

Thomson Shepherd Limited

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 December 2011

Registered Number SC188650

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COMPANIES HOUSE

Thomson Shepherd Limited

Directors' Report

The directors present their annual report and the audited financial statements for the period ended 31 December 2011.

Principal activities and future developments

On 30 May 2011 Thomson Shepherd Limited sold its trade and assets to its management team and, therefore, ceased trading. The Company had its permissions removed by the FSA on 3 August 2011 and was, therefore, de-authorised for regulatory purposes.

The Company is not expected to trade in the foreseeable future.

Overview of the business

The Company is a wholly owned subsidiary of Thomson Shepherd Holdings Limited. During the year, the Company declared a Solvency Statement entitling the Company to perform a capital reduction in line with the Companies Act 2006 rules. This allowed the Company to reduce its share capital, preference shares, other reserves and capital contribution reserves by £2,464k leaving £1 share capital. The £2,464k was subsequently moved to distributable reserves allowing a dividend to be paid to Thomson Shepherd Holdings Limited of £735k.

Business review

The results for the period are shown in the Income Statement and notes thereto. The Company traded up until 30 May 2011 when the trade and assets were sold.

Registered Office

Burness Solicitors
50 Lothian Road
Festival Square
Edinburgh
EH3 9WJ

Dividends

A dividend of £735k was paid during the year to Thomson Shepherd Holdings Limited (2010 £nil).

Directors

The directors who served during the period were:

P M Craddock (resigned 25 February 2011)
D J Cutter
E N Law (resigned 25 February 2011)
G A Wilson (resigned 31 May 2011)
R J Twigg (appointed 25 February 2011)

Messrs DJ Cutter and RJ Twigg are also Directors of the ultimate parent undertaking Skipton Building Society.

Charitable donations

During the period the company made charitable donations of £nil (2010: £875). No contributions were made for political purposes.

Thomson Shepherd Limited

Directors' Report (continued)

Disclosure of information to auditors

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 auditors are unaware; and each director has taken all the 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 auditors are aware of that information.

Directors' statement as to disclosure of information to auditors

The directors who were members of the board at the time of approving the directors' report are listed above. Having made enquiries of fellow directors and of the company's auditors, each of these directors confirms that:

- to the best of each director's knowledge and belief, there is no information relevant to the preparation of their report of which the company's auditors are unaware, and
- each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the company's auditors are aware of that information

Auditors

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

By order of the board



J. Gibson
Secretary
The Bailey
Skipton
North Yorkshire
BD23 1DN

Date: 1 February 2012

Thomson Shepherd Holdings Limited

Statement of Directors' Responsibilities in respect of the Directors' Report and the Financial Statements

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 period. Under that law they have elected to prepare the financial statements in accordance with IFRS as adopted by the EU.

The financial statements are required by law to present fairly the financial position and performance of the company; the Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

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;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; 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 proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that its financial statements comply with the Companies Act 2006. They 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.

Independent Auditors' Report to the Members of Thomson Shepherd Limited

We have audited the financial statements of Thomson Shepherd Limited for the year ended 31 December 2011 set out on pages 5 to 18. The financial reporting framework that has been applied in their preparation is applicable to law and International Financial Reporting Standards (IFRSs) as adopted in the EU.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 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 auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2011 and of its result for the year ended 31 December 2011;
- have properly been prepared in accordance with IFRSs as adopted in the EU; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on 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.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and 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

J L Ellacott (Senior Statutory Auditor) 
for and on behalf of KPMG Audit Plc, Statutory Auditor

Chartered Accountants - Leeds

Date 1 February 2012

Thomson Shepherd Limited

Statement of Comprehensive Income

for the year ended 31 December 2011

	Notes	2011 £000's	2010 £000's
Revenue	1	823	1,963
Gross profit		823	1,963
Other Operating Income		7	92
		830	2,055
Administrative expenses		(918)	(3,465)
Loss on disposal of trade and assets		(23)	-
Loss from discontinued operations	2	(111)	(1,410)
Interest Receivable	3	4	3
Finance costs	4	(23)	(42)
Loss before tax		(130)	(1,449)
Tax credit	6	30	320
Loss for the year		(100)	(1,129)

The loss for the financial year was derived wholly from discontinued operations following the sale of the trade and assets to management.

The statement of comprehensive income is prepared on an unmodified historical cost basis.

The notes on pages 9 to 18 form part of these financial statements.

