Aldermore Bank PLC

Financial Statements for the nine months ended 31 December 2009

Registered Number: 00947662

Company Information

Board of Directors

Non Executive Chairman

Mark Molyneux

Executive Directors

Phillip Monks - Chief Executive
Mark Stephens - Deputy CEO
Jervis Rhodes - Vice Chairman
Paul Myers - Chief Operating Officer
Steve Barry - Risk Director

Non Executive Directors

John Callender
Finlay McFadyen
Peter Cartwright

Secretary

Stuart Haynes

Registered Office

1st Floor, Block B
Western House
Lynch Wood
Peterborough PE2 6FZ

Auditors

KPMG Audit Plc
1 The Embankment
Neville Street
Leeds
LS1 4DW

Registered No

00947662

www.aldermore.co.uk

Authorised and regulated by the Financial Services Authority.
Member of British Bankers Association.
Member of Finance and Leasing Association.

Contents

CHAIRMAN'S OVERVIEW

EXPERTISE. APPLIED.

Aldermore is a new name in British Banking.

In April 2009 the Financial Services Authority gave permission for AnaCap Financial Partners LLP to purchase the tiny Ruffler Bank plc. AnaCap became the only Private Equity house in the UK to own a UK deposit-taking bank.

Very few will have heard of Ruffler Bank. It has traded successfully for some 40 years, focussing on safe and secure lending to small businesses. It applied its asset finance expertise and property development expertise to specific segments of the UK economy. In doing so, it ensured that its retail depositors were at all times safe. Throughout the crises of the 90's and 2000's Ruffler kept lending prudently, without building "legacy" lending problems.

The logic for the acquisition of Ruffler by AnaCap was straightforward: a conviction that there is substantial demand in the UK from depositors and borrowers alike for an excellent, safe banking service which is efficiently provided.

In order to build a larger Bank our Directors have adopted five core principles, with which all our actions and decisions are consistent:

- We adhere to our chosen service lines where we offer real expertise.
- We adopt outstanding Risk Management and Governance procedures.
- We recruit exceptional Banking professionals with excellent reputations, and seasoned Non Executive Directors.
- We will always remain properly capitalised.
- We strive to be very efficient.

Since its purchase by AnaCap, and now renamed "Aldermore" the Bank has been recapitalised with the investment of £48.2m in new share capital. New management has been recruited under the leadership of Phillip Monks and we have begun to build the bank whilst always remaining straightforward, reliable, dynamic and expert.

In May 2009, we purchased Base Commercial Mortgages (previously owned by AnaCap) to diversify our offering to UK Small and Medium-sized Enterprises (SMEs). This followed in November with the acquisition of Absolute Invoice Finance. This further diversified our service offering whilst also bringing into the Group one of the most expert teams in the Invoice Finance industry. It also brought six SME-focused branches, one in each of the UK's regional commercial economies. At the same time our asset finance business was widened to cover a number of specific industry segments. We have a consistent aim – to employ experts who can who have the confidence to make our long term relationship with our customers straightforward, dynamic and reliable.

In order to build safely, it is crucial that the infrastructure of the Bank can support our growth. This is made easier by focusing on specific customer segments and not trying to be all things to all clients. It means the investment in core IT infrastructure, from web access to data warehouse, to make the relationship with our customers straightforward, efficient, and cost effective.

We acknowledge the importance to our depositors of safety and a proper rate of return. Aldermore is regulated by the UK Financial Services Authority. Its depositors benefit from the Financial Services Compensation Scheme which guarantees deposits up to £50,000. We contribute to the cost of this scheme but we aim to never need it. Since the start of the year, our deposit balances have grown five-fold. The key to our success is that we offer a reliable rate, on straightforward deposit products, with excellent on-line service.

CHAIRMAN'S OVERVIEW (continued)

Finally, I turn to the most important ingredient of our success - the people who work for us, who are experts in their field. This team of experienced executives brings expertise, strategic vision and a strong risk management ethic which prevails through the DNA of Aldermore.

I am also pleased that we have established a strong Board, including independently minded Non Executives who have the commercial and banking expertise to challenge continually the executive team. We also have Investors who are actively engaged, through the Board, in the strategic direction of the Bank.

Mark Molyneux
Non Executive Chairman

DIRECTORS' REPORT

For the nine months ended 31 December 2009.

Financial Statements

The Directors present their report and the financial statements of Aldermore Bank PLC ('Aldermore'), formerly named Ruffler Bank PLC, for the nine months ended 31 December 2009. Comparatives are for the twelve months ended 31 March 2009.

Change of Ownership and Capital injections

On 3 December 2008 AnaCap Financial Partners LP incorporated AC Acquisitions Limited. AC Acquisitions Limited is the ultimate holding company of the group containing Aldermore. On 20 May 2009, further capital injections were made by AnaCap Financial Partners LP and AnaCap Financial Partners II LP. During the 9 month period ended 31 December 2009 a total of £48.2million was invested in Aldermore by AC Acquisitions via subscription of equity share capital in the intermediate holding company Aldermore Holdings Ltd which in turn invested in equity share capital of Aldermore.

Name Change and Acquisitions in 2009

On 20 May 2009 Ruffler Bank PLC acquired the share capital of Base Commercial Mortgages Limited ('Base'); and on 17 November 2009 Aldermore acquired the share capital of Absolute Invoice Finance Holdings Limited ('Absolute') formerly known as Cattles Invoice Finance. Goodwill of £7.8m arose as a result of these transactions and this is being amortised over the presumed useful economic life of 20 years. Immediately following the acquisition of each of these entities the net assets of both businesses were transferred to Aldermore.

On 24 June 2009 the company changed its name from Ruffler Bank PLC to Aldermore Bank PLC.

Principal Activities and Business Review

Aldermore is authorised to accept deposits under the Financial Services & Markets Act 2000 and the principal activities of Aldermore during 2009 were the provision of banking and related services. The strategic objective of Aldermore is to be a provider of secured financial products to the SME and residential mortgage markets, funded by capital and retail deposits.

The operating loss before taxation for the 9 month period ended 31 December 2009 of £12.9m. The loss is a direct result of significant investment across the business in infrastructure, systems and recruitment to enable future growth and scale to be achieved. The number of employees at 31 December 2009 was 259, a significant increase on the average for the period to 31 March 2009 of 26.

Tier 1 and 2 capital at 31 December 2009 was £46,012k. The regulatory capital requirement was £30,999k, therefore the company had a capital surplus of £15,013k and a capital adequacy ratio of 148%.

Liquidity

Year-end cash balances were £83.5m giving a liquidity ratio (Cash divided by Deposit balances) of 36.4%. Aldermore's internal liquidity target is 20%, meaning Aldermore had excess liquidity of £37.6m.

Investment in the Business Systems and Support Structure

Fixed asset additions in the year of £683k were mainly focused on new IT systems and infrastructure. This investment is ongoing and the business is forecast to spend over £2m during 2010 on enhancing the technology infrastructure further.

Asset Finance and Leasing

During 2009, Aldermore grew its asset finance business through origination of IT leases to the public sector, professions and corporate sectors. Aldermore will continue to offer hire purchase products to the leisure industry, in particular coin operated machines; however Aldermore is actively managing down its exposure to the fairground industry. At present Aldermore sources new business from specialist brokers, but plans to seek vendor partnerships to help diversify distribution.

DIRECTORS' REPORT (continued)

Commercial Property Mortgage Finance

Through the effective integration of Base, Aldermore is now an established UK SME commercial mortgage lender offering specialist products and solutions via intermediaries. Aldermore has a conservative approach to underwriting commercial property loans and during the year resumed lending in the commercial mortgage sector, limiting underwriting to select customers for first-charge, low-LTV commercial mortgage loans.

