

Thomson Shepherd Holdings Limited

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 December 2009

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 2009 for the company only.

Principal activities and future developments

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

On 4 April 2008, 75% of Symington Glass (1) Limited, was acquired by Skipton Group Holdings Limited, a subsidiary of Skipton Building Society.

On 12 March 2009 Symington Glass (1) Limited changed its name to Thomson Shepherd Holdings Limited.

As a result of the acquisition of its parent company by Skipton Building Society in the prior period, the accounting period has been changed to calendarised years ending on 31 December and as such is not entirely comparable with the current year.

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

Following the simplification of the Thomson Shepherd Group structure in the prior year, 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	(appointed 4 April 2008)
D J Cutter	(appointed 4 April 2008)
J G Goodfellow	(appointed 4 April 2008) (resigned 1 January 2009)
E N Law	(appointed 1 January 2009)
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 (2007: £ nil). No contributions were made for political purposes.

Company secretary

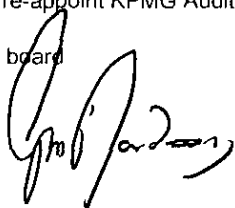
G M Davidson	(appointed 4 April 2008)
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Auditors

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



26 February 2010

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 year ended 31 December 2009 set out on pages 5 to 12. 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 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 web-site at www.frc.org.uk/apb/scope/UKNP.

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 2009 and of its loss for the year ended 31 December 2009;
- have properly been prepared in accordance with IFRSs as adopted in the EU; and
- have properly 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

26 February 2010

Thomson Shepherd Holdings Limited

Statement of Comprehensive Income

For the period ended 31 December 2009

	31 December 2009 £	13 month period ended 31 December 2008 £
Revenue	-	-
Cost of sales	-	-
Gross profit	-	-
Administrative expenses	(475,000)	(3,065)
Loss from operations	(475,000)	(3,065)
Investment income	-	-
Loss before tax	(475,000)	(3,065)
Tax expense	-	-
Loss for the period	(475,000)	(3,065)

The loss for the current and 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 8 to 12 form part of these financial statements.

Thomson Shepherd Holdings Limited

Balance Sheet

As at 31 December 2009

	Notes	31 December 2009 £	31 December 2008 £
Current assets			
Cash and cash equivalents		-	15
		-	15
Non-current assets			
Investments	3	1,000,000	1,000,000
Goodwill	4	1,572,015	2,046,015
		2,572,015	3,046,015
Total assets		2,572,015	3,046,030
Current liabilities			
Trade and other payables	5	1,484,727	404,413
		1,484,727	404,413
Non-current liabilities			
Interest bearing loans & borrowings	6	-	1,079,329
		-	1,079,329
Total liabilities		1,484,727	1,483,742
Equity			
Share capital	7	52,200	52,200
Share premium		1,516,363	1,516,363
Retained earnings	8	(481,275)	(6,275)
		1,087,288	1,562,288
Total equity and liabilities		2,572,015	3,046,030

These accounts were approved by the board of directors on 26 February 2010 and signed on its behalf by:



G A Wilson
Director



P M Craddock
Director

The notes on pages 8 to 12 form part of these accounts.

Thomson Shepherd Holdings Limited

Cash Flow Statement

For the period ended 31 December 2009

	31 December 2009 £	13 months to 31 December 2008 £
Cash flows from operating activities		
Loss before taxation	(475,000)	(3,065)
Adjustments for:		
Goodwill Impairment	474,000	
Increase in trade payables		3,065
Net cash from operating activities	(1,000)	-
Cash flows from investing activities		
Investment in subsidiary hived up	-	(1,532,560)
Cash received on hive up of subsidiary	-	15
Net cash from investing activities	-	(1,532,545)
Cash flows from financing activities		
Issue of share capital	-	1,532,560
Transfer of loan to subsidiary	(1,079,329)	-
Due to Group companies	1,080,314	-
Net cash from financing activities	985	1,532,560
Net increase in cash and cash equivalents	(15)	15
Cash and cash equivalents at start of period	15	-
Cash and cash equivalents at end of period	-	15

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 2009.

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

(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 IFRS 1 - First-time adoption of IFRSs and Additional Exemptions for First-time adopters (effective for annual periods beginning on or after 1 July 2009 and 1 January 2010 respectively)
- Amendments to IFRS 2 - Group Cash-settled Share-based payments (effective for annual periods beginning on or after 1 January 2010)
- Amendments to IFRS 3 & IAS 27 - Business Combinations (effective for annual periods beginning on or after 1 July 2009)
- 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)
- IFRIC 17 - Distributions of Non-cash Assets to Owners (effective for annual periods beginning on or after 1 July 2009)
- IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments (effective for annual periods beginning on or after 1 July 2009)
- 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.

