Peninsula Finance plc

Annual report and financial statements

Registered number 04385846

30 June 2018

Contents

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 TSB 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 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 £1,489,084 compared to a profit on ordinary activities before taxation for 2017 of £1,083,583. The loan book as at 30 June 2018 was £23,873,472 compared to £23,764,339 as at 30 June 2017. Dividends paid were £431,366 *(2017: £321,230)*.

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 in 2013. New lending accounted for 83% of the Company loan book at year end *(79% in 2017)*. Mortgage originations totalled £16.5 million in the year *(£15.4 million in 2017)* and mortgage redemptions on the loan book increased to £16.2 million *(£11.6 million in 2017)*. The loan book in the year grew very slightly to £23.9 million *(£23.8 million in 2017)*. The overall net book margin also increased as a result of reduced funding costs throughout the period which offset a lower weighted return on lending activity due to enhanced competition in the short term bridging market and higher transaction income such as arrangement and exit fees as a result of a higher churn rate on the loan book. 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 reduced further in the year both in real terms and as a percentage of the book at 0.3% (0.9% in 2017).

The annual turnover for the Company increased by 8.2% in the year and finance costs increased by 2.7%. This led to a 37.4% increase in profit before taxation. There was a significant reduction in bad debts incurred in the year as a loan which required provisioning in the financial year ended 30 June 2017 was repaid by a sale of the property at the expected price. Bad debts as a proportion of the loan book remained low at 0.03% at year end.

During the year the Company renewed the funding line with Shawbrook Bank Limited which remained at £10 million. The level of the facility actually drawn at year end was £4.0 million *(£6.0 million in 2017)*. In addition to renewing our bank facility we also further increased the level of loan stock investment in the year to £16.3 million, an increase of 12.4%. This was as a result of keeping the 2018 loan stock raise open until 30 June 2018. 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 maintain our loan book at over £23 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 £58m of mortgage originations since the new lending policy was implemented in April 2013. The Company has also increased the level of reserves by 21.1% in the year to provide further insulation from the impact of recoverability risk of the loan book.

The Company has been successful in obtaining a higher level of loan stock investment for a further committed period and also by renewing the funding facility from Shawbrook Bank Limited in July 2018.

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 17% of the loan book as at 30th June 2018 (25% in 2017). 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 remains in negotiations with the EU on the exit from the European Union in March 2019. Whilst it remains too early to predict the ultimate outcome of such negotiations or the impact that this will have on the UK economy in general and property prices in particular, 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 £58m of originations over a five year period. The increase in turnover together with stable funding costs and overhead base has led to enhanced profit performance this financial year.

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 renewal of the 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). 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

13 December 2018

Directors' Report

The Directors present their report and the audited financial statements of the Company for the year ended 30 June 2018.

Proposed dividend

A dividend of £431,366 was paid in the year (2017: £321,230). 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

13 December 2018

Statement of directors' responsibilities in respect of the Directors' report and the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with 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

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 2018, 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 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards applicable to smaller entities, 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, and the provisions available for small entities, in the circumstances set out in note 1 to the financial statements. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

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 twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

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 that report 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 report 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.

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

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 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.

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

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

17 December 2018

Profit and loss account

for the year ended 30 June 2018

	Note	2018 £	2017 £
Interest receivable and similar income	2	**3,544,780**	3,274,973
Interest payable and similar expenses	3	**(1,525,804)**	(1,486,143)
Net interest income		**2,018,976**	1,788,830
Other operating income	4	**62,514**	62,590
Other operating expenses		**(592,406)**	(767,837)
Operating profit		**1,489,084**	1,083,583
Profit before taxation		**1,489,084**	1,083,583
Tax on profit	8	**(290,442)**	(221,364)
Profit for the financial year		**1,198,642**	862,219

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 12 to 23 form an integral part of these financial statements.

Balance Sheet
At 30 June 2018

	Note		2018 £		2017 £
Fixed assets					
Tangible assets	10		44,096		56,875
Current assets					
Debtors: amounts falling due after more than one year	11	8,935,983		9,496,635	
Debtors: amounts falling due within one year	11	14,995,464		14,331,104	
		23,931,447		23,827,739	
Cash at bank and in hand		1,211,781		1,360,274	
		25,143,228		25,188,013	
Creditors: amounts falling due within one year	12	(621,532)		(835,497)	
Net current assets			24,521,696		24,352,516
Total assets less current liabilities			24,565,792		24,409,391
Creditors: amounts falling due after more than one year	13		(20,052,000)		(20,682,000)
Net assets			4,513,792		3,727,391
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			4,259,972		3,473,571
Total shareholders' funds			4,513,792		3,727,391

The notes on pages 12 to 23 form an integral part of these financial statements.