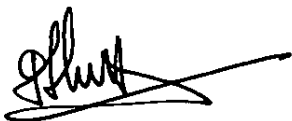
Thomson Shepherd Limited

Statement of Financial Position

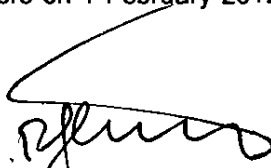
As at 31 December 2011

	Notes	2011 £000's	2011 £000's	2010 £000's	2010 £000's
Current assets					
Trade and other receivables	7	174		84	
Cash and cash equivalents		126		872	
			300		956
Non-current assets					
Deferred Tax Asset	11	-		8	
			-		8
Assets classified as held for sale	8		-		500
Total assets			300		1,464
Current liabilities					
Trade and other payables	9	49		263	
Provisions	13	45		116	
Interest bearing loans & borrowings	10	200		8	
			294		387
Non-current liabilities					
Interest bearing loans & borrowings	10		-		236
Total liabilities			294		623
Equity					
Share capital	12	-		2,306	
Share premium account		-		8	
Capital contribution		-		150	
Retained earnings		6		(1,623)	
			6		841
Total equity and liabilities			300		1,464

These accounts were approved by the board of directors on 1 February 2012 and signed on its behalf by:



D J Cutter
Director



R J Twigg
Director

Company Registration Number: SC188650

The notes on pages 9 to 18 form part of these accounts.

Thomson Shepherd Limited

Statement of Changes in Equity

As at 31 December 2011

	Ordinary Share Capital £000's	Preference Share Capital £000's	Share Premium £000's	Capital Contribution £000's	Retained Earnings £000's	Total Equity £000's
Balance at 1 January 2011	36	2,270	8	150	(1,623)	841
Loss for the year	-	-	-	-	(100)	(100)
Capital reduction	(36)	(2,270)	(8)	(150)	2,464	-
Dividends paid	-	-	-	-	(735)	(735)
Balance at 31 December 2011	-	-	-	-	6	6
Balance at 1 January 2010	36	2,170	8	-	(494)	1,720
Loss for the year	-	-	-	-	(1,129)	(1,129)
Capital contribution from parent	-	-	-	150	-	150
Additional shares issued	-	100	-	-	-	100
Balance at 31 December 2010	36	2,270	8	150	(1,623)	841

The notes on pages 9 to 18 form part of these financial statements.

Thomson Shepherd Limited

Statement of Cash Flows

For the year ended 31 December 2011

	Notes	2011 £000's	2010 £000's
Cash flows from operating activities			
Loss before taxation		(130)	(1,449)
Adjustments for:			
Depreciation charge	2	-	24
Goodwill impairment		-	1,205
Loss on sale of tangible assets		23	-
Interest received	3	(4)	(3)
Interest paid	4	23	-
Provisions/write-offs	13	(71)	46
(Decrease)/Increase in interco payables	10	(44)	(1,592)
(Decrease)/Increase in trade payables	9	(214)	-
Decrease/(Increase) in trade receivables	7	(90)	52
Corporation taxes received		38	478
Net cash from operating activities		(469)	(1,239)
Cash flows from investing activities			
Interest received	3	4	3
Interest payable	4	(23)	-
Proceeds of trade and asset sale		477	(31)
Net cash from investing activities		458	(28)
Cash flows from financing activities			
Preference share issue		-	100
Capital contribution		-	150
Repayment of other short term loans		-	1,484
Dividends paid		(735)	-
Net cash from financing activities		(735)	1,734
Net (decrease)/increase in cash and cash equivalents		(746)	467
Cash and cash equivalents at start of year		872	405
Cash and cash equivalents at end of year		126	872

Thomson Shepherd Limited

Notes to the Financial Statements

1. Accounting policies

Thomson Shepherd Limited (the "Company") is a company incorporated and domiciled in the UK.

(a) Basis of accounting

The financial statements are presented in accordance with International Financial Reporting Standards (IFRS) and its interpretations as adopted by the EU and effective at 31 December 2011.

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

Currency Presentation

The annual accounts are presented in pounds Sterling and, except where otherwise indicated, have been rounded to the nearest pound.

Measurement Convention

The Financial Statements have been prepared under the historical cost convention.

(b) Revenue recognition

Revenue, which excludes value added tax, represents total invoiced sales of the company and gross commissions receivable on an accruals basis. Initial commission is recognised when the application has been sent to the provider in the case of investments, and when the policy goes on risk in the case of term policies.

The company recognises income upon fulfilment of contractual obligations. Interest income is recognised upon receipt.

(c) Taxation

Income tax on the result for the year comprises current tax and deferred tax. Income tax is recognised in the Statement of Comprehensive Income except where items are recognised directly in equity, in which case the associated income tax asset or liability is recognised via equity.

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

Deferred tax is provided using the balance sheet liability method, which recognises temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. It is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which temporary differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

(d) Cash and cash equivalents

For the purpose of the cash flow statement, cash comprises cash in hand and loans and advances to credit institutions repayable on demand, and cash and cash equivalents comprise highly liquid investments that are convertible into cash with an insignificant risk of changes in value with original maturities of three months or less.

