In this section

Statement of Directors' responsibilities	132
Independent auditor's report	133
Consolidated financial statements	137
Notes to the consolidated financial statements	142
The Company financial statements	182
Notes to the Company financial statements	185

Statement of Directors' responsibilities in respect of the Annual Report and Accounts and the financial statements

The Directors are responsible for preparing the Annual Report and Accounts and the Group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and parent company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the parent company financial statements on the same basis.

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 Group and parent company and of their profit or loss for that period. In preparing each of the Group and parent company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the parent company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic report, Directors' Report, Remuneration Report and Corporate governance statement that complies with that law and those regulations.

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.

Responsibility statement of the Directors in respect of the annual financial report

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the Strategic report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

We consider the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's position and performance, business model and strategy.

Phillip Monks
Chief Executive Officer

9 March 2016

Independent auditor's report to the members of Aldermore Group PLC only

Opinions and conclusions arising from our audit

1 Our opinion on the financial statements is unmodified

We have audited the financial statements of Aldermore Group PLC for the year ended 31 December 2015 set out on pages 137 to 186. In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2015 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

2 Our assessment of risks of material misstatement

In arriving at our audit opinion above on the financial statements the risks of material misstatement that had the greatest effect on our audit were as follows:

Impairment of loans and advances to customers

Refer to page 65 (Audit Committee Report), page 146 (accounting policy), page 151 (Use of estimates and judgements) and note 20 (financial disclosures)

The Risk – The impairment provision relating to the Group's loan portfolios requires the Directors to make significant judgements and assumptions over the recoverability of loan balances.

The Group performs an assessment of its loans for impairment as described in note 3(a). The loan provision is most sensitive to assumptions made when assessing the collective provision, in particular in respect of the probability of default and the emergence period. This is because the Group has limited historical experience to support the assumptions made due to the relatively unseasoned nature of its loan portfolios underwritten during a relatively benign economic period.

To assess the probability of default, the Group uses a credit bureau to provide it with probabilities of default based on all available credit data for comparable borrowers. As a result, these probabilities are then adjusted (in almost all cases downwards) to reflect the Group's actual borrowers and the nature of its lending. The adjustments ("scalars") are based on Group's internal data, with the scalars incorporating a buffer to reflect the fact the Group's own historic data is limited.

The emergence period is assessed based on loans for which the Group is able to reliably measure the time between the trigger event occurring and the loans being identified as impaired. As the Group has limited historical data available, particularly in Asset Finance, the estimated emergence period is adjusted upwards (in the form of an overlay) and is based on market insight.

The Group's individual provisions can also require judgement, particularly in SME Commercial Mortgages and Asset Finance, where the valuation of collateral can be difficult to establish due to its specialised nature; as well as the exit strategy adopted, which can significantly impact the timing and value of the cash flows.

Our response – our audit procedures included:

- We tested the design, implementation and operating effectiveness of key controls over the capture, monitoring and reporting of loans and advances to customers.
- We assessed the accuracy of the impairment model for collectively assessed loans, with assistance from our IT specialists, by re-performing a sample of calculations produced by the impairment model and compared the methodology used to our interpretation of the requirements of the relevant accounting standards.
- For loans assessed collectively for impairment we:
  - considered the competency, reputation and objectivity of the credit bureau that provides the probabilities of default;
  - critically considered the assumptions made in respect of the probabilities of default (inclusive of the scalars) and the emergence periods against our understanding of the Group as well as our knowledge of the wider market;
  - considered the consistency of the probabilities of default (inclusive of the scalars) and the emergence periods with the limited historic internal data available; and
  - considered the accuracy of previous estimates of the collective provision.
- For a sample of exposures that were subject to an individual impairment assessment, and focusing on those with the most significant potential impact on the financial statements, we specifically challenged the Group's assumptions on the expected future cash flows, including the value of realisable collateral based on our own understanding and reviewing latest correspondence and valuations.
- We benchmarked the Group's key metrics, such as arrears trends and provision coverage, to externally available data, with particular focus on similar lending.
- We also considered compliance with the relevant accounting standards including the adequacy of the Group disclosures in relation to impairment.

Independent auditor's report to the members of Aldermore Group PLC only continued

Income Recognition

Refer to page 65 (Audit Committee Report), page 144 (accounting policy), page 153 (Use of estimates and judgements) and note 5 (financial disclosures)

The Risk – Measuring interest income on loans and advances to customers under the effective interest rate method (Note 2(a)) requires the Directors to apply judgements, with the most critical being the expected life assumption. A net credit of £0.4 million was recognised in the income statement during the year as a result of a change in the expected life assumptions.

The Group has a number of portfolios (including organic and acquired loans) across a variety of sectors and products which results in a large number of expected life assumptions. The sensitivity to a change in expected life can vary greatly over the portfolios depending on the underlying borrower and the other parameters also included in the effective interest rate calculation such as reversionary interest rates at the end of the fixed term, transaction costs and discounts or premia in place at inception.

The expected life assumptions utilise repayment profiles which represent how customers are expected to repay. The Group has limited historical experience to support these profiles due to the relatively unseasoned nature of its lending. Consequently, the Group makes its expected life assumptions based on its forecasting process which takes into account historical data but also, for the forecast period, the Group's expertise and experience in the sector. As such, any change in the expected life assumptions depend on the Directors' assessment of whether there is any emerging experience or market information that indicates a different repayment profile and by how much. As the forecast profiles extend significantly into the future this creates a high level of estimation uncertainty. As a result, the later years of the repayment profiles are removed when calculating any change in estimate because they are not considered sufficiently reliable.

In addition, repayment profiles will be affected by future changes in the market, for example, interest rates and the ability of borrowers to remortgage. This has the greatest impact on the acquired loan portfolios because repayments are linked to base rate with minimal incentive for the borrowers to remortgage until there is a change in interest rates. This means any change in the repayment profile causes the discount received on purchase of the acquired portfolios to be adjusted and spread over the revised expected life.

Our response – our audit procedures included:

- We agreed a sample of data inputs used to measure interest income, including the loans split by product type, to reports from the Group reporting system
- We tested application controls, with the involvement of IT specialists, over the completeness and accuracy of the reports
- We assessed the accuracy of the models by re-performing a sample of calculations and comparing the methodology used to our interpretation of the requirements of the relevant accounting standard
- We challenged the appropriateness of key assumptions, including the expected lives, by comparing these to the available historical customer trends within the Group, internal forecasts, and to our own expectations based on our knowledge of the Group and experience of the industry in which it operates. This included an assessment as to how far forward the forecast expected life profiles should be considered
- For comparable lending and where available, we benchmarked the Group's expected life assumptions to peer data and/or market information
- We also considered the adequacy of the Group's disclosures about the changes in estimate that occurred during the period and the sensitivity disclosure across the key loan books

Recoverability of the goodwill attributable to the Invoice Finance business (£4.1 million)

Refer to page 66 (Audit Committee Report), page 149 (accounting policy), page 154 (Use of estimates and judgements) and note 24 (financial disclosures)

The Risk – The Group tests the recoverable amount of the carrying value of the Invoice Finance cash generating unit ("CGU") annually for impairment (or sooner if there are indications of impairment). An impairment loss is recognised when its carrying amount exceeds its recoverable amount (which is the higher of its value in use ("VIU") and its fair value less costs of disposal ("FVLCD")). As explained in note 24, impairment testing requires the Directors to make significant assumptions to assess the recoverable amount.

A refocusing of the Invoice Finance business during the year has led to the Group revising its forecasts whilst the impact is fully assessed. This has significantly impacted the future cash flow assumptions used within the VIU calculation and as a result, the VIU calculation is highly sensitive to the following assumptions, net fee income, impairment losses on loans and advances to customers, indirect costs allocated to the CGU and the post tax discount rate.

If the assumptions included in the revised forecasts approved by the Board are used to calculate the VIU, then the goodwill would have been fully impaired. However, as explained in note 24, the Directors have recognised no impairment against the carrying value of the goodwill allocated to the Invoice Finance CGU. This is because the FVLCD have been determined to be greater than the carrying amount. This has required the Directors to make significant judgements and assumptions over the comparability of the CGU with recent disposals in the market.

Our response – our audit procedures included:

- We assessed the appropriateness of the goodwill impairment model, with assistance from our Valuation specialists, and compared the methodology used to our interpretation of the requirements of the relevant accounting standards and market practice
- We critically evaluated the cash flow forecasts and challenged the key assumptions including, net fee income, loan impairment, the level of indirect costs allocated to the CGU and that the post tax discount rate was reflective of the specific risks associated with the business to the extent such risks were not already reflected in the cash flow forecasts
- We compared the cash flow forecasts with the latest Board approved budget
- We evaluated the historical accuracy of the Group's forecasting ability by comparing the budget used in the prior years against actual performance of the business in the current year
- We critically evaluated recent disposals in this sector and their comparability with the Invoice Finance CGU
- We challenged the valuation methodology used by the Directors to determine the FVLCD and used alternative valuation techniques, including a Price to Earnings basis, taking into account reasonable levels of costs of disposal
- We challenged the recoverable amount by performing sensitivity analysis on both the VIU and FVLCD bases of calculation as well as assessing the differences between the VIU and FVLCD
- We also considered the adequacy of the Group's disclosures

3 Our application of materiality and an overview of the scope of our audit

The materiality for the Group financial statements as a whole was set at £3.0 million, determined with reference to a benchmark of Group profit before tax of £94.7 million, of which it represents 3.2 per cent.

We report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £0.15 million, in addition to other identified misstatements that warranted reporting on qualitative grounds.

The Group audit team performed the audit of the Group as if it was a single aggregated set of financial information. The audit was performed using the materiality level set out above and covered 100 per cent of total Group revenue, Group profit before tax, and total Group assets.

4 Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

In our opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006;
- the information given in the Strategic report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- information given in the Corporate Governance Statement set out on page 67 with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures is consistent with the financial statements.

5 We have nothing to report on the disclosures of principal risks

Based on the knowledge we acquired during our audit, we have nothing material to add or draw attention to in relation to:

- the Directors' statement of risk management, internal control and viability reporting on page 43, concerning the principal risks, their management, and, based on that, the Directors' assessment and expectations of the Group's continuing in operation over the three years to 31 December 2018; or
- the disclosures in Note 1 of the financial statements concerning the use of the going concern basis of accounting.

6 We have nothing to report in respect of the matters on which we are required to report by exception

Under ISAs (UK and Ireland) we are required to report to you if, based on the knowledge we acquired during our audit, we have identified other information in the annual report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

In particular, we are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our audit and the Directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy; or
- the Audit Committee Report does not appropriately address matters communicated by us to the Audit Committee.

Independent auditor's report to the members of Aldermore Group PLC only continued

6 We have nothing to report in respect of the matters on which we are required to report by exception continued

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Remuneration Report to be audited 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.
- a Corporate Governance Statement has not been prepared by the Company.

Under the Listing Rules we are required to review:

- the Directors' statements, set out on pages 79 and 43 respectively, in relation to going concern and longer-term viability; and
- the part of the Corporate Governance Statement on page 44 relating to the Company's compliance with the 11 provisions of the 2014 UK Corporate Governance Code specified for our review.

We have nothing to report in respect of the above responsibilities.

Scope and responsibilities

As explained more fully in the Directors' Responsibilities Statement set out on page 132, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate. This report is made solely to the Company's members as a body and is subject to important explanations and disclaimers regarding our responsibilities, published on our website at www.kpmg.com/uk/auditscopeukco2014a, which are incorporated into this report as if set out in full and should be read to provide an understanding of the purpose of this report, the work we have undertaken and the basis of our opinions.

Mike Peck

Michael Peck (Senior Statutory Auditor)
for and on behalf of KPMG LLP,
Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

9 March 2016

Consolidated income statement

For the year ended 31 December 2015

	Note	**Year ended 31 December 2015 £m**	Year ended 31 December 2014 £m
Interest income	5	**300.4**	227.8
Interest expense	6	**(101.5)**	(87.6)
Net interest income		**198.9**	**140.2**
Fee and commission income	7	**25.2**	26.4
Fee and commission expense	8	**(7.0)**	(7.8)
Net expense from derivatives and other financial instruments at fair value through profit or loss	9	**(2.1)**	(4.1)
Gains on disposal of available for sale debt securities		**2.3**	2.9
Other operating income	10	**7.4**	7.4
Total operating income		**224.7**	**165.0**
Provisions	32	**(2.3)**	(3.6)
Costs in respect of initial public offering	11	**(4.1)**	(6.0)
Other administrative expenses		**(107.9)**	(91.6)
Administrative expenses	11	**(114.3)**	(101.2)
Depreciation and amortisation	15	**(5.3)**	(3.9)
Operating profit before impairment losses		**105.1**	**59.9**
Impairment losses on loans and advances to customers	20	**(10.4)**	(9.6)
Profit before taxation		**94.7**	**50.3**
Taxation	17	**(16.4)**	(11.9)
Profit after taxation – attributable to equity holders of the Group		**78.3**	**38.4**
Basic earnings per share (pence)	18	**22.7**	13.0
Diluted earnings per share (pence)	18	**22.6**	12.9

The notes and information on pages 142 to 181 form part of these financial statements.

The result for the year is derived entirely from continuing activities.

Consolidated statement of comprehensive income

For the year ended 31 December 2015

	Year ended 31 December 2015 £m	Year ended 31 December 2014 £m
Profit after taxation	**78.3**	**38.4**
Other comprehensive (expense)/income:		
Items that may subsequently be transferred to the income statement:		
Available for sale debt securities:		
Fair value movements	**(0.9)**	3.5
Amounts transferred to the income statement	**(2.1)**	(2.5)
Taxation	**0.6**	(0.2)
Total other comprehensive (expense)/income	**(2.4)**	**0.8**
Total comprehensive income attributable to equity holders of the Group	**75.9**	**39.2**

The notes and information on pages 142 to 181 form part of these financial statements.

Consolidated statement of financial position

As at 31 December 2015

	Note	31 December 2015 £m	31 December 2014 £m
Assets			
Cash and balances at central banks		**105.3**	79.6
Loans and advances to banks	19	**94.2**	117.4
Debt securities	21	**606.1**	509.7
Derivatives held for risk management	22	**6.7**	8.2
Loans and advances to customers	20	**6,144.8**	4,801.1
Fair value adjustment for portfolio hedged risk		**1.1**	7.2
Other assets	26	**1.4**	3.3
Prepayments and accrued income	27	**5.1**	6.7
Deferred taxation	17	**16.4**	6.6
Property, plant and equipment	25	**3.4**	2.8
Intangible assets	24	**24.0**	22.6
Total assets		**7,008.5**	**5,565.2**
Liabilities			
Amounts due to banks	28	**405.1**	305.9
Customers' accounts	29	**5,742.0**	4,459.0
Derivatives held for risk management	22	**35.4**	54.2
Fair value adjustment for portfolio hedged risk		**(0.8)**	1.5
Other liabilities	30	**21.9**	18.6
Accruals and deferred income	31	**25.7**	21.1
Current taxation		**12.5**	8.1
Provisions	32	**1.1**	2.0
Debt securities in issue	33	**193.9**	279.1
Subordinated notes	34	**38.1**	36.8
Total liabilities		**6,474.9**	**5,186.3**
Equity			
Share capital	35	**34.5**	23.7
Share premium account	35	**73.4**	–
Contingent convertible securities	37	**74.0**	73.7
Capital redemption reserve		**0.1**	–
Warrant reserve		**–**	2.2
Available for sale reserve		**(1.0)**	1.4
Retained earnings		**352.6**	277.9
Total equity		**533.6**	**378.9**
Total liabilities and equity		**7,008.5**	**5,565.2**

The notes and information on pages 142 to 181 form part of these financial statements.

