

Company Registration No. 05409822 (England and Wales)

GALE AND PHILLIPSON INVESTMENT SERVICES LTD
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2020

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GALE AND PHILLIPSON INVESTMENT SERVICES LTD

COMPANY INFORMATION

Directors	P D Griffin Gale and Phillipson Holdings Ltd
Secretary	Endeavour Secretary Limited
Company number	05409822
Registered office	Gallowfields House Fairfield Way Richmond North Yorkshire DL10 4TB
Auditors	Mitchell Gordon LLP Accountants and Statutory Auditor 43 Coniscliffe Road Darlington Co. Durham DL3 7EH
Bankers	Lloyds TSB 102 Grey Street Newcastle Upon Tyne Tyne & Wear
Solicitors	The Endeavour Partnership LLP Tobias House St Mark's Court Teesdale Business Park Stockton-on-Tees Teesside TS17 6QW

GALE AND PHILLIPSON INVESTMENT SERVICES LTD

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GALE AND PHILLIPSON INVESTMENT SERVICES LTD

STRATEGIC REPORT

FOR THE YEAR ENDED 31 MAY 2020

The directors present the strategic report for the year ended 31 May 2020.

Review of Business

The profit and loss account for the year is set out on page 9.

The year saw significant positive developments in the financial structure, management and strategy of the business despite the challenges posed by COVID. These developments built on the earlier progress made by the company. The firm remained independent, and operated within the approach required under RDR, the retail distribution review.

A major development was continued growth in funds under management. Funds managed in our investment management services, DMP (launched in 2015) and PMP (the Personal Managed Portfolio, launched in 2010) and SIMS (the Structured Investment Management service) grew 19% from £375m to £445m. Our discretionary investment management services (PMP/DMP) now have a material and viable level of funds under management (FUM). Further growth will occur as existing advisers and advisers from group businesses assess the suitability of the services for their existing clients and recommend the services when they are suitable. Our formal advisory investment management service (the Structured Investment Management Service or SIMS) is a useful complement to the discretionary services for clients who can't or prefer not to use a discretionary service but who want regular detailed reviews of their investments.

The cash management service, DCM, launched in March 2010, continued to maintain significant funds under management around £200m despite the adverse economic environment of historically very low savings rates and increased competition. DCM is distributed direct, by the firm's own advisers and through other introducers, such as independent financial advisers, lawyers and accountants. However, the services faced a particular challenge at the end of the year (which continues) due to the government's decision to allow NSI rates to exceed those available elsewhere in the market. If this government-led distortion of the market does not cease, DCM is unlikely to remain viable alongside other competing cash management services and even some major deposit takers. DCM represents a small % of G&P income, and an orderly withdrawal from the cash management market this or next financial year would not materially damage the company's health (but would represent a missed opportunity, and is still something we seek to avoid).

The company responded well to COVID. We successfully transitioned to almost 100% home-based working during UK lockdown (a process now partially reversed after the end of the financial year, post-lockdown, although our city-based offices are likely to continue to operate with a higher proportion of homeworking for some time). Recurring income and FUM have held up very well during the crisis. However, new business has not been easy to write since March 2020 however as new business typically only contributes 2% to our income the impact has been limited in the period.

The company agreed terms with an established platform provider to run a white labelled platform for G&P clients. Running its own investment platform will allow the business to enhance the client experience, improve efficiency and will become a profit centre for the business, all through a highly competitive platform solution. A major focus of the next two years will be moving client investments from a mixture of existing platforms to the new white-labelled platform where suitable.

Initiated by the new Compliance Director, the company has embarked on an ambitious programme to review and improve its advice procedures. Much preparatory work for this was done during the year, and the project gathers pace in Autumn 2020.

Solid financial performance by the company continued over the year as income and funds under management grew, despite the impact of COVID. Costs increased in line with activity and as the company implemented further growth by acquisition. The Board believes that the company is well placed to capitalise on the synergies from the groups investments.

Given the challenges faced both at the start of the year and during it the Directors believe the performance of the company over the year was extremely positive.

