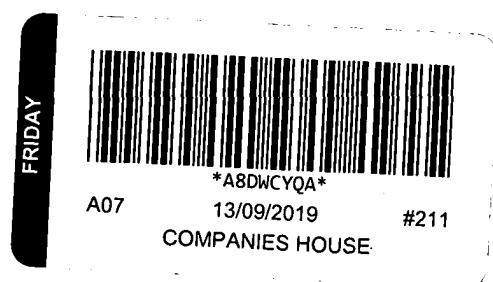


Peninsula Finance plc

**Annual report and financial
statements**

Registered number 04385846

30 June 2019



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Company Information

Registered office	Studio 5-11 5 Millbay Road Plymouth Devon PL1 3LF
Directors	R H G Michelmore D J R Palmer R G Howard J S Ashley P A J Hussell
Company Secretary	R G Howard
Bankers	Lloyds Bank plc 8 Royal Parade Plymouth PL1 1DS Shawbrook Bank Shawbrook House Dorking Business Park Station Road Dorking Surrey RH4 1HJ
Auditor	KPMG LLP Plym House 3 Longbridge road Plymouth Devon PL6 8LT
Company registered number	04385846

Strategic Report

Principle Activities and Business Review

The Company operates as a specialist mortgage lender providing commercial and residential loans and bridging and development finance throughout England, Wales and Scotland. The Company receives the majority of its business enquiries from a panel of brokers.

The Company generated a profit before taxation for the year of £1,562,491 compared to a profit on ordinary activities before taxation for 2019 of £1,489,084. The loan book as at 30 June 2019 was £28,696,010 compared to £23,873,472 as at 30 June 2018. Dividends paid were £720,473 (2018: £431,366).

Business Performance and Future Outlook

This year we have continued to focus on growing the scale of the Company's lending volumes via its lending programme. All lending activity continues to be secured on commercial and residential property and shorter term loans derived from the Company's new lending policy introduced 6 year ago in 2013. New lending accounted for 86% of the Company loan book at year end (83% in 2018). Mortgage originations totalled £17.6 million in the year (£16.5 million in 2018) and mortgage redemptions on the loan book were £12.8 million (£16.2 million in 2018). The loan book in the year grew by 20.2% to £28.7 million (£23.9 million in 2018). The overall net book margin remained similar to last year as a result of stable funding costs throughout the year, slightly lower lending margins due to enhanced competition in the short term bridging market but higher transaction income such as arrangement and exit fees as a result of a higher origination levels which led to an increase in the book size. New lending continues to be underwritten in accordance with the Company's lending criteria which operates with restrictions on acceptable property security and also a greater degree of status and affordability checks. As described in last year's accounts, the Company continues to place emphasis on both continued protected lending and in managing the existing loan book and these remain key to the strategy of the Company. The level of mortgage arrears on the loan book remained below 1% of the book at 0.98% (0.25% in 2018). This reduced to 0.75% after year end following the redemptions of two accounts that had been in arrears.

The annual turnover for the Company increased by 10.4% in the year and finance costs related to higher lending volumes increased by 12.1%. This higher turnover led to a 4.9% increase in profit before taxation. There was an increase in bad debts incurred in the year though this related to one legacy loan which was rebooked at a lower level based on agent's advice and an agreed sale. Bad debts as a proportion of the loan book however remained low at 0.2% at year end.

Post year end the Company finalised the renewal of the funding line with Shawbrook Bank Limited, increasing the facility from £10.0 million to £12.5 million on a fully committed basis. The level of the facility actually drawn at year end was £9.0 million (£4.0 million in 2018). In addition to renewing our bank facility we also further increased the level of loan stock investment in the year to £18.3 million, an increase of 12.1%. This was as a result of the new 2019 loan stock raise which also led to longer tie in periods for new loan notes to 2022 and 2024. The increased level of loan stock held in the Company together with the renewed and extended funding support from Shawbrook Bank continues to provide a firm platform for the Company's lending programme which has allowed us to increase our loan book to over £28 million and with further lending capacity to fulfil the company's lending commitments. There continues to be a high level of demand for the Company's short term bridging products which, as a result, remain available via a select panel of key broker contacts.

The Company is directly authorised by the Financial Conduct Authority (FCA) and the Prudential Regulation Authority (PRA) and is also a long standing supporting Patron of the National Association of the Commercial Finance Brokers (NACFB) and also a continuing Partner of the Financial Intermediary and Broker Association (FIBA).