These financial statements were approved by the Board and were signed on its behalf by:

Phillip Monks
Director

9 March 2016
Registered number: 06764335

James Mack
Director

9 March 2016

Consolidated statement of cash flows

For the year ended 31 December 2015

	Note	**Year ended 31 December 2015 £m**	Year ended 31 December 2014 £m
Cash flows from operating activities			
Profit before taxation		**94.7**	50.3
Adjustments for non-cash items and other adjustments included within the income statement	38	**9.1**	(9.4)
(Increase) in operating assets	38	**(1,317.9)**	(1,487.8)
Increase in operating liabilities	38	**1,368.1**	962.8
Income tax paid		**(20.2)**	(9.7)
Net cash flows generated/(used in) from operating activities		**133.8**	**(493.8)**
Cash flows from investing activities			
Purchase of debt securities		**(414.0)**	(531.9)
Proceeds from sale and maturity of debt securities		**279.0**	346.2
Capital repayments of debt securities		**32.9**	48.2
Interest received on debt securities		**10.5**	11.2
Purchase of property, plant and equipment and intangible assets		**(7.3)**	(5.4)
Net cash (used in) investing activities		**(98.9)**	**(131.7)**
Cash flows from financing activities			
Proceeds from issue of shares		**75.0**	–
Issuance costs of Initial Public Offering		**(2.7)**	–
Proceeds from exercise of warrants		**5.6**	–
Capital repayments on debt securities issued		**(85.7)**	(52.8)
Debt securities issuance costs		**–**	(2.1)
Proceeds from issue of debt securities		**–**	333.3
Issuance costs of contingent convertible securities		**–**	(1.5)
Proceeds from issue of contingent convertible securities		**–**	75.1
Coupon paid on contingent convertible securities		**(3.5)**	–
Interest paid on debt securities		**(3.0)**	(2.5)
Interest paid on subordinated notes		**(5.2)**	(5.2)
Net cash from financing activities		**(19.5)**	**344.3**
Net increase/(decrease) in cash and cash equivalents		**15.4**	**(281.2)**
Cash and cash equivalents at start of the year	38	**134.0**	415.2
Movement during the year		**15.4**	(281.2)
Cash and cash equivalents at end of the year	38	**149.4**	**134.0**

Consolidated statement of changes in equity

For the year ended 31 December 2015

	Note	Share capital £m	Share premium account £m	Contingent convertible securities £m	Capital redemption reserve £m	Warrant reserve £m	Available for sale reserve £m	Retained earnings £m	Total £m
Year ended 31 December 2015									
As at 1 January		**23.7**	**–**	**73.7**	**–**	**2.2**	**1.4**	**277.9**	**378.9**
Total comprehensive income		**–**	**–**	**–**	**–**	**–**	**(2.4)**	**78.3**	**75.9**
Transactions with equity holders:									
– Capital reorganisation prior to IPO	35	**6.3**	**–**	**–**	**0.1**	**–**	**–**	**(6.4)**	**–**
– Share issue proceeds from IPO	35	**3.9**	**71.1**	**–**	**–**	**–**	**–**	**–**	**75.0**
– Share issuance costs		**–**	**(2.7)**	**–**	**–**	**–**	**–**	**–**	**(2.7)**
– Share-based payments, including tax reflected directly in retained earnings	36	**–**	**–**	**–**	**–**	**–**	**–**	**3.4**	**3.4**
– Coupon paid on contingent convertible securities, net of tax		**–**	**–**	**–**	**–**	**–**	**–**	**(2.8)**	**(2.8)**
– Tax credit on AT1 issue costs		**–**	**–**	**0.3**	**–**	**–**	**–**	**–**	**0.3**
– Exercise of share warrants	35	**0.6**	**5.0**	**–**	**–**	**(2.2)**	**–**	**2.2**	**5.6**
As at 31 December		**34.5**	**73.4**	**74.0**	**0.1**	**–**	**(1.0)**	**352.6**	**533.6**
Year ended 31 December 2014									
As at 1 January		**23.7**	**237.3**	**–**	**–**	**2.2**	**0.6**	**1.5**	**265.3**
Total comprehensive income		–	–	–	–	–	0.8	38.4	39.2
Transactions with equity holders:									
– Reduction in share premium		–	(237.3)	–	–	–	–	237.3	–
– Issuance of contingent convertible securities	37	–	–	75.1	–	–	–	–	75.1
– Issuance costs	37	–	–	(1.4)	–	–	–	–	(1.4)
– Share-based payments		–	–	–	–	–	–	0.7	0.7
As at 31 December		**23.7**	**–**	**73.7**	**–**	**2.2**	**1.4**	**277.9**	**378.9**

During the year ended 31 December 2015, the Company completed its Initial Public Offering ("IPO"). The Company also undertook a capital reorganisation in advance of admission to the London Stock Exchange ("LSE"). Further details of both transactions are provided in Note 35.

Notes to the consolidated financial statements

1. Basis of preparation

a) Accounting basis

The consolidated financial statements of Aldermore Group PLC (the "Company") and its subsidiary undertakings (together, the "Group") include its principal subsidiary, Aldermore Bank PLC (the "Bank").

Both the Group consolidated financial statements and the Company financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board ("IASB"), and as adopted by the European Union ("EU"). For IAS 39 "Financial Instruments: Recognition and Measurement" the exclusion regarding hedge accounting (the so-called "carve out") decreed by the EU on 19 November 2014 is taken into account.

By including the Company financial statements here together with the Group consolidated financial statements, the Company is taking advantage of the exemption in Section 408 of the Companies Act 2006 not to present its individual income statement and related notes that form a part of these approved financial statements.

The principal activity of the Company is that of an investment holding company.

Note on rounding

In preparing the 2015 financial statements, the 2014 comparative numbers were restated from the original £ thousands to £ millions to one decimal place. As a result of rounding issues arising from this change, the presentation of some of the comparative numbers may differ slightly to the 2014 financial statements. All percentage movements as shown in the document are calculated using underlying figures.

b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries which are entities controlled by the Company (jointly referred to as the Group) made up to 31 December each year.

Control is achieved when the Company:

- Has power over the investee
- Is exposed, or has rights, to variable returns from its involvement with the investee
- Has the ability to use its power to affect returns

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Subsidiaries are consolidated from the date on which control is transferred to the Group and are deconsolidated from the date that control ceases. Uniform accounting policies are applied consistently across the Group. Intercompany transactions and balances are eliminated upon consolidation.

Securitisation vehicles

The Group has securitised certain loans and advances to customers by the transfer of the beneficial interest in such loans to securitisation vehicles (see Note 20). The securitisation enabled the subsequent issue of debt securities by a securitisation vehicle to investors who have the security of the underlying assets as collateral. The securitisation vehicles are fully consolidated into the Group's accounts as the Group has control as defined above.

The transfer of the beneficial interest in these loans to the securitisation vehicle are not treated as sales by the Group. The Group continues to recognise these assets within its own statement of financial position after the transfer as it continues to retain substantially all the risks and rewards from the assets.

c) Going concern

The financial statements are prepared on a going concern basis, as the Directors are satisfied that the Group has the resources to continue in business for the foreseeable future (which has been taken as 12 months from the date of approval of the financial statements). In making this assessment, the Directors have considered a wide range of information relating to present and future conditions, including the current state of the balance sheet, future projections of profitability, cash flows and capital resources and the longer term strategy of the business. The Group's capital and liquidity plans, including stress tests, have been reviewed by the Directors. The Group's forecasts and projections show that it will be able to operate at adequate levels of both liquidity and capital for the foreseeable future, including a range of stressed scenarios. After making due enquiries, the Directors believe that the Group has sufficient resources to continue its activities for the foreseeable future and to continue its expansion, and the Group has sufficient capital to enable it to continue to meet its regulatory capital requirements as set out by the Prudential Regulation Authority ("PRA").

d) Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following material items in the financial statements:

- Derivative financial instruments are measured at fair value through profit or loss
- Debt securities designated at fair value through profit or loss
- Available for sale debt securities are valued at fair value through other comprehensive income
- Fair value adjustments for portfolios of financial assets and financial liabilities designated as hedged items in qualifying fair value hedge relationships, which reflect changes in fair value attributable to the risk being hedged

e) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are included in Note 3.

f) Presentation of risk disclosures

The disclosures required under IFRS 7 "*Financial instruments: disclosures*" have been included within the audited sections of the Risk Report on page 105. Where information is marked as audited, It is incorporated into these financial statements by this cross reference and it is covered by the Independent Auditors report on page 133.

g) Future accounting developments

All standards or amendments to existing standards which have been endorsed by the EU and which are available for early adoption for annual periods commencing on or after 1 January 2015 have been adopted by the Group.

There are also a number of standards, amendments and interpretations which have been issued by the IASB but which have not yet been endorsed by the EU. The most significant of these is IFRS 9: "*Financial instruments*", the planned replacement for IAS 39: "*Financial Instruments: recognition and measurement*".

IFRS 9 introduces new requirements for the classification and measurement of financial assets, hedge accounting and the impairment of financial assets. Under IFRS 9 financial assets are classified and measured based on the business model under which they are held and the characteristics of their contractual cash flows. In addition, IFRS 9 is replacing the incurred loss approach to impairment of IAS 39 with one based on expected losses, and is replacing the rules based hedging requirements of IAS 39 with new requirements that align hedge accounting more closely with risk management activities.

IFRS 9, including the final version of the requirements in respect of impairment, was issued on 24 July 2014. The IASB has decided to apply IFRS 9 for annual periods beginning on or after 1 January 2018. IFRS 9 is required to be applied retrospectively, but prior periods need not be restated. IFRS 9, including its commencement date, will be subject to endorsement by the EU.

In addition, the IASB has commenced a separate project for macro hedging, which is exploring a new way to account for the dynamic risk management of open portfolios and is likely to be of future relevance to the Group. That project is still at the Discussion Paper stage and as yet the likely final form of any amendments to IFRS 9, or their required implementation date, is not clear. The adoption of IFRS 9 is expected to have a material impact on the Group's financial statements. Work is ongoing to quantify the impact.

It is not anticipated that changes in approach to impairment would have a significant impact on the Group's impairment provisions in respect of specifically impaired loans, as the current impairment provisions on such loans are based on estimates of expected losses. In respect of other loans against which collective provisions are raised, our current approach, as explained in Note 3, is to estimate probabilities of default for the next 12 months. This approach is similar to that which will be required under IFRS 9 except in order to measure incurred losses, as required by IAS 39, management then adjust the calculated 12 month expected loss for an emergence period reflective of the underlying asset enabling management to reflect only the impairment considered to have been incurred at the reporting date. In addition, for those loans where there has been a credit deterioration, although the loans are not considered to be yet impaired, IFRS 9 will require the recognition of full life expected losses. Whilst management's current approach to calculating collective impairment provisions (as described above) has similarities to the approach required under IFRS 9, it should be noted that IFRS 9 is a complex accounting standard and management's detailed modelling approach under IFRS 9 will require further investigation and consideration before implementation.

As described above, under IFRS 9, impairment provisions on all financial assets are recognised based on either 12 month expected losses or lifetime expected losses. This will result in the acceleration of the recognition of impairment provisions and will lead to more volatile impairment charges in the income statement. However, whilst IFRS 9 represents a significant change compared to IAS 39, the quantum of impairment losses recorded against any one loan over the life of the loan will not change as IFRS 9 alters only the timing of recognition of the impairment losses.

Notes to the consolidated financial statements continued

1. Basis of preparation continued

The IASB has also issued IFRS 15: "*Revenue from contracts with customers*". The impact for the Group is currently being assessed. The Standard will be effective for annual reporting periods beginning on or after 1 January 2018, with retrospective application subject to EU endorsement.

On 13 January 2016, the IASB issued IFRS 16: "*Leases*" as a replacement for IAS 17: "*Leases*". The Standard will be effective for annual reporting periods beginning on or after 1 January 2019, with early application being permitted for companies that also apply IFRS 15, subject to EU endorsement. The impact for the Group is currently being assessed. A significant change will be the inclusion of a "right of use asset" within the statement of financial position in respect of the benefit the Group receives where it leases assets under operating leases, together with a financial liability in respect of the obligation to make operating lease payments. Within the income statement, an operating charge will be reflected in respect of the use of the asset together with interest expense in relation to the financing, replacing the current operating lease charges included in administrative expenses.

2. Significant accounting policies

a) Interest income and expense

Interest income and expense are recognised in the income statement on an effective interest rate ("EIR") basis. The EIR is the rate that, at the inception of the financial asset or liability, exactly discounts expected future cash payments and receipts over the expected life of the instrument back to the initial carrying amount. When calculating the EIR, the Group estimates cash flows considering all contractual terms of the instrument (for example, prepayment options) but does not consider the assets' future credit losses.

At each reporting date, management makes an assessment of the expected remaining life of its financial assets, including any acquired loan portfolios, and where there is a change in those assessments the remaining amount of any unamortised discount or premiums is adjusted so that the interest income continues to be recognised prospectively on the amortised cost of the financial asset at the original EIR. The adjustment arising is recognised within interest income in the income statement for the current period.

The calculation of the EIR includes all transaction costs and fees paid or received that are an integral part of the interest rate, together with the discounts or premium arising on the acquisition of loan portfolios. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

Interest income and expense presented in the income statement include:

- Interest on financial assets and financial liabilities measured at amortised cost calculated on an EIR basis
- Interest on available for sale debt securities calculated on an EIR basis
- Interest income recognised on finance leases where the Group acts as the lessor (see Note 2(o))
- The effective portion of fair value changes in qualifying hedging derivatives designated in fair value hedges of interest rate risk, together with changes in the fair value of the hedged item attributable to the hedged risk
- Interest income on financial assets designated at fair value so as to avoid an accounting mismatch with derivatives held as an "economic" hedge and the matching interest component of the derivative

Interest income includes amounts the Group charges its invoice finance clients as interest each day on the balance of their outstanding loans. This interest income is recognised in the income statement on an EIR basis.

b) Fee and commissions and other operating income

i. Fee and commission income

Fee and commission income includes fees relating to services provided to customers which do not meet the criteria for inclusion within interest income.

Within the Invoice Finance segment of the Group, customers are charged a factoring fee for managing their sales ledgers. This fee is recognised within fee and commissions income over the period in which the ledger management service is provided. Other fee and commission income includes fees charged for mortgage services, arrears, and insurance commission receivable. Fee income is recognised as the related services are performed.

Arrangement fees and others fees relating to loans and advances to customers are included within interest income as part of the EIR calculation.

ii. Fee and commission expense

Fee and commission expense predominantly consists of introducer commissions, legal and valuation fees and company search fees. Where these fee and commissions are incremental costs that are directly attributable to the issue of a financial instrument, they are included in interest income as part of the EIR calculation. Where they are not incremental costs that are directly attributable they are recognised within fee and commission expense as the services are received.

iii. Other operating income

Other operating income predominantly arises from the provision of invoice finance services and includes disbursements and collect out income. This income is recognised within other operating income when the service is provided.

c) Net income from derivatives and other financial instruments at fair value through profit or loss

Net income from derivatives and other financial instruments at fair value through profit or loss relates to non trading derivatives held for risk management purposes that do not form part of a qualifying hedging arrangement and financial assets designated at fair value through profit or loss. It includes all realised and unrealised fair value changes, interest and foreign exchange differences, with the exception of interest income on financial assets designated at fair value and the matching interest component of the hedging derivatives. The assets designated at fair value are treated in this manner so as to avoid an accounting mismatch with derivatives held as an "economic" hedge.

d) Financial instruments – recognition and derecognition

i. Recognition

The Group initially recognises loans and advances, amounts due to banks, customer accounts and subordinated notes issued on the date that they are originated.

Regular way purchases and sales of debt securities and derivatives are recognised on the trade date at which the Group commits to purchase or sell the asset. All other financial assets and liabilities are initially recognised on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

ii. Derecognition

Financial assets are derecognised when they are qualifying transfers and:

- The rights to receive cash flows from the assets have ceased; or
- The Group has transferred substantially all the risks and rewards of ownership of the assets

When a financial asset is derecognised in its entirety, the difference between the carrying amount, the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss, that had been recognised in other comprehensive income, is recognised in the income statement.

When available for sale financial assets are derecognised, the cumulative gain or loss, including that previously recognised in reserves, is recognised in the income statement.

A financial liability is derecognised when the obligation is discharged, cancelled or expires. Any difference between the carrying amount of a financial liability derecognised and the consideration paid is recognised through the income statement.

iii. Funding for Lending Scheme ("FLS")

Loans and advances over which the Group transfers its rights to the collateral thereon to the Bank of England under the FLS are not derecognised from the statement of financial position, as the Group retains substantially all the risks and rewards of ownership, including all cash flows arising from the loans and advances and exposure to credit risk. The treasury bills that the Group borrows against the transferred assets are not recognised in the statement of financial position, but where they are sold to third parties by the Group under agreements to repurchase, the cash received is recognised as an asset within the statement of financial position together with the corresponding obligation to return it which is recognised as a liability at amortised cost within "Amounts due to banks". Interest is accrued over the life of the agreement on an EIR basis.

e) Financial assets

i. Overview

The Group classifies its financial assets (excluding derivatives) as either:

- Loans and receivables
- Available for sale
- Financial assets designated at fair value through profit or loss

ii. Loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Group does not intend to sell immediately or in the near term. These are initially measured at fair value plus transaction costs that are directly attributable to the financial asset. Subsequently, these are measured at amortised cost using the EIR method. The amortised cost is the amount advanced less principal repayments, plus or minus the cumulative amortisation using the EIR method of any difference between the amount advanced and the maturity amount less impairment provisions for incurred losses. Loans and receivables mainly comprise loans and advances to banks and customers.

Notes to the consolidated financial statements continued

2. Significant accounting policies continued

iii. Available for sale

Available for sale financial assets are debt securities that are not held for trading and are intended to be held for an indefinite period of time. These are initially measured at fair value plus transaction costs that are directly attributable to the financial asset. Subsequently, they are measured at fair value based on current quoted bid prices in active markets for identical assets that the Group can access at the reporting date. Where there is no active market or the debt securities are unlisted, the fair values are based on valuation techniques including discounted cash flow analysis, with reference to relevant market rates, and other commonly used valuation techniques. Interest income is recognised in the income statement using the EIR method. Impairment losses are recognised in the income statement. Other fair value changes are recognised in other comprehensive income and presented in the available for sale reserve in equity. On disposal, the gain or loss accumulated in equity is reclassified to the income statement.

iv. Financial assets designated at fair value through profit or loss

Financial assets designated at fair value through profit or loss are assets which have been designated as such to eliminate or significantly reduce a measurement and recognition inconsistency or where management specifically manages an asset or liability on that basis. These assets are measured at fair value based on current quoted bid prices in active markets for identical assets that the Group can access at the reporting date. Gains and losses arising from changes in the fair value are brought into the income statement within "Net income/(expense) from derivatives and other financial instruments at fair value through profit or loss" as they arise. The Group disposed of all of its financial assets designated at fair value through profit or loss during the year.

f) Financial liabilities

i. Overview

Financial liabilities are contractual obligations to deliver cash or another financial asset. Financial liabilities are recognised initially at fair value, net of directly attributable transaction costs for financial liabilities other than derivatives. Financial liabilities, other than derivatives, are subsequently measured at amortised cost.

ii. Financial liabilities at amortised cost

Financial liabilities at amortised cost are recognised initially at fair value, which equates to issue proceeds net of transaction costs incurred. They are subsequently stated at amortised cost. Any difference between proceeds net of transaction costs and the redemption value is recognised in the income statement over the period of the borrowings using the EIR.

iii. Subordinated notes

Subordinated notes issued by the Group are assessed as to whether they should be treated as equity or financial liabilities. Where there is a contractual obligation to deliver cash or other financial assets, they are treated as a financial liability and measured at amortised cost using the EIR method after taking account of any discount or premium on the issue and directly attributable costs that are an integral part of the EIR. The amount of any discount or premium is amortised over the period to the expected call date of the instrument.

