

Thomson Shepherd Holdings Limited

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 December 2010

Registered Number SC270870

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Thomson Shepherd Holdings Limited

Directors' Report

The directors present their annual report and the audited financial statements for the period ended 31 December 2010 for the company only.

Principal activities and future developments

The principal activity of the company continued to be that of a holding company.

Skipton Building Society prepares its accounts under International Financial Reporting Standards (IFRS) and its interpretations as adopted by the EU. Consequently the company has prepared its accounts under the same accounting basis.

Business review

The results for the period are shown in the Income Statement and notes thereto.

Overview of the business

The company is the sole shareholder in Thomson Shepherd Limited, the only remaining subsidiary company.

Registered Office

22 Whitefriars Street
Perth
PH1 1PP

Thomson Shepherd Holdings Limited

Directors' Report (continued)

Dividends

No dividend was paid during the period.

Directors

The directors who served during the period were:

P M Craddock
D J Cutter
E N Law
G B Shepherd (resigned 12 February 2010)
G A Wilson

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.

Charitable donations

During the period the company made charitable donations of £ nil (2009: £ nil). No contributions were made for political purposes.

Company secretary

G M Davidson

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:

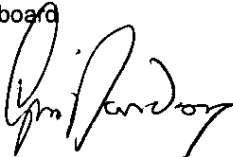
- to the best of each director's knowledge and belief, there is no information relevant to the preparation of their report of which the company's auditors are unaware, and
- each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information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

Auditors

A resolution to re-appoint KPMG Audit plc as auditors will be proposed at the next Annual General Meeting.

By order of the board

G M Davidson
Secretary
The Bailey
Skipton
North Yorkshire
BD23 1DN



1 February 2011

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.

Thomson Shepherd Holdings Limited

Independent Auditors Report to the Members of Thomson Shepherd Holdings

We have audited the financial statements of Thomson Shepherd Holdings Limited for the period ended 31 December 2010 set out on pages 5 to 13. 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 2010 and of its loss for the year ended 31 December 2010;
- 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



Simon Pashby (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor

Chartered Accountants
Edinburgh

1 February 2011

Thomson Shepherd Holdings Limited

Statement of Comprehensive Income

For the year ended 31 December 2010

		Year ended 31 December 2010 £	Year ended 31 December 2009 £
Administrative expenses		(1,573,015)	(475,000)
Loss from operations	2	(1,573,015)	(475,000)
Impairment of investments		(500,000)	-
Loss before tax		(2,073,015)	(475,000)
Tax (expense)/credit		560	-
Loss for the year		(2,072,455)	(475,000)

The loss for the comparative financial period was derived wholly from continuing operations.

There were no other recognised items of income or expenditure during the year or prior period and so no statement of other comprehensive income has been presented.

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

The notes on pages 9 to 13 form part of these financial statements.

Thomson Shepherd Holdings Limited

Balance Sheet

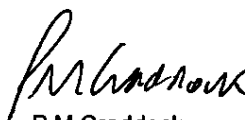
As at 31 December 2010

	Notes		31 December 2010 £	31 December 2009 £
Non-current assets				
Investments	3	500,000		1,000,000
Goodwill	4	-		1,572,015
Total assets			500,000	2,572,015
Current liabilities				
Trade and other payables	5	1,485,167		1,484,727
Total liabilities			1,485,167	1,484,727
Equity				
Share capital	6	52,200		52,200
Share premium		1,516,363		1,516,363
Retained earnings	7	(2,553,730)		(481,275)
			(985,167)	1,087,288
Total equity and liabilities			500,000	2,572,015

These accounts were approved by the board of directors on 1st February 2011 and signed on its behalf by:



G A Wilson
Director



P M Craddock
Director

The notes on pages 9 to 13 form part of these accounts.

Thomson Shepherd Holdings Limited

Statement of Changes in Equity

As at 31 December 2010

	Ordinary Share Capital £	Share Premium £	Retained Earnings £	Total Equity £
Balance at 1 January 2010	52,200	1,516,363	(481,275)	1,087,288
Loss for the period	-	-	(2,072,455)	(2,072,455)
Balance at 31 December 2010	52,200	1,516,363	(2,553,730)	(985,167)
Balance at 1 January 2009	52,200	1,516,363	(6,275)	1,562,288
Loss for the period	-	-	(475,000)	(475,000)
Balance at 31 December 2009	52,200	1,516,363	(481,275)	1,087,288

The notes on pages 9 to 13 form part of these financial statements.

Thomson Shepherd Holdings Limited

Statement of Changes in Equity

As at 31 December 2010

	Ordinary Share Capital £	Share Premium £	Retained Earnings £	Total Equity £
Balance at 1 January 2010	52,200	1,516,363	(481,275)	1,087,288
Loss for the period	-	-	(2,072,455)	(2,072,455)
Balance at 31 December 2010	52,200	1,516,363	(2,553,730)	(985,167)
Balance at 1 January 2009	52,200	1,516,363	(6,275)	1,562,288
Loss for the period	-	-	(475,000)	(475,000)
Balance at 31 December 2009	52,200	1,516,363	(481,275)	1,087,288

The notes on pages 9 to 13 form part of these financial statements.