Principal Risks and Uncertainties

The recoverability of the loan book remains a key risk for the Company and this risk is being managed effectively through the Company's restricted lending programme which has resulted in no losses incurred on the £75.3m of mortgage originations since the new lending policy was implemented in April 2013. The Company has also increased the level of reserves by 12.3% in the year (after Corporation Tax and the Dividend) to provide further insulation from the impact of recoverability risk of the loan book.

Strategic Report *(continued)*

The Company remains subject to funding risk primarily in relation to monthly loan covenants under the term loan facility with Shawbrook Bank. These loan covenants are monitored and reported to the Directors of the Board of the Company on a monthly basis with significant headroom maintained on all covenants relating to tangible net worth, leverage, interest cover and overall exposure and gearing levels. The Shawbrook Bank facility continues to fund a small proportion of the Company's total debt accounting for 31% of the loan book as at 30th June 2019 (17% in 2018). The Directors have forecast the growth of the business in line with the approved strategy and are confident that the funding structure will allow for these covenants to continue to be met.

At the time of writing the UK Government continues to seek to negotiate with the EU on an improved deal to exit from the European Union though, at present, the likelihood of a no deal Brexit scenario on or after 31st October 2019 is increasing. Whilst the ultimate outcome of Brexit and the impact that this will have on the UK economy in general and property prices remains uncertain, the Company operates a strict lending policy that includes conservative loan to values where the underlying property valuation is professionally assessed and subject to stress testing on an annual basis. It is the Board of the Directors strategy to continue to concentrate on offering short to mid-term loan products through key brokers and employing manual underwriting expertise with a secured lending strategy to lend responsibly to customers in underserved segments of the short-medium term mortgage market. The Company remains well placed to take advantage of opportunities that arise using these well proven capabilities.

Going Concern

We believe that the going concern risk in the financial statements has remained consistent with previous years. The overall performance of the book continues to improve and this has led to high collection rates, strong performance on arrears and no losses to date on any of the new lending activity on £75m of originations over a six year period. The increase in turnover together with stable funding costs and overhead base has led to enhanced profit performance this financial year albeit that this increase in profit in percentage terms is lower than in 2018 as is anticipated on a more mature trading position for the Company and where there is a finite funding position.

The Company has further improved the funding platform as a result of additional loan stock which carried the same cost of finance but increased the average maturity profile and also the increased and renewed Shawbrook facility. As a result the Directors consider the going concern basis adopted in the financial statement is appropriate.

Should Shawbrook Bank require repayment of the loan facility, the terms allow for a phased repayment over a 3 year period (following a fully committed 12 month period and further 12 month notice period). The Company forecasts indicate sufficient cash generation to allow trade to continue during such a phased repayment period.

By order of the board



DJR Palmer
Chief Executive

Studio 5-11 5 Millbay Road
Plymouth
Devon
PL1 3LF

30th August 2019

Directors' Report

The Directors present their report and the audited financial statements of the Company for the year ended 30 June 2019.

Proposed dividend

A dividend of £720,473 was paid in the year (2018: £431,366). The directors do not recommend the payment of a further dividend.

Directors

The directors who held office during the year were as follows:

R H G Michelmore
D J R Palmer
R G Howard
J S Ashley
P A J Hussell

Disclosure of information to auditor

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 auditor is 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 auditor is aware of that information.

Auditor

In accordance with Section 489 of the Companies Act 2006, a resolution for the re-appointment of KPMG LLP as auditor of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the Board



DJR Palmer
Chief Executive

Studio 5-11 5 Millbay Road
Plymouth
Devon
PL1 3LF

30th August 2019

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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 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;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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.



KPMG LLP

Plym House
3 Longbridge Road
Plymouth
PL6 8LT
United Kingdom

Independent auditor's report to the members of Peninsula Finance plc

Opinion

We have audited the financial statements of Peninsula Finance Plc ("the company") for the year ended 30 June 2019 which comprise the Profit and Loss account, Balance sheet, Statement of Changes in Equity, Statement of Cash Flows and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, such as recoverability of debtors and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

Independent auditor's report to the members of Peninsula Finance plc (*continued*)

Going concern (*continued*)

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 5, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

Independent auditor's report to the members of Peninsula Finance plc (*continued*)

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



Andrew Gordon (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Plym House
3 Longbridge Road
Plymouth
PL6 8LT

30th August 2019

Profit and loss account
for the year ended 30 June 2019

	<i>Note</i>	2019 £	2018 £
Interest receivable and similar income	2	3,922,653	3,544,780
Interest payable and similar expenses	3	(1,710,474)	(1,525,804)
Net interest income		2,212,179	2,018,976
Other operating income	4	58,091	62,514
Other operating expenses		(707,779)	(592,406)
Operating profit		1,562,491	1,489,084
Profit before taxation		1,562,491	1,489,084
Tax on profit	8	(304,764)	(290,442)
Profit for the financial year		1,257,727	1,198,642

All of the above figures, including comparatives, relate to continuing activities.