The statement of cash flow has been prepared using the indirect method.

Thomson Shepherd Limited

Notes to the Financial Statements (continued)

2. Loss from operations

	2011 £000's	2010 £000's
Loss from operations has been arrived at after charging		
Depreciation of property, plant and equipment	-	24
Impairment of Goodwill	-	1,205
Staff costs (see note 5)	496	1,258
Rentals payable under operating leases:		
Equipment	31	57
Motor vehicle leasing	23	36
Property	46	80
Loss on disposal of trade and assets	23	-
Auditors' remuneration and expenses:		
Statutory audit services	2	18
Audit fees pursuant to legislation	-	2

3. Interest Receivable

	2011 £000's	2010 £000's
Interest on bank deposits	4	3
	<u>4</u>	<u>3</u>

4. Finance costs

	2011 £000's	2010 £000's
Interest on bank overdraft and loans	(23)	(42)
	<u>(23)</u>	<u>(42)</u>

Thomson Shepherd Limited

Notes to the Financial Statements (continued)

5. Staff numbers and costs

The average monthly number of persons employed by the company (including directors) during the year was as follows:

	2011 £000's	2010 £000's
Financial advisers	4	9
Administration	10	22
	14	31

The aggregate payroll costs of these persons was as follows:

Wages and salaries	430	1,077
Social security costs	49	122
Other pension costs	17	40
Compensation for loss of office	-	19
	496	1,258

Directors emoluments amounted to :

Total emoluments as executives	46	103
Company contributions to money purchase schemes	2	5
Total charged in arriving at profit on ordinary activities	48	108

Directors constitute Key Management Personnel.

The emoluments of the highest paid director were:

Emoluments	48	103
Company contributions to money purchase schemes	2	5
	50	108

The number of directors to whom retirement benefits are accruing

At the year end under money purchase schemes is:

Number	Number
1	1

Thomson Shepherd Limited

Notes to the Financial Statements (continued)

6. Tax expense

A reconciliation of current tax on loss on ordinary activities at the standard UK corporation tax rate to the actual current tax (income) / expense is as follows:

	2011 £000's	2010 £000's
a) Analysis of charge/ (credit) in the year at 26.5% (2010: 28%)		
Current tax expense		
Current tax	(38)	-
Payments/(Receipts) for group relief	-	(345)
(Over)/Under provision in prior year	-	(55)
Total Current Tax	(38)	(400)
Deferred tax expense		
Current year debit	8	5
Adjustment in respect of previous periods	-	75
Total deferred tax	-	80
Income tax (credit)/expense	(30)	(320)
b) Factors affecting current tax charge in the year		
The charge for the year can be reconciled to the profit per the income statement as follows:		
Loss on ordinary activities before tax	(130)	(1,449)
Tax credit on profit on ordinary activities at UK standard rate of 26.5% (2010: 28%)	(34)	(406)
Effects of :		
- expenses not deductible for tax purposes	4	66
- adjustment to tax charge in respect of previous periods	-	20
Income tax expense/(credit)	(30)	(320)

Thomson Shepherd Limited

Notes to the Financial Statements (continued)

7. Trade and other receivables

	2011 £000's	2010 £000's
Trade Debtors	-	70
Other Debtors	172	14
Corporation Tax Asset	2	-
	174	84

The ageing of trade debtors at reporting date was:

	Gross 2011 £000's	Impairment 2011 £000's	Gross 2010 £000's	Impairment 2010 £000's
Not past due 0 – 30 days	-	-	31	-
Past due 31-90 days	-	-	12	-
More than 90 days	-	-	27	(2)
	-	-	70	(2)

The movement in the allowance for impairment in respect of trade debtors during the year was as follows:

	2011 £000's	2010 £000's
Balance at start of year	(2)	(7)
Impairment loss recognised during the year	2	5
Balance at end of year	-	(2)

8. Assets classified as held for sale

	2011 £000's	2010 £000's
Property, plant and equipment	-	55
Goodwill:		
Cost	-	1,956
Impairment	-	(1,511)
	-	445
	-	500

The trade and assets of the Company were sold in the year for £477k resulting in a loss on disposal of £23k which has been reflected in the Income Statement. The assets were classified as held for sale at the end of the prior year as at the time of signing the accounts the management buy out was being finalised.