Thomson Shepherd Holdings Limited

Cash Flow Statement

For the year ended 31 December 2010

	Year Ended 31 December 2010 £	Year Ended 31 December 2009 £
Cash flows from operating activities		
Loss before taxation	(2,073,015)	(475,000)
Adjustments for:		
Goodwill Impairment	1,572,015	474,000
Investment Impairment	500,000	
Group relief receipts	560	
Net cash from operating activities	(440)	(1,000)
Cash flows from financing activities		
Transfer of loan to subsidiary	-	(1,079,329)
Transfer of subsidiary loan	(1,484,727)	-
Due to Group companies	1,485,167	1,080,314
Net cash from financing activities	440	985
Net increase in cash and cash equivalents	-	(15)
Cash and cash equivalents at start of year	-	15
Cash and cash equivalents at end of year	-	-

Thomson Shepherd Holdings Limited

Notes to the Financial Statements

1. Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's accounts:

(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 2010.

The company is exempt from having to produce consolidated accounts as a subsidiary of Skipton Building Society, who prepare consolidated accounts.

As at 31 December 2010 the company owed Skipton Building Society £1,485,167. The financial statements have been prepared on the going concern basis on the assumption that the support of the parent company will continue for the foreseeable future.

(b) Adoption of new and revised International Financial Reporting Standards

The Directors have adopted IAS 1, *Presentation of Financial Statements (2007)*, IAS 23, *Borrowing Costs (Revised)*, Amendments to IFRS 7, *Improving Disclosures about Financial Instruments* and IFRS 8, *Operating Segments*.

At the date of authorisation of these financial statements, the following Standards and Interpretations were in issue but not yet effective:

- IFRS 9 - Financial Instruments: Classification and Measurement (effective for annual periods beginning on or after 1 January 2013) This standard has not yet been adopted by the EU
- Amendments to IAS 24 - Related Party Disclosures (effective for annual periods beginning on or after 1 January 2011)
- Amendments to IAS 32 - Classification of Rights issues (effective for annual periods beginning on or after 1 February 2010)
- Amendments to IAS 39 - Eligible Hedged Items (effective for annual periods beginning on or after 1 July 2010)
- Amendments to IFRIC 14 - Prepayments of a Minimum Funding Requirement (effective for annual periods beginning on or after 1 January 2011)

The Directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material financial impact on the financial statements of the Company. The Company concludes however that certain additional disclosures may be required.

(c) Intangible assets

Intangible assets are tested for impairment at each balance sheet date or when there is an indication of impairment. The company identifies impairment by comparing the future economic benefit against the carrying value of the asset.

Thomson Shepherd Holdings Limited

Notes to the Financial Statements

1. Accounting policies (Cont)

(d) Investments

Investments in subsidiaries are included in the balance sheet at cost less provision for any impairment. At each reporting date the investment is assessed for any indication of any impairment. If any such indication exists, the recoverable amount of the investment is estimated. Where the recoverable amount of the investment is less than the carrying amount, the impairment loss is recognised immediately in the Profit and Loss account.

(e) Taxation

Income tax on the profits for the year comprises current tax and deferred tax. Income tax is recognised in the income statement 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 tax 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.

(f) 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 cash flow statement has been prepared using the indirect method.

(g) Goodwill

Goodwill is stated at cost less any accumulated impairment losses.

2. Loss from operations

	Year Ended 31 December 2010 £	Year Ended 31 December 2009 £
Loss from operations has been arrived at after charging		
Goodwill Impairment	1,572,015	474,000
Auditors' remuneration and expenses: Audit services	1,000	1,000

Thomson Shepherd Holdings Limited

Notes to the Financial Statements

3. Investments

	£	£
Cost		
At 1 January 2010	1,000,000	1,000,000
Impairment loss	(500,000)	-
At 31 December 2010	500,000	1,000,000

Carrying amounts

At 1 January 2010	1,000,000	1,000,000
At 31 December 2010	500,000	1,000,000

Details of the Company's subsidiaries are as follows:

	No. of shares	% held	Cost	Inc	Nature of Business
Thomson Shepherd Limited	36,003 ordinary shares	100	-	1998	Financial advisers
Thomson Shepherd Limited	1,000,000 preference shares	-	1,000,000	1998	Financial advisers

4. Goodwill

	£
Cost	
At 1 January 2010	2,046,015
Additions	-
At 31 December 2010	2,046,015

Amortisation and impairment losses

	£
At 1 January 2010	474,000
Impairment during the year	1,572,015
Depreciation charge for the year	-
At 31 December 2010	2,046,015

Carrying amounts

At 1 January 2010	1,572,015
At 31 December 2010	-

Thomson Shepherd Holdings Limited

Notes to the Financial Statements

5. Trade and other payables

	Year Ended 31 December 2010 £	Year Ended 31 December 2009 £
Due to Group Companies	1,485,167	1,484,727
	1,485,167	1,484,727

6. Share capital

	£	£
Authorised		
52,200 ordinary shares of £1.00 each	52,200	52,200
	52,200	52,200
Issued and fully paid		
52,200 ordinary shares of £1.00 each	52,200	52,200
	52,200	52,200

8. Related party transactions

During the year to 31 December 2010, the following balances refer to related party transactions.

		Year ended 31 December 2010 £	Year ended 31 December 2009 £
Thomson Shepherd Limited	Expenses borne by Thomson Shepherd on behalf of Thomson Shepherd Holdings Limited including transfer of the loan balance to subsidiary	-	(1,484,727)
	Preference Shares	1,000,000	1,000,000
Skipton Building Society	Transfer of subsidiary loan balance to Skipton Building Society	(1,485,167)	-
		(485,167)	(484,727)

Thomson Shepherd Holdings Limited

Notes to the Financial Statements

9. Deferred Tax

There is currently no tax charge within the company or any deferred tax asset recognised.

10. Ultimate Parent Undertaking

The company is a 84.2% owned subsidiary of Skipton Group 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