These financial statements were approved by the board of directors on 13 December 2018 and were signed on its behalf by:

R H G Michelmore
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 2016	229,450	139,120	(114,750)	2,913,458	3,167,278
Total comprehensive income for the period:					
Profit or loss	-	-	-	862,219	862,219
Other comprehensive income	-	-	-	-	-
Transactions with owners, recorded directly in equity:					
Equity-settled share based payment transactions	-	-	-	19,124	19,124
Dividends	-	-	-	(321,230)	(321,230)
Balance at 30 June 2017	**229,450**	**139,120**	**(114,750)**	**3,473,571**	**3,727,391**

	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
Other comprehensive income	-	-	-	-	-
Transactions with owners, recorded directly in equity:					
Equity-settled share based payment transactions	-	-	-	19,125	19,125
Dividends	-	-	-	(431,366)	(431,366)
Balance at 31 June 2018	**229,450**	**139,120**	**(114,750)**	**4,259,972**	**4,513,792**

Cash Flow Statement
for year ended 30 June 2018

	Note	2018 £	2017 £
Cash flows from operating activities			
Profit for the year		**1,198,642**	862,219
Adjustments for:			
Depreciation, amortisation and impairment	*10*	**14,452**	19,796
Interest payable and similar expenses		**1,525,804**	1,486,143
Taxation	*8*	**290,442**	221,364
		3,029,340	2,589,522
Net cash increase in loans and advances to customers		**(103,708)**	(3,399,807)
(Decrease)/increase in trade and other creditors		**(16,926)**	21,106
		2,908,706	(789,179)
Dividends paid		**(431,366)**	(321,230)
Interest paid		**(1,524,580)**	(1,486,143)
Tax paid		**(222,205)**	(161,444)
Net cash from operating activities		**730,555**	(2,757,996)
Cash flows from investing activities			
Sale of own shares		**19,125**	19,124
Acquisition of tangible fixed assets	*10*	**(1,673)**	(5,245)
Net cash from investing activities		**17,452**	13,879
Cash flows from financing activities			
Net cash (decrease)/increase in loans		**(896,500)**	2,170,750
Net cash from financing activities		**(896,500)**	2,170,750
Net decrease in cash and cash equivalents		**(148,493)**	(573,367)
Cash and cash equivalents at 1 July		**1,360,274**	1,933,641
Cash and cash equivalents at 30 June		**1,211,781**	1,360,274

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 2018 amounted to £4.0m, leaving £6.0m 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 2018 the company holds £16.3m of loan note funding. Of this, £16.1m is tied for periods of between one and four years.

Cash reserves as at 30 June 2018 amounted to £1.2m 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 2018 the average LTV on the whole loan book was 52.3%.

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

	2018	2017
	£	£
Interest payable on bank borrowing	**348,183**	394,573
Interest payable on loan notes	**993,622**	902,978
Other fees and commissions payable	**183,999**	188,592
	1,525,804	1,486,143

4 Other operating income

	2018	2017
	£	£
Other operating income		
Bank interest receivable	**11**	502
Sundry income	**62,503**	62,088
	62,514	62,590

Notes *(continued)*

5 Notes to the profit and loss account

	2018	2017
	£	£
Profit before taxation is stated after charging:		
Depreciation	**14,452**	19,796
Operating lease rentals – land and buildings	**29,564**	35,423

Auditor's remuneration:

	£	£
Audit of these financial statements	**21,420**	20,820
Fees payable to the company's auditor and its associates for other services:		
- Tax compliance services	**3,170**	2,500
	24,590	23,320

6 Directors' emoluments

	2018	2017
	£	£
Directors' remuneration	**217,481**	212,642

The aggregate of remuneration and amounts receivable under long term incentive schemes of the highest paid director was £154,535 *(2017: £153,599)*.

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 *(2017: ten)*. The aggregate staff cost of these employees were:

	2018	2017
	£	£
Wages and salaries	**329,524**	317,802
Social security costs	**31,080**	29,308
	360,604	347,110

8 Taxation

Analysis of charge in period

	2018	2017
	£	£
UK Corporation tax		
Current tax on income for the period	**291,395**	222,076
Adjustments in respect of prior periods	**111**	139
Total current tax	**291,506**	222,215
Deferred tax		
Origination/reversal of timing differences	**(984)**	(889)
Adjustments in respect of prior periods	**(80)**	357
Effect of tax rate change on opening balance	**-**	(319)
Total deferred tax	**(1,064)**	(851)
Tax on profit on ordinary activities	**290,442**	221,364

Notes *(continued)*

8 Taxation *(continued)*

Reconciliation of effective tax rate

	2018 £	2017 £
Profit for the year	**1,198,642**	862,219
Tax expenses in the profit and loss account	**290,442**	221,364
Profit on ordinary activities excluding taxation	**1,489,084**	1,083,583
Tax using the UK corporation tax rate of 19% *(2017: 19.75%)*	**282,926**	214,015
Effects of:		
Fixed asset differences	**997**	1,437
Origination / reversal of timing differences	**147**	321
Expenses not deductible for tax purposes	**6,372**	5,591
Total tax charge	**290,442**	221,364

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 2017) 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 2018 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:

	2018 £	2017 £
Final dividends paid in respect of prior year but not recognised as liabilities in that year	**431,366**	321,230