GALE AND PHILLIPSON INVESTMENT SERVICES LTD

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2020

Risks and KPIs

The principal risks faced by the business are the challenges in:

- Turning wider success into increased profit to ensure shareholders remain committed and supportive
- Ensuring the business fully recovers from the effects of COVID, in particular in restoring new business levels
- Managing substantial regulatory change
- Successfully integrating acquired firms into the business
- Maintaining continued growth, as although the company is viable and profitable, it remains too small to fully capitalise on its considerable assets
- Maintaining high quality service and customer satisfaction
- Delivering efficient and accurate administrative and technical support for advisers
- Successfully migrating sufficient funds to the new white-labelled platform to make it viable and then profitable
- Maintaining and increasing DCM FUM in the light of exceptionally low savings rates and increased competition especially from market-distorting NSI products

The company manages these risks by a variety of methods including implementing project plans for key developments, a strong management and governance structure and well-established line management and technical procedures.

The company manages performance by monitoring a range of key performance indicators against targets agreed during the year. These include both sales and financial measures. The directors believe that these are a useful way of ensuring that underperforming areas receive adequate focus to address the causes of underperformance.

Future Developments

The firm intends to increase income and funds under management by organic growth and successful integration of its existing acquisitions.

It intends to review the strategy behind DCM given the current market distortions.

It also intends to continue to improve processes to enhance customer experience, efficiency and quality. The widespread adoption of the firm's own white labelled platform will help drive many of these improvements, as well as forming a new profit centre.

Promoting the success of the business (Section 172(1) statement)

The Directors of the business are aware of their "Section 172" duty to promote the success of the business. In promoting the success of the company they consider long term consequences, and seek to act fairly balancing the interests of clients, shareholders, employees, suppliers and others. Treating customers fairly is a particular focus for our regulator, the Financial Conduct Authority, and the directors are full committed to ensuring that this is reflected in all aspects of our business.

GALE AND PHILLIPSON INVESTMENT SERVICES LTD

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2020

Employee involvement

The company believes that informed staff are better motivated. The company facilitates communication with employees through a regular email briefing to keep all staff informed of any developments, by an open management style and by regular meetings between line managers and staff. The Board works closely with an "employee engagement group" to encourage open dialogue with staff.

The majority of permanent staff are shareholders in the group. The company also has a strong belief in performance related pay and has a bonus system for staff to link remuneration to individual performance. The approach is used to help manage individual performance.

Business relationships with suppliers, customers and others

The Directors foster good relationships with external parties including clients and suppliers. Client relationships are maintained both by personal one-to-one service (for example, many clients have an individual adviser assigned to them who will meet them and speak to them regularly) and by standard written communications (eg newsletters, updated valuations).

We treat suppliers fairly and pay bills promptly (for example, we did not delay payment to suppliers even during the COVID lockdown).

ESG responsibilities

The company takes its environmental, social and governance responsibilities seriously. Some examples are given below.

- It works to minimise its carbon emissions. Parts of the business offset their carbon footprint, and the company started investigation of applying this to the whole organisation, a process stalled during the COVID crisis but now recommenced.
- We seek to minimise the use of paper communications, and where suitable conduct internal and external meetings remotely rather than by travelling.
- The company started development of a range of ESG investment portfolios during the year. The portfolios are due for launch in Autumn 2020.

Energy and emissions report

During the year we started an audit of our energy use and investigation on how to reduce or offset our CO2 emissions. We expect further progress on this during the coming financial year.

	2019-20
UK energy use (MWh) ¹	197.4
Associated Greenhouse gas emissions ² Tonnes CO2 equivalent	44.6
Intensity ratios:	
Tonnes CO2 equivalent / FTE	0.62
Tonnes CO2 equivalent / £1m revenue	7.83

1. UK energy use covers gas and electricity used in the offices across each of the group companies and fuel used by employees in their own vehicles when travelling on company business.

2. Associated Greenhouse gases have been calculated using the 2020 UK Government GHG conversion factors for company reporting.

GALE AND PHILLIPSON INVESTMENT SERVICES LTD

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2020

Directors

The directors of the company at the start and end of the year were Peter Griffin and the group holding company, Gale and Phillipson Holdings Ltd.

The directors of the holding company at the start of the year were Angelica Carr (NED), David Carr, Adam Galache-Brown, Phil Morris, Peter Griffin and Darren Shur (NED). Sheriden Davy (Compliance Director) joined the Board during the year.

On behalf of the board



Adam Galache-Brown (on behalf of Gale and Phillipson Holdings Ltd)

Director

18 September 2020

GALE AND PHILLIPSON INVESTMENT SERVICES LTD

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MAY 2020

The directors present their annual report and financial statements for the year ended 31 May 2020.