All subordinated notes issued by the Group are classified as financial liabilities. The warrants attached to the subordinated notes, which gave the holders the right to subscribe for shares in Aldermore Group PLC (the "Parent Company"), were included in equity as a warrant reserve at the residual value attributable to the warrants, after deducting from the face value of the instrument, as a whole, the amounts determined separately as the fair value of the subordinated notes at the date of issue. All the warrants were exercised during the year as described in Note 35.

g) Impairment – financial assets

i. Assessment

At each reporting date the Group assesses its financial assets not at fair value through profit or loss as to whether there is objective evidence that the assets are impaired. Objective evidence that financial assets are impaired may include:

- Significant financial difficulty of the borrower
- A breach of contract such as default or delinquency in interest or principal repayments
- The granting of a concession for economic or legal reasons relating to the borrower's financial condition that the Group would not otherwise grant
- Indications that a borrower or issuer will enter bankruptcy or other financial reorganisation
- The disappearance of an active market for a debt security because of the issuer's financial difficulties
- National or local economic conditions that correlate with defaults within groups of financial assets e.g. increases in unemployment rates or decreases in property prices relating to the collateral held

The Group considers evidence for the impairment of loans and advances at both the individual asset and collective level. In certain cases where a borrower is experiencing significant financial distress, the Group may use forbearance measures to assist them and mitigate against default. Any forbearance measures agreed are assessed on a case by case basis.

ii. Scope

The Group considers evidence of impairment of financial assets at both an individual asset and collective level.

Individual impairment

All individually significant financial assets are assessed for individual impairment using a range of risk criteria. Those found not to be individually impaired are then collectively assessed for any impairment that has been incurred but not yet identified.

Assets are considered to be individually impaired where they meet one or more of the following criteria:

- A default position equivalent to 3 or more missed monthly repayments (or a quarterly payment which is over 30 days past due)
- Litigation proceedings have commenced
- Act of insolvency, e.g. bankruptcy, administration or liquidation, or appointment of an LPA Receiver
- Invoice finance accounts are classified as in default when there is cessation of additional advances and/or when the facility is in collect out
- Where there is evidence of fraud

Collective impairment

All financial assets that are not found to be individually impaired are collectively assessed for impairment by grouping together financial assets with similar risk characteristics.

iii. Measurement

Impairment provisions on financial assets individually identified as impaired are calculated as the difference between the carrying amount and the present value of estimated future cash flows discounted at the asset's original EIR.

When assessing collective impairment, the Group estimates incurred losses using a statistical model which multiplies the probability of default ("PD") for each class of customer (using external credit rating information) by the loss given default ("LGD") multiplied by the estimated exposure at default ("EaD") to arrive at the projected expected loss. An emergence period is subsequently applied to the projected expected loss to determine the estimated level of incurred losses at each reporting date. In addition an adjustment is made to discount the imputed cash flows from the model at the assets' original EIR to arrive at the recorded collective provisions. The model's results are adjusted for management's judgement as to whether current economic and credit conditions are such that actual losses are likely to differ from those suggested by historical modelling.

In assessing the level of collective impairment provisions, the Group uses statistical modelling of historical trends of probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that actual losses are likely to be greater or less than suggested by historical trends. Default rates, loss rates and the expected timing of future recoveries are benchmarked against actual outcomes to ensure they remain appropriate.

Impairment losses are recognised immediately in the income statement and a corresponding reduction in the value of the financial asset is recognised through the use of an allowance account.

A write-off is made when all or part of a financial asset is deemed uncollectible or forgiven after all collection procedures have been completed and the amount of the loss has been determined. Write-offs are charged against amounts previously reflected in the allowance account or directly to the income statement. Any additional amounts recovered after a financial asset has been previously written off are offset against the write-off charge in the income statement once they are received. Allowances for impairment losses are released at the point when it is deemed that, following a subsequent event, the risk has reduced such that an allowance is no longer required.

Interest on impaired financial assets is recognised at the same EIR as applied at the initial recognition of the financial asset but applied to the book value of the financial asset net of any individual impairment allowances that have been raised.

iv. Impairment of financial assets classified as available for sale

Impairment losses on available for sale debt securities are recognised by reclassifying the losses accumulated in the available for sale reserve in equity to the income statement. The cumulative loss that is reclassified from equity to the income statement is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss recognised previously in the income statement. Changes in impairment provisions attributable to the effective interest method are reflected as a component of interest income.

If in a subsequent period the fair value of an impaired available for sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed.

h) Financial instruments – fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non performance risk.

Notes to the consolidated financial statements continued

2. Significant accounting policies continued

When applicable, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing on an ongoing basis.

When there is no quoted price in an active market, the Group uses valuation techniques that maximise the use of relevant observable inputs and minimises the use of unobservable inputs. The chosen valuation techniques incorporate all the factors that market participants would take into account in pricing a transaction.

The best evidence of fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration received or given.

If an asset measured at fair value has a bid and an offer price, the Group measures assets and long positions at a bid price and liabilities at an offer price.

i) Derivative financial instruments

The Group enters into derivative transactions only for the purpose of reducing exposures to fluctuations in interest rates, exchange rates and market indices; they are not used for proprietary trading purposes.

Derivatives are carried at fair value with movements in fair values recorded in the income statement. Derivative financial instruments are principally valued by discounted cash flow models using yield curves that are based on observable market data or are based on valuations obtained from counterparties. As the Group's derivatives are covered by master netting agreements with the Group's counterparties, with any net exposures then being further covered by the payment or receipt of periodic cash margins, the Group has used a risk free discount rate for the determination of their fair values.

All derivatives are classified as assets where their fair value is positive and liabilities where their fair value is negative. Where there is the current legal ability and intention to settle net, then the derivative is classified as a net asset or liability, as appropriate. Where cash collateral is received, to mitigate the risk inherent in amounts due to the Group, it is included as a liability within "Amounts due to banks". Where cash collateral is given, to mitigate the risk inherent in amounts due from the Group, it is included as an asset in "Loans and advances to banks".

j) Hedge accounting

The Group designates certain derivatives held for risk management as hedging instruments in qualifying hedging relationships. On initial designation of the hedge, the Group formally documents the relationship between the hedging instruments and hedged items, including the risk management objective, the strategy in undertaking the hedge and the method that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment both at the inception of the hedge relationship as well as on an ongoing basis, as to whether the hedging instruments are expected to be highly effective in offsetting the changes in the fair value of the respective hedged items during the period for which the hedge is designated.

i. Fair value hedge accounting for portfolio hedges of interest rate risk

The Group applies fair value hedge accounting for portfolio hedges of interest rate risk. As part of its risk management process, the Group identifies portfolios whose interest rate risk it wishes to hedge. The portfolios comprise either only assets or only liabilities. The Group analyses each portfolio into repricing time periods based on expected repricing dates, by scheduling cash flows into the periods in which they are expected to occur. Using this analysis, the Group designates as the hedged item an amount of the assets or liabilities from each portfolio that it wishes to hedge.

The Group measures monthly the change in fair value of the portfolio relating to the interest rate risk that is being hedged. Provided that the hedge has been highly effective, the Group recognises the change in fair value of each hedged item in the income statement with the cumulative movement in their value being shown on the statement of financial position as a separate item, "Fair value adjustment for portfolio hedged risk", either within assets or liabilities as appropriate. This amount is amortised on a straight-line basis to the income statement over the remaining average life of the original hedge relationship, from the month in which it is first recognised.

The Group measures the fair value of each hedging instrument monthly. The value is included in derivative financial instruments in either assets or liabilities as appropriate, with the change in value recorded in the income statement. Any hedge ineffectiveness is recognised in the income statement as the difference between the change in fair value of the hedged item and the change in fair value of the hedging instrument.

k) Embedded derivatives

A derivative may be embedded in another instrument, known as the host contract. Where the economic characteristics and risks of an embedded derivative are not closely related to those of the host contract (and the host contract is not carried at fair value through profit or loss), the embedded derivative is separated from the host and held on the statement of financial position with "Derivatives held for risk management" at fair value. Movements in fair value are posted to the income statement, whilst the host contract is accounted for according to the relevant accounting policy for that particular asset or liability.

Embedded derivatives contained within equity instruments are considered separately. The embedded derivative on the contingent convertible securities is not separated as the Group has an accounting policy not to separate a feature that has already been considered in determining that the entire issue is a non-derivative equity instrument.

l) Property, plant and equipment

Items of property, plant and equipment are stated at cost or deemed cost on transition to IFRSs, less accumulated depreciation and any provision for impairment. Cost includes expenditure that is directly attributable to the acquisition of the asset or costs incurred in bringing the asset to use. Depreciation is provided on all property, plant and equipment, at rates calculated to write-off the cost of each asset to realisable values on a straight-line basis over its expected useful life, as follows:

- Fixtures, fittings and equipment five years
- Computer hardware one to five years

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

m) Intangible assets

i. Goodwill

Goodwill is stated at deemed cost upon transition to IFRSs, less any accumulated impairment losses. Goodwill is not amortised but is tested for impairment on an annual basis. Where impairment is required, the amount is recognised in the income statement and cannot be subsequently reversed.

ii. Computer systems

Software acquired by the Group is measured at cost less accumulated amortisation and any accumulated impairment losses.

Expenditure on internally developed software is recognised as an asset when the Group is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits, and can reliably measure the costs to complete the development. The capitalised costs of internally developed software include all costs directly attributable to developing the software, and are amortised over its useful life. Internally developed software is stated at capitalised cost less accumulated amortisation and impairment.

Software is amortised on a straight-line basis in the income statement over its useful life, from the date that it is available for use. The estimated useful life of software is one to five years.

n) Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets are reviewed at least annually to determine whether there is any indication of impairment. If any such indication exists, then the assets recoverable amount is estimated.

i. Goodwill

Goodwill is tested for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to operating segments. An impairment loss is recognised if the carrying amount of a segment is less than its recoverable amount.
The recoverable amount of a segment is the greater of its value in use and its fair value less costs to sell. Value in use is calculated from forecasts by management of post tax profits for the subsequent five years, and a residual value, discounted at a risk adjusted interest rate appropriate to the cash generating unit. Fair value is determined through review of precedent transactions for comparable businesses.

Where impairment is required, the amount is recognised in the income statement and cannot be subsequently reversed.

ii. Intangible assets

If impairment is indicated, the asset's recoverable amount (being the greater of value in use and fair value less costs to sell) is estimated. Value in use is calculated by discounting the future cash flows from continuing use of the asset. If the carrying value of the asset is less than the greater of the value in use and the fair value less costs to sell, an impairment loss is recognised in the income statement.

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.

o) Assets leased to customers

Leases of assets to customers are finance leases as defined by IAS17. When assets are leased to customers under finance leases, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised, within interest income in the income statement, over the term of the lease using the net investment method (before tax) which reflects a constant periodic rate of return ignoring tax cash flows.

Notes to the consolidated financial statements continued

2. Significant accounting policies continued

p) Assets leased from third parties

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 income statement, within administrative expenses or staff costs (in the case of company cars), on a straight-line basis over the period of the lease. The Group holds no assets under finance leases.

q) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

The Group has an obligation to contribute to the Financial Services Compensation Scheme ("FSCS") to enable the FSCS to meet compensation claims from, in particular, retail depositors of failed banks. A provision is recognised to the extent it can be reliably estimated and when the Group has an obligation in accordance with IAS 37. The amount provided is based on information received from the FSCS, forecast future interest rates and the Group's historic share of industry protected deposits. The FSCS provision is recognised at the commencement of the scheme year in line with IFRIC 21.

r) Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities held at the balance sheet date are translated into sterling using the exchange rates ruling at the balance sheet date. Exchange differences are charged or credited to the income statement.

s) Taxation

Taxation comprises current and deferred tax, and is recognised in the income statement except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on taxable income or loss for the period, 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 recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss
- Temporary differences related to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future
- Taxable temporary differences arising on the initial recognition of goodwill

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is measured using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

t) Pension costs

The cost of providing retirement benefits is charged to the income statement 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. The Group has no defined benefit pension scheme.

u) Shareholders' funds

i. Capital instruments

The Company classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments. Where an instrument contains no obligation on 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 Group, or where the instrument will or may be settled in the Company's own equity instruments but includes no obligation to deliver a variable number of the Company's own equity instruments, then it treated as an equity instrument. Accordingly, the Company's share capital and contingent convertible securities are presented as components of equity within shareholders' funds. Any dividends, interest or other distributions on capital instruments are recognised in equity. Any related tax is accounted for in accordance with IAS 12.

ii. Share premium

Share premium is the amount by which the fair value of the consideration received exceeds the nominal value of the shares issued.

v) Capital raising costs

Costs directly incremental to the raising of share capital are netted against the share premium account. Costs directly incremental to the raising of convertible securities included in equity are offset against the proceeds from the issue within equity.

w) Cash and cash equivalents

Cash and cash equivalents comprises cash balances and balances with a maturity of three months or less from the acquisition date, which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

x) Investment in group undertakings

Investments in group undertakings are initially recognised at cost. 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, the Company estimates the investment's recoverable amount. The investment is written down to the recoverable amount if this is lower than its carrying value. The impairment loss is recognised in the income statement.

y) Warrants

The Company's subsidiary, Aldermore Bank PLC, previously issued subordinated notes with attached warrants. The warrants gave the holders the right to subscribe for shares in the Company. These warrants were exercised during the year resulting in an increase in share capital and share premium. On the exercise of the warrants, the warrant reserve was re-classified to retained earnings.

z) Share-based payment transactions

Employees (including Senior Executives) of the Group may receive remuneration in the form of equity settled share-based payment transactions to reward strong long-term business performance and to incentivise growth for the future.

The grant date fair value is recognised as an employee expense with a corresponding increase in equity over the period that the employees become unconditionally entitled to the awards. The grant date fair value is determined using valuation models which take into account the terms and conditions attached to the awards. Inputs into valuation models may include the risk free interest rate, the expected volatility of the Company's share price and other various factors which relate to performance conditions attached to the awards.

The amount recognised as an expense is adjusted to reflect the actual number of awards for which the related service and non-market vesting conditions are expected to be met such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with market performance conditions or non-vesting conditions the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Within the Parent Company stand alone financial statements the share-based payment transactions are recognised as an investment in Group undertakings with an associated credit to the share-based payment reserve.

3. Use of estimates and judgements

The preparation of financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. The judgements and assumptions that are considered to be the most important to the portrayal of the Group's financial condition are those relating to loan impairment provisions, EIRs, deferred tax, share-based payments and Invoice Finance goodwill.

a) Loan impairment provisions

Loan portfolios across all segments of the Group are reviewed on at least a monthly basis to assess for impairment. In determining whether an impairment provision should be recorded, judgements are made as to whether there is objective evidence that a financial asset or portfolio of financial assets is impaired as a result of loss events that occurred after recognition of the asset and by the reporting date. The calculation of impairment loss is management's best estimate of losses incurred in the portfolio at the balance sheet date and reflects expected future cash flows based on both the likelihood of a loan or advance being written off and the estimated loss on such a write-off.

At 31 December 2015, gross loans and advances to customers totalled £6,165.5 million (31 December 2014: £4,823.6 million) against which impairment allowances of £20.7 million (31 December 2014: £22.5 million) had been made (see Note 20). The Group's accounting policy for loan impairment provisions on financial assets classified as loans and receivables is described in Note 2(g). Impairment allowances are made up of two components, those determined individually against specific assets and those determined collectively. Of the impairment allowance of £20.7 million at 31 December 2015, £10.2 million (31 December 2014: £14.0 million) relates to individual provisions and £10.5 million (31 December 2014: £8.5 million) relates to collective provisions.

Notes to the consolidated financial statements continued

3. Use of estimates and judgements continued

The section below provides details of the critical elements of judgement within the loan impairment calculations. Less significant judgements are not disclosed.

i. Individual

Individual impairment allowances are established against the Group's individually significant financial assets that are deemed by management to be impaired. The determination of individual impairment allowances requires the exercise of considerable judgement by management involving matters such as local economic conditions, the financial status of the customer and the realisable value of the security held. The actual amount of the future cash flows and their timing may differ significantly from the assumptions made for the purposes of determining the impairment allowances and consequently these allowances can be subject to variation as time progresses and the circumstances of the customer become clearer.

ii. Collective

The collective impairment allowance is also subject to estimation uncertainty and in particular is sensitive to changes in economic and credit conditions, including the interdependency of house prices, unemployment rates, interest rates, borrowers' behaviour and consumer bankruptcy trends. All of these factors can influence the key assumptions detailed below. It is, however, inherently difficult to estimate how changes in one or more of these factors might impact the collective impairment allowance.

The key assumptions used in the collective model are: probability of default ("PD"), the loss given default ("LGD") and the loss emergence period ("EP") (the time between a trigger event occurring and the loans being identified as individually impaired). An additional element is included within the collective provision to reflect fraud losses that are incurred as at the reporting date but are yet to be individually identified. The Group uses two types of underlying models to calculate the LGD, depending on the availability of default data. For the mortgage businesses, the models use a range of key assumptions to derive an expected LGD. The key assumptions are based on management expertise and are validated against available data. For Asset Finance and Invoice Finance, the models are empirical based models which mainly use past lost data to determine the risk drivers behind the loss. This allows the portfolios to be segmented into homogenous buckets to derive an LGD. Further details in respect of assumptions and details of the sensitivity of the estimate to changes in significant assumptions are as follows:

iii. Probability of default

The PD is based on external individual customer credit rating information, sourced from an external credit bureau, updated for each reporting date. This external credit rating information gives a PD in the next 12 months where "default" is defined as loans which are 2 months or more in arrears ("2 MIA") and incorporates credit information from a broad range of financial services products for each customer.