During the current and preceding year the company had no items of Other Comprehensive Income.

The notes on pages 13 to 24 form an integral part of these financial statements.


Balance Sheet

At 30 June 2019

	Note	2019 £	2018 £
Fixed assets			
Tangible assets	10	38,963	44,096
Current assets			
Debtors: amounts falling due after more than one year	11	6,169,127	8,935,983
Debtors: amounts falling due within one year	11	22,584,490	14,995,464
		<u>28,753,617</u>	<u>23,931,447</u>
Cash at bank and in hand		3,924,958	1,211,781
		<u>32,678,575</u>	<u>25,143,228</u>
Creditors: amounts falling due within one year	12	(1,039,867)	(621,532)
Net current assets		<u>31,638,708</u>	<u>24,521,696</u>
Total assets less current liabilities		<u>31,677,671</u>	<u>24,565,792</u>
Creditors: amounts falling due after more than one year	13	(26,607,500)	(20,052,000)
Net assets		<u>5,070,171</u>	<u>4,513,792</u>
Capital and reserves			
Called up share capital	17	229,450	229,450
Share premium account		139,120	139,120
Own share reserve		(114,750)	(114,750)
Profit and loss account		4,816,351	4,259,972
Total shareholders' funds		<u>5,070,171</u>	<u>4,513,792</u>

The notes on pages 13 to 24 form an integral part of these financial statements.

These financial statements were approved by the board of directors on 30 August 2019 and were signed on its behalf by:



R H G Michelmores
Director

Company registered number: 4385846

Statement of Changes in Equity

	Called up Share capital £	Share Premium account £	Own share reserve £	Profit and loss account £	Total equity £
Balance at 1 July 2017	229,450	139,120	(114,750)	3,473,571	3,727,391
Total comprehensive income for the period:					
Profit or loss	-	-	-	1,198,642	1,198,642
Transactions with owners, recorded directly in equity:					
Equity-settled share based payment transactions	-	-	-	19,125	19,125
Dividends	-	-	-	(431,366)	(431,366)
Balance at 30 June 2018	229,450	139,120	(114,750)	4,259,972	4,513,792

	Called up Share capital £	Share Premium account £	Own share reserve £	Profit and loss account £	Total equity £
Balance at 1 July 2018	229,450	139,120	(114,750)	4,259,972	4,513,792
Total comprehensive income for the period:					
Profit or loss	-	-	-	1,257,727	1,257,727
Transactions with owners, recorded directly in equity:					
Equity-settled share based payment transactions	-	-	-	19,125	19,125
Dividends	-	-	-	(720,473)	(720,473)
Balance at 30 June 2019	229,450	139,120	(114,750)	4,816,351	5,070,171

Cash Flow Statement

for year ended 30 June 2019

	Note	2019 £	2018 £
Cash flows from operating activities			
Profit for the year		1,257,727	1,198,642
Adjustments for:			
Depreciation, amortisation and impairment	10	10,013	14,452
Interest payable and similar expenses		1,710,474	1,525,804
Taxation	8	304,764	290,442
		<hr/>	<hr/>
		3,282,978	3,029,340
Net cash increase in loans and advances to customers		(4,822,170)	(103,708)
Decrease in trade and other creditors		(9,166)	(16,926)
		<hr/>	<hr/>
		(1,548,358)	2,908,706
Dividends paid		(720,473)	(431,366)
Interest paid		(1,709,744)	(1,524,580)
Tax paid		(291,493)	(222,205)
		<hr/>	<hr/>
Net cash from operating activities		(4,270,068)	730,555
		<hr/>	<hr/>
Cash flows from investing activities			
Sale of own shares		19,125	19,125
Acquisition of tangible fixed assets	10	(4,880)	(1,673)
		<hr/>	<hr/>
Net cash from investing activities		14,245	17,452
		<hr/>	<hr/>
Cash flows from financing activities			
Net cash increase/(decrease) in loans		6,969,000	(896,500)
		<hr/>	<hr/>
Net cash from financing activities		6,969,000	(896,500)
		<hr/>	<hr/>
Net increase/(decrease) in cash and cash equivalents		2,713,177	(148,493)
Cash and cash equivalents at 1 July		1,211,781	1,360,274
		<hr/>	<hr/>
Cash and cash equivalents at 30 June		3,924,958	1,211,781
		<hr/>	<hr/>