Invoice Discounting

On 17 November 2009, Aldermore acquired the invoice discounting business formerly known as Cattles Invoice Finance; the business is currently known as Absolute Invoice Finance ("Absolute").

Absolute provides working capital finance, with the principal product lines being factoring and invoice discounting, and related services. Products are targeted at small and medium enterprises (SMEs) with a turnover typically ranging from £100k to £25m.

Through the acquisition of Absolute, Aldermore will offer invoice discounting and factoring products to UK SMEs. As an established lender in this sector, Absolute will continue trading in much the same way but will benefit from enhanced risk management controls and support from Aldermore.

Property Development and Bridging Finance

Given the recent weaknesses in the UK property sector, Aldermore continues to be cautious about property development financing and bridging facilities. Aldermore has a small portfolio of residential property development loans and as the residential property market has stabilised somewhat will maintain a presence in this market, but on a very conservative basis.

Other Business Lines

Aldermore has two other business lines; personal loans and corporate lending. Aldermore does not intend to continue in these areas and the loans currently outstanding will continue to be managed by the bank and will run off through natural maturity or redemption.

Summary of asset values by Business Line

Business Line	As at 31 December 2009 £'000	As at 31 March 2009 £'000	Net Change £'000
Asset finance	22,175	15,520	6,655
Commercial Mortgages	34,184	-	34,184
Invoice Finance	79,712	-	79,712
Other	24,503	44,895	(20,392)
Total	160,574	60,415	100,159

Other Assets

Aldermore has a small portfolio of asset backed securities. These investments are in AAA rated bonds secured on UK originated assets. All investments are in Sterling; no foreign currency bonds were bought. As at 31 December 2009 the value of these investments was £37.4million. The portfolio has a significant level of credit enhancement, providing substantial principal protection against losses.

DIRECTORS' REPORT (continued)

Customer Deposits

The primary source of funding for Aldermore is from retail deposits. Retail deposit products are offered to the general public via the internet, post, and telephone. The recent growth in assets has been funded through the deposits base. Deposit balances have increased from £65.8m at 31 March 2009 to £229.6m at 31 December 2009.

Future Developments

On 23 February 2010 AnaCap Derby Co-Investment (No. 1) L.P, of which Morgan Stanley is the sole investor, and AnaCap Financial Partners II LP invested a further £20m in the ultimate parent AC Acquisitions Limited. This in turn has been invested in Aldermore Bank PLC via a subscription of ordinary share capital.

On 2 March 2010 the Company acquired the assets and employees of Heritable Asset Finance for £23m.

Going Concern

As referred to in Note 1(b), the Directors have made a full assessment of the current state of the balance sheet of Aldermore and the longer term strategy of the business. Although loss making during the nine months to 31 December 2009, the Directors believe that Aldermore has sufficient resources to continue lending and deposit taking throughout 2010 and to continue its expansion. Aldermore has firm backing from its investors to enable it to maintain the regulatory capital requirements as set out by the Financial Services Authority.

Aldermore is forecasting to become profit making in the latter part of 2010.

Principal Risks and Uncertainties

A core objective for Aldermore is the effective management of risk. Given the nature of the activities undertaken, the principal risks faced are credit risk, market risk, liquidity risk, interest rate risk and operational risk. Each risk has a detailed documented policy and is overseen by a robust governance process including regular and detailed management information. Aldermore has a Risk Director who is responsible for ensuring each risk is adequately monitored, managed and mitigated. A detailed analysis of all key risks has been documented in the Individual Capital Adequacy Assessment Process ("ICAAP") report, recently approved by the Board.

The Board of Directors has ultimate responsibility for setting the firm's strategy, risk appetite and control framework and key risks are reviewed at the monthly board meeting.

Aldermore has an Audit & Risk Committee which meets on a quarterly basis. The Committee monitors and considers the internal control environment focusing on operational risks, internal and external audits and compliance matters.

<u>Credit Risk</u>

Credit risk is the risk of principal loss arising from defaults and losses in the event of default under mortgage, lease and loan contracts. Credit risks are managed through the use of a detailed lending criteria, careful assessment and suitable product structures. The Credit Risk & Lending Policy outlines the approach to lending, underwriting criteria, mandates, concentration limits and product terms. Each new business area has a dedicated team which assesses credit risk, with the Head of Credit Management having oversight of the lending activities.

DIRECTORS' REPORT (continued)

The Management Credit Committee is responsible for reviewing audit policy issues, such as provisioning and lending policies and recommending these to the Board or Board Credit Committee. To monitor key performance areas and asset quality, the Committee meets monthly and reviews credit management information, portfolio performance reports and provisioning analysis. The Management Credit Committee is responsible for approving credit proposals that have been presented to it by the business lines within the management delegated authority.

The Board Credit Committee meets on a quarterly basis to agree policy issues, such as provisioning and lending policies which have been proposed by the Management Credit Committee. The Committee also reviews management information and carefully monitors the portfolio performance and lending environment.

Market Risk

Aldermore does not carry out proprietary trading or hold any positions that would require to be marked to market, nor does it have any intention in the foreseeable future. Any investments in assets or equity are not actively traded.

Interest Rate Risk

Interest rate risk is the risk of loss through unhedged or mismatched asset and liability positions sensitive to changes in interest rates. Where possible the bank seeks to match the interest rate structure of assets with liabilities, or deposits, creating a natural hedge. Where this is not possible Aldermore will enter into swap agreements to convert fixed interest rate liabilities into variable rate liabilities, which are then matched with variable interest rate assets.

Liquidity Risk

Liquidity risk is the risk that Aldermore is not able to meet its financial obligations as they fall due, or can do so only at excessive cost. Aldermore maintains a liquidity buffer which is monitored on a regular basis to ensure there are sufficient liquid assets at all times to cover cash flow imbalances and fluctuations in funding and to enable the bank to meet all financial obligations and support the asset growth. The Asset & Liability Committee ("ALCO") meets on a monthly basis to consider market, interest rate and liquidity risks, and to ensure that the firm adheres to the interest rate risk and liquidity policies and objectives set down by the Board. It also has responsibility for ensuring that the policies that are implemented are adequate to meet operational, prudential and regulatory requirements.

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This risk includes IT, information security, project, outsourcing, tax, legal, fraud and compliance risks. Aldermore aims to accept a low level of operational risk. Through the establishment and investment in sound systems, controls and audit functions, the bank minimises operational failures. The Operating Committee meets monthly to ensure that a quality and robust IT, operations and compliance service are delivered at all times and is capable of supporting the changing business requirements of Aldermore. It has responsibility for monitoring all the key operational risks facing the organisation, including compliance and operational risks.

DIRECTORS' REPORT (continued)

Other Risks

To manage business, operational and regulatory risks, Aldermore has a sound risk management framework and governance structure in place. Committees have been established to monitor operational performance, credit risk and also audit and risk matters. The Compliance and Internal Audit departments also help to review and monitor operational and regulatory issues to help ensure the bank is operating in accordance with internal policies and procedures and provide assurance to the board. The bank has a business continuity plan in place.

Further information on risk management is contained within note 30.

Performance Analysis based on Key Performance Indicators

The following metrics represent the core key performance indicators for the bank, comparatives are not shown due to the material change in the business in the period

Total Capital Adequacy Ratio at 31 December 2009	148%
Tier 1 Capital Adequacy Ratio at 31 December 2009	146%
Asset growth (non cash) between 31 March 2009 and 31 December 2009	231% (£145.4m)
Retail deposit growth between 31 March 2009 and 31 December 2009	247% (£163.5m)
Liquidity ratio 31 December 2009	36.4%
Loss for year ended 31 December 2009	£12.9m
Net Interest Margin at 31 December 2009	1.3%

Results and Dividends

The results for the year are set out in the profit and loss account on page 14.
No dividends are paid or payable in respect of the nine months ended 31 December 2009 (year ended 31 March 2009: nil).