Management make an estimate so as to adjust the external data to reflect both the individual nature of the Group's lending and the Group's policy of classifying loans which are 3 months or more in arrears ("3 MIA") as "impaired". This adjustment is achieved by using two management assumptions: firstly a "conversion rate" that reflects how many of the loans which fall into 2 MIA will also fall into 3 MIA; and secondly a scalar that adjusts the external PDs to reflect the individual nature of the Group's lending.

- A 10 per cent absolute increase in the "conversion rate" assumed by management between 2 MIA and 3 MIA (e.g. a PD increasing from 50 per cent to 60 per cent), when the loans are considered to be individually impaired would increase the impairment allowance by £0.3 million
- A 10 per cent relative worsening of the scaling factors applied to external data in order to arrive at PDs appropriate to the individual nature of lending being undertaken would increase the impairment allowance by £0.6 million

iv. Loss given default

The model calculates the LGD from the point of repossession. Not all cases that are 3 MIA will reach repossession. Management therefore adjust the model by applying an assumption of the percentage of accounts 3 MIA that will reach repossession.

- A 10 per cent absolute reduction in this assumption would decrease the impairment allowance by £0.3 million

The LGD is also sensitive to the application of the House Price Index ("HPI") and Forced Sale Discount ("FSD") which affect the underlying value of the collateral which is expected to be received

- A 10 per cent relative reduction in the HPI would increase the overall impairment allowance by £1.3 million
- A 5 per cent absolute increase in the FSD would increase the overall impairment provision by £1.0 million

The above assumptions are important factors when calculating the LGD to be applied for the mortgage business. For the Asset Finance and Invoice Finance model, the assumption with most judgement is the absolute LGD value calculated.

- A 10 per cent relative increase in the LGDs used would increase the overall impairment allowance by £0.6 million

v. Emergence period

The Group's collective models estimate the expected losses for the next 12 months, which are then scaled back to reflect the level of incurred loss as at the reporting date, using the emergence period. The emergence period is the time taken from the trigger event (such as a job loss) to the Group identifying the loan is impaired. The emergence period varies by business line and requires management to make judgements because of the limited data available.

A three-month increase in all emergence periods would increase the overall impairment allowance by £3.6 million.

b) Effective interest rate

IAS 39 requires interest earned from mortgages to be measured under the EIR method. Management must therefore use judgement to estimate the expected life of each type of instrument and hence the expected cash flows relating to it. The accuracy of the EIR would therefore be affected by unexpected market movements resulting in altered customer behaviour, inaccuracies in the models used compared to actual outcomes and incorrect assumptions.

A critical estimate in determining EIR is the expected life to maturity of the Group's commercial, Buy-to-Let and residential mortgage portfolios, as a change in the estimates will have an impact on the period over which the directly attributable costs and fees, and any discount received on the acquisition of the mortgage loan portfolios, are recognised.

As at 31 December 2015 a reassessment was made of the estimates used in respect of the expected lives of the commercial, Buy-to-Let and residential mortgage portfolios and also of those for the asset finance portfolios. As a consequence an overall adjustment of £0.4 million was recorded to increase the value of the loan portfolios and the interest income recognised in the current period, so that interest can continue to be recognised at the original effective the interest rate over the remaining life of the relevant lending portfolios. The adjustment made at 31 December is analysed as follows:

	Impact on 2015 interest income £m
Asset Finance – organic lending	**(1.6)**
SME Commercial – acquired portfolios	**(0.7)**
SME Commercial – organic lending	**(0.9)**
Buy-to-Let – acquired portfolios	**(0.6)**
Buy-to-Let – organic portfolios	**0.1**
Residential – acquired portfolios	**(1.1)**
Residential – organic lending	**5.2**
	0.4

A change in the estimated expected lives, after taking account of the above adjustment, to extend the expected lives of the commercial, Buy-to-Let and residential portfolios by six months would have the effect of reducing the cumulative profit before tax recognised as at 31 December 2015 by £1.5 million (31 December 2014: £2.4 million). Included within this sensitivity of £1.5 million, is a £2.8 million cumulative reduction in profit relating to acquired portfolios (31 December 2014: £2.9 million) due to a change in the unwind of the discount which is offset by a £1.3 million cumulative increase in profit relating to the organic portfolios (31 December 2014: £0.5 million).

A 0.1 per cent increase in the rate of early redemptions, expressed as a percentage of the outstanding balance in respect of asset finance portfolios would have the impact of reducing cumulative profit before tax recognised as at 31 December 2015 by £0.3 million (31 December 2014: £0.2 million).

c) Deferred tax

Taxation involves estimation techniques to assess the liability in terms of possible outcomes. The assessment of the recoverability or otherwise of deferred tax assets is based mainly on a determination of whether sufficient profits will be generated within five years to realise deferred tax assets.

This is reviewed at each reporting date with a detailed exercise conducted to establish the validity of profit forecasts and other information including timescales over which the profits are expected to arise and the deferred tax assets will reverse. Deferred tax is determined using tax rates enacted or substantively enacted by the statement of financial position date and which are expected to apply when the related deferred tax assets are realised.

The judgement required in the assessment of whether to recognise a deferred tax asset is set out in Note 2 (s). The Group estimates that even after reasonably possible changes in the profit forecasts, the Group would have sufficient profits against which to realise the deferred tax assets.

Based on the analysis of the timing and level of reversal of existing taxable temporary differences, management conclude that a net deferred tax asset of £16.4 million should be recognised at the balance sheet date.

d) Share-based payments

The fair value of the share awards is calculated using statistical models. The inputs to these models require management judgement to estimate the probability and timings of events taking place in the future. The significant inputs used in the models include the exercise price, share price, expected volatility, expected life and the risk free rate. The share-based payment recognised can be materially affected by these assumptions. Further information on the key assumptions can be found in Note 36.

Notes to the consolidated financial statements continued

3. Use of estimates and judgements continued

e) Invoice Finance goodwill

At 31 December 2015, the Group held goodwill balances totalling £12.6 million, £8.5 million of which is attributable to the SME Commercial Mortgages segment, with the remaining balance of £4.1 million attributable to the Invoice Finance segment.

IAS 36 requires an assessment of goodwill balances for impairment on at least an annual basis. An impairment charge should be recognised where the recoverable amount from the segment is less than the carrying value of the goodwill.

The recoverable amount is the greater of either the Value in Use ("VIU") of a business or its Fair Value less Costs of Disposal ("FVLCD"). VIU is determined by discounting the future cash flows forecasted to be generated from the continuing use of the segment and requires judgement to be applied, specifically in relation to the assumptions used within the discounted future cash flow calculation. FVLCD is defined as the price that would be expected to be received if sold in an orderly transaction between market participants and equally requires judgement to be applied, specifically in assessing comparable transactions in order to derive a fair value.

Management has considered both methods for calculating the recoverable amount.

The VIU calculation is sensitive to key inputs into the calculation, including the forecasted future cash flows and the discount rate applied. During 2015 the business was refocused and management revised their projections for the business while the impact of this is being assessed. Using these updated projections, under the VIU method, the goodwill relating to the Invoice Finance business of £4.1 million would be fully impaired, although management note a reasonably small change in the key assumptions would result in the goodwill balance being supportable.

Management has determined the FVLCD by reviewing recent transactions for similar businesses and applying the Price/Tangible Book Value ratio from those transactions to the Aldermore Invoice Finance business. Management have performed an exercise to assess the comparability of the businesses involved in recent transactions with the Aldermore Invoice Finance business. Before relying on the market value, analysis has been performed to understand the differing valuations produced by both the FVLCD and VIU methods.

Management believe that the Price/Tangible Book Value ratio is the most appropriate Fair Value methodology to use but note that applying an alternative Price/Earnings methodology also supports the goodwill balance.

After considering the above, management has concluded it is appropriate to use FVLCD and therefore are satisfied that the goodwill balance of £4.1 million in relation to the Invoice Finance segment is supportable. The estimated value would be required to fall approximately 25 per cent before the goodwill balance would be fully impaired.

4. Segmental information

The Group has five reportable operating segments as described below which are based on the Group's five lending segments plus Central Functions. Each segment offers groups of similar products and services and are managed separately based on the Group's internal reporting structure.

In the prior period, the Group had four reportable operating segments. In late 2015, the Group concluded that it was necessary to split out the Buy-to-Let segment from SME Commercial and Residential Mortgages segments, where it was previously reported. This split ensures a closer alignment to the Group's evolving operating model and greater transparency over the Buy-to-Let segmental results. The prior year comparatives have been re-presented on the new basis.

Residential Mortgages, SME Commercial mortgages and Buy-to-Let are operated under a single management team and supported by a single IT platform. Shared administrative expenses in the mortgages business have been apportioned across these segments on the basis of business activity levels in each segment. However, the characteristics of the three businesses are sufficiently different and accordingly the segments are reported separately to the Board. Therefore, the three businesses represent separate operating segments in accordance with IFRS 8.

For each of the reportable segments the Board, which is the Group's Chief Operating Decision Maker, reviews internal management reports on a monthly basis. The following summary describes the operations in each of the Group's reportable segments:

- Asset Finance – Lease and hire purchase financing for SMEs, focusing on sectors with strong returns and liquid secondary asset markets.
- Invoice Finance – Provides UK SMEs with working capital solutions through invoice discounting, factoring and asset based lending.
- SME Commercial Mortgages – Property finance needs of professional, commercial property investors, and owner-occupier SMEs. Targets prime and specialist prime segments with loan sizes generally below £5 million.
- Buy-to-Let – Offers a wide range of standard and specialist Buy-to-Let mortgages for residential units, multi-unit freehold or houses with multiple occupation ("HMO") to both individuals and companies.
- Residential Mortgages – Prime residential mortgages targeting underserved segments of creditworthy borrowers that provide attractive and sustainable margins.

Central Functions include the reconciling items between the total of the five reportable operating segments and the consolidated income statement. As well as common costs, Central Functions includes the Group's Treasury and Savings functions which are responsible for raising finance on behalf of the operating segments. The costs of raising finance are all recharged by Central Functions to operating segments, apart from those costs relating to the subordinated notes (Note 6) and the net expense/income from derivatives held at fair value.

Common costs are incurred on behalf of the operating segments and typically represent savings administration costs, back office costs and support function costs such as Finance, Risk and Human Resources. The costs are not directly attributable to the operating segments.

Information regarding the results of each reportable segment and their reconciliation to the total results of the Group are included below. Performance is measured based on the segmental result as included in the internal management reports.

Segmental information for the year ended 31 December 2015

	Asset Finance £m	Invoice Finance £m	SME Commercial Mortgages £m	Buy-to-Let £m	Residential Mortgages £m	Central Functions £m	Total £m
Interest income – external customers	**75.7**	**7.6**	**44.8**	**111.0**	**66.4**	**(5.1)**	**300.4**
Interest expense – external customers	**–**	**–**	**–**	**–**	**–**	**(101.5)**	**(101.5)**
Interest (expense)/income – internal	**(23.9)**	**(2.3)**	**(10.6)**	**(37.7)**	**(22.6)**	**97.1**	**–**
Net fees and other income – external customers	**4.3**	**15.2**	**0.8**	**3.0**	**2.2**	**0.3**	**25.8**
Total operating income	**56.1**	**20.5**	**35.0**	**76.3**	**46.0**	**(9.2)**	**224.7**
Administrative expenses including depreciation and amortisation	**(12.0)**	**(14.5)**	**(4.8)**	**(9.0)**	**(5.1)**	**(74.2)**	**(119.6)**
Impairment losses on loans and advances to customers	**(4.8)**	**(1.5)**	**(2.0)**	**(1.3)**	**(0.8)**	**–**	**(10.4)**
Segmental result	**39.3**	**4.5**	**28.2**	**66.0**	**40.1**	**(83.4)**	**94.7**
Tax							**(16.4)**
Profit after tax							**78.3**
Assets	**1,346.7**	**160.8**	**829.2**	**2,417.9**	**1,390.2**	**863.7**	**7,008.5**
Liabilities	**–**	**–**	**–**	**–**	**–**	**(6,474.9)**	**(6,474.9)**
Net assets/(liabilities)	**1,346.7**	**160.8**	**829.2**	**2,417.9**	**1,390.2**	**(5,611.2)**	**533.6**

Segmental information for the year ended 31 December 2014

	Asset Finance[1] £m	Invoice Finance £m	SME Commercial Mortgages £m	Buy-to-Let £m	Residential Mortgages £m	Central Functions[1] £m	Total £m
Interest income – external customers	56.7	9.3	37.0	91.6	34.5	(1.3)	227.8
Interest expense – external customers	–	–	–	–	–	(87.6)	(87.6)
Interest (expense)/income – internal	(19.8)	(3.3)	(9.5)	(34.3)	(14.3)	81.2	–
Net fees and other income – external customers	3.1	17.5	1.1	2.9	1.7	(1.5)	24.8
Total operating income	**40.0**	**23.5**	**28.6**	**60.2**	**21.9**	**(9.2)**	**165.0**
Administrative expenses including depreciation and amortisation	(11.9)	(14.7)	(3.0)	(9.3)	(4.1)	(62.1)	(105.1)
Impairment losses on loans and advances to customers	(2.7)	(3.4)	(3.0)	0.3	(0.8)	–	(9.6)
Segmental result	**25.4**	**5.4**	**22.6**	**51.2**	**17.0**	**(71.3)**	**50.3**
Tax							(11.9)
Profit after tax							**38.4**
Assets	1,044.3	180.6	552.4	2,044.1	979.7	764.1	5,565.2
Liabilities	–	–	–	–	–	(5,186.3)	(5,186.3)
Net assets/(liabilities)	**1,044.3**	**180.6**	**552.4**	**2,044.1**	**979.7**	**(4,422.2)**	**378.9**

[1] A £1.6 million write-off in relation to an Asset Finance intangible asset has been recorded within Central Functions as the asset was under construction at the time of write-off.

Notes to the consolidated financial statements continued

5. Interest income

	2015 £m	2014 £m
On financial assets not at fair value through profit or loss:		
On loans and advances to customers	**305.4**	227.8
On loans and advances to banks	**0.7**	1.5
On debt securities	**11.1**	5.1
	317.2	**234.4**
On financial assets at fair value through profit or loss:		
Net interest expense on financial instruments hedging assets	**(18.5)**	(12.1)
Net interest income on debt securities designated at fair value	**1.7**	5.5
	300.4	**227.8**

Included within interest income on loans and advances to customers for the year ended 31 December 2015 is a total of £3.2 million (31 December 2014: £2.0 million) relating to impaired financial advances.

Included within net interest expense on financial instruments hedging assets are fair value gains of £2.7 million (31 December 2014: loss of £8.8 million) on derivatives held in qualifying fair value hedging arrangements, together with losses of £6.1 million (31 December 2014: gains of £7.2 million) representing changes in the fair value of the hedged item attributable to the hedged interest rate risk on loans and advances to customers.

6. Interest expense

	2015 £m	2014 £m
On financial liabilities not at fair value through profit or loss:		
On customers' accounts	**91.6**	80.0
On amounts due to banks	**2.8**	1.5
On debt securities in issue	**3.5**	3.3
On subordinated notes	**6.5**	6.4
	104.4	**91.2**
On financial liabilities at fair value through profit or loss:		
Net interest income on financial instruments hedging liabilities	**(4.5)**	(4.8)
Other	**1.6**	1.2
	101.5	**87.6**

Included within net interest income on financial instruments hedging liabilities are fair value losses of £1.8 million (31 December 2014: gains of £1.6 million) on derivatives held in qualifying fair value hedging arrangements, together with gains of £2.3 million (31 December 2014: losses of £1.5 million) representing changes in the fair value of the hedged item attributable to the hedged interest rate risk on customers' accounts.

7. Fee and commission income

	2015 £m	2014 £m
Invoice finance fees	**12.6**	14.5
Valuation fees	**4.1**	4.4
Documentation fees	**3.2**	2.5
Other fees	**5.3**	5.0
	25.2	**26.4**

Details of "Other" fee and commission income are provided in Note 2 (b).

8. Fee and commission expense

	2015 £m	2014 £m
Introducer commissions	**1.7**	1.9
Legal and valuation fees	**2.7**	2.5
Company searches and other fees	**1.6**	1.8
Credit protection and insurance charges	**0.8**	1.2
Other	**0.2**	0.4
	7.0	**7.8**

9. Net (expense) from derivatives and other financial instruments at fair value through profit or loss

	2015 £m	2014 £m
Net gains/(losses) on derivatives	**5.0**	(17.3)
Net (losses)/gains on assets designated at fair value through profit or loss	**(0.2)**	9.1
Net (losses)/gains on available for sale assets held in fair value hedges	**(6.9)**	4.1
	(2.1)	**(4.1)**

10. Other operating income

	2015 £m	2014 £m
Disbursements, collect out and other invoice finance income	**6.4**	7.1
Other	**1.0**	0.3
	7.4	**7.4**

11. Administrative expenses

	Note	2015 £m	2014[1] £m
Staff costs	12	**62.1**	50.0
Legal and professional and other services		**25.8**	23.5
Information technology costs		**7.3**	8.3
Office costs		**4.9**	4.0
Provisions	32	**2.3**	3.6
Other		**11.9**	11.8
		114.3	**101.2**

[1] The prior year comparatives have been re-presented to reclassify £0.6 million relating to share-based payments, from "Other" to "Staff costs".

Included in other administrative expenses are costs relating to temporary staff of £5.0 million (31 December 2014: £4.5 million), travel and subsistence of £3.2 million (31 December 2014: £2.8 million) and staff recruitment of £1.6 million (31 December 2014: £2.1 million).

Information technology costs for the year ended 31 December 2014 included £1.6 million in relation to a write-off of intangible assets.