Notes

(forming part of the financial statements)

1 Accounting policies

Peninsula Finance plc (the "Company") is a public company incorporated, domiciled and registered in England and Wales in the UK. The Company registered number is 04385846 and the registered office address is given on page 1.

Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102").

The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 19.

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements, except as noted below.

Going concern

A loan facility of £10.0m is in place with Shawbrook Bank. The total drawn under this facility as at 30 June 2019 amounted to £9.0m, leaving £1.0m available.

Under the terms of the Shawbrook Bank term loan facility the company must comply with monthly loan covenants. The directors have undertaken a detailed review of expected company trading performance and are satisfied on the basis of information available to them at present that all assumptions made regarding both the future trading and cash performance of the company are reasonable and realistic, and so the directors are confident that the company will meet the loan covenant requirements and that the preparation of the financial statements under the going concern basis is appropriate.

Should Shawbrook Bank require repayment of the loan facility, the terms allow for a phased repayment over a four year period. Forecasts indicate sufficient cash generation to allow trade to continue during such a phased repayment period.

As at 30 June 2019 the company holds £18.3m of loan note funding. Of this, £17.6m is tied for periods of between one and five years.

Cash reserves as at 30 June 2019 amounted to £3.9m and forecasts indicate there will be strong cash generation over the next 12 months.

The company lends with a maximum loan to value (LTV) of 70%. As at 30 June 2019 the average LTV on the whole loan book was 52.2%.

Notes (continued)

1 Accounting policies (continued)

Classification of financial instruments issued by the Company

In accordance with FRS 102.22, financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

- (a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company; and
- (b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Leases in which the Company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases.

The company assesses at each reporting date whether tangible fixed assets are impaired.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. The estimated useful lives are as follows:

Fixtures and fittings	3 years
Office equipment	3 years
Computer Equipment	3 years

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

Operating leases

Costs in respect of operating leases are charged to the profit and loss account on a straight line basis over the lease term.

Notes (continued)

1 Accounting policies (continued)

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

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

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Loan provisioning

Specific write-offs are made against mortgage loans on a case by case basis to cover anticipated losses in respect of all accounts where the total amount outstanding exceeds the value of the underlying security. Anticipated losses on such accounts are calculated as the difference between the current achievable market value of the security and the outstanding loan balance, after making appropriate allowance for cost of recovery. A loan provision is only reversed if the reasons for the provision have ceased to apply.

Interest receivable and interest payable

Interest, fees and commissions receivable are accounted for on an accruals basis to the extent that the amounts are deemed recoverable. Interest and fees charged are not recognised as income on certain accounts in serious arrears, unless payments are made by the mortgagee or other sources against the account. Under this scenario the amount of interest and fees recognised in the profit and loss account is restricted to the value of the payments received.

Interest bearing borrowings

Immediately after issue debt is stated at the fair value of the consideration received on the issue of the capital instrument after deduction of issue costs. The finance cost of the debt is allocated to periods over the term of the debt at a constant rate on the carrying amount.

Interest payable and similar charges

Interest, fees and commissions payable are accounted for on an accruals basis.

Employee benefits

Share-based payment transactions

The grant date fair value of share-based payments awards granted to employees is recognised as an employee expense, with a corresponding credit in equity, over the period in which the employees become unconditionally entitled to the awards. The fair value of the awards granted is measured based on a company valuation at the date of grant, taking into account the terms and conditions upon which the awards were granted. The amount recognised as an expense is adjusted to reflect the actual number of awards for which the related service conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service conditions at the vesting date.

Notes (continued)

2 Interest receivable and similar income

Interest receivable and similar income is attributable to interest and commissions received from money lending arrangements.