Notes *(continued)*

10 Tangible fixed assets

	Fixtures & fittings, office & computer equipment £
Cost	
At 1 July 2017	102,515
Additions	1,673
At 30 June 2018	104,188
Accumulated depreciation	
At 1 July 2017	45,640
Charge for the year	14,452
At 30 June 2018	60,092
Net book value	
At 30 June 2018	**44,096**
At 30 June 2017	56,875

11 Debtors

	2018 £	2017 £
Mortgage loans	**23,873,472**	23,764,339
Other debtors	**50,000**	53,136
Prepayments and accrued income	**7,975**	10,264
	23,931,447	23,827,739

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

	2018 £	2017 £
Mortgage loans	**8,935,983**	9,496,635

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

	2018	2017
	£	£
Loan notes	**253,000**	519,500
Corporation taxation payable	**291,377**	222,076
Deferred taxation – accelerated capital allowances	**3,468**	4,532
Accruals and deferred income	**73,687**	89,389
	621,532	835,497

13 Creditors: amounts falling due after more than one year

	2018	2017
	£	£
Loan notes	**16,052,000**	14,682,000
Bank loans	**4,000,000**	6,000,000
	20,052,000	20,682,000

Maturity of loan notes and bank loans

	2018	2017
	£	£
In one year or less, or on demand	**253,000**	519,500
In more than one year, but not more than two years	**5,385,500**	-
In more than two years, but not more than five years	**14,666,500**	20,682,000
	20,305,000	21,201,500

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	2018	2017
			£	£
26 June 2002	Option of holder	3% over base rate	**109,000**	159,000
26 June 2008	Option of holder	2.5% over base rate	**10,000**	13,000
26 June 2011	Option of holder	2.5% over base rate	**30,000**	62,000
26 June 2011	Option of holder	2.5% over base rate	**42,500**	58,500
26 June 2014	Option of holder	2.5% over base rate	**61,500**	227,000
26 June 2014	25 December 2019	5% over minimum collar of 1.5%	**4,264,000**	4,497,000
26 June 2017	25 December 2019	4% over minimum collar of 1.5%	**1,121,500**	1,126,500
26 June 2017	25 December 2021	5% over minimum collar of 1.5%	**4,202,000**	4,582,000
26 June 2018	25 December 2020	4% over minimum collar of 1.5%	**2,327,000**	1,523,000
26 June 2018	25 December 2022	5% over minimum collar of 1.5%	**4,137,500**	2,953,000
			16,305,000	14,504,750

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:

	2018 £	2017 £
Tax effect of timing difference because of:		
Accelerated capital allowances	3,468	4,532
	3,468	4,532

There was no unprovided deferred taxation as at 30 June 2018 or 30 June 2017.

16 Related party transactions

R H G Michelmore, 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 2018 £	Balance at 30 June 2017 £	Maximum balance in year £	Value of interest paid in year £
R G Howard	**70,000**	50,000	70,000	3,920
S Howard	**95,000**	45,000	95,000	4,599
N & J Palmer	**10,000**	10,000	10,000	550
J S Ashley	**70,000**	70,000	70,000	4,550
G E & D Laniewski	**60,000**	35,000	60,000	2,289
J Palmer	**10,000**	10,000	10,000	550
D M Klapper	**80,000**	60,000	80,000	5,036

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

	2018	2017
	£	£
Authorised		
1,000,000 *(2017: 1,000,000)* ordinary shares of £1 each	**1,000,000**	1,000,000
Allotted		
229,450 *(2017: 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:

	2018	2017
	£	£
Less than one year	**27,766**	22,000
Between one and five years	**111,064**	96,000
More than five years	**27,766**	74,000
	166,596	192,000

During the year £29,564 was recognised as an expense in the profit and loss account in respect of operating leases *(2017: £35,423).*

Notes *(continued)*

19 Accounting estimates and judgements

Key sources of estimation uncertainty

The key area of accounting estimate / judgement is the recoverability of loan book balances. The Directors monitor the recoverability of the loan book with reference to the arrears profile and underlying asset value supporting the loan and make provisions where recoverability is uncertain. Any provision for impairment is monitored and amended as the circumstances of the specific loan balance change.

20 Employee benefits

Share based payments

During a prior year a long term incentive plan was entered into to allow one of the Directors to acquire shares in the company. The shares were issued to the Director on 15 September 2015 on deferred payment terms. The shares will be forfeited if payment is not made in line with the scheme rules.

The shares carry certain restrictions which expire six years from the date of grant.

The terms and conditions of the grants are as follows:

Grant date	**Method of settlement accounting**	**Number of instruments**	**Vesting conditions**
15 September 2015	Equity	22,950	6 years vesting based on continued employment

The fair value of the shares was calculated based on a market valuation of the shareholding reflecting the non-open market trading status of the shares. The fair value of the shares issued was £5 per share.

The total expenses recognised for the arising from share-based payments are as follows:

	2018	2017
	£	£
Total share based payment expense	**19,125**	19,124