Principal activities

The principal activity of the company continued to be that of independent financial advisors and wealth managers.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

P D Griffin
Gale and Phillipson Holdings Ltd

Results and dividends

The results for the year are set out on page 9.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

Directors' insurance

The company maintained insurance policies on behalf of all the directors against liability arising from negligence, breach of duty and breach of trust in relation to the company.

Changes in presentation of the financial statements

The company has chosen in accordance with Companies Act 2006, s. 414C(11) to set out in the company's strategic report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the directors' report. It has done so in respect of future developments and financial instrument risks.

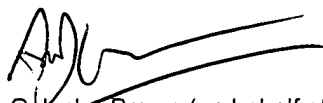
Auditor

The auditor, Mitchell Gordon LLP, will be proposed for re-appointment at the forthcoming Annual General Meeting.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board



Adam Galache-Brown (on behalf of Gale and Phillipson Holdings Ltd)
Director

18 September 2020

GALE AND PHILLIPSON INVESTMENT SERVICES LTD

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 MAY 2020

The directors are responsible for preparing the annual 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 of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

GALE AND PHILLIPSON INVESTMENT SERVICES LTD

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBER OF GALE AND PHILLIPSON INVESTMENT SERVICES LTD

Opinion

We have audited the financial statements of Gale and Phillipson Investment Services Ltd (the 'company') for the year ended 31 May 2020 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 May 2020 and of its profit 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

GALE AND PHILLIPSON INVESTMENT SERVICES LTD

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBER OF GALE AND PHILLIPSON INVESTMENT SERVICES LTD

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

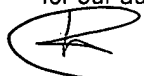
Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's member 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 member 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 member for our audit work, for this report, or for the opinions we have formed.



Mr Lee Harris FCCA (Senior Statutory Auditor)
for and on behalf of Mitchell Gordon LLP

18 September 2020

Accountants
Statutory Auditor

Mitchell Gordon LLP
Accountants and Statutory Auditor
43 Coniscliffe Road
Darlington
Co. Durham
DL3 7EH

GALE AND PHILLIPSON INVESTMENT SERVICES LTD

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MAY 2020

		2020	2019
	Notes	£	as restated £
Turnover	3	3,348,378	3,397,680
Cost of sales		(833,970)	(896,794)
Gross profit		2,514,408	2,500,886
Administrative expenses		(3,525,825)	(3,128,688)
Other operating income		1,128,350	719,200
Operating profit	4	116,933	91,398
Interest receivable and similar income	8	108,292	39,326
Profit before taxation		225,225	130,724
Tax on profit	9	(37,806)	(20,430)
Profit for the financial year		187,419	110,294


GALE AND PHILLIPSON INVESTMENT SERVICES LTD

BALANCE SHEET

AS AT 31 MAY 2020

		2020		2019	
	Notes	£	£	£	£
Fixed assets					
Goodwill	10		1,020		32,943
Tangible assets	11		30,595		73,265
Investments	12		5,072,051		5,072,051
			<u>5,103,666</u>		<u>5,178,259</u>
Current assets					
Debtors falling due after more than one year	14	2,408,837		937,196	
Debtors falling due within one year	14	176,796		389,474	
Cash at bank and in hand		222,430		1,210,980	
		<u>2,808,063</u>		<u>2,537,650</u>	
Creditors: amounts falling due within one year	15	(633,109)		(624,708)	
Net current assets			<u>2,174,954</u>		<u>1,912,942</u>
Total assets less current liabilities			<u><u>7,278,620</u></u>		<u><u>7,091,201</u></u>
Capital and reserves					
Called up share capital	18		807,630		807,630
Share premium account	19		6,619,563		6,619,563
Profit and loss reserves	20		(148,573)		(335,992)
Total equity			<u><u>7,278,620</u></u>		<u><u>7,091,201</u></u>

The financial statements were approved by the board of directors and authorised for issue on 18 September 2020 and are signed on its behalf by:


Adam Galache-Brown (For and on behalf of Gale and Phillipson Holdings Ltd)
Director