Payment Policy

It is the Aldermore's policy to pay suppliers as they fall due, in accordance with the negotiated terms of business. Aldermore had trade creditors at 31 December 2009 of £2,019,000 (31 March 2009: £95,000). The trade creditor days figure was 35 at 31 December 2009.

Equal Opportunities for Disabled People

Aldermore is committed to ensuring that disabled people are afforded equality of opportunity in respect of entering and continuing employment within the business. This includes all stages from recruitment and selection, terms and conditions of employment, access to training and career development.

Staff Communication

Aldermore provides regular updates to all employees. Following the acquisition of Absolute Invoice Finance Holdings Limited the business is developing a communications framework which will be implemented during 2010.

DIRECTORS' REPORT (continued)

Directors

The Directors during the nine month period to 31 December 2009 were as follows:

WR Ruffler (resigned 20 May 2009)
JR Rhodes
JW Nail (resigned 20 May 2009)
CB Price (resigned 20 May 2009)
DAT Robinson (resigned 20 May 2009)
SC Bannerton (resigned 20 May 2009)
Mark Molyneux (appointed 20 May 2009)
Phillip Monks (appointed 20 May 2009)
Mark Stephens (appointed 20 May 2009)
Peter Cartwright (appointed 20 May 2009)
Finlay McFadyen (appointed 20 May 2009)
John Callender (appointed 20 May 2009)
Paul Myers (appointed 6 July 2009)
Steve Barry (appointed 14 October 2009)

Certain Directors benefited from qualifying third party indemnity provisions in place during the nine months ended 31 December 2009 and at the date of this report.

Political and Charitable Donations

Aldermore made no political or charitable donations in the nine months ended 31 December 2009 (Year ended 31 March 2009: Nil).

Statement of Directors' Responsibilities

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 UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

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 judgments 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping 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 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.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement of disclosure to auditors

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Auditors

BDO Stoy Hayward resigned as auditors on 26 October 2009 and has confirmed to the Company that there are no circumstances connected with its resignation which it considers must be brought to the attention of the shareholders or creditors of the Company. In accordance with the Companies Act 2006 KPMG Audit Plc ("KPMG") has been appointed as auditors of the Company. Pursuant to Section 487 of the Companies Act 2006, a resolution is to be put to the forthcoming Annual General Meeting which, if passed, would result in the company not being required to appoint its auditors annually. KPMG would then continue as the company's auditors.

This report was approved by the Board on 20 April 2010 and was signed on its behalf by:

Phillip Monks
CEO

Independent Auditors' report to the members of Aldermore Bank PLC

We have audited the financial statements of Aldermore Bank PLC for the period ended 31 December 2009 set out on pages 14 to 43. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 11, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/UKNP.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2009 and of its loss for the period then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.-

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or

Independent Auditors' report to the members of Aldermore Bank PLC (continued)

- 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.

Richard Gabbertas (Senior Statutory Auditor)

For and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants

1 The Embankment

Neville Street

Leeds

LS1 4DW

20th April 2010

Profit and loss account
For the nine months ended 31 December 2009

	Notes	Nine months ended 31 December 2009	Year ended 31 March 2009
		£'000	£'000
Interest receivable			
Ongoing		3,771	7,139
Acquisitions – Base Commercial Mortgages Holdings Limited		1,376	-
– Absolute Invoice Finance Holdings Limited		828	-
	2	5,975	7,139
Interest payable	3	(4,060)	(3,023)
Net interest income		1,915	4,116
Fees and commissions receivable	4	1,446	360
Fees and commissions payable		(192)	-
Other operating income	5	895	178
Operating income		4,064	4,654
Analysed between:			
Continuing operations			
Ongoing		829	4,654
Acquisitions – Base Commercial Mortgages Holdings Limited		867	-
– Absolute Invoice Finance Holdings Limited		2,368	-
		4,064	4,654
Administrative expenses		(11,865)	(2,241)
Depreciation and amortisation		(459)	(133)
Provision for bad and doubtful debts	12	(4,636)	(2,880)
Amounts written off equity asset investments	13	-	(447)
Loss on ordinary activities before taxation	9	(12,896)	(1,047)
Taxation on loss on ordinary activities	10	(82)	195
Loss on ordinary activities after taxation		(12,978)	(852)

The notes and information on pages 17 to 43 form part of these financial statements

There are no recognised gains and losses other than the loss for the year.

Balance Sheet
As at 31 December 2009

	Notes	31 December 2009	31 March 2009
		£'000	£'000
Assets:			
Loans and advances to banks			
Repayable on demand	11	51,886	4,741
With agreed maturity dates or notice periods	11	31,600	18,504
		83,486	23,245
Loans and advances to customers	12	160,574	60,415
Equity shares	13	-	524
Asset backed securities	14	37,361	-
Tangible fixed assets	16	1,950	1,085
Intangible assets	17	7,633	-
Other assets	18	1,173	448
Prepayments and accrued income		2,542	327
Total assets		294,719	86,044
Liabilities:			
Deposits by banks, with agreed maturity dates	19	-	1,127
Customers accounts			
Repayable on demand	20	442	296
With agreed maturity dates or notice periods	20	229,138	65,761
		229,580	66,057
Other liabilities	21	7,035	414
Accruals and deferred income		5,002	560
Total Liabilities		241,617	68,158
Called up share capital	22	3,300	2,500
Share premium account	23	47,394	-
Profit and loss account	23	2,408	15,386
Equity shareholders' funds	24	53,102	17,886
Total liabilities and equity shareholders' funds		294,719	86,044

Memorandum items

	Notes	31 December 2009	31 March 2009
Contingent liabilities	27	-	68
Commitments	27	21,191	2,095

These financial statements were approved by the board of Directors on 20 April 2010 and were signed on its behalf by:

Phillip Monks

CEO

Registered Number: 00947662

The notes and information on pages 17 to 43 form part of the financial statements

Notes to the Financial Statements

1 Accounting policies

a) Accounting basis

The financial statements are prepared under the historical cost convention and are in accordance with applicable United Kingdom law, Accounting Standards (United Kingdom Generally Accepted Accounting Practice), and relevant British Banker's Association and Finance and Leasing Association Statements of Recommended Practice, which have been applied consistently.

b) Going concern

The financial statements have been prepared on a going concern basis. The Directors believe that they have a reasonable expectation that Aldermore has adequate resources to continue trade at current levels for the 12 months from the date these financial statements are approved. Aldermore has a robust balance sheet, a strong platform for growth and is actively supported by its investors. On this basis the Directors believe that it is appropriate to prepare the financial statements on a going concern basis.

c) Finance leases and hire purchase agreements

Interest receivable from finance leases and hire purchase agreements is credited to the profit and loss account to give a constant periodic rate of return on the net cash investment.

Investments in finance leases and hire purchase agreements are shown in the balance sheet as assets and represent the total rentals receivable less the income allocated to future periods.

d) Loan agreements

Interest receivable from fixed profile loan agreements is credited to the profit and loss account to give a constant periodic rate of return on the net cash investment over the life of the loan agreement. Interest from revolving loans is credited on an accrued basis.

Loan assets in the balance sheet represent the amount of total repayments receivable less the income allocated to future periods.

e) Invoice financing

Income comprises the fair value receivable for the provision of invoice financing services, net of value-added tax, and is recognised as follows:

i) *Interest income*

Aldermore charges its clients interest each day on the balance of their outstanding loan. This interest income is recognised in the profit and loss account as it is added to the clients' borrowings. Interest recognition is normally suspended once a customers loan is impaired and/or three months or greater in arrears.

ii) *Fee and related income*

Aldermore charges its clients a factoring fee for managing their sales ledgers. This fee is recognised on a straight line basis over the period in which the ledger management service is provided. Other fee income, which includes disbursements, is credited to the profit and loss account when the service has been provided or the disbursement expenditure incurred.

