Annual Report and Financial Statements 2024

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GATEHOUSE
FINANCIAL GROUP

COMPANY INFORMATION

Directors
Fahed Faisal Boodai
Abdulaziz AlBader
Mohamad Tawfik Al-Tahawy
Charles Haresnape

Secretary
Intertrust Corporate Services (Jersey) Limited

Auditor
Forvis Mazars LLP
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London
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Gatehouse Financial Group Limited
44 Esplanade
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JE4 9WG

Registered number
117951

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