Company Registration No. 05409822

GALE AND PHILLIPSON INVESTMENT SERVICES LTD

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MAY 2020

	Share capital £	Share premium account £	Own shares £	Profit and loss reserves £	Total £
Balance at 1 June 2018	807,630	6,619,563	25,861	(446,286)	7,006,768
Year ended 31 May 2019:					
Profit and total comprehensive income for the year	-	-	-	110,294	110,294
Equity settled share based payments	-	-	(25,861)	-	(25,861)
Balance at 31 May 2019	807,630	6,619,563	-	(335,992)	7,091,201
Year ended 31 May 2020:					
Profit and total comprehensive income for the year	-	-	-	187,419	187,419
Balance at 31 May 2020	807,630	6,619,563	-	(148,573)	7,278,620

GALE AND PHILLIPSON INVESTMENT SERVICES LTD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 2020

1 Accounting policies

Company information

Gale and Phillipson Investment Services Ltd is a private company limited by shares incorporated in England and Wales. The registered office is Gallowfields House, Fairfield Way, Richmond, North Yorkshire, DL10 4TB.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 4 'Statement of Financial Position' – Reconciliation of the opening and closing number of shares;
- Section 7 'Statement of Cash Flows' – Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues' – Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 26 'Share based Payment' – Share-based payment expense charged to profit or loss, reconciliation of opening and closing number and weighted average exercise price of share options, how the fair value of options granted was measured, measurement and carrying amount of liabilities for cash-settled share-based payments, explanation of modifications to arrangements;
- Section 33 'Related Party Disclosures' – Compensation for key management personnel.

The company has taken advantage of the exemption under section 400 of the Companies Act 2006 not to prepare consolidated accounts. The financial statements present information about the company as an individual entity and not about its group.

Gale and Phillipson Investment Services Ltd is a wholly owned subsidiary of Gale and Phillipson Holdings Ltd and the results of Gale and Phillipson Investment Services Ltd are included in the consolidated financial statements of Gale and Phillipson Holdings Ltd which are available from Gallowfields House, Fairfield Way, Richmond, North Yorkshire, DL10 4TB.

1.2 Prior period error

In the prior period wages which were not directly attributable to turnover were classified in cost of sales. An adjustment has been made to reallocate these to Administrative expenses. The total value reclassified is £2,221,961.

GALE AND PHILLIPSON INVESTMENT SERVICES LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2020

1 Accounting policies

(Continued)

1.3 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

1.4 Turnover

Turnover represents the value of work carried out during the year including amounts not yet invoiced, excluding value added tax.

Turnover is generally recognised at the time payment becomes due or invoices are issued, but where charges are made less frequently than monthly, income is accrued reflecting the proportion of the period covered.

Other operating income represents charges made to group members in respect of shared costs borne by the company.

1.5 Intangible fixed assets - goodwill

Goodwill in connection with a business acquired in 2015 is being amortised over its useful economic life of five years.

1.6 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives on the following bases:

Improvements to leasehold property	Over the life of the lease
Fixtures and fittings	15% on reducing balance
Computer equipment	25% straight line

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

1.7 Fixed asset investments

Interests in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

A subsidiary is an entity controlled by the company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

1.8 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

GALE AND PHILLIPSON INVESTMENT SERVICES LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2020

1 Accounting policies

(Continued)

1.9 Cash at bank and in hand

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.10 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities including loans from fellow group companies are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

GALE AND PHILLIPSON INVESTMENT SERVICES LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2020

1 Accounting policies

(Continued)

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

1.11 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

1.12 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.13 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

1.14 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.15 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leases asset are consumed.

GALE AND PHILLIPSON INVESTMENT SERVICES LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2020

1 Accounting policies

(Continued)

1.16 Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

Government grants relating to turnover are recognised as income over the periods when the related costs are incurred.

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

3 Turnover and other revenue

An analysis of the company's turnover is as follows:

	2020 £	2019 £
Turnover analysed by class of business		
Commissions and Fees	375,077	427,612
Investment Management	2,361,898	2,344,108
Cash Management	611,403	625,960
	<u>3,348,378</u>	<u>3,397,680</u>

	2020 £	2019 £
Other significant revenue		
Interest income	108,292	39,326
Grants received	8,141	-
Management Charges	<u>1,120,209</u>	<u>719,200</u>

	2020 £	2019 £
Turnover analysed by geographical market		
United Kingdom	<u>3,348,378</u>	<u>3,397,680</u>