3 Interest payable and similar expenses

	2019 £	2018 £
Interest payable on bank borrowing	488,532	348,183
Interest payable on loan notes	1,016,788	993,622
Other fees and commissions payable	205,154	183,999
	<u>1,710,474</u>	<u>1,525,804</u>

4 Other operating income

	2019 £	2018 £
<i>Other operating income</i>		
Bank interest receivable	1,545	11
Sundry income	56,546	62,503
	<u>58,091</u>	<u>62,514</u>

Notes (continued)

5 Notes to the profit and loss account

	2019 £	2018 £
<i>Profit before taxation is stated after charging:</i>		
Depreciation	10,013	14,452
Operating lease rentals – land and buildings	29,660	29,564
	<u> </u>	<u> </u>
<i>Auditor's remuneration:</i>		
	£	£
Audit of these financial statements	19,250	17,850
Fees payable to the company's auditor and its associates for other services:		
- Tax compliance services	3,330	2,642
	<u> </u>	<u> </u>
	22,580	24,590
	<u> </u>	<u> </u>

6 Directors' emoluments

	2019 £	2018 £
Directors' remuneration	248,835	217,481
	<u> </u>	<u> </u>

The aggregate of remuneration and amounts receivable under long term incentive schemes of the highest paid director was £182,301 (2018: £154,535).

Notes (continued)

7 Staff numbers and costs

The average number of persons employed by the company during the financial year, including the directors, amounted to ten (2018: ten). The aggregate staff cost of these employees were:

	2019 £	2018 £
Wages and salaries	370,360	329,524
Social security costs	36,143	31,080
	<u>406,503</u>	<u>360,604</u>

8 Taxation

Analysis of charge in period

	2019 £	2018 £
<i>UK Corporation tax</i>		
Current tax on income for the period	304,785	291,395
Adjustments in respect of prior periods	116	111
Total current tax	<u>304,901</u>	<u>291,506</u>
<i>Deferred tax</i>		
Origination/reversal of timing differences	(26)	(984)
Adjustments in respect of prior periods	(111)	(80)
Total deferred tax	<u>(137)</u>	<u>(1,064)</u>
Tax on profit on ordinary activities	<u>304,764</u>	<u>290,442</u>

Notes (continued)

8 Taxation (continued)

Reconciliation of effective tax rate

	2019 £	2018 £
Profit for the year	1,257,687	1,198,642
Tax expenses in the profit and loss account	304,764	290,442
Profit on ordinary activities excluding taxation	1,562,451	1,489,084
Tax using the UK corporation tax rate of 19% (2018: 19%)	296,866	282,926
<i>Effects of:</i>		
Fixed asset differences	617	997
Origination / reversal of timing differences	7	147
Expenses not deductible for tax purposes	7,274	6,372
Total tax charge	304,764	290,442

Factors that may affect future tax changes

A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2018) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly. The deferred tax liability at 30 June 2019 has been calculated based on the rate of 17% being the rate substantively enacted at the balance sheet date.

9 Dividends

The aggregate amount of dividends comprises:

	2019 £	2018 £
Final dividends paid in respect of prior year but not recognised as liabilities in that year	720,473	431,366

Notes (continued)

10 Tangible fixed assets

	Fixtures & fittings, office & computer equipment £
<i>Cost</i>	
At 1 July 2018	104,188
Additions	4,880
	<hr/>
At 30 June 2019	109,068
	<hr/>
<i>Accumulated depreciation</i>	
At 1 July 2018	60,092
Charge for the year	10,013
	<hr/>
At 30 June 2019	70,105
	<hr/>
<i>Net book value</i>	
At 30 June 2019	38,963
	<hr/>
At 30 June 2018	44,096
	<hr/>

11 Debtors

	2019 £	2018 £
Mortgage loans	28,696,010	23,873,472
Other debtors	50,040	50,000
Prepayments and accrued income	7,567	7,975
	<hr/>	<hr/>
	28,753,617	23,931,447
	<hr/>	<hr/>

The mortgage loans above include the following amounts falling due after more than one year:

	2019 £	2018 £
Mortgage loans	6,169,127	8,935,983
	<hr/>	<hr/>

Mortgages are classified as due after more than one year if they have either no due date, or a due date more than one year in the future. However, some can be redeemed at any time subject to either the company or the mortgagee giving 3 months' notice or less. These mortgage loans are made solely on a commercial basis for properties upon which the company has either a first or second legal charge.