Costs associated with the IPO

Included within administrative expenses for the year is £4.1 million (31 December 2014: £6.0 million) of costs associated with the IPO. The £4.1 million consists of £0.4 million for a one-off share award to employees and £3.7 million for fees associated with listing.

Incremental costs directly attributable to the issuance of capital, including advisory and underwriting fees, have been charged directly to equity. Other costs associated with the listing have been allocated between administrative expenses and equity, based on the proportion of new shares issued in the IPO compared to the total number of shares. Total costs associated with the listing for the year ended 31 December 2015 are £6.8 million, comprising £4.1 million charged to the income statement and £2.7 million charged to equity.

Notes to the consolidated financial statements continued

12. Staff costs

	2015 £m	2014 £m
Wages and salaries	**50.8**	43.2
Social security costs	**6.2**	5.0
Other pension costs	**1.6**	1.2
Share-based payments	**3.5**	0.6
	62.1	**50.0**

The analysis above includes staff costs in relation to Executive and Non-Executive Directors.

The average number of persons employed by the Group during the year, excluding Non-Executive Directors, was 845 (31 December 2014: 757).

13. Remuneration of Directors

	2015 £'000	2014 £'000
Directors' emoluments	**2,639.4**	2,797.0
Payments in respect of personal pension plans	**26.5**	24.0
Compensation for loss of office	**–**	20.0
Contributions to money purchase scheme	**20.9**	61.0
Loan forgiveness	**139.6**	–
Long-term incentive schemes	**7,784.3**	555.0
	10,610.7	**3,457.0**

The above disclosure is prepared in accordance with schedule 5 of the Accounting Regulations.

Compensation for loss of office in 2014 of £20,000 relates to two Directors.

Loan forgiveness

From 1 January 2015 until admission to the LSE a number of Directors had loans with the Company. Upon admission the Company forgave loans totalling £0.1 million. At 31 December 2015 there is one loan to a Director for the value of £0.05 million under normal terms of business (31 December 2014: two loans, £0.1 million).

Long-term incentive schemes

The Directors held certain shares pre-IPO which converted into ordinary shares on IPO. The reported gains have been calculated on the market value of shares held at IPO (£1.92) less the actual cost on any share bought pre-IPO, regardless of whether such shares were acquired as an investment or an incentive. The aggregate gains on such shares held by Directors on IPO was £7,782,900.

Total aggregate emoluments

The aggregate emoluments of all Directors (comprising salary/fees, benefits, market adjusted allowance and bonuses) during the year was £10,588,400.

14. Pension and other post-retirement benefit commitments

The Group operates two defined contribution pension schemes. The assets of the schemes are held separately from those of the Group in independently administered funds. Pension contributions of £1.6 million (31 December 2014: £1.2 million) were charged to the income statement during the year in respect of these schemes. The Group made payments amounting to £26,500 (31 December 2014: £24,000) in aggregate in respect of Directors' individual personal pension plans during the year. There were outstanding contributions of £0.3 million at the year end (31 December 2014: £0.2 million).

15. Depreciation and amortisation

	Note	2015 £m	2014 £m
Depreciation	25	**1.1**	0.9
Amortisation of intangible assets	24	**4.2**	3.0
		5.3	**3.9**

16. Profit on ordinary activities before taxation

The profit on ordinary activities is after charging:

	2015 £m	2014 £m
Operating lease rentals (including service charges)		
– land and buildings	**2.3**	1.9
– plant and equipment	**0.5**	0.5
Foreign exchange losses	**0.1**	–
The remuneration of the Group's external auditors, KPMG LLP, and their associates is as follows:		
Fees payable to the Group's auditor for the audit of the annual accounts (excluding VAT)	**0.1**	0.1
Fees payable to the Group's auditor for the audit of the accounts of subsidiaries (excluding VAT)	**0.4**	0.3
Audit fees	**0.5**	**0.4**
Fees payable to the Group's auditor and its associates for other services (excluding VAT):		
Audit related assurance services[1]	**0.1**	0.6
Other taxation advisory services	**0.2**	0.2
Corporate finance services[2]	**0.3**	0.8
Other assurance services[3]	**0.1**	0.6
All other services	**0.1**	–
Non-audit fees	**0.8**	**2.2**
	1.3	**2.6**

1 Audit related assurance services for the year ended 31 December 2014 comprise services provided in relation to IFRS conversion audit and interim profit verifications during the year. Also included was work in relation to the Group's issuance of Additional Tier 1 contingent convertible securities.

2 Fees payable for corporate finance services for the year include £0.3 million (2014: £0.8 million) for the Reporting Accountants' reports in relation to the Group's Initial Public Offering.

3 Other assurance services for the year ended 31 December 2014 relate to services provided in relation to the audit of the Group's results in preparation for its Initial Public Offering.

17. Taxation

a) Tax charge

	2015 £m	2014 £m
Current tax on profits for the year	**25.1**	15.5
Under/(over) provision in previous periods	**1.1**	(0.1)
Total current tax	**26.2**	**15.4**
Deferred tax	**(5.2)**	(3.7)
(Over)/under provision in previous periods	**(0.9)**	0.2
Effect of change in tax rates (including the Bank surcharge) on the net deferred tax asset	**(3.7)**	–
Total deferred tax	**(9.8)**	**(3.5)**
Total tax charge	**16.4**	**11.9**

A tax credit of £0.6 million was recognised in other comprehensive income during the year ended 31 December 2015 (31 December 2014: £0.2 million, tax charge) in respect of available for sale debt securities. A tax credit of £1.0 million (31 December 2014: £nil) was reflected directly in equity in respect of tax relief for AT1 coupon and issue costs.

Notes to the consolidated financial statements continued

17. Taxation continued

b) Factors affecting tax charge for the year

The tax assessed for the year is different to that resulting from applying the standard rate of corporation tax in the UK of 20.25 per cent (31 December 2014: 21.5 per cent). The differences are explained below:

	2015 £m	2014 £m
Profit before tax	**94.7**	**50.3**
Tax at 20.25% (2014: 21.5%) thereon	**19.2**	10.8
Effects of:		
Expenses not deductible for tax purposes	**0.7**	0.7
Under provision in previous period	**0.2**	0.1
Effect of change in tax rates (including the Bank surcharge) on the net deferred tax asset	**(3.7)**	0.3
	16.4	**11.9**

c) Deferred tax asset

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 probable that there will be suitable future taxable profits against which the unwinding of the asset can be offset.

Analysis of recognised deferred tax asset:

	Balance at start of the year £m	Recognised in income statement £m	Recognised in other comprehensive income £m	Balance at end of the year £m
Year ended 31 December 2015				
Capital allowances less than depreciation	**6.5**	**10.0**	**–**	**16.5**
Gains on available for sale debt securities recognised through other comprehensive income	**(0.3)**	**0.1**	**–**	**(0.2)**
Other temporary differences	**0.4**	**(0.8)**	**–**	**(0.4)**
Share-based payment timing differences	**–**	**0.5**	**–**	**0.5**
	6.6	**9.8**	**–**	**16.4**
Year ended 31 December 2014				
Capital allowances less than depreciation	3.3	3.2	–	6.5
Gains on available for sale debt securities recognised through other comprehensive income	(0.1)	–	(0.2)	(0.3)
Other temporary differences	0.1	0.3	–	0.4
	3.3	**3.5**	**(0.2)**	**6.6**

Reductions in the UK corporation tax rate from 23 per cent to 21 per cent (effective from 1 April 2014) and 20 per cent (effective from 1 April 2015) were substantively enacted on 2 July 2013. In the Budget on 8 July 2015, the Chancellor announced additional planned reductions to 19 per cent with effect from 1 April 2017 and to 18 per cent with effect from 1 April 2020. In addition, the Chancellor announced the introduction of a corporation tax surcharge applicable to banking companies with effect from 1 January 2016. The surcharge will be levied at a rate of 8 per cent on the profits of banking companies chargeable to corporation tax after an annual allowance of £25 million. These changes, which were all substantively enacted on 26 October 2015 will result in an overall increase in the Group's tax charge for years commencing from 1 January 2016.

Deferred tax as at 31 December 2015 has been provided for at the revised substantively enacted rates that will apply when deferred tax assets are realised or deferred tax liabilities are settled. The impact of this change increased the net deferred tax asset recognised as at 31 December 2015 by £3.7 million, with a corresponding reduction to the tax charge recognised in the income statement.

There were no unrecognised deferred tax balances at 31 December 2015 (31 December 2014: £nil).

18. Earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares in issue during the year.

	2015	2014*
Profit after taxation – attributable to equity holders of the Group (£million)	**78.3**	38.4
Coupon paid on contingent convertible securities, net of tax (£million)	**(2.8)**	–
Profit attributable to ordinary shareholders of the Group (£million)	**75.5**	38.4
Weighted average number of ordinary shares in issue (million)	**332.4**	296.2
Basic earnings per share (p)	**22.7**	**13.0**

The ordinary shares in issue used in the denominator in the calculation of basic earnings per share are the ordinary shares of the Company since the share reorganisation that occurred on the Company's admission to the LSE on 13 March 2015. Further details of the share reorganisation are provided in Note 35. Prior to that date, the ordinary shares in issue figure was based on the A1, A2, D and E ordinary shares in issue. The B and C ordinary shares were excluded from the calculation on the basis that they had no entitlement to dividends or other distributions of the Company.

*The calculation of basic and diluted earnings per share in the prior period has been restated to reflect the impact of the bonus share issue that was made to existing shareholders as part of the share reorganisation that occurred on the Company's admission to the LSE on 13 March 2015.

The calculation of diluted earnings per share has been based on the same profit attributable to ordinary shareholders of the Group as for basic earnings and the weighted average number of ordinary shares outstanding after the potential dilutive effect of share-based payment awards to Directors and employees. The share warrants, giving rise to dilution for 2014, were exercised on 9 September 2015 and new shares were issued and listed on the London Stock Exchange (for details see Note 35).

	2015	2014*
Weighted average number of ordinary shares in issue (million) (basic)	**332.4**	296.2
Effect of share warrants prior to their exercise	**2.2**	2.8
Effect of share-based payment awards	**0.1**	–
Weighted average number of ordinary shares in issue (million) (diluted)	**334.7**	299.0
Diluted earnings per share (p)	**22.6**	**12.9**

19. Loans and advances to banks

	2015 £m	2014 £m
Included in cash and cash equivalents: balances with less than three months to maturity at inception	**51.6**	60.4
Cash collateral on derivatives placed with banks	**31.7**	46.1
Other loans and advances to banks	**10.9**	10.9
	94.2	**117.4**

There were no individual or collective provisions for impairment held against loans and advances to banks. £10.9 million is recoverable more than 12 months after the reporting date (2014: £10.9 million) and relates to cash held by the Group's securitisation vehicle, Oak No.1 PLC.

Notes to the consolidated financial statements continued

20. Loans and advances to customers

	2015 £m	2014 £m
Gross loans and advances	**6,165.5**	**4,823.6**
less: allowance for impairment losses	**(20.7)**	(22.5)
	6,144.8	**4,801.1**
Amounts include:		
Expected to be recovered more than 12 months after the reporting date	**5,345.5**	4,205.8

At 31 December 2015, loans and advances to customers of £1,445.5 million (31 December 2014: £719.9 million) were pre-positioned with the Bank of England and HM Treasury Funding for Lending Scheme. These loans and advances were available for use as collateral with the Scheme, against which £750.0 million of UK Treasury Bills had been drawn as at the reporting date (31 December 2014: £485.0 million).

At 31 December 2015, loans and advances to customers include £206.5 million (31 December 2014: £293.1 million) which have been used in secured funding arrangements, resulting in the beneficial interest in these loans being transferred to Oak No. 1 PLC which is a securitisation vehicle consolidated into these financial statements. The carrying value of these loans on 10 April 2014, when the beneficial interest was transferred, was £362.3 million. These loans secured £333.3 million of funding for the Group. All the assets pledged are retained within the statement of financial position as the Group retains substantially all the risks and rewards relating to the loans.

Allowance for impairment losses

	Individual £m	Collective £m	Total £m
Year ended 31 December 2015			
Balance as at 1 January	**14.0**	**8.5**	**22.5**
Impairment loss for the year:			
Charge to the income statement	**6.8**	**3.6**	**10.4**
Unwind of discounting	**(1.6)**	**(1.6)**	**(3.2)**
Write-offs net of recoveries	**(9.0)**	**–**	**(9.0)**
Balance as at 31 December	**10.2**	**10.5**	**20.7**

	Individual £m	Collective £m	Total £m
Year ended 31 December 2014			
Balance as at 1 January	14.7	6.3	21.0
Impairment loss for the year:			
Charge to the income statement	6.4	3.2	9.6
Unwind of discounting	(1.0)	(1.0)	(2.0)
Write-offs net of recoveries	(6.1)	–	(6.1)
Balance as at 31 December	**14.0**	**8.5**	**22.5**

Finance lease receivables

Loans and advances to customers include the following finance leases where the Group is the lessor:

	2015 £m	2014[1] £m
Gross investment in finance leases, receivable:		
Less than one year	**528.9**	383.6
Between one and five years	**913.4**	689.9
More than five years	**22.8**	16.6
	1,465.1	**1,090.1**
Unearned finance income	**(166.0)**	(130.4)
Net investment in finance leases	**1,299.1**	**959.7**
Net investment in finance leases, receivable:		
Less than one year	**453.3**	290.7
Between one and five years	**824.1**	652.8
More than five years	**21.7**	16.2
	1,299.1	**959.7**

[1] The 2014 comparatives have been re-presented to exclude block discounting facilities and unsecured lending which were previously included.

The Group enters into finance lease and hire purchase arrangements with customers in a wide range of sectors including plant and machinery, cars and commercial vehicles. The accumulated allowance for uncollectible minimum lease payments receivable is £3.9 million (31 December 2014: £2.2 million).

Due to the nature of the business undertaken, there are no material unguaranteed residual values for any of the finance leases at 31 December 2015 or 31 December 2014.

21. Debt securities

	2015 £m	2014 £m
Debt securities designated at fair value through profit or loss:		
UK Government gilts	**–**	116.4
Supranational bonds	**–**	38.0
	–	**154.4**
Available for sale debt securities:		
UK Government gilts and treasury bills	**94.4**	21.5
Supranational bonds	**267.9**	293.0
Corporate bonds	**29.9**	24.5
Asset-backed securities	**74.9**	16.3
Covered bonds	**139.0**	–
	606.1	**355.3**
	606.1	**509.7**

At 31 December 2015, £566.6 million (31 December 2014: £459.1 million) of debt securities are expected to be recovered more than 12 months after the reporting date. There were no impairment losses in respect of available for sale debt securities.

The Group disposed of its holding of debt securities designated at fair value through profit or loss during the year.

Notes to the consolidated financial statements continued

22. Derivatives held for risk management

Amounts included in the statement of financial position are analysed as follows:

	2015		2014	
	Assets £m	**Liabilities £m**	Assets £m	Liabilities £m
Instrument type				
Interest rate (not in hedging relationships)	**0.8**	**1.4**	1.1	23.2
Interest rate (fair value hedges)	**5.9**	**33.9**	6.6	30.6
Equity	**–**	**–**	0.4	0.4
Foreign exchange	**–**	**0.1**	0.1	–
	6.7	**35.4**	**8.2**	**54.2**

All derivatives are held either as fair value hedges qualifying for hedge accounting or are held for the purpose of managing risk exposures arising on the Group's other financial instruments.

a) Fair value hedges of interest rate risk

The Group uses interest rate swaps within qualifying hedge accounting relationships to manage its exposure to changes in the fair values of certain fixed rate lending and savings products and debt securities held, attributable to changes in market interest rates.

Further details regarding the Group's approach to hedge accounting, including a description of the Group's exposure to volatility are provided in the risk report on page 125.

b) Other derivatives held for risk management

The Group uses other derivatives, not designated in qualifying hedge relationships, to manage its exposure to the following:

- Interest rate risk on certain debt securities held which are designated at fair value through profit or loss
- Interest rate basis risk on certain mortgage loans
- Equity market risk on equity linked products offered to depositors
- Foreign exchange risk on currency loans provided to invoice finance customers

23. Investment in subsidiaries

The Company has an interest in the total ordinary share capital of the following subsidiaries (except the securitisation vehicles), all of which are registered in England and operate in the UK. All subsidiary undertakings are included in these consolidated financial statements.

Subsidiary undertakings (direct interest)	Principal activity	Shareholding %
Aldermore Bank PLC	Banking and related services	100
Dormant subsidiary undertakings (indirect interest)		
Aldermore Invoice Finance (Holdings) Limited	Dormant	100
Aldermore Invoice Finance Limited	Dormant	100
Aldermore Invoice Finance (Oxford) Limited	Dormant	100
AR Audit Services Limited	Dormant	100
Securitisation vehicles		
Oak No.1 Mortgage Holdings Limited	Holding company for securitisation vehicle	*
Oak No.1 PLC	Securitisation vehicle	*

* The share capital of the securitisation vehicles is not owned by the Group but the vehicles are included in the consolidated financial statements as they are controlled by the Group.