GALE AND PHILLIPSON INVESTMENT SERVICES LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2020

4 Operating profit

	2020	2019
	£	£
Operating profit for the year is stated after charging/(crediting):		
Government grants	(8,141)	-
Depreciation of owned tangible fixed assets	49,477	34,936
Loss on disposal of tangible fixed assets	158	17,043
Amortisation of intangible assets	31,923	37,232
Operating lease charges	73,730	109,929
	<u>73,730</u>	<u>109,929</u>

5 Auditor's remuneration

	2020	2019
	£	£
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the financial statements of the company	674	7,339
	<u>674</u>	<u>7,339</u>

6 Employees

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

	2020 Number	2019 Number
Sales	6	5
Managers	7	10
Administration	22	20
Directors	1	1
Total	<u>36</u>	<u>36</u>

Their aggregate remuneration comprised:

	2020 £	2019 £
Wages and salaries	2,013,822	1,764,037
Social security costs	211,974	196,272
Pension costs	190,901	208,724
	<u>2,416,697</u>	<u>2,169,033</u>

GALE AND PHILLIPSON INVESTMENT SERVICES LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2020

6 Employees

(Continued)

Information concerning:

- the decision-making process used for determining the remuneration policy;
- the link between pay and performance;
- remuneration by business area;
- remuneration of senior management and members of staff whose actions have a material impact on the risk profile of our firm.

can be found in the Pillar 3 disclosure document, which will be made available on the Gale and Phillipson website.

7 Directors' remuneration

	2020 £	2019 £
Remuneration for qualifying services	109,837	180,301
Company pension contributions to defined contribution schemes	17,700	16,670
	<u>127,537</u>	<u>196,971</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 1 (2019 - 1).

8 Interest receivable and similar income

	2020 £	2019 £
Interest income		
Interest on bank deposits	7,848	11,503
Interest receivable from group companies	100,444	27,823
	<u>108,292</u>	<u>39,326</u>

9 Taxation

	2020 £	2019 £
Current tax		
UK corporation tax on profits for the current period	-	(395)
	<u></u>	<u></u>
Deferred tax		
Origination and reversal of timing differences	37,806	20,825
	<u>37,806</u>	<u>20,430</u>

GALE AND PHILLIPSON INVESTMENT SERVICES LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2020

9 Taxation

(Continued)

The actual charge for the year can be reconciled to the expected charge for the year based on the profit or loss and the standard rate of tax as follows:

	2020 £	2019 £
Profit before taxation	225,225	130,724
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%)	42,793	24,838
Tax effect of expenses that are not deductible in determining taxable profit	4,620	(3,322)
Adjustments in respect of prior years	-	(3,381)
Effect of change in corporation tax rate	(6,458)	2,295
Deferred tax adjustments in respect of prior years	(3,149)	-
Taxation charge for the year	37,806	20,430

The company has tax losses of £130,843 (2019: £367,173) available to offset against future trading profits.

The company has £285,523 (2019: £285,523) of capital losses available to offset against future capital gains.

10 Intangible fixed assets

	Goodwill £
Cost	
At 1 June 2019 and 31 May 2020	186,160
Amortisation and impairment	
At 1 June 2019	153,217
Amortisation charged for the year	31,923
At 31 May 2020	185,140
Carrying amount	
At 31 May 2020	1,020
At 31 May 2019	32,943

GALE AND PHILLIPSON INVESTMENT SERVICES LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2020

11 Tangible fixed assets

	Improvements to leasehold property £	Fixtures and fittings £	Computer equipment £	Total £
Cost				
At 1 June 2019	58,252	18,655	72,375	149,282
Additions	3,426	126	3,458	7,010
Disposals	-	-	(305)	(305)
At 31 May 2020	61,678	18,781	75,528	155,987
Depreciation and impairment				
At 1 June 2019	31,666	6,991	37,360	76,017
Depreciation charged in the year	30,012	1,757	17,708	49,477
Eliminated in respect of disposals	-	-	(102)	(102)
At 31 May 2020	61,678	8,748	54,966	125,392
Carrying amount				
At 31 May 2020	-	10,033	20,562	30,595
At 31 May 2019	26,586	11,664	35,015	73,265

12 Fixed asset investments

	Notes	2020 £	2019 £
Investments in subsidiaries	13	5,072,051	5,072,051

Movements in fixed asset investments

	Shares in group undertakings £
Cost or valuation	
At 1 June 2019 & 31 May 2020	5,072,051
Carrying amount	
At 31 May 2020	5,072,051
At 31 May 2019	5,072,051

GALE AND PHILLIPSON INVESTMENT SERVICES LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2020

13 Subsidiaries

These financial statements are separate company financial statements for Gale and Phillipson Investment Services Ltd.

