KEEN & TOMS HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 3 JULY 2010**

15 CREDITORS
Amounts falling due after more than one year

	<u>Group</u>	<u>Company</u>
	2010	2010
	£	£
Bank loans	38,832	-
Other loans	477,212	-
Other creditors	250,000	250,000
Share capital treated as debt (Note 17)	1,055,794	1,050,000
	<u>1,821,838</u>	<u>1,300,000</u>

Disclosure of the terms and conditions attached to the non-equity shares is made in note 17

Included within the above are amounts falling due as follows

	<u>Group</u>	<u>Company</u>
	2010	2010
	£	£
Between one and two years		
Bank loans	38,832	-
Other loans	147,449	-
	<u>186,281</u>	<u>-</u>
Between two and five years		
Other loans	329,763	-
	<u>329,763</u>	<u>-</u>

The bank loan bears interest at 1.5% above the London Inter-Bank Market rate per annum and is repayable in quarterly instalments of £42,813

Bank borrowings are secured by an all assets debenture and are subject to a corporate guarantee by Keen & Toms Partnership Limited

16 DEFERRED TAXATION

	<u>Group</u>	<u>Company</u>
	2010	2010
	£	£
At beginning of year	-	-
Deferred taxation on acquisition of subsidiaries	715,000	-
At end of year	<u>715,000</u>	<u>-</u>

KEEN & TOMS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 3 JULY 2010

16 DEFERRED TAXATION (continued)

The provision for deferred taxation is made up as follows

	<u>Group</u>	<u>Company</u>
	2010	2010
	£	£
Tax losses brought forward	-	-
Advance corporation tax	-	-
Deferred taxation on acquisition of subsidiaries	715,000	-
	<u>715,000</u>	<u>-</u>

17 SHARE CAPITAL

	2010 £
Shares classified as capital	
Allotted, called up and fully paid	
3,787,203 Ordinary shares of £1 each	<u>3,787,203</u>
Shares classified as debt	
Allotted, called up and fully paid	
1,055,794 Preference shares of £1 each	<u>1,055,794</u>

During the year 3,787,203 Ordinary shares of £1 each were allotted at par, called up and fully paid

KEEN & TOMS HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 3 JULY 2010**

17 SHARE CAPITAL (continued)

Preference shares of £1 each - 1,050,000 issued, called up and fully paid in Keen & Toms Holdings Limited

The preference shares attract an annual dividend of 1% in the first year, 2% in the second year and 5% thereafter payable quarterly in arrears. The preference shares will be redeemable after 10 years from their issue date of 26 October 2009. Keen & Toms Holdings Limited can redeem these preference shares earlier if they wish to. No premium is payable on redemption.

Preference shares of £1 each - 2,250 issued, called up and fully paid in Hypnos Limited

In the event of a winding up, assets remaining after payment of any debts shall first be repaid to preference shareholders to the amount paid up together with all arrears if any. The remainder shall be distributed among the ordinary shareholders to the amount paid up and then the balance split between preference and ordinary shareholders in the proportion of shares held.

There are no set dates at which the shares are redeemable.

5.6% Preference shares of £1 each - 3,544 issued, called up and fully paid in Keen & Toms Partnership Limited

In the event of winding up, the 5.6% cumulative preference shareholders have priority over all other shareholders to the amount paid up plus any unpaid dividends. Preference shareholders have no further rights to surplus assets and no voting rights. Surplus assets fall due to the ordinary shareholders in the proportion of shares held.

18 RESERVES

	Profit and loss account £
Group	
Loss for the year	(808,369)
At 3 July 2010	<u>(808,369)</u>
Company	
Profit for the year	1,487,600
At 3 July 2010	<u>1,487,600</u>

KEEN & TOMS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 3 JULY 2010

19 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2010 £
Group	
Opening shareholders' funds	-
Loss for the year	(808,369)
Shares issued during the year	3,787,203
	<hr/>
Closing shareholders' funds	2,978,834
	<hr/>
 Company	 2010 £
Opening shareholders' funds	-
Profit for the year	1,487,600
Shares issued during the year	3,787,203
	<hr/>
Closing shareholders' funds	5,274,803
	<hr/>

The company has taken advantage of the exemption contained within section 408 of the Companies Act 2006 not to present its own Profit and loss Account

The profit for the year dealt with in the accounts of the company was £1,487,600

KEEN & TOMS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 3 JULY 2010

20 ACQUISITIONS AND DISPOSALS

Acquisitions

	Vendors' book value £	Fair value adjustments £	Fair value to the group £
Assets and liabilities acquired			
Tangible fixed assets	1,350,451	(50,000)	1,300,451
Intangible fixed assets	182,106	-	182,106
Stocks	1,174,331	-	1,174,331
Debtors	4,953,107	-	4,953,107
Cash at bank and in hand	896,777	-	896,777
Bank overdrafts	(2,024,140)	-	(2,024,140)
Loans and finance leases	(169,085)	-	(169,085)
Other creditors and provisions	(6,151,629)	(2,341)	(6,153,970)
Net assets acquired	211,918	(52,341)	159,577