Notes to the Financial Statements (continued)

f) Provisions for loan losses

The policy regarding provisions and losses has been developed in accordance with the British Bankers Association SORP on advances. Provisions for finance agreements and loan losses are based on a year end appraisal of recoverability of all advances.

Specific provision is made against exposures which have been identified as bad or doubtful to reduce the carrying amount, including interest in arrears. A discount is also applied to the estimated realisable value following a forced sale. Bad debts are written-off in part or in whole when the extent of loss has been confirmed and there is no realistic prospect of recovery.

A general provision has been applied to loan balances not specifically provided for. Potential exposures are provided for against the clean book based the expected losses of each relevant line of business. The losses are provided for as a percentage for of the loan book. This percentage is reviewed and adjusted accordingly as economic and market conditions change.

g) Consolidation

Aldermore has taken advantage of the exemption, allowed under section 400 of the Companies Act 2006, not to prepare group accounts as it is wholly owned subsidiary of Aldermore Bank Holdings Limited a company incorporated in England and Wales and is included in the consolidated accounts of the ultimate parent AC Acquisitions Limited. Accordingly the financial statements represent a true and fair view of the company only and not of the group of which it is an intermediate parent.

h) Tangible fixed assets and depreciation

Tangible fixed assets, other than freehold land, are stated at cost less accumulated depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, other than equipment held for use in operating leases, at rates calculated to write off the cost of each asset on a straight-line basis over its expected useful life, as follows:

Fixtures, fittings and equipment	-	5 years
Computers	-	4 years
Motor vehicles	-	5 years
Freehold buildings	-	50 years

Equipment held for use in operating leases is written down to its estimated residual value on a straight-line basis over the period of the underlying lease agreement.

i) Fees and commissions receivable and payable

The policy regarding fees and commissions has changed during the period previously being expensed directly to the profit and loss account. They are now amortised over the period of the loan to a maximum of five years. No prior year adjustment has been made as the amounts are not deemed material.

j) Rentals receivable under operating leases

Rental income from operating leases is recognised on a straight line basis over the lease term of the relevant lease.

Notes to the Financial Statements (continued)

k) Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Assets and liabilities held at the balance sheet date are translated into sterling at the exchange rates ruling at the balance sheet date. Exchange differences are charged or credited to the profit and loss account.

l) Taxation

Corporate tax payable is provided on taxable profits at the current rate, as reduced by losses surrendered by group undertakings at nil cost.

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the Balance Sheet date. Timing differences are differences between Aldermore's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not there will be suitable taxable profits from which the future of the underlying timing differences can be deducted. To date, no deferred tax asset has been recognised as there is insufficient certainty over the ability to use the amounts in the future.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantially enacted by the Balance Sheet date. Deferred tax is measured on a non-discounted basis.

m) Pension costs

The cost of providing retirement pensions is charged to the profit and loss account at the amount of the defined contributions payable for each year. Differences between contributions payable and those actually paid are shown as accruals or prepayments.

n) Segmental information

In the opinion of the Directors, Aldermore has several lines of business in a variety of geographical locations within the UK. Aldermore is not required to present segmental information.

o) Equity shares and asset backed securities

Shares and securities intended for use on a continuing basis in Aldermore's activities are classified as investment securities. Such shares and securities are stated at cost less provision for any impairment in value.

p) Impairment of assets

The carrying amounts of the Group's assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its income-generating unit exceeds its recoverable amount. Impairment losses are recognised in the profit and loss account unless it arises on a previously revalued fixed asset. An impairment loss on a revalued fixed asset is recognised in the profit and loss account if it is caused by a clear consumption of

Notes to the Financial Statements (continued)

p) Impairment of assets (continued)

economic benefits. Otherwise impairments are recognised in the statement of total recognised gains and losses until the carrying amount reaches the asset's depreciated historic cost.

Impairment losses recognised in respect of income-generating units are allocated first to reduce the carrying amount of any goodwill allocated to income-generating units, then to any capitalised intangible asset and finally to the carrying amount of the tangible assets in the unit on a pro rata or more appropriate basis. An income generating unit is the smallest identifiable group of assets that generates income that is largely independent of the income streams from other assets or groups of assets.

Calculation of recoverable amount

The recoverable amount of fixed assets is the greater of their net realisable value and value in use. In assessing value in use, the expected future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the rate of return expected on an equally risky investment. For an asset that does not generate largely independent income streams, the recoverable amount is determined for the income-generating unit to which the asset belongs.

Reversals of impairment

An impairment loss is reversed on intangible assets and goodwill only if subsequent external events reverse the effect of the original event which caused the recognition of the impairment or the loss arose on an intangible asset with a readily ascertainable market value and that market value has increased above the impaired carrying amount. For other fixed assets where the recoverable amount increases as a result of a change in economic conditions or in the expected use of the asset then the resultant reversal of the impairment loss should be recognised in the current period.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

q) Goodwill

Goodwill arising on acquisitions prior to 31 December 1997 was set off directly against reserves. Goodwill previously eliminated against reserves has not been reinstated on implementation of FRS 10.

Positive goodwill arising on acquisitions since 1 January 1998 is capitalised, classified as an asset on the balance sheet and amortised on a straight line basis over its useful economic life up to a presumed maximum of 20 years. It is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

If a business is subsequently sold or closed, any goodwill arising on acquisition that was written off directly to reserves or that has not been amortised through the profit and loss account is taken into account in determining the profit or loss on sale or closure.

r) *Fair value adjustments on acquisition*

The fair value adjustment arising on acquisition is unwound in the profit and loss account within interest receivable over the expected remaining life of of the instrument to which it relates. At each reporting date, an assessment is made as to whether there is any indication that the amount of adjustment unwound is inappropriate given the expected remaining life any potential impairment.

Notes to the Financial Statements (continued)

s) True and fair view override

During the nine months to 31 December 2009 Aldermore Bank plc purchased two companies; Base Commercial Mortgages Holdings Limited and Absolute Invoice Finance Holdings Limited. The trade and assets of both companies were transferred to Aldermore upon acquisition via a dividend in specie transfer. The accounting treatment would normally be to show the dividend income relating to each transaction equal to the value of the acquisition and a corresponding write down in the value of the investment in subsidiary. In the case of Base Commercial Mortgages Holdings Limited this would show dividend income and write down of investment in subsidiary of £35.7m and for Absolute Invoice Finance Holdings Limited the value is £25.4m. To show these transactions would provide an inaccurate view of the Company; abnormally inflating income and costs.

To show a true and fair value in the financial statements these transactions are not shown. There is no impact on the overall loss shown in the profit and loss account.

t) Leasing – as lessee

Leases of property, plant and equipment where Aldermore has substantially all the risks and rewards of ownership are classified as finance leases. Assets held under finance leases or hire purchase contracts are capitalised on inception of the agreement at an amount equal to their fair value or, if lower, the present value of the minimum lease payments. The interest element of the lease cost is charged to the profit and loss account, within other operating expenses, over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Liabilities under finance leases and hire purchase contracts are included within other liabilities in the balance sheet.

Property, plant and equipment acquired under finance leases or hire purchase contracts is depreciated over the shorter of the period of the agreement and the estimated useful lives of the assets.