Notes (continued)

12 Creditors: amounts falling due within one year

	2019 £	2018 £
Loan notes	666,500	253,000
Corporation taxation payable	304,785	291,377
Deferred taxation – accelerated capital allowances	3,331	3,468
Accruals and deferred income	65,251	73,687
	<u>1,039,867</u>	<u>621,532</u>

13 Creditors: amounts falling due after more than one year

	2019 £	2018 £
Loan notes	17,607,500	16,052,000
Bank loans	9,000,000	4,000,000
	<u>26,607,500</u>	<u>20,052,000</u>

Maturity of loan notes and bank loans

	2019 £	2018 £
In one year or less, or on demand	666,500	253,000
In more than one year, but not more than two years	1,567,000	5,385,500
In more than two years, but not more than five years	25,040,500	14,666,500
	<u>27,274,000</u>	<u>20,305,000</u>

The bank loan is secured by an unlimited debenture including the right of set off and inter-creditors deed by which the bank is granted security priority over the first legal charge provided to the company by the mortgagee.

Details and maturity of the loan notes is set out below:

Date Issued	Date Repayable	Interest Rate	2019 £	2018 £
25 June 2002	Option of holder	3% over base rate	101,000	109,000
25 June 2008	Option of holder	2.5% over base rate	10,000	10,000
25 June 2011	Option of holder	2.5% over base rate	30,000	30,000
25 June 2011	Option of holder	2.5% over base rate	15,000	42,500
25 June 2014	Option of holder	2.5% over base rate	61,500	61,500
25 June 2014	Option of holder	2.5% over base rate	242,000	4,264,000
25 June 2016	Option of holder	2.5% over base rate	207,000	1,121,500
25 June 2016	25 December 2021	5% over minimum collar of 1.5%	2,139,000	4,202,000
25 June 2017	25 December 2020	4% over minimum collar of 1.5%	1,567,000	2,327,000
25 June 2017	25 December 2022	5% over minimum collar of 1.5%	1,416,500	4,137,500
25 June 2019	25 December 2022	4% over minimum collar of 1.5%	2,231,000	-
25 June 2019	25 December 2024	5% over minimum collar of 1.5%	10,254,000	-
			<u>18,274,000</u>	<u>16,305,000</u>

Notes (continued)

14 Creditors: amounts falling due after more than one year (continued)

All loan notes rank equally.

All loan notes are secured by way of a debenture granted by the company over its assets and undertaking.

The bank security shall rank in priority to the loan note holders' security in accordance with the provisions of the inter-creditor deed.

15 Deferred taxation

Deferred taxation in the financial statements is as follows:

	2019 £	2018 £
<i>Tax effect of timing difference because of:</i>		
Accelerated capital allowances	3,331	3,468

There was no unprovided deferred taxation as at 30 June 2019 or 30 June 2018.

16 Related party transactions

R H G Michelmores, R G Howard, J S Ashley, P A J Hussell, D A Harrison, D J R Palmer and A R Bridgeman are the company's controlling related parties by virtue of their shareholdings. These shareholders received dividends in line with their shareholding in the period.

The following list of Loan Note holders are considered related parties under standard business terms due to their relationships with various Directors of Peninsula Finance plc:

Name	Balance at 30 June 2019 £	Balance at 30 June 2018 £	Maximum balance in year £	Value of interest paid in year £
R G Howard	100,000	70,000	100,000	4,550
S Howard	100,000	95,000	100,000	6,175
N & J Palmer	10,000	10,000	10,000	550
J S Ashley	100,000	70,000	100,000	4,550
G E & D Laniewski	60,000	60,000	60,000	3,400
J Palmer	10,000	10,000	10,000	550
D M Klapper	100,000	80,000	100,000	5,200

The above all receive interest rates of between 4% and 5% above the minimum collar of 1.5%.

Notes (continued)

17 Called up share capital

	2019 £	2018 £
Authorised		
1,000,000 (2018: 1,000,000) ordinary shares of £1 each	1,000,000	1,000,000
Allotted		
229,450 (2018: 229,450) ordinary shares of £1 each	229,450	229,450

During a prior year the company issued 22,950 shares to one of the directors under a long term incentive scheme. Details of the scheme are included in note 20. The shares issued include certain restrictions that expire at the end of the vesting period. As such the shares are treated as own shares held and an Own Share Reserve has been created equal to the value of shares.

18 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2019 £	2018 £
Less than one year	27,766	27,766
Between one and five years	111,064	111,064
More than five years	27,766	55,532
	166,596	194,362

During the year £29,660 was recognised as an expense in the profit and loss account in respect of operating leases (2018: £29,564).