Thomson Shepherd Limited

Notes to the Financial Statements (continued)

9. Trade and other payables

	2011 £000's	2010 £000's
Trade creditors	-	68
VAT, PAYE and social security costs	-	3
Accruals and deferred income	49	192
	49	263

10. Interest bearing loans and borrowings

	2011 £000's	2010 £000's
Current liabilities		
Other loans	200	8
	200	8
Non-current liabilities		
Other loans	-	236
	-	236

The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements:

	Carrying Amount £000's	Contractual Cash flows £000's	6-12 Months £000's	1-2 Years £000's	2-5 Years £000's
31 December 2011					
Other loans	200	200	200	-	-
31 December 2010					
Other loans	244	244	8	-	236

11. Deferred tax

The movement on the deferred tax account is as shown below:

	2011 £000's	2010 £000's
At start of year	(8)	(88)
Income statement debit/(credit)	8	5
Adjustment in respect of previous years	-	75
At end of year	-	(8)

The utilisation of the recognised deferred tax asset is dependant on future taxable profits.

Thomson Shepherd Limited

Notes to the Financial Statements (continued)

12. Share capital

	2011 £000's	2010 £000's
Authorised		
50,000 Ordinary shares of £1.00 each	-	50
2,350,000 Preference Shares of £1.00 each	-	2,350
	-	2,400
Issued and fully paid	£000's	£000's
36,003 Ordinary shares of £1.00 each	-	36
2,270,000 Preference Shares of £1.00 each (see below)	-	2,270
	-	2,306

As part of the capital reduction process, the preference shares have been cancelled along with the all the ordinary shares except £1 of ordinary share capital.

13. Provisions

	Clawback £000's	Bad Debt £000's	Other Provisions £000's	Total £000's
Balance at 1 January 2011	52	2	62	116
Provisions made in year	-	-	-	-
Released during year	(8)	(2)	(61)	(71)
	44	-	1	45
Balance at 31 December 2011				

The clawback provision has been calculated at 5% of the annualised turnover for initial commissions less any current year clawbacks.

Thomson Shepherd Limited

Notes to the Financial Statements (continued)

14. Related party transactions

The company has related party relationships with other subsidiaries within the Skipton Group as detailed below.

All such transactions are priced on an arms-length basis.

		2011		2010	
		Ultimate Parent Undertaking £000's	Parent Undertaking £000's	Ultimate Parent Undertaking £000's	Parent Undertaking £000's
a) Net Interest:					
Skipton Building Society	Interest Payable	(23)		(42)	
Skipton Building Society	Interest receivable	-		3	
Total		(23)		(39)	
b) Purchase of goods and services:					
Skipton Building Society	Administrative Expenses (Recharges) Payable	-	-	(91)	-
Total		-	-	(91)	-
c) Outstanding balances:					
Skipton Building Society	Loan funds provided to pay preference share interest and corporation tax liabilities and purchase H.E. Grant Ltd.	(200)		(244)	
Skipton Building Society	Preference Shares	-		(1,270)	
Skipton Building Society	Capital Contribution	-		(150)	
Thomson Shepherd Holdings Ltd	Preference Shares	-		(1,000)	
Total		(200)		(2,664)	

There are no provisions in respect of sales of goods and services to Related Parties, either at 31 December 2010 or at 31 December 2011.

Thomson Shepherd Limited

Notes to the Financial Statements (continued)

15. Commitments

There were no capital commitments at 31 December 2011 (31 December 2010: £nil)

The company has annual commitments due under operating leases. At the balance sheet date these were as follows:

	2011 £000's Property	2011 £000's Other	2010 £000's Property	2010 £000's Other
Lease commitments due:				
Within 1 Year	-	-	41	6
Within 2 to 5 Years	-	-	-	62
After five years	-	-	-	-
	-	-	41	68

16. Financial Instruments

This note provides information about the contractual terms of the company's interest bearing loans and borrowings which are measured at amortised cost:

	2011 £000's	2010 £000's
Non current liabilities		
Intercompany loan balance with ultimate parent	(200)	(236)
	(200)	(236)
Current Liabilities		
Intercompany loan balance with ultimate parent	-	(8)
	-	(8)

The company is exposed to Interest Rate risk for the intercompany loan at BofE base rate plus 1%.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Carrying Amount	
	2011 £000's	2010 £000's
Other receivables	174	15
Trade receivables	-	70
Cash and cash equivalents	126	872
	300	957

All exposure to credit risk for trade receivables at the reporting date was UK based.

There is no difference between the carrying value and fair value of the company's financial instruments.

Thomson Shepherd Limited

Notes to the Financial Statements (continued)

17. Ultimate Parent Undertaking

The company is a 100% owned subsidiary of Thomson Shepherd Holdings Limited. The ultimate parent undertaking is Skipton Building Society, which is registered in the United Kingdom. A copy of the group annual report and accounts into which the results of this company are consolidated is available from:-

The Secretary
Skipton Building Society
The Bailey
Skipton
North Yorkshire
BD23 1DN