(d) Investments

Investment 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 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.

Thomson Shepherd Holdings Limited

Notes to the financial statements

1. Accounting policies (continued)

(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.

The recoverable amounts of the operating segments are determined from the value in use calculations. The key assumptions for the value in use calculations are those regarding the cash flows, discount rates and growth rates.

The cash flows are derived from the most recent financial budgets for the next three years, which take into account the risks inherent in the business, and extrapolate cash flows for subsequent years (up to an additional 12 years) based on long-term growth rate of 2.0% (2008: 2.0%).

The discount rate is based on the current cost of capital adjusted for the risks inherent in the business. The discount rate used in 2009 was 10.0% (2008: 4.5%). A reduction in the availability of credit lines led to a general increase in the cost of capital.

Sensitivity analysis indicates an further impairment loss of £143k would have been recognised on the Thomson Shepherd revenue stream if growth rates fell to 1% and discount rates increased to 11%. £143k equals 7% of the carrying value of Goodwill as at 1 January 2009. A further impairment of £ 436k would have been recognised if the growth rate fell to 0% and the discount rate increased to 14.75%.

Thomson Shepherd Holdings Limited

Notes to the financial statements

2. Loss from operations

	31 December 2009 £	13 months ended 31 December 2008 £
Loss from operations has been arrived at after charging:		
Goodwill Impairment	474,000	-
Auditors' remuneration and expenses: Audit services	1,000	2,000

3. Investments

		£
Cost		
At 1 January 2009	1,000,000	36,003
Additions	-	1,000,000
Disposals	-	(36,003)
At 31 December 2009	1,000,000	1,000,000

Carrying amounts

At 1 January 2009	1,000,000	36,003
At 31 December 2009	1,000,000	1,000,000

Details of the Company's subsidiaries are as follows:

	No. of shares	% held	Cost	Incorporated	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 2009	2,046,015
Additions	-
At 31 December 2009	2,046,015

Amortisation and impairment losses

At 1 January 2009	-
Impairment during the year	474,000
Depreciation charge for the year	-
At 31 December 2009	474,000

Carrying amounts

At 1 January 2009	2,046,015
At 31 December 2009	1,572,015

Thomson Shepherd Holdings Limited

Notes to the financial statements

5. Trade and other payables

	31 December 2009 £	13 months ended 31 December 2008 £
Trade creditors	-	-
Due to Group Undertakings	1,483,727	404,413
VAT, PAYE and social security costs	-	-
Accruals and deferred income	1,000	-
	1,484,727	404,413

6. Interest bearing loans and borrowings

	31 December 2009 £	13 months ended 31 December 2008 £
Non-current liabilities		
Other loans	-	1,079,329
	-	1,079,329

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

	Carrying amount £	Contractual cash flows £	6 - 12 months £	1 - 2 years £	2 - 5 years £
31 December 2009					
Other loans	-	-	-	-	0
31 December 2008					
Other loans	1,079,329	1,079,329	-	-	1,079,329

7. 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

Thomson Shepherd Holdings Limited

Notes to the financial statements

8. Reconciliation of movement in capital and reserves

	Ordinary share capital £	Share Premium £	Retained earnings £	Total equity £
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
Balance at 1 December 2007	36,003	-	(3,210)	32,793
Loss for the period	-	-	(3,065)	(3,065)
Equity Share Capital Issued	16,197	-	-	16,197
Premium on equity share capital issued	-	1,516,363	-	1,516,363
Balance at 31 December 2008	52,200	1,516,363	(6,275)	1,562,288

9. Related party transactions

During the period to 31 December 2009, the following balances refer to related party transactions.

		Year ended 31 December 2009 £	13 months ended 31 December 2008 £
Skipton Building Society	Loan Funds provided to clear off historic bank loan	-	(1,079,329)
Thomson Shepherd Limited	Expenses borne by Thomson Shepherd on behalf of Thomson Shepherd Holdings Limited Including transfer of the loan balance to subsidiary.	(1,483,727)	(404,413)
	Preference Shares	1,000,000	1,000,000
		(483,727)	(483,742)

10. Deferred Tax

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

11. Ultimate parent undertaking

The company is a 75% 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