24. Intangible assets

	Computer systems £m	Goodwill £m	Total £m
Cost			
1 January 2015	**19.2**	**12.6**	**31.8**
Additions	**5.6**	**–**	**5.6**
31 December 2015	**24.8**	**12.6**	**37.4**
1 January 2014	16.3	12.6	28.9
Additions	4.5	–	4.5
Write-off	(1.6)	–	(1.6)
31 December 2014	**19.2**	**12.6**	**31.8**
Amortisation			
1 January 2015	**9.2**	**–**	**9.2**
Charge for the year	**4.2**	**–**	**4.2**
31 December 2015	**13.4**	**–**	**13.4**
1 January 2014	6.2	–	6.2
Charge for the year	3.0	–	3.0
31 December 2014	**9.2**	**–**	**9.2**
Net book value			
31 December 2015	**11.4**	**12.6**	**24.0**
31 December 2014	**10.0**	**12.6**	**22.6**

Goodwill arose on the acquisitions of Ruffler Holdings Limited (subsequently renamed Aldermore Holdings Limited), Base Commercial Mortgages Holdings Limited and Absolute Invoice Finance (Holdings) Limited. For the purpose of impairment testing, goodwill is allocated to the Group's operating segments. The aggregate amount allocated to each segment is as follows:

	2015 £m	2014 £m
SME Commercial Mortgages	**8.5**	8.5
Invoice Finance	**4.1**	4.1
	12.6	**12.6**

No impairment losses on goodwill were recognised during the year ended 31 December 2015 (31 December 2014: £nil).

The Value in Use ("VIU") for SME Commercial Mortgages and Invoice Finance segment have been determined by discounting the future cash flows to be generated from the continuing use of the segment. VIU at 31 December 2015 has been determined in a similar manner as at 31 December 2014.

Key assumptions used in the calculation of VIU were the following:

- Cash flows were projected based on past experience, actual operating results and the five-year business plan (31 December 2014: the five-year business plan). Cash flows after the planning period were extrapolated using a constant growth rate of 2 per cent (31 December 2014: 3 per cent) into perpetuity
- Pre-tax discount rates of 13.0 per cent and 14.3 per cent (31 December 2014: 13.0 per cent and 15.0 per cent) respectively were applied in determining the recoverable amounts for the SME Commercial Mortgages and Invoice Finance operating segments. These discount rates were based on the weighted average cost of funding for the segments taking into account the Group's regulatory capital requirement and expected market returns for debt and equity funding, adjusted for risk premiums to reflect the systemic risk of the individual segments

The VIU of the SME Commercial Mortgage segment is significantly above the carrying value of the attributable goodwill and net assets. The Group estimates that reasonably possible changes in the above assumptions are not expected to cause the recoverable amount of SME Commercial Mortgage to reduce below the carrying amount.

Notes to the consolidated financial statements continued

24. Intangible assets continued

Goodwill attributable to Invoice Finance

During 2015, the Invoice Finance business was refocused and management revised their projections for the business while the impact of this is being assessed. Using these updated projections, under the VIU method, the goodwill relating to the Invoice Finance business of £4.1 million would be fully impaired, although management note a reasonably small change in the key assumptions would result in the goodwill balance being supportable.

Under IAS 36, the recoverable amount is the greater of either the VIU of a business or its Fair Value less Costs of Disposal ("FVLCD"). Management has therefore also considered the FVLCD valuation method.

Management considers the goodwill attributable to the Invoice Finance business to be a critical accounting judgement. Note 3 provides further details of the method used to calculate the FVLCD valuation method. Under the FVLCD method, the goodwill balance of £4.1 million in relation to the Invoice Finance segment is supportable. The estimated value would be required to fall approximately 25 per cent before the goodwill balance would be fully impaired. The valuation calculated using the FVLCD method is categorised as level 3 under the fair value hierarchy of IFRS 13.

25. Property, plant and equipment

	Fixtures, fittings and equipment £m	Computer hardware £m	Total £m
Cost			
1 January 2015	**3.2**	**3.4**	**6.6**
Additions	**0.7**	**1.0**	**1.7**
31 December 2015	**3.9**	**4.4**	**8.3**
1 January 2014	2.6	3.1	5.7
Additions	0.6	0.3	0.9
31 December 2014	**3.2**	**3.4**	**6.6**
Depreciation			
1 January 2015	**1.8**	**2.0**	**3.8**
Charge for the year	**0.5**	**0.6**	**1.1**
31 December 2015	**2.3**	**2.6**	**4.9**
1 January 2014	1.4	1.5	2.9
Charge for the year	0.4	0.5	0.9
31 December 2014	**1.8**	**2.0**	**3.8**
Net book value			
31 December 2015	**1.6**	**1.8**	**3.4**
31 December 2014	**1.4**	**1.4**	**2.8**

26. Other assets

	2015 £m	2014 £m
Amounts recoverable within one year	**1.4**	3.1
Amounts recoverable after one year	**–**	0.2
	1.4	**3.3**

27. Prepayments and accrued income

	2015 £m	2014 £m
Amounts recoverable within 12 months:		
Accrued income	**1.9**	2.6
Other prepayments	**3.2**	4.1
	5.1	**6.7**

28. Amounts due to banks

	2015 £m	2014 £m
Amounts repayable within 12 months:		
Due to banks – repurchase agreements	**398.6**	304.2
Due to banks – deposits	**5.2**	0.6
Cash collateral received on derivatives	**1.3**	1.1
	405.1	**305.9**

Collateral given under repurchase agreements

The face value of securities sold under agreements to repurchase at 31 December 2015 was £400.0 million (31 December 2014: £305.0 million) all of which were drawn down from the Bank of England under the terms of the Funding for Lending Scheme. The Group conducts these repurchase transactions under the terms of applicable General Master Repurchase Agreement guidelines. Consideration received in return for the collateral is recorded as "Amounts due to banks" and is accounted for as a financial liability at amortised cost.

29. Customers' accounts

	2015 £m	2014 £m
Amounts repayable within one year	**4,288.8**	3,438.5
Amounts repayable after one year	**1,453.2**	1,020.5
	5,742.0	**4,459.0**

30. Other liabilities

	2015 £m	2014 £m
Amounts payable within 12 months:		
Amounts payable to Invoice Finance customers	**9.4**	10.1
Other taxation and social security costs	**4.3**	3.8
Trade creditors	**3.2**	2.9
Other payables	**5.0**	1.8
	21.9	**18.6**

31. Accruals and deferred income

	2015 £m	2014 £m
Amounts payable within 12 months:		
Accruals	**24.0**	19.1
Deferred income	**1.7**	2.0
	25.7	**21.1**

Notes to the consolidated financial statements continued

32. Provisions

	Financial Services Compensation Scheme £m	Customer redress £m	Total £m
1 January 2015	**1.2**	**0.8**	**2.0**
Utilised during the year	**(2.3)**	**(0.9)**	**(3.2)**
Provided during the year	**2.2**	**0.1**	**2.3**
31 December 2015	**1.1**	**–**	**1.1**
1 January 2014	0.7	0.5	1.2
Utilised during the year	(2.1)	(0.7)	(2.8)
Provided during the year	2.6	1.0	3.6
31 December 2014	**1.2**	**0.8**	**2.0**

Financial Services Compensation Scheme ("FSCS")

In common with all regulated UK deposit takers, the Group's principal subsidiary, Aldermore Bank PLC, pays levies to the FSCS to enable the FSCS to meet claims against it. The FSCS levy consists of two parts: a management expenses levy and a compensation levy, which includes capital and interest levies. The management expenses levy covers the costs of running the scheme and the compensation levy covers the amount of compensation the scheme pays, net of any recoveries it makes using the rights that have been assigned to it.

The FSCS provision at 31 December 2015 of £1.1 million (31 December 2014: £1.2 million) represents the interest levy for the 2015/2016 scheme year (31 December 2014: interest levy for the 2014/2015 scheme year).

Customer redress

The Group has a small number of loans which are regulated under the Consumer Credit Act ("CCA") and had identified that, following changes to the CCA in 2008, certain letters and statements were sent to customers that did not fully comply with the requirements prescribed by the CCA. Accordingly, these customers were entitled to redress for interest and fees charged on the relevant loans as a result of this technical non-compliance, notwithstanding there is unlikely to have been any customer detriment. During the year ended 31 December 2014, a provision of £1.0 million was recorded in relation to CCA non-compliance. A further provision of £0.1 million has been recorded in the year ended 31 December 2015. Remedial payments to customers affected were all made during the year and accordingly there is £nil provision at 31 December 2015.

33. Debt securities in issue

Debt securities in issue are repayable from the reporting date in the ordinary course of business as follows:

	2015 £m	2014 £m
In more than one year	**193.9**	279.1

Debt securities in issue with a principal value of £194.8 million (31 December 2014: £280.5 million) are secured on certain portfolios of variable and fixed rate mortgages through the Group's securitisation vehicle, Oak No. 1 PLC. These notes are redeemable in part from time to time, such redemptions being limited to the net capital received from mortgage customers in respect of the underlying assets. There is no obligation for the Group to make good any shortfall. Further disclosure relating to the underlying assets is contained in Note 20.

34. Subordinated notes

	2015 £m	2014 £m
Subordinated notes	**38.1**	36.8

During 2012, the Group issued £40 million subordinated 12.875 per cent loan notes, repayable in 2022, with an option for the Group to redeem early after five years. The interest rate is fixed until May 2017. The loan notes were issued at a discount and are carried in the statement of financial position at amortised cost using an EIR of 18.597 per cent. In addition to the loan notes, warrants were issued by the Group's Parent Company, Aldermore Group PLC. The warrants were valued at £2.2 million, and this was treated as a warrant reserve within equity in accordance with the accounting policy in Note 2(f). On 9 September 2015, the warrants were exercised resulting in 5.5 million ordinary £0.10 shares being issued (see Note 35).

35. Share capital

	2015 £'000	2014 £'000
Type		
Ordinary shares of £0.10 each	**34,474.0**	–
A1 ordinary shares of £0.10 each	**–**	3,569.4
A2 ordinary shares of £0.10 each	**–**	5,870.4
B ordinary shares of £0.10 each	**–**	385.5
C ordinary shares of £0.0001 each	**–**	13.2
D ordinary shares of £0.10 each	**–**	5,440.5
E ordinary shares of £0.10 each	**–**	8,458.4
	34,474.0	**23,737.4**

On 13 March 2015, the Company reorganised its share capital in preparation for listing on the LSE. The restructuring can be summarised as follows:

- 1,025,586 A1 ordinary shares, 131,593,114 C ordinary shares and 568,253 E ordinary shares were re-designated as deferred shares
- 406,886 C ordinary shares (nominal value of £0.0999 per share) were issued and allotted to C ordinary shareholders on a pro-rata basis by way of bonus issue using distributable reserves, resulting in an increase of £40,648 in share capital
- Each C ordinary share with a nominal value of £0.0999 was consolidated with a C ordinary share with a nominal value of £0.0001, resulting in 406,886 C ordinary shares with a nominal value of £0.10 each being in issue
- The following shares were re-designated as ordinary shares: 34,668,414 A1 ordinary shares, 58,704,268 A2 ordinary shares, 3,854,632 B ordinary shares, 406,886 C ordinary shares, 54,405,224 D ordinary shares, and 84,016,023 E ordinary shares
- 63,944,554 ordinary shares were issued and allotted on a pro-rata basis to all shareholders (excluding holders of deferred shares) by way of bonus issue using distributable reserves, resulting in an increase of £6,394,455 in share capital
- The Company bought back 133,186,953 deferred shares for an aggregate price of £1 using distributable reserves. This resulted in the creation of a capital redemption reserve of £172,543 and a reduction in the Company's share capital of the same amount

Following the reorganisation, 117,934,783 ordinary shares of £0.10 each were issued in the IPO at a price of £1.92 per share. Of the 117,934,783 shares in the offer, 78,872,283 were sold by existing shareholders, with the remaining 39,062,500 being issued by the Company, resulting in an increase in share capital of £3,906,250 and share premium account of £71,093,750 (excluding costs).

Ordinary shares have full voting rights, dividend rights and distribution rights in the event of sale or wind up.

At 13 March 2015, after completion of the IPO, there were 339,062,500 shares in circulation.

Following the listing, the Company granted 174,920 shares to eligible employees as free share awards under the Share Incentive Plan ("SIP"). Further details regarding the SIP are provided in Note 36. The shares vested on 17 April 2015, resulting in an increase of £17,492 in share capital and a reduction in retained earnings of the same amount.

On 9 September 2015, the share warrants attached to the subordinated notes (see Note 2(f)) were exercised resulting in the issue of 3,668,110 ordinary £0.10 shares at a price of £0.89 per share and 1,834,054 ordinary £0.10 shares at a price of £1.23 per share. The aggregate nominal value of the shares issued was £550,216.40, whilst the total consideration was £5,520,504.32. The shares were issued to Centerbridge Credit Partners L.P., Centerbridge Credit Partners TE Intermediate I, L.P., Centerbridge Special Credit Partners AIV III, L.P., and Centerbridge Special Credit Partners II, L.P. The mid-market closing price of the Company's shares on 9 September 2015, the date that the share warrants were exercised, was £2.93. The share issue resulted in an increase in share capital of £550,216 and share premium account of £4,970,288. The warrant reserve of £2,200,000 was transferred within equity to retained earnings.

At 31 December 2015, there were 344,739,584 ordinary £0.10 shares in circulation resulting in share capital of £34,473,958.

Notes to the consolidated financial statements continued

36. Share-based payments

The Group implemented a number of new share schemes during the year as described below:

	Plan	Eligible Employees	Nature of award	Vesting conditions	Grant date
A)	Performance Share Plan	Selected senior employees	Conditional share award	Continuing employment or leavers in certain limited circumstances and achievement of earnings per share and Total Shareholder Return performance conditions	2 March 2015
B)	Pre-IPO award under the Performance Share Plan	Selected senior employees	Conditional share award	Continuing employment or leavers in certain limited circumstances and achievement of Total Shareholder Return based performance conditions	2 March 2015
C)	Restricted Share Plan	Selected senior employees	Conditional share award	Continuing employment or leavers in certain limited circumstances	2 March 2015
D)	Share Incentive Plan	All employees	Non-conditional share award	Employment at date of grant	17 April 2015
E)	Sharesave Plan	All employees	Option to purchase shares at the vesting date	Monthly contributions to the scheme and continuing employment or leavers in certain limited circumstances	29 October 2015
F)	Deferred Share Plan	Selected senior employees	Deferred conditional share award	Continuing employment or leavers in certain limited circumstances	See f) below

Further details of each of the schemes are provided below.

a) Performance Share Plan

The Performance Share Plan ("PSP") is open to senior employees including the Executive team. The grant date of awards was 2 March 2015, with individuals being required to remain in employment until 2 March 2018. The awards are subject to a two-year holding period which ends on 2 March 2020 and are exercisable between that date and 1 March 2025.

Awards under the PSP are subject to performance conditions. Performance conditions are set by the Remuneration Committee each time awards are granted and determine the extent to which awards can become available to individuals.

The performance conditions for these first awards relate to the growth in Total Shareholder Return ("TSR") for the period to 31 December 2017, measured from the date of admission to the LSE (13 March 2015) for 50 per cent of each award and Earnings Per Share ("EPS") performance for the year ended 31 December 2017 for the remaining 50 per cent of each award. The outcome of the performance conditions, as assessed by the Remuneration Committee, will determine the vesting outcome of the awards and the shares available for exercise.

In addition, there are *"underpin"* performance conditions which must be met, including in relation to the TSR element of the award. The value of the TSR achieved, over the performance period, must be equal to or greater than the TSR of the median company of FTSE 350 companies, excluding Investment Trusts.

b) Pre-IPO award under the PSP

The Pre-IPO awards were granted to individuals, as a one-off reward to those who contributed significantly to the development of the Group in the build-up to its IPO. The awards were granted to a number of senior employees, including the Executive team.

The grant date of the awards was 2 March 2015. The awards are subject to performance conditions which must be satisfied in order for individuals to be entitled to receive the shares awarded. If the performance conditions are achieved the awards will vest on 31 December 2016.

The performance conditions relate to growth in TSR for the period to 31 December 2016, measured from the date of admission to the LSE (13 March 2015). The outcome of the performance conditions determine the extent to which shares awarded become available to individual participants. Similar *"underpin"* performance conditions apply to the awards as those in the PSP (see a) above), including the TSR condition based on the median of FTSE 350 companies excluding Investment Trusts.

c) Restricted Share Plan

The Restricted Share Plan ("RSP") is open to a small number of senior employees engaged in risk functions. The grant date of awards was 2 March 2015, with individuals being required to remain in employment until 2 March 2018. The awards are subject to a two-year holding period which ends on 2 March 2020 and are exercisable between that date and 1 March 2025.

There are no financial performance conditions attached to the awards under the RSP.

d) Share Incentive Plan

All employees are eligible to participate in the Share Incentive Plan ("SIP"). An award of "free shares" was granted under the SIP on 17 April 2015. Each eligible employee received shares worth £200, with an additional £200 for each year of service up to a maximum award of £1,000. The shares are subject to a minimum holding period of the shorter of three years from their award date or the date to when the employee ceases to be employed. There are no performance conditions associated with the share awards. Participants in the SIP are the beneficial owners of the shares granted to them, but not the registered owner. Voting rights over the shares are normally exercised by the registered owner at the direction of the participant.

e) Sharesave Plan

All employees are eligible to participate in the Sharesave Plan. The grant date of the awards was 29 October 2015, with individuals in the Plan contributing a set amount each month for three years, commencing in January 2016. At the end of the contribution period there is the option to buy shares in Aldermore Group PLC at an option price of £2.52, which was fixed at the grant date.

There are no financial performance conditions attached to the awards but the options are subject to service conditions based on employment and whether the employee continues to contribute to the Plan. Employees have the option but not the obligation to buy shares depending upon the share price at the end of the Plan. There are no holding conditions at the end of the Plan.

f) Deferred Share Plan

The Deferred Share Plan ("DSP") is open to senior employees including the Executive team and represents the portion of the Annual Incentive Plan that is deferred to align the interests of senior employees and the Executive team with shareholders. Shares within the DSP may accrue dividend equivalents which may be settled in shares or cash equivalents. The awards are typically released in tranches of one-third on the first, second and third anniversary of the award, subject to continued employment.

There are no financial performance conditions attached to the awards under the DSP. Share awards for the deferred element of the 2015 bonuses will be granted under this scheme in 2016. Shares worth £1.2 million are expected to be granted. Awards under the DSP are accounted for as equity settled share-based payments.