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases, net of any incentives received from the lessor, are charged to the profit and loss account, within other operating expenses or staff costs (in case of company cars), on a straight line basis over the period of the lease.

u) Investments in subsidiaries

Investments in subsidiaries are initially recognised at cost. Aldermore recognised income from the investment only to the extent that it received distributions from post-acquisition accumulated profits. Distributions received in excess of such profits are regarded as a recovery of investment and recognised as a reduction in the cost of the investment. At each reporting date, an assessment is made as to whether there is any indication that the investment may be impaired. If such an indication exists, Aldermore estimates the investment's recoverable amount. The investment is written down to the recoverable amount if this is lower that its carrying value. The impairment loss is recognised in the profit and loss account within other operating expenses.

v) *Cash flow*

Aldermore has taken advantage of the exemption in Financial Reporting Standard No. 1 (Revised 1996) from the requirement to produce a cash flow statement on the grounds that it is a subsidiary undertaking where 90 percent of the voting rights are controlled within the group.

Notes to the Financial Statements (continued)

w) Asset backed securities

Asset backed securities are investments held to maturity. Where they have been purchased at a discount the discount is accreted in line with the capital payments received. A fair value review is undertaken periodically to ensure that the assets are shown at their correct value. The amortisation of premium and discounts is included in interest income.

x) *Derivatives*

Derivatives are entered into which are solely interest rate swaps. Derivatives are entered into for the purpose of hedging risk from potential movements in interest rates inherent in the company's non-trading assets and liabilities.

A derivative is designated as non-trading where there is an offset between the effects of potential movements in market rates of the derivative and the designated asset or liability being hedged. Non-trading derivatives are reviewed regularly for their effectiveness as hedges. Non-trading derivatives are accounted for on an accruals basis, consistent with the asset or liability being hedged. Income and expenses on non-trading derivatives are recognised as they crystallise as an adjustment to interest.

2 Interest Receivable

	Nine months ended 31 December 2009 £'000	Year ended 31 March 2009 £'000
Continuing operations:		
Ongoing	3,771	7,139
Acquisitions – Base Commercial Mortgages Holdings Limited	1,376	-
Acquisitions – Absolute Invoice Finance Holdings Limited	828	-
	5,975	7,139

3 Interest Payable

	Nine months ended 31 December 2009 £'000	Year ended 31 March 2009 £'000
Continuing operations:		
Ongoing	3,066	3,023
Acquisitions – Base Commercial Mortgages Holdings Limited	666	
Acquisitions – Absolute Invoice Finance Holdings Limited	328	-
	4,060	3,023

Notes to the Financial Statements (continued)

4 Fees and Commissions receivable

	Nine months ended 31 December 2009 £'000	Year ended 31 March 2009 £'000
Continuing operations:		
Ongoing	139	360
Acquisitions – Base Commercial Mortgages Holdings Limited	137	-
Acquisitions – Absolute Invoice Finance Holdings Limited	1,170	-
	1,446	360

5 Other operating income

	Nine months ended 31 December 2009 £'000	Year ended 31 March 2009 £'000
Continuing operations:		
Ongoing	86	178
Acquisitions – Base Commercial Mortgages Holdings Limited	20	-
Acquisitions – Absolute Invoice Finance Holdings Limited	789	-
	895	178

6 Staff costs

	Nine months ended 31 December 2009 £'000	Year ended 31 March 2009 £'000
Wages and salaries	3,444	1,243
Social security costs	461	141
Other pension costs	104	45
	4,009	1,429

The average number of persons employed by the company during the period, including non-executive Directors, was 72 (year ended 31 March 2009: 26).

Notes to the Financial Statements (continued)

7 Directors' emoluments

	Nine months ended 31 December 2009 £'000	Year ended 31 March 2009 £'000
The remuneration of the Directors of the company was:		
Emoluments (including benefits in kind)	889	544
Bank contributions to Directors' individual personal pension plans	12	25
Share incentives	123	-
	1,024	569
Fees paid to third parties in respect of service as a director	-	15

The company made payments to 4 (year ended 31 March 2009: 2) Directors' individual personal pension plans during the period. During the period the following Directors were given the option to acquire shares at a discount to market value. These discounted shares vested immediately giving rise to a charge of £123k.

- DP Monks - 1,415,897 shares at a discount

Highest paid director

The above amounts for remuneration include the following in respect of the highest paid director.	Nine months ended 31 December 2009 £'000	Year ended 31 March 2009 £'000
Emoluments	259	169
Bank contributions to director's individual personal pension plan	3	11
Share incentives	123	-
	385	180

8 Pension and other post-retirement benefit commitments

Defined Contributions

Aldermore operates two defined contribution pension schemes. The assets of the schemes are held separately from those of Aldermore in independently administered funds. Pension contributions of £103,243 (year ended 31 March 2009: £25,979) were charged to the profit and loss account during the period in respect of these schemes. Aldermore made payments amounting to £20,342 (year ended 31 March 2009: £19,594) to certain employees' individual personal pension plans during the period. There were outstanding contributions of £24,706 at the period end (31 March 2009: £3,994).

Notes to the Financial Statements (continued)

9 Loss on ordinary activities before taxation

	Nine months ended 31 December 2009	Year ended 31 March 2009
This is arrived at after charging/(crediting):	£'000	£'000
Operating lease rentals	118	110
Profit on sale of fixed assets	(5)	(2)
Interest payable on		
- deposits by banks	4	55
- customer accounts	4,056	2,968
Fees payable to the company's auditors for audit services	151	33
Fees payable to the company's auditors for tax services	38	7
Fees payable to the company's auditors for other services	58	11
Exchange differences	(10)	5
Loss on sale of assets to former director (see note 29)	131	-

In the nine months ending 31 December 2009, bank payroll tax of £51,000 was provided for in respect of bonus payments in excess of the £25,000 threshold. The total value of these bonuses was £177,000 and related to three Directors of the Group

10 Taxation

	Nine months ended 31 December 2009 £'000	Year ended 31 March 2009 £'000
(i) Analysis of tax charge on ordinary activities:		
Current tax on profits of the year	-	-
Adjustment in respect of prior years	-	(165)
Total current tax (credit)/charge	-	(165)
Deferred tax:		
Origination and reversal of timing differences	82	(30)
	-	(30)
Taxation on (loss) on ordinary activities	82	(195)

Notes to the Financial Statements (continued)

(ii) Factors affecting tax charge for the current year:

The tax assessed for the period is different to that resulting from applying the standard rate of corporation tax in the UK of 28% (March 2009: 28%). The differences are explained below:

	Nine months ended 31 December 2009 £'000	Year ended 31 March 2009 £'000
(Loss) on ordinary activities before tax	(12,896)	(1,047)
Tax at 28% (March 2009: 28%) thereon	(3,611)	(293)
Effects of:		
Movements on provisions	387	1
Expenses not deductible for tax purposes	145	146
Capital allowances less than depreciation	95	29
Losses carried back to previous year	-	125
(Over)/under provision in respect of previous years	-	(165)
Non taxable income	-	(8)
Losses carried forward	7,314	
Deferred tax assets transferred in	(4,479)	-
Depreciation written back	149	-
Current tax (credit)/charge for year	-	(165)

(iii) Deferred tax asset

Movement on deferred taxation balance in the period	Nine months ended 31 December 2009 £'000	Year ended 31 March 2009 £'000
Opening balance	82	52
(Charge)/credit to profit and loss account	(82)	30
Closing balance	-	82

Notes to the Financial Statements (continued)

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not there will be suitable taxable profits from which the future of the underlying timing differences can be deducted. To date, no deferred tax asset has been recognised as there is insufficient certainty over the ability to use the amounts in the future. Losses relating to the acquired Base Commercial Mortgages Holdings business and the Absolute Invoice Finance Holdings business of £11.1m in total have not been reflected by a deferred tax asset as there is insufficient certainty over the ability to use the amounts in the future.