Details of the company's subsidiaries at 31 May 2020 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held	
				Direct	Indirect
Gale and Phillipson Advisory Services Ltd	UK	Investment and life assurance intermediaries	Ordinary	-	100.00
Gale and Phillipson General Financial Services Ltd	UK	Financial management services	Ordinary	100.00	-

Gale and Phillipson Advisory Services Ltd is a 100% owned subsidiary of Gale and Phillipson General Financial Services Ltd which is in turn a 100% subsidiary of Gale and Phillipson Investment Services Ltd.

14 Debtors

	2020	2019
	£	£
Amounts falling due within one year:		
Trade debtors	34,378	8,098
Amounts owed by group undertakings	-	192,624
Prepayments and accrued income	119,423	156,484
	<u>153,801</u>	<u>357,206</u>
Deferred tax asset (note 16)	22,995	32,268
	<u>176,796</u>	<u>389,474</u>
	2020	2019
	£	£
Amounts falling due after more than one year:		
Amounts owed by group undertakings	2,408,837	908,663
Deferred tax asset (note 16)	-	28,533
	<u>2,408,837</u>	<u>937,196</u>
Total debtors	<u>2,585,633</u>	<u>1,326,670</u>

GALE AND PHILLIPSON INVESTMENT SERVICES LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2020

15 Creditors: amounts falling due within one year

	2020 £	2019 £
Trade creditors	7,770	36,330
Amounts owed to group undertakings	-	99,766
Taxation and social security	228,373	143,119
Other creditors	737	2,590
Accruals and deferred income	396,229	342,903
	<u>633,109</u>	<u>624,708</u>

16 Deferred taxation

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances for financial reporting purposes:

	Assets 2020 £	Assets 2019 £
Balances:		
ACAs	(5,031)	(7,549)
Tax losses	24,860	60,097
Temporary timing differences	3,166	8,253
	<u>22,995</u>	<u>60,801</u>

	2020 £
Movements in the year:	
Asset at 1 June 2019	(60,801)
Charge to profit or loss	44,264
Effect of change in tax rate - profit or loss	(6,458)
Asset at 31 May 2020	<u>(22,995)</u>

A net reversal of the deferred tax asset amounting to £22,995 (2019: £32,268) is expected during the current financial year as timing differences unwind subject to the impact of any further losses or capital additions and capital allowances claimed thereon.

GALE AND PHILLIPSON INVESTMENT SERVICES LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2020

17 Retirement benefit schemes

	2020	2019
	£	£
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	190,901	208,724

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

At the reporting date the company owed £17,844 (2019: £48,741) in respect of accrued pension costs not yet paid.

18 Share capital

	2020	2019
	£	£
Ordinary share capital		
Issued and fully paid		
3,230,520 Ordinary of 25p each	807,630	807,630

The company has one class of ordinary shares which carry no right to fixed income.

19 Share premium account

Includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.

20 Profit and loss reserves

Includes all current and prior period retained profits and losses.

21 Operating lease commitments

Lessee

The company previously leased the premises from which it operates. The lease expired in May 2020 and a replacement has not yet been signed.

The company leases equipment used in the trade. There were three leases in place at the end of the year which expire between 2021 and 2025.

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2020	2019
	£	£
Within one year	8,567	28,969
Between two and five years	2,808	6,609
	11,375	35,578

GALE AND PHILLIPSON INVESTMENT SERVICES LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2020

22 Related party transactions

Transactions with related parties

During the year the company entered into the following transactions with related parties:

	Financing transactions		Consultancy services received	
	2020	2019	2020	2019
	£	£	£	£
Key management personnel	-	-	18,000	18,000
Other related parties	228,119	192,624	-	-
	<u>228,119</u>	<u>192,624</u>	<u>-</u>	<u>-</u>
	Management services provided		Services received	
	2020	2019	2020	2019
	£	£	£	£
Other related parties	472,693	188,000	86,294	-
	<u>472,693</u>	<u>188,000</u>	<u>86,294</u>	<u>-</u>

23 Ultimate controlling party

The immediate and ultimate parent company is Gale and Phillipson Holdings Ltd, a company registered in England and Wales.

During the year there was no single ultimate controlling party of the company.