Awards/options granted, forfeited and vested

The table below details the number of awards/options granted, forfeited and vested during the year, the number outstanding as at 31 December 2015 and the average fair values at grant date of the awards made during the year:

Plan	Awards/ options granted Number	Awards/ options forfeited Number	Awards/ options vested Number	Awards outstanding at 31 December 2015 Number	Average fair value per award at grant date (rounded) £	Total fair value to be recognised over the vesting period £m	2015 income statement charge £m
Performance Share Plan	1,539,629	(133,398)	–	1,406,231	1.13	1.6	1.2
Pre-IPO award under the PSP	7,549,101	(115,092)	–	7,434,009	0.31	2.3	0.5
Restricted Share Plan	105,753	–	–	105,753	1.92	0.2	0.1
Share Incentive Plan	174,920	–	(174,920)	–	2.41	0.4	0.4
Sharesave Plan	794,966	–	–	794,966	0.79	0.6	–

Where there have been leavers from the schemes, the individual circumstances of each leaver is considered and the IFRS 2 charge expensed over a shorter period or the shares forfeited as appropriate.

The B, C and E ordinary shares granted to employees in previous periods were included in the reorganisation of the Company's share capital which took place on 13 March 2015 in preparation for the Company's listing on the LSE. Of the 132 million C ordinary shares granted to employees, 113,593,114 were converted to deferred shares, on 13 March 2015, which the Company repurchased for total consideration of £1 and the remaining C shares were converted into ordinary shares on the same date.

As the awards under the DSP have yet to be granted, it is not possible to provide details of the specific number of awards granted. A charge of £1.2 million has been recorded in the 2015 income statement.

Determination of grant date fair values

Share awards

Share awards are not entitled to dividends until the awards vest, but the number of shares subject to vested PSP and RSP awards may be increased to reflect the value of dividends that would have been paid up to the end of the holding period for the awards. This is designed to deliver a benefit similar to that which ordinary shareholders may receive in respect of any dividends paid during the vesting period. Accordingly, the grant date fair value of the awards with no performance conditions other than service conditions has been taken as the market value of the Company's ordinary shares at the grant date.

Notes to the consolidated financial statements continued

36. Share-based payments continued

In respect of awards for which there are non-market performance conditions (e.g. EPS), the grant date fair value per award has been taken as the market value of an ordinary share at the grant date. A forecast is made of the number of awards expected to vest in order to determine the overall share-based payment charge to be recognised over the vesting period.

In respect of awards for which there are market performance conditions (e.g. TSR), the grant date fair value of each award is required to reflect the likelihood of achieving the market conditions within the valuation. For the awards concerned, the grant date fair values for each award were determined using stochastic simulation models with the following significant inputs:

	Pre-IPO	PSP
Ordinary share price	£1.92	£1.92
Risk free rate	0.59% p.a.	0.90% p.a.
Probability distributions of TSRs for Aldermore and the median FTSE 350 (excluding Investment Trust companies)	Log normal	Log normal
Annual volatility (of logarithm of TSR) for Aldermore share price (based on recently floated banks)	24%	24%
Annual volatility (of logarithm of TSR) for median of FTSE 350 (excluding Investment Trust companies) (based on 5 years data)	15%	15%
Correlation between volatilities	None	None

Share options (Sharesave Plan)

Options granted under the Sharesave Plan have no entitlement to dividends until they are exercised. The grant date fair value of the options were determined using a Black Scholes valuation model with the following significant inputs:

	Sharesave Plan
Share price at grant date	£2.62
Exercise price	£2.52
Risk free rate	0.89% p.a.
Expected volatility of Company share price	39.18%[1]
Expected life	3.25 years

[1] Based on Aldermore Group PLC share price volatility, from the date of listing (13 March 2015) to the grant date, measured on an annualised basis.

The overall share-based payment charge for the year ended 31 December 2015 totalled £3.4 million (31 December 2014: £0.6 million).

37. Contingent convertible securities

On 9 December 2014, the Company issued £75 million Fixed Rate Reset Additional Tier 1 Perpetual Subordinated Contingent Convertible Securities (the "Securities"). Net proceeds arising from the issuance, after deducting issuance costs and the associated tax credit totalled £74.0 million.

The Securities are perpetual and have no fixed redemption date. Redemption of the Securities is at the option of the Company on 30 April 2020 and annually thereafter. The Securities bear interest at an initial rate of 11.875 per cent per annum until 30 April 2020 and thereafter at the relevant Reset Interest Rate as provided in the Information Memorandum. Interest is payable on the Securities annually in arrears on each interest payment date commencing 30 April 2015 and is non-cumulative. The Borrower has the full discretion to cancel any interest scheduled to be paid on the Securities.

The Securities are convertible into ordinary shares of the Company in the event of the Group's Common Equity Tier 1 ratio falling below 7 per cent.

As the Securities contain no obligation on the Company to make payments of principal or interest, they have been classified as equity instruments as required by IAS 32. Accordingly, the Securities have been included in equity at the fair value of the proceeds received less any direct costs attributable to the issue of the Securities, net of tax relief thereon. Any interest paid on the Securities, net of tax relief thereon, is a distribution to holders of equity instruments and has been recognised directly in equity on the payment date. Although there are number of additional terms relating to events such as acquisition and wind up, there are no circumstances in which the Group has an unavoidable obligation to issue a variable number of its own shares.

The Group has not separated any embedded derivative features because the Group has an accounting policy not to separate a feature that has already been considered in determining that the entire issue is a non-derivative equity instrument.

38. Statement of cash flows

a) Adjustments for non-cash items and other adjustments included within the income statement

	2015 £m	2014 £m
Depreciation and amortisation	**5.3**	3.9
Write-off of intangible assets	**–**	1.6
Amortisation of securitisation issuance cost	**0.5**	0.4
Discount accretion on subordinated notes	**1.4**	1.2
Impairment losses on loans and advances	**10.4**	9.6
Unwind of discounting	**(3.2)**	(2.0)
Write-offs net of recoveries	**(9.0)**	(6.0)
Net losses/(gains) on debt securities designated at fair value through profit or loss	**0.2**	(9.5)
Losses/(gains) on hedged available for sale debt securities recognised in profit or loss	**6.9**	(4.1)
Net (gains) on disposal of available for sale debt securities	**(2.1)**	(2.5)
Interest expense on subordinated notes	**5.1**	5.2
Interest income on debt securities	**(12.8)**	(10.7)
Interest expense on debt securities in issue	**3.0**	2.9
Equity settled share-based payment charge	**3.4**	0.6
	9.1	**(9.4)**

b) (Increase) in operating assets

	2015 £m	2014 £m
Loans and advances to customers	**(1,341.9)**	(1,428.8)
Loans and advances to banks	**14.4**	(45.7)
Derivative financial instruments	**1.5**	0.7
Fair value adjustments for portfolio hedged risk	**6.1**	(7.2)
Other operating assets	**2.0**	(6.8)
	(1,317.9)	**(1,487.8)**

c) Increase in operating liabilities

	2015 £m	2014 £m
Amounts due to banks	**99.2**	(80.0)
Customers' accounts	**1,283.0**	995.0
Derivative financial instruments	**(18.8)**	36.3
Fair value adjustments for portfolio hedged risk	**(2.3)**	1.5
Other operating liabilities	**7.0**	10.0
	1,368.1	**962.8**

Notes to the consolidated financial statements continued

38. Statement of cash flows continued

d) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on demand and overnight deposits classified as cash and balances at central banks (unless restricted) and balances within loans and advances to banks. The following balances have been identified as being cash and cash equivalents.

	2015 £m	2014 £m
Cash and balances at central banks	**105.3**	79.6
Less restricted balances	**(7.5)**	(6.0)
Loans and advances to banks	**51.6**	60.4
	149.4	**134.0**

Restricted balances comprise minimum balances required to be held at the Bank of England as they are not readily convertible to cash in hand or demand deposits. Loans and advances to banks as at 31 December 2015 include £10.9 million held by the securitisation vehicle, Oak No.1 PLC, which is not available to the other members of the Group (31 December 2014: £10.9 million).

39. Commitments and contingencies

At 31 December 2015, the Group had undrawn commitments to lend of £556.0 million (31 December 2014: £404.6 million). These relate mostly to irrevocable lines of credit granted to customers.

At the end of the reporting period, the future minimum lease payments under non-cancellable operating leases are payable as follows:

Land and buildings	2015 £m	2014 £m
In less than one year	**1.9**	1.5
Between one and five years	**6.0**	3.0
More than five years	**2.4**	0.5
	10.3	**5.0**

Equipment	2015 £m	2014 £m
In less than one year	**0.4**	0.2
Between one and five years	**0.2**	0.3
	0.6	**0.5**

At 31 December 2015, the majority of operating leases for equipment related to 70 cars that the Group held under lease (31 December 2014: 49). The majority of these leases are due to expire in 2017.

Legislation

As a financial services Group, Aldermore Group PLC is subject to extensive and comprehensive regulation. The Group must comply with numerous laws and regulations, which significantly affect the way it does business. Whilst the Group believes there are no unidentified areas of failure to comply with these laws and regulations which would have a material impact on the financial statements, there can be no guarantee that all issues have been identified.

40. Related parties

a) Controlling parties

The Group was previously controlled by AnaCap Financial Partners, II L.P. (52.3 per cent. of voting rights) and AnaCap Financial Partners, L.P. (47.7 per cent. of voting rights) who were the sole voting shareholders of Aldermore Group PLC.

On 13 March 2015, the Company was admitted to the LSE, offering 117,934,783 ordinary shares, of which 78,872,283 shares were sold by the Selling shareholders. Upon admission, AnaCap Financial Partners L.P., AnaCap Financial Partners II L.P., AnaCap Derby Co-Investment (No.1.) L.P. and AnaCap Derby Co-Investment (No.2.) (collectively "the Principal Shareholders") and the Company entered into the "Relationship agreement". Details of the Relationship agreement were provided within the Prospectus issued prior to the admission to the LSE.

On 15 September 2015 the Principal Shareholders sold 40,885,613 Ordinary £0.10 shares on the open market.

At 31 December 2015, AnaCap Financial Partners L.P., AnaCap Financial Partners II L.P., AnaCap Derby Co-Investment (No.1.) L.P. and AnaCap Derby Co-Investment (No.2.) L.P held 11.26 per cent, 11.01 per cent, 9.54 per cent and 8.33 per cent of the Company's ordinary share capital respectively. Although Anacap is no longer a controlling party for the Group it continues to have significant influence and is therefore considered to be a related party.

The Group had agreements in place with Syscap Limited ("Syscap") at the start of the year. Syscap were previously under the control of Anacap Financial Partners II L.P. and AnaCap Financial Partners, L.P. Syscap ceased to be a related party when Anacap sold their interest on 20 February 2015. During the year the following agreements were in place between the Group and Syscap:

- The Group provides £5 million of block discounting facilities to Syscap Limited, a provider of business finance solutions. The facilities are secured by underlying receivables of short-term loans, primarily to solicitors' practices which are funded at a discount to the face value of the loans. The facilities contain appropriate conditions relating to performance, non-performing deal substitution rights and default provisions in line with the Group's standard commercial policies. Pricing on the facilities is subject to normal commercial terms
- Until 20 February 2015 Syscap introduced business of £9.6 million (year ended 31 December 2014: £21.9 million) and received commission of £0.1 million (year ended 31 December 2014: £0.4 million) of which £nil was outstanding as at 20 February 2015 (31 December 2014: £nil)

In addition, Anacap charged the Group investment monitoring fees of £29,000 for the year ended 31 December 2015 (year ended 31 December 2014: £0.2 million). The balance outstanding at 31 December 2015 is £nil (31 December 2014: £0.1 million).

During 2015, the Group also incurred fees of £0.1 million in relation to the Shareholder-representative Directors (year ended 31 December 2014: £nil).

b) Key management personnel

Key Management Personnel ("KMP") comprise Directors of the Group and members of the Executive Committee. Details of the compensation paid (in accordance with IAS 24) to KMP are:

	2015 £'000	2014 £'000
Emoluments	**5,035.8**	3,366.0
Payments in respect of personal pension plans	**45.9**	24.0
Compensation for loss of office	**–**	20.0
Contributions to money purchase scheme	**71.3**	72.0
Loan forgiveness	**162.3**	–
Share-based payments	**1,196.5**	555.0
	6,511.8	**4,037.0**

Compensation for loss of office for the year ended 31 December 2014 of £20,000 relates to two key persons.

The Group made payments of £45,900 in aggregate in respect of four key persons' personal pension plans during the year ended 31 December 2015 (31 December 2014: £24,000, two key persons).

Key persons' emoluments includes £0.8 million of deferred bonus (31 December 2014: £nil).

Notes to the consolidated financial statements continued

40. Related parties continued

Share-Based Payments ("SBP")

As at 31 December 2014, certain KMP held a number of shares in the B, C and E classes. In preparation for the IPO, the rights to these shares were varied and the holdings re-designated.

A number of KMP were awarded shares in the Company under new share incentive plans created upon IPO. In total, KMP were granted awards over 5,938,906 shares. Further details of the share schemes, including performance conditions are provided in Note 36. In addition, a number of KMP participated in the Sharesave Plan, holding options over a total of 17,855 shares at 31 December 2015.

The aggregate value of transactions and outstanding balances related to KMP (as defined by IAS 24 *"Related Party Disclosure"*) were as follows:

	2015 £'000	2014 £'000
Deposits		
At 1 January	**1,565.0**	1,067.0
Net movement	**454.2**	498.0
At 31 December	**2,019.2**	**1,565.0**

The table above includes transactions and balances relating to KMP in post at the end of the year.

At 31 December 2015 there are two loans with KMP for the value of £0.1 million (31 December 2014: four loans, £0.2 million). From 1 January 2015 until admission to the LSE a number of KMP had loans with the Company. Upon admission the Company forgave loans totalling £0.2 million. A number of KMP continue to have loans and deposits in the ordinary course of business with the Group.

During 2014 and up to Admission, interest rates charged on loan balances outstanding from related parties were lower than the rates that would be charged in arm's length transactions. Interest was charged on these loans at an annual rate of 0.8 per cent above 1 month LIBOR.

All deposit arrangements have been operated by the Group on commercial terms and conditions.

41. Financial instruments and fair values

The following table summarises the classification and carrying amounts of the Group's financial assets and liabilities:

31 December 2015	Loans and receivables £m	Available for sale £m	Designated at fair value through profit or loss £m	Fair value through profit or loss (required) £m	Fair value hedges £m	Liabilities at amortised cost £m	Total £m
Cash and balances at central banks	**105.3**	–	–	–	–	–	**105.3**
Loans and advances to banks	**94.2**	–	–	–	–	–	**94.2**
Debt securities	–	**606.1**	–	–	–	–	**606.1**
Derivatives held for risk management	–	–	–	**6.7**	–	–	**6.7**
Fair value adjustment for portfolio hedged risk	–	–	–	–	**1.1**	–	**1.1**
Loans and advances to customers	**6,144.8**	–	–	–	–	–	**6,144.8**
Other assets	**0.4**	–	–	–	–	–	**0.4**
Total financial assets	**6,344.7**	**606.1**	–	**6.7**	**1.1**	–	**6,958.6**
Non-financial assets							**49.9**
Total assets							**7,008.5**
Amounts due to banks	–	–	–	–	–	**405.1**	**405.1**
Customers' accounts	–	–	–	–	–	**5,742.0**	**5,742.0**
Derivatives held for risk management	–	–	–	**35.4**	–	–	**35.4**
Fair value adjustment for portfolio hedged risk	–	–	–	–	**(0.8)**	–	**(0.8)**
Other liabilities	–	–	–	–	–	**17.6**	**17.6**
Debt securities in issue	–	–	–	–	–	**193.9**	**193.9**
Subordinated notes	–	–	–	–	–	**38.1**	**38.1**
Total financial liabilities	–	–	–	**35.4**	**(0.8)**	**6,396.7**	**6,431.3**
Non-financial liabilities							**43.6**
Total liabilities							**6,474.9**

Notes to the consolidated financial statements continued

41. Financial instruments and fair values continued

31 December 2014	Loans and receivables £m	Available for sale £m	Designated at fair value through profit or loss £m	Fair value through profit or loss (required) £m	Fair value hedges £m	Liabilities at amortised cost £m	Total £m
Cash and balances at central banks	79.6	–	–	–	–	–	79.6
Loans and advances to banks	117.4	–	–	–	–	–	117.4
Debt securities	–	355.3	154.4	–	–	–	509.7
Derivatives held for risk management	–	–	–	8.2	–	–	8.2
Fair value adjustment for portfolio hedged risk	–	–	–	–	7.2	–	7.2
Loans and advances to customers	4,801.1	–	–	–	–	–	4,801.1
Other assets	1.2	–	–	–	–	–	1.2
Total financial assets	**4,999.3**	**355.3**	**154.4**	**8.2**	**7.2**	**–**	**5,524.4**
Non-financial assets							40.8
Total assets							**5,565.2**
Amounts due to banks	–	–	–	–	–	305.9	305.9
Customers' accounts	–	–	–	–	–	4,459.0	4,459.0
Derivatives held for risk management	–	–	–	54.2	–	–	54.2
Fair value adjustment for portfolio hedged risk	–	–	–	–	1.5	–	1.5
Other liabilities	–	–	–	–	–	14.8	14.8
Debt securities in issue	–	–	–	–	–	279.1	279.1
Subordinated notes	–	–	–	–	–	36.8	36.8
Total financial liabilities	**–**	**–**	**–**	**54.2**	**1.5**	**5,095.6**	**5,151.3**
Non-financial liabilities							35.0
Total liabilities							**5,186.3**

The following table summarises the carrying amounts and fair values of those financial assets and liabilities not presented in the statement of financial position at fair value. The fair values in this note are stated at a specific date and may be significantly different from the amounts which will actually be paid on the maturity or settlement dates of the instruments. As a wide range of valuation techniques are available, it may be inappropriate to compare this fair value information to that of independent market or other financial institutions.