(iv) Analysis of recognised deferred tax balance	Nine months ended 31 December 2009 £'000	Year ended 31 March 2009 £'000
Capital allowances less than depreciation	-	81
Short term timing differences	-	1
Closing balance	-	82

(v) Analysis of unrecognised deferred tax balance	Nine months ended 31 December 2009 £'000	Year ended 31 March 2009 £'000
Capital allowances less than depreciation	210	-
Short term timing differences	388	-
Losses carried forward	7,314	-
Closing balance not recognised	7,912	-

11 Loans and advances to banks

	31 December 2009 £'000	31 March 2009 £'000
Repayable on demand	51,886	4,741
Repayable in not more than three months	31,600	18,504
	83,486	23,245

There were no general or specific doubtful debt provisions against deposits with banks.

Notes to the Financial Statements (continued)

12 Loans and advances to customers

	31 December 2009 £'000	31 March 2009 £'000
Repayable in not more than three months	109,810	31,821
Repayable in more than three months but not more than one year	15,799	22,324
Repayable in more than one year but not more than five years	16,193	9,865
Repayable in more than five years	30,469	-
Specific and general doubtful debt provisions	(11,697)	(3,595)
	160,574	60,415
Amounts include:		
Repayable on demand or at short notice	104,348	18,677
Non-performing loans and advances to customers:		
- loans and advances before provisions	25,376	19,157
- loans and advances after provisions	14,615	15,562

Specific and general doubtful debt provisions

Nine months ended 31 December 2009	Specific £'000	General £'000	Total £'000
31 March 2009	3,595	-	3,595
Purchases as part of acquisition	7,103	255	7,358
Written off	(3,893)	-	(3,893)
Charge to profit and loss account	3,956	680	4,636
31 December 2009	10,761	935	11,696

Year ended 31 March 2009	Specific £'000	General £'000	Total £'000
31 March 2008	1,054	-	1,054
Written off	(339)	-	(339)
Charge/(credit) to profit and loss account	2,880	-	2,880
31 March 2009	3,595	-	3,595

Notes to the Financial Statements (continued)

12 Loans and advances to customers (continued)

Loans and advances to customers comprise:	31 December 2009 £'000	31 March 2009 £'000
Invoice financing	79,712	-
Investment in finance leases	8,542	131
Investment in hire purchase agreements	10,108	15,389
	98,362	15,520
Loans	62,212	44,895
	160,574	60,415

Loans include commercial mortgage balances that were acquired from Base Commercial Mortgages Holdings Limited on 20 May 2009. The value of loans acquired was £35,132k. As at 31 December 2009 a fair value adjustment reducing these assets by £6,160k had been recognised in these financial statements.

In respect of finance leases and hire purchase agreements, details of the original cost of assets acquired during the period and the gross amount of rentals receivable in the period are analysed as follows:

	Assets purchased		Rentals receivable	
	Nine months ended 31 December 2009 £'000	Year ended 31 March 2009 £'000	Nine months ended 31 December 2009 £'000	Year ended 31 March 2009 £'000
Finance leases	9,935	46	1,322	112
Hire purchase agreements	6,280	14,543	1,645	13,526
	16,215	14,589	2,967	13,638

There is no residual value in relation to these leases.

Notes to the Financial Statements (continued)

13 Equity shares

	31 December 2009 £'000	31 March 2009 £'000
Equity investment securities at cost less provision for impairment		
Listed	-	85
Unlisted	-	439
	-	524
Equity investment securities at market value		
Listed	-	43

	31 December 2009 £'000	31 March 2009 £'000
Equity investment securities at cost		
Cost		
1 April 2009	1,021	1,021
Additions	-	-
Disposals	(1,021)	-
31 December 2009	-	1,021
Impairment provision		
1 April 2009	497	50
Provisions	-	447
Disposals	(497)	-
31 December 2009	-	497
Book value		
31 March 2009	524	
31 December 2009	-	

On 20 May 2009 the investment securities were sold for £579,000 to a related party as referred to in note 29, realising a profit of £55,000.

Notes to the Financial Statements (continued)

14 Asset backed securities

	31 December 2009 £'000	31 March 2009 £'000
Asset backed securities at cost		
Cost		
1 April 2009	-	-
Additions	46,953	-
Capital repayments	(4,274)	-
31 December 2009	42,679	-
Impairment provision		
1 April 2009	-	-
Provisions	5,792	-
Accretion of discount on purchase	(474)	-
31 December 2009	5,318	-
Book value		
31 March 2009	-	
31 December 2009	37,361	

Notes to the Financial Statements (continued)

15 Investment in subsidiaries

	Shares in subsidiary undertakings
	£'000
Cost	
At 1 April 2009	-
Acquisitions	-
At 31 December 2009	-
Net book value	
At 31 December 2009	-
At 31 March 2009	-

Holdings of more than 20%

Aldermore holds more than 20% of the share capital of the following companies: (The aggregate amount of capital and reserves and the results of these undertakings for the last relevant period were as follows. Profit /(loss) refers to the period prior to acquisition by the Company.)

	Capital and reserves	Profit/ (loss) for year
	2009	2009
	£	£
Absolute Invoice Finance Holdings Limited	1	(1,367,302)
Base Commercial Mortgages Holdings Limited	2	8,163,089
Aldermore Nominees Limited (formerly Ruffler Bank Nominees Limited)	2	-

Company	Principal activity	Country of Incorporation	Shares Held	%
Principal subsidiary undertakings are as follows:				
Absolute Invoice Finance Holdings Limited	Dormant	England & Wales	Ordinary	100
Base Commercial Mortgages Holdings Limited	Dormant	England & Wales	Ordinary	100
Aldermore Nominees Limited (formerly Ruffler Bank Nominees Limited)	Dormant	England & Wales	Ordinary	100

The trade and assets of Absolute Invoice Finance Holdings Limited and Base Commercial Mortgages Holdings Limited and their subsidiaries were hived up upon acquisition, after which these companies became dormant.

Notes to the Financial Statements (continued)

16 Tangible fixed assets

	Freehold land and buildings £'000	Fixtures fittings and equipment £'000	Computers £'000	Motor vehicles £'000	Total £'000
Cost or valuation					
1 April 2009	1,087	368	159	23	1,637
Additions	-	6	677	-	683
AIF transfers in	-	156	249	207	612
Base Commercial transfers in	-	302	596	-	898
Disposals	(1,087)	-	-	-	(1,087)
31 December 2009	-	832	1,681	230	2,743
Depreciation					
1 April 2009	74	323	138	17	552
Disposals	(74)	-	-	-	(74)
Charge for the period	-	84	228	3	315
31 December 2009	-	407	366	20	793
Net book value					
31 December 2009	-	425	1,315	210	1,950
31 March 2008	1,013	45	21	6	1,085

On 20 May 2009 Aldermore sold freehold land and buildings with a net book value of £1,013k to Mr WR Ruffler, a director of the company.

Future capital expenditure

At 31 December 2009 there was £2,100,000 capital expenditure authorised but not contracted for or contracted but not provided for (31 March 2009: nil).

Notes to the Financial Statements (continued)

17 Intangible assets

	Goodwill 31 December 2009 £'000
Cost:	
At 1 April 2009	-
Acquisition of subsidiary undertakings	7,777
At 31 December 2009	7,777
Amortisation:	
At 1 April 2009	-
Provided during the period	144
At 31 December 2009	144
Net book value at 1 April 2009	-
Net book value at 31 December 2009	7,633

Goodwill arising on the acquisition of Base Commercial Mortgages Holdings Limited and goodwill arising on the acquisition of Absolute Invoice Finance Holdings Limited is being amortised evenly over their presumed useful economic life of 20 years.

18 Other assets

	31 December 2009 £'000	31 March 2009 £'000
Corporation tax	343	343
Deferred tax asset	-	82
Other	830	23
	1,173	448

Notes to the Financial Statements (continued)

19 Deposits by banks

	31 December 2009 £'000	31 March 2009 £'000
Repayable in more than three months but not more than one year	-	1,127

20 Customer accounts

	31 December 2009 £'000	31 March 2009 £'000
Repayable on demand	442	296
Repayable in not more than three months but not on demand	42,907	32,147
Repayable in more than three months but not more than one year	39,068	24,525
Repayable in more than one year but not more than five years	147,163	9,089
	229,138	65,761
	229,580	66,057

21 Other liabilities

	31 December 2009 £'000	31 March 2009 £'000
Trade creditors	2,019	95
Other taxation and social security costs	1,060	83
Other creditors	3,956	236
	7,035	414

Other creditors comprise the following:

	31 December 2009 £'000	31 March 2009 £'000
Fee creditors	139	-
Obligations under finance leases	233	-
Unallocated cash	3,584	-
Other	-	236
	3,956	236

Notes to the Financial Statements (continued)

22 Share capital

	31 December 2009 £'000	31 March 2009 £'000
Authorised share capital		
Ordinary shares of £1 each		
At 1 April 2009	5,000	5,000
Issued during the period	-	-
Total	5,000	5,000

	31 December 2009 £'000	31 March 2009 £'000
Allotted, called up and fully paid		
Ordinary shares of £1 each		
At 1 April 2009	2,500	2,500
Issued during the period	800	-
Total	3,300	2,500

On 20 May 2009 the company issued 600,000 ordinary shares for a consideration of £59.49 per share and 200,000 ordinary shares for a consideration of £62.50 per share.

23 Reconciliation of movements in reserves

	Share premium account £'000	Profit and loss account £'000
1 April 2009	-	15,386
Loss for the period	-	(12,978)
Share issued during period	47,394	-
31 December 2009	47,394	2,408

Notes to the Financial Statements (continued)

24 Reconciliation of movements in shareholders' funds

	Nine months ended 31 December 2009 £'000	Year ended 31 March 2009 £'000
Loss for the period	(12,978)	(852)
Shares issued in the period	800	-
Share premium	47,394	-
Net additions/(deductions) to shareholders' funds	35,216	(852)
Opening shareholders' funds	17,886	18,738
Closing shareholders' funds	53,102	17,886

25 Financial commitments

At 31 December 2009 the company was committed to making the following payments under non-cancellable operating leases in the year to 31 December 2010.

	Land and Buildings	
	31 December 2009 £000	31 March 2009 £000
Land and buildings		
Operating leases which expire:		
In less than one year	24,891	-
Between two and five years	368,952	-
In over five years	208,900	110,000
	602,743	110,000

26 Acquisitions

On 20 May 2009, the company acquired all of the assets and liabilities of Base Commercial Mortgages Holding Limited. The acquisition was done in two stages: firstly, Aldermore Bank PLC acquired the shares of the company in a share-for-share exchange from Aldermore Holdings Limited and, secondly, the assets and liabilities were hived-up into Aldermore Bank PLC. The Directors have assessed the fair value of assets and liabilities at the date of acquisition. Taking into consideration the quality of loans and market conditions, they valued the commercial mortgage book at 76.5pence in the pound and reduced the fair value of the commercial mortgage book to £26.9m compared to the book value of £35.1m. The servicing platform which was fully impaired by Base Commercial Mortgages Holding Limited at the end of 2008 was restated to the net book value as though had it not been impaired previously.

On 17 November 2009, the company acquired all of the assets and liabilities of Absolute Invoice Finance Holdings Limited. The acquisition was done in two stages: firstly, Aldermore Bank PLC acquired the shares of the company in for cash and, secondly,

Notes to the Financial Statements (continued)

the assets and liabilities were hived-up into Aldermore Bank PLC. The Directors have provisionally assessed the fair value of assets and liabilities at the date of acquisition and consider them to be the same as book value.

The trade and assets of both companies were transferred to Aldermore upon acquisition via a dividend in specie transfer.

	Absolute Invoice Finance Holdings Limited book value £'000	Base Commercial Mortgages Holdings Limited book value at acquisition £'000	Base Commercial Mortgages Holdings Limited fair value adjustments £'000	Base Commercial Mortgages Holdings Limited book value £'000
Fixed assets:				
Tangible assets	274	258	640	898
Current assets:				
Debtors	78,998	36,858	(6,160)	30,698
Cash at bank in hand	10,560	2,435	-	2,435
Total assets	89,832	39,551	-	34,031
Creditors	(67,607)	(2,897)	-	(2,897)
Net assets acquired	22,225	36,654	(5,520)	31,134
Consideration	25,442			35,694
Net assets acquired	22,225			31,134
Goodwill arising on acquisition	3,217			4,560

	Period to 17 November 2009 £'000	Period to 20 May 2009 £'000
Turnover	1	654
Operating Profit/(loss)	1	675
Realised profit	-	9,011
Other Costs	(1,368)	(1,523)
Profit (loss) on ordinary activities before taxation	(1,367)	8,163

Notes to the Financial Statements (continued)

27 Memorandum items

At 31 December 2009, Aldermore had contingent liabilities of £Nil (March 2009: £68,000). These relate to guarantees made to third parties on behalf of customers.

At 31 December 2009, Aldermore had undrawn commitments of £21,191,000 (March 2009: £2,095,000). These relate to irrevocable lines of credit granted to customers.

28 Assets and liabilities denominated in foreign currency

As at 31 December 2009, there were assets of £989,809 (31 March 2009: £1,739,000) and liabilities of £1,752,000 (March 2009: £1,752,000) denominated in Euros. There were assets of £101,765 (March 2009: £1,000) denominated in US Dollars. There were no other foreign currency assets or liabilities at the balance sheet date.

29 Related parties

Aldermore has taken advantage of the exemption conferred by Financial Reporting Standards 8 'Related Party Disclosures' not to disclose transactions with members of the group headed by AC Acquisitions Limited on the grounds that at least 90% of the voting rights are controlled within that group and the company is included in consolidated financial statements.

Certain Directors and shareholders of the immediate parent undertaking and Directors of the company, in their capacities as individuals, trustees, Directors of other companies or members of pension schemes, are interested in deposit and loan account with and fees paid to the company; such accounts and services have been operated by the company on commercial terms and conditions.

The company is ultimately controlled by AnaCap Financial Partners LP and AnaCap Financial Partners II LP who are the main shareholders. The following transactions took place with companies under their common control.

Aldermore Bank PLC agreed to make a term loan facility of £953,728.94 repayable by monthly instalments of capital and interest available to Apex Credit Management Limited ('Apex') on standard commercial terms to assist with the costs of moving to new larger premises to administer its growing business. The loan is secured on a debenture over all the assets of Apex but postponed to give Apex bankers (HSBC) priority for the facilities they make available. The loan was completed on 28th August 2009.

Aldermore Bank PLC provides a £5m Block Discounting facility to Syscap Limited. The facility commenced on the 14 September 2009 is secured by underlying blocks of short term loans primarily to solicitor's practices which are funded at a discount to the face value of the loans. The facility is priced at 5% over 6 month Libor and committed over a 1 year period with appropriate conditions relating to performance, non-performing deal substitution rights and default provisions. At 31 December 2009 the balance outstanding under the facility was £2,288k .

Third party business is introduced to Aldermore Bank PLC by Syscap Limited, under various Programme Agreements, including a Wholesale Funding Facility entered into on 28 September 2009 but these do not result in any lending by Aldermore Bank PLC to Syscap Limited.

On 20 May 2009 the company sold the freehold land and buildings, investments and certain loan assets, valued at £12 million, to Mr WR Ruffler, a director of the company. The company made a loss of £189,724 on the loans, a profit of £55,020 on the investments and a profit of £3,340 on the land and buildings.

30 Financial instruments

Aldermore's financial instruments comprise borrowings from banks, customer deposits, loans to customers and cash held at banks. All these arise as a result of Aldermore's normal operations. Aldermore does not enter transactions for speculative purposes and

Notes to the Financial Statements (continued)

30 Financial instruments (continued)

accordingly a note of instruments held for trading has not been provided. From time to time, Aldermore may use interest rate derivatives such as swaps to manage part of its interest rate risk.

The main risks arising from Aldermore's financial instruments are credit risk, liquidity risk and interest rate risk. The Directors review and agree policies for managing each of these risks and these are summarised as follows.

Credit risk

Credit risk is the risk that a loss may occur from the failure of another party to perform according to the terms of a contract. Credit risk is the principal risk encountered by Aldermore. Credit risk principally arises from lending activities, but can also arise from other on and off balance sheet activities such as the issue of guarantees. Aldermore manages its credit risk by limiting its exposure to certain sectors of business, by carrying out appropriate checks on its customers and taking appropriate security to protect itself in the event of a default. All exposures are allocated a risk grading which are revised quarterly by the Board in conjunction with a review of specific provisions. Should any event occur between these reviews which indicates a provision is clearly needed than a provision will be made without waiting for the quarterly review process.

Liquidity risk

Liquidity risk is the risk that an entity encounters difficulty in realising assets or otherwise raising funds to meet commitments associated with liabilities or financial obligations. There is a requirement to keep a balance between the funding maturity profile and the funding requirements derived from the run off of the loans receivable. Although Aldermore is significantly funded from shareholder's funds, the gap between the deposit maturity profile and the loanbook maturity profile is kept to within agreed limits. Aldermore has uncommitted overdraft facilities. Aldermore has always met its own and FSA requirements with significant headroom. Aldermore monitors closely the profile of deposits and has the flexibility to quickly amend the interest rates on offer to rebalance the profile of deposits in the prevailing market conditions.

Fair Value Disclosure

Aldermore does not trade in financial instruments. Set out below is a comparison of book values and fair values of Aldermore's financial liabilities and non-trading derivatives used for hedging and funding purposes.

Asset	*Book Value 31 December 2009 £'000*	*Fair Value 31 December 2009 £'000*	*Book Value 31 March 2009 £'000*	*Fair Value 31 March 2009 £'000*
On balance sheet instruments				
Asset Backed Securities	37,361	38,509	-	-
Equity Shares	-	-	524	482
Off balance sheet instruments				
Interest rate swaps	-	1,032	-	-
Total	37,361	39,541	524	482

Notes to the Financial Statements (continued)

30 Financial Instruments (continued)

Gains and losses arising from derivatives used to hedge financial risks are not recognised within interest receivable until the exposure that is being hedged is itself recognised. Unrealised gains arising from derivatives and the movements therein are shown in the table below. There were no unrealised losses during the period.

	Unrecognised gains £000
Unrecognised at the start of the period	-
Gains arising during the nine months	1,695
Gains recognised during the year	(663)
Unrecognised gains at the end of year	1,032
Expected to be realised in the year ending 31 December 2010	1,032
Expected to be realised after 31 December 2010	-
	1,032

The sterling nominal value of interest rate swaps at 31 December 2009 totalled £124 million (31 March 2009: Nil). The swap maturities match the maturity of the instruments being hedged with a maximum maturity of 5 years

Market values have been used to determine the fair value of all swaps. The fair values of all other items have been calculated by discounting expected future cash flows at prevailing interest rates.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates.

Aldermore finances its loan book from its capital base and customer deposits. At present a minority of Aldermore's lending to customers is at fixed rates or subject to a minimum fixed rate (set with reference to the market at the time the loan is made) whilst in excess of 87% of customer's deposits are at fixed rates. At present Aldermore has a deposit base with an average maturity in excess of 2 years, and has a minimal level of controlled maturity mismatching. The table below summarises the repricing mismatches on Aldermore's non-trading book as at 31 December 2009. Items are allocated to time bands by reference to the earlier of the next contractual interest rate repricing date and the maturity date.

Notes to the Financial Statements (continued)

30 Financial Instruments (continued)

The table below summarises the repricing mismatches on Aldermore's non-trading book as at 31 December 2009.

31 December 2009	Not more than three months £'000	More than three months but not more than six months £'000	More than six months but not more than one year £'000	More than one year but not more than five years £'000	More than five years £'000	Non-interest bearing £'000	Total £'000
Loans & advances to banks	83,486	-	-	-	-	-	83,486
Asset backed securities	37,361	-	-	-	-	-	37,361
Loans & advances to customers	136,594	8,816	4,425	10,695	44	-	160,574
Other assets	-	-	-	-	-	13,298	13,298
Total assets	257,441	8,816	4,425	10,695	44	13,298	294,719
Deposits by banks	-	-	-	-	-	-	-
Customer accounts	43,347	3,641	35,428	147,164	-	-	229,580
Other liabilities	-	-	-	-	-	12,037	12,037
Shareholders funds	-	-	-	-	-	53,102	53,102
Total liabilities	43,347	3,641	35,428	147,164	-	65,139	294,719
Interest rate sensitivity gap	214,094	5,175	(31,003)	(136,469)	44	(51,841)	-
Cumulative gap	214,094	219,269	188,266	51,797	51,841	-	-

Notes to the Financial Statements (continued)

The table below summarises the repricing mismatches on Aldermore's non-trading book as at 31 March 2009.

31 March 2009	Not more than three months £'000	More than three months but not more than six months £'000	More than six months but not more than one year £'000	More than one year but not more than five years £'000	More than five years £'000	Non-interest bearing £'000	Total £'000
Loans & advances to banks	23,245	-	-	-	-	-	23,245
Loans & advances to customers	30,309	7,151	13,859	9,096	-	-	60,415
Other assets	-	-	-	-	-	2,384	2,384
Total assets	53,554	7,151	13,859	9,096	-	2,384	86,044
Deposits by banks	-	1,127	-	-	-	-	1,127
Customer accounts	38,828	2,174	15,988	9,067	-	-	66,057
Other liabilities	-	-	-	-	-	974	974
Shareholders funds	-	-	-	-	-	17,886	17,886
Total liabilities	38,828	3,301	15,988	9,067	-	18,860	86,044
Interest rate sensitivity gap	14,726	3,850	(2,129)	29	-	(16,476)	-
Cumulative gap	14,726	18,576	16,447	16,476	16,476	-	-

A positive interest rate sensitivity gap exists when more assets than liabilities reprice during a given period. A positive gap position tends to benefit net interest income in an environment where interest rates are rising. However, the actual effect will depend on a number of factors including actual repayment dates and interest rate sensitivities within the banding periods.

31 Ultimate parent undertaking

The ultimate parent company is AC Acquisitions Limited, a private limited company incorporated in England and Wales. This company is controlled by AnaCap Derby co-investment (No.1) L.P (39%) – which is an investment of Morgan Stanley, AnaCap Financial Partners II LP (10.4%) and AnaCap Financial Partners L.P (48%). The immediate parent undertaking is Aldermore Holdings Limited (formerly Ruffler Holdings Limited), a private limited company incorporated in England and Wales. Consolidated accounts are produced by AC Acquisitions Limited and copies are available to the public from the company's registered office at Stamford House, 27A Floral Street, London, WC2E 9EZ or Companies House, London.

32 Post balance sheet events

On the 23 February 2010 AnaCap Derby Co-Investment (No. 1) L.P and AnaCap Financial Partners II LP invested a further £20m in the ultimate parent AC Acquisitions Limited. This has been invested in Aldermore Bank PLC via a subscription of ordinary share capital.

On the 2 March 2010 Aldermore acquired the assets and employees of Heritable Asset Finance for £23.0m. The book value of assets acquired was £27.6m.