Satisfied by

Consideration	
Cash	12,651
Loan notes	250,000
Cash financed from Keen & Toms Partnership Limited	750,000
Preference shares	1,050,000
Transfer of freehold property interest	650,000
Issue of shares	3,787,203
Acquisition costs	74,949

6,574,803

6,415,226

Goodwill arising on consolidation (see note 9)

Goodwill being amortised

The goodwill arising on consolidation is being amortised over its estimated useful economic life of 10 years

KEEN & TOMS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 3 JULY 2010

21 NET CASH FLOW FROM OPERATING ACTIVITIES

	Year from 1 July 2009 to 3 July 2010 £
Operating loss	(664,615)
Amortisation of intangible fixed assets	680,151
Depreciation of tangible fixed assets	160,682
Profit on disposal of tangible fixed assets	(117,990)
Decrease in stocks	65,433
Decrease in debtors	280,608
Increase in creditors	540,307
Net cash inflow from operating activities	<u>944,576</u>

22 ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN CASH FLOW STATEMENT

	Year from 1 July 2009 to 3 July 2010 £
Returns on investments and servicing of finance	
Interest received	1,205
Interest paid	(144,959)
Net cash outflow from returns on investments and servicing of finance	<u>(143,754)</u>

	Year from 1 July 2009 to 3 July 2010 £
Capital expenditure and financial investment	
Purchase of intangible fixed assets	(6,415,226)
Purchase of tangible fixed assets	(270,651)
Sale of tangible fixed assets	442,680
Net cash outflow from capital expenditure	<u>(6,243,197)</u>

KEEN & TOMS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 3 JULY 2010

22 ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN CASH FLOW STATEMENT (continued)

	Year from 1 July 2009 to 3 July 2010 £
Acquisitions and disposals	
Purchase of subsidiary undertaking - net assets (excluding cash)	1,086,870
Cash acquired with subsidiary	896,777
Bank loans and overdrafts acquired with subsidiary	(2,193,225)
Net cash outflow from acquisitions and disposals	(209,578)
	Year from 1 July 2009 to 3 July 2010 £
Financing	
Issue of ordinary shares	3,787,203
New secured loans	80,627
Other new loans	621,744
Shares treated as debt - Issued	1,055,794
Net cash inflow from financing	5,545,368

23 ANALYSIS OF CHANGES IN NET DEBT

	21 August 2009 £	Cash flow £	Acquisition £	Other non-cash changes £	3 July 2010 £
Cash at bank and in hand	-	(511,045)	896,777	-	385,732
Bank overdraft	-	404,460	(2,193,225)	-	(1,788,765)
	-	(106,585)	(1,296,448)	-	(1,403,033)
Debt					
Debts due within one year	-	(1,758,165)	-	1,571,838	(186,327)
Debts falling due after more than one year	-	-	-	(1,571,838)	(1,571,838)
Net funds	-	(1,864,750)	(1,296,448)	-	(3,161,198)

KEEN & TOMS HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 3 JULY 2010**

24 PENSION COMMITMENTS

The group operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the group in a separately administered fund. The pension cost charge represents contributions payable by the group to the fund and amounted to £145,661. Contributions amounting to £nil were payable to the fund at the balance sheet date.

25 OPERATING LEASE COMMITMENTS

At 3 July 2010 the Group had annual commitments under non-cancellable operating leases as follows

	Land and buildings 2010 £	Other 2010 £
Group		
Expiry date		
Within 1 year	84,661	11,158
Between 2 and 5 years	-	72,563
After more than 5 years	533,500	-

26 OTHER FINANCIAL COMMITMENTS AND SECURITIES

To finance its acquisition of Keen & Toms Partnership Limited, Keen & Toms Holdings Limited was lent £750,000 from the pension plan of Keen & Toms Partnership Limited. This £750,000 is secured by way of a charge against the freehold property of one of the directors, P G Keen.

In addition, £250,000 loan notes included within other creditors are secured by a second charge against the freehold property of one of the directors, P G Keen.

The 1,050,000 preference shares are secured by a debenture from Keen & Toms Holdings Limited and cross-guarantees and supporting debentures from the group.

27 RELATED PARTY TRANSACTIONS

In accordance with Financial Reporting Standard 8, the company does not disclose transactions with other wholly owned subsidiaries within the group.

28 CONTROLLING PARTY

The ultimate controlling party is P G Keen by virtue of his majority shareholding in the company.

KEEN & TOMS HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 3 JULY 2010**

29 PRINCIPAL SUBSIDIARIES

Company name	Country	Percentage Shareholding	Description
Keen & Toms Partnership Limited	United Kingdom	100	Property development
Hypnos Limited	United Kingdom	100	Manufacture of beds and furniture
The Sheen Bed Company Limited	United Kingdom	100	Retail of beds and furniture
The Furniture Recycling Company Limited	United Kingdom	100	Recycling of furniture
Imperial Sleep Limited	United Kingdom	100	Dormant company
Lovelace Limited	United Kingdom	100	Dormant company