	2015		2014	
	Carrying value £m	**Fair value £m**	Carrying value £m	Fair value[1] £m
Cash and balances at central banks	**105.3**	**105.3**	79.6	79.6
Loans and advances to banks	**94.2**	**94.2**	117.4	117.4
Loans and advances to customers	**6,144.8**	**6,194.1**	4,801.1	4,831.0
Other assets	**0.4**	**0.4**	1.2	1.2
Total financial assets	**6,344.7**	**6,394.0**	**4,999.3**	**5,029.2**
Amounts due to banks	**405.1**	**405.1**	305.9	305.9
Customers' accounts	**5,742.0**	**5,752.8**	4,459.0	4,469.4
Other liabilities	**17.6**	**17.6**	14.8	14.8
Debt securities in issue	**193.9**	**194.8**	279.1	281.3
Subordinated notes	**38.1**	**48.0**	36.8	47.9
Total financial liabilities	**6,396.7**	**6,418.3**	**5,095.6**	**5,119.3**

[1] During the year the methodology used to calculate the fair value of loans and advances to customers has been enhanced based on more granular discounted cash flow calculations. Accordingly, the 31 December 2014 comparatives have been represented on this basis.

Key considerations in the calculation of the disclosed fair values for those financial assets and liabilities carried at amortised cost include the following:

a) Cash and balances at central banks

These represent amounts with an initial maturity of less than three months and as such their carrying value is considered a reasonable approximation of their fair value.

b) Loans and advances to banks

These represent either amounts with an initial maturity of less than three months or longer term variable rate deposits placed with banks, where adjustments to fair value in respect of the credit risk of the counterparty are not considered necessary. Accordingly the carrying value of the assets is considered to be not materially different from their fair value.

c) Loans and advances to customers

For fixed rate lending products the Group has estimated the fair value of the fixed rate interest cash flows by discounting those cash flows by the current appropriate market reference rate used for pricing equivalent products plus the credit spread attributable to the borrower. For standard variable rate lending products, and fixed rate products when they revert to the Group's standard variable rate, the interest rate on such products is considered equivalent to a current market product rate and as such the Group considers the discounted future cash flows of these mortgages to be equal to their carrying value. The fair value estimations do not incorporate adjustments for changes in future credit risk, since loans were granted, however, incurred loss provisions are deducted from the fair value amounts.

d) Other assets and liabilities

These represent short-term receivables and payables and as such their carrying value is not considered to be materially different from their fair value.

e) Amounts due to banks

These mainly represent securities sold under agreements to repurchase which were drawn down from the Bank of England under the terms of the Funding for Lending Scheme. These transactions are collateralised by UK Government Treasury Bills, which have a low susceptibility to credit risk, so adjustments to fair value in respect of the credit risk of the counterparty are not considered necessary. Accordingly the carrying value of the liabilities are not considered to be materially different from their fair value.

f) Customers' accounts

The fair value of fixed rate customers' accounts have been determined by discounting estimated future cash flows based on rates currently offered by the Group for equivalent deposits. Customers' accounts at variable rates are at current market rates and therefore the Group regards the fair value to be equal to the carrying value. The estimated fair value of deposits with no stated maturity is the amount repayable on demand.

g) Debt securities in issue

As the securities are actively traded in a recognised market, with readily available and quoted prices, these have been used to value the securities. These securities are therefore regarded as having Level 1 fair values.

h) Subordinated notes

The estimated fair value of the subordinated notes is based on discounted cash flows using interest rates for similar liabilities with the same remaining maturity, credit ranking and rating. The calculated fair value takes no account of the warrants issued separately to the holders of the subordinated notes, which have been separately accounted for as a capital contribution within equity on issue. The warrants were exercised during September 2015 (see Note 35).

Notes to the consolidated financial statements continued

41. Financial instruments and fair values continued

The following table provides an analysis of financial assets and liabilities held on the consolidated statement of financial position at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

31 December 2015	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets:				
Derivatives held for risk management	–	6.7	–	6.7
Debt securities:				
Asset backed securities	–	74.9	–	74.9
UK Gilts and Supranational bonds	362.3	–	–	362.3
Corporate bonds	29.9	–	–	29.9
Covered bonds	139.0	–	–	139.0
	531.2	**81.6**	**–**	**612.8**
Financial liabilities:				
Derivatives held for risk management	–	35.4	–	35.4
	–	**35.4**	**–**	**35.4**

31 December 2014	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets:				
Derivatives held for risk management	–	8.2	–	8.2
Debt securities:				
Asset backed securities	–	16.3	–	16.3
UK Gilts and Supranational bonds	468.9	–	–	468.9
Corporate bonds	24.5	–	–	24.5
	493.4	**24.5**	**–**	**517.9**
Financial liabilities:				
Derivatives held for risk management	–	54.2	–	54.2
	–	**54.2**	**–**	**54.2**

Level 1: Fair value determined using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair value determined using directly or indirectly observable inputs other than unadjusted quoted prices included within Level 1 that are observable.

Level 3: Fair value determined using one or more significant inputs that are not based on observable market data.

The fair values of UK Gilts, Supranational bonds, Corporate bonds and Covered bonds are based on quoted bid prices in active markets.

The fair value of asset backed securities are based on indicative prices provided by market counterparties, but before relying on these prices, the Group has obtained an understanding of how the prices were derived to ensure that each investment is assigned an appropriate classification within the fair value hierarchy.

The fair values of derivative assets and liabilities are determined using widely recognised valuation methods for determining the fair values of common derivative financial instruments such as interest rate swaps that used only observable market data that require little management judgement and estimation. Credit value and debit value adjustments have not been applied as the derivative assets and liabilities are largely collateralised.

Fair value measurement – financial assets and liabilities held at amortised cost

All the fair values of financial assets and liabilities carried at amortised cost are considered to be Level 2 valuations which are determined using directly or indirectly observable inputs other than unadjusted quoted prices, except for debt securities in issue which are Level 1 and loans and advances to customers which are Level 3.

Fair value of transferred assets and associated liabilities

Securitisation vehicle

The sale of the beneficial ownership of the loans and advances to customers to the securitisation vehicle by the Bank fail the derecognition criteria, and consequently, these loans remain on the statement of financial position of the Group. The Bank therefore recognises a deemed loan financial liability on its statement of financial position and an equivalent deemed loan asset is held on the securitisation vehicle's statement of financial position. As the securitisation vehicle is consolidated into the Group with the Bank the deemed loans net out in the consolidated accounts. The deemed loans are repaid as and when principal repayments are made by customers against these transferred loans and advances.

The securitisation vehicle has issued fixed and floating rate notes which are secured on loans and advances to customers. The notes are redeemable in part from time to time, such redemptions being limited to the net capital received from mortgagors in respect of the underlying assets.

The Group retains substantially all of the risks and rewards of ownership. The Group benefits to the extent to which surplus income generated by the transferred mortgage portfolios exceeds the administration costs of these mortgages. The Group continues to bear the credit risk of these mortgage assets.

The results of the securitisation vehicle listed in Note 23 are consolidated into the results of the Group. The table below shows the carrying value and fair value of the assets transferred to the securitisation vehicle and its associated liabilities. The carrying value presented below are the carrying amounts recorded in the Group accounts. Some of the notes issued by the securitisation vehicle are held by the Group and as such are not shown in the consolidated statement of financial position of the Group.

31 December 2015	Carrying amount of transferred assets not derecognised £m	Carrying amount of associated liabilities £m	Fair value of transferred assets not derecognised £m	Fair value of associated liabilities £m	Net position £m
Oak No. 1 Plc	**206.5**	**193.9**	**209.9**	**194.8**	**15.1**

31 December 2014	Carrying amount of transferred assets not derecognised £m	Carrying amount of associated liabilities £m	Fair value of transferred assets not derecognised £m	Fair value of associated liabilities £m	Net position £m
Oak No. 1 Plc	293.1	279.1	295.5	281.3	14.2

42. Country-by-Country reporting

The Capital Requirements (Country-by-Country reporting) Regulations came into effect in 1 January 2014 and introduce reporting obligations for institutions within the scope of the European Union's Capital Requirements Directive (CRD IV). The requirements aim to give increased transparency regarding the activities of institutions.

All companies consolidated within the Group's financial statements are UK registered entities. Note 23 to these financial statements includes an analysis of subsidiary undertakings and their principal activities. All of the subsidiary undertakings were incorporated in England.

For the year ended 31 December 2015

	Jurisdiction income/expense arose	£m
Total operating income	**UK**	**224.7**
Profit before tax	**UK**	**94.7**
Corporation tax (paid)	**UK**	**(20.2)**
Employees (average FTE equivalent)	**UK**	**822**

43. Post balance sheet events

There have been no material post balance sheets events.

The Company statement of financial position

As at 31 December 2015

	Note	31 December 2015 £m	31 December 2014 £m
Assets			
Loans and advances to banks	3	**0.5**	1.4
Investment in Group undertakings	4	**411.5**	334.0
Other assets	6	**–**	0.2
Amounts due from Group undertakings	7	**0.4**	–
Total assets		**412.4**	**335.6**
Liabilities			
Accruals and deferred income	8	**–**	0.8
Total liabilities		**–**	**0.8**
Equity			
Share capital	9	**34.5**	23.7
Share premium account	9	**73.4**	–
Contingent convertible securities	11	**74.0**	73.7
Capital redemption reserve		**0.1**	–
Share-based payment reserve		**3.4**	0.9
Warrant reserve		**–**	2.2
Retained earnings		**227.0**	234.3
Total equity		**412.4**	**334.8**
Total liabilities and equity		**412.4**	**335.6**

The notes and information on pages 185 to 186 form part of these financial statements.

These financial statements were approved by the Board and were signed on its behalf by:

Phillip Monks
Director

9 March 2016
Registered number: 06764335

James Mack
Director

9 March 2016

The Company statement of cash flows

For the year ended 31 December 2015

	Note	**Year ended 31 December 2015 £m**	Year ended 31 December 2014 £m
Cash flows from operating activities			
(Loss) before taxation	2	**(1.2)**	(0.3)
(Increase)/decrease in operating assets	6	**0.2**	(0.2)
(Decrease)/increase in operating liabilities	8	**(0.9)**	0.2
Net cash flows (used in)/generated from operating activities		**(1.9)**	**(0.3)**
Cash flows from investing activities			
Investment in Group undertakings	4	**(74.1)**	(74.3)
Net cash used in investing activities		**(74.1)**	**(74.3)**
Cash flows from financing activities			
Proceeds from issue of shares	9	**75.0**	–
Issuance costs of Initial Public Offering		**(2.7)**	–
Proceeds from exercise of warrants		**5.6**	–
Net cash flows from contingent convertible securities	11	**–**	73.7
Coupon paid on contingent convertible securities, net of tax		**(2.8)**	–
Net cash from financing activities		**75.1**	**73.7**
Net (decrease) in cash and cash equivalents		**(0.9)**	**(0.9)**
Cash and cash equivalents at start of the year	3	**1.4**	2.3
Movement during the year		**(0.9)**	(0.9)
Cash and cash equivalents at end of the year	3	**0.5**	**1.4**

The Company statement of changes in equity

For the year ended 31 December 2015

	Share capital £m	Share premium account £m	Contingent convertible securities £m	Capital redemption reserve £m	Share-based payment reserve £m	Warrant reserve £m	Retained earnings £m	Total £m
Year ended 31 December 2015								
As at 1 January	**23.7**	**–**	**73.7**	**–**	**0.9**	**2.2**	**234.3**	**334.8**
Loss for the year	–	–	–	–	–	–	(1.2)	(1.2)
Transactions with equity holders:								
– Capital reorganisation prior to IPO	6.3	–	–	0.1	–	–	(6.4)	–
– Share issue proceeds from IPO	3.9	71.1	–	–	–	–	–	75.0
– Share issuance costs	–	(2.7)	–	–	–	–	–	(2.7)
– Share-based payments, including tax reflected directly in retained earnings	–	–	–	–	3.4	–	–	3.4
– Coupon paid on contingent convertible securities, net of tax	–	–	–	–	–	–	(2.8)	(2.8)
– Tax credit on contingent convertible securities issue costs	–	–	0.3	–	–	–	–	0.3
– Exercise of the share warrants	0.6	5.0	–	–	–	(2.2)	2.2	5.6
– Transfer of capital contribution to retained earnings	–	–	–	–	(0.9)	–	0.9	–
As at 31 December	**34.5**	**73.4**	**74.0**	**0.1**	**3.4**	**–**	**227.0**	**412.4**
Year ended 31 December 2014								
As at 1 January	**23.7**	**237.3**	**–**	**–**	**0.3**	**2.2**	**(2.7)**	**260.8**
Loss for the year	–	–	–	–	–	–	(0.3)	(0.3)
Transactions with equity holders:								
– Reduction in share premium	–	(237.3)	–	–	–	–	237.3	–
– Issue of contingent convertible securities	–	–	75.1	–	–	–	–	75.1
– Issue costs	–	–	(1.4)	–	–	–	–	(1.4)
– Share-based payments	–	–	–	–	0.6	–	–	0.6
As at 31 December	**23.7**	**–**	**73.7**	**–**	**0.9**	**2.2**	**234.3**	**334.8**

During the year ended 31 December 2015, the Company completed its initial public offering ("IPO"). The Company also undertook a capital reorganisation in advance of admission to the London Stock Exchange ("LSE"). Further details of both transactions are provided in Note 35 to the consolidated financial statements.

Notes to the Company financial statements

1. Basis of preparation

a) Accounting basis

The financial statements for Aldermore Group PLC (the "Company") have been prepared and approved by the Directors in accordance with International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board ("IASB") and as adopted by the European Union ("EU"). The significant accounting policies adopted are set out in Note 2 to the consolidated financial statements.

b) Going concern

As detailed in Note 1(c) of the consolidated financial statements, the Directors have performed an assessment of the appropriateness of the going concern basis. The Directors consider that it is appropriate to continue to adopt the going concern basis in preparing the financial statements.

c) Income statement

Under Section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own income statement.

2. Net loss attributable to equity shareholders of the Company

On including the standalone Company financial statements here together with the Group consolidated financial statements, the Company is taking advantage of the exemption in Section 408 of the Companies Act 2006 not to present its individual income statement and related notes that form a part of these financial statements.

	2015 £m	2014 £m
Net loss attributable to equity shareholders of the Company	**(1.2)**	(0.3)

3. Loans and advances to banks

	2015 £m	2014 £m
Repayable on demand	**0.5**	1.4

There were no collective or individual provisions for impairment against loans and advances to banks. All amounts are considered to be cash and cash equivalents.

4. Investment in Group undertakings

	2015 £m	2014 £m
As at 1 January	**334.0**	259.1
Capital injections – share capital	**74.1**	–
Capital contributions – share-based payments	**3.4**	0.6
Additional Tier 1 perpetual loan	**–**	74.3
As at 31 December	**411.5**	**334.0**

As at 31 December 2015, £nil worth of investments (31 December 2014: £nil) were classed as impaired.

During the year the Company injected £74.1 million in Aldermore Bank PLC. This injection reflected the external capital raised by the Company as a result of the Initial Public Offering and exercise of the share warrants.

Investment in subsidiaries

The Company owns 100 per cent of the issued share capital of Aldermore Bank PLC, which is a registered bank. Details of subsidiary undertakings of the Bank are provided in Note 23 to the consolidated financial statements.

All the companies listed in Note 23 to the consolidated financial statements are related parties to the Company.

Additional Tier 1 Perpetual Loan

On 9 December 2014 the Company set up a perpetual loan of indefinite duration that is repayable at the option of the Bank, and bears interest at an initial rate of 11.875 per cent per annum until 30 April 2020 and thereafter at the relevant Reset Interest Rate as provided in the loan agreement. The loan has been classified as an investment in a subsidiary undertaking and is carried at cost in accordance with IAS 27. Interest on the loan is recognised on payment as that is the point at which the unconditional receipt by the Company is established.

Notes to the Company financial statements continued

5. Related party transactions

Details of related party transactions of the Company are provided in Note 40 to the consolidated financial statements.

6. Other assets

	2015 £m	2014 £m
Other assets	–	0.2

7. Amounts owed to Group undertakings

	2015 £m	2014 £m
Group relief on contingent convertible securities issue costs	**0.4**	–

8. Accruals and deferred income

	2015 £m	2014 £m
Amounts payable within 12 months:		
Accruals	–	0.8

9. Share capital

Details of share capital of the Company are provided in Note 35 to the consolidated financial statements.

10. Share-based payments

Details of share-based payments issued by the Company are provided in Note 36 to the consolidated financial statements.

11. Contingent convertible securities

Details of the contingent convertible securities issued by the Company are provided in Note 37 to the consolidated financial statements.

12. Risk management

Through its Risk Management Framework, the Group is responsible for determining its principal risks, and the level of acceptable risks, as stipulated in the Group's risk appetite statement, thus ensuring that there is an adequate system of risk management so that the levels of capital and liquidity held are consistent with the risk profile of the business.

The risk management disclosures of the Group on pages 105 to 130 apply to the Company where relevant and therefore no additional disclosures are included in this note.

13. Fair value of financial assets and liabilities

The Directors consider its financial assets and liabilities apart from investments in subsidiaries are approximately equal to their carrying value. Accordingly no further disclosures in respect of fair values are provided.

14. Controlling party information

Details of controlling party information of the Company are provided in Note 40 to the consolidated financial statements.

15. Post balance sheet events

There are no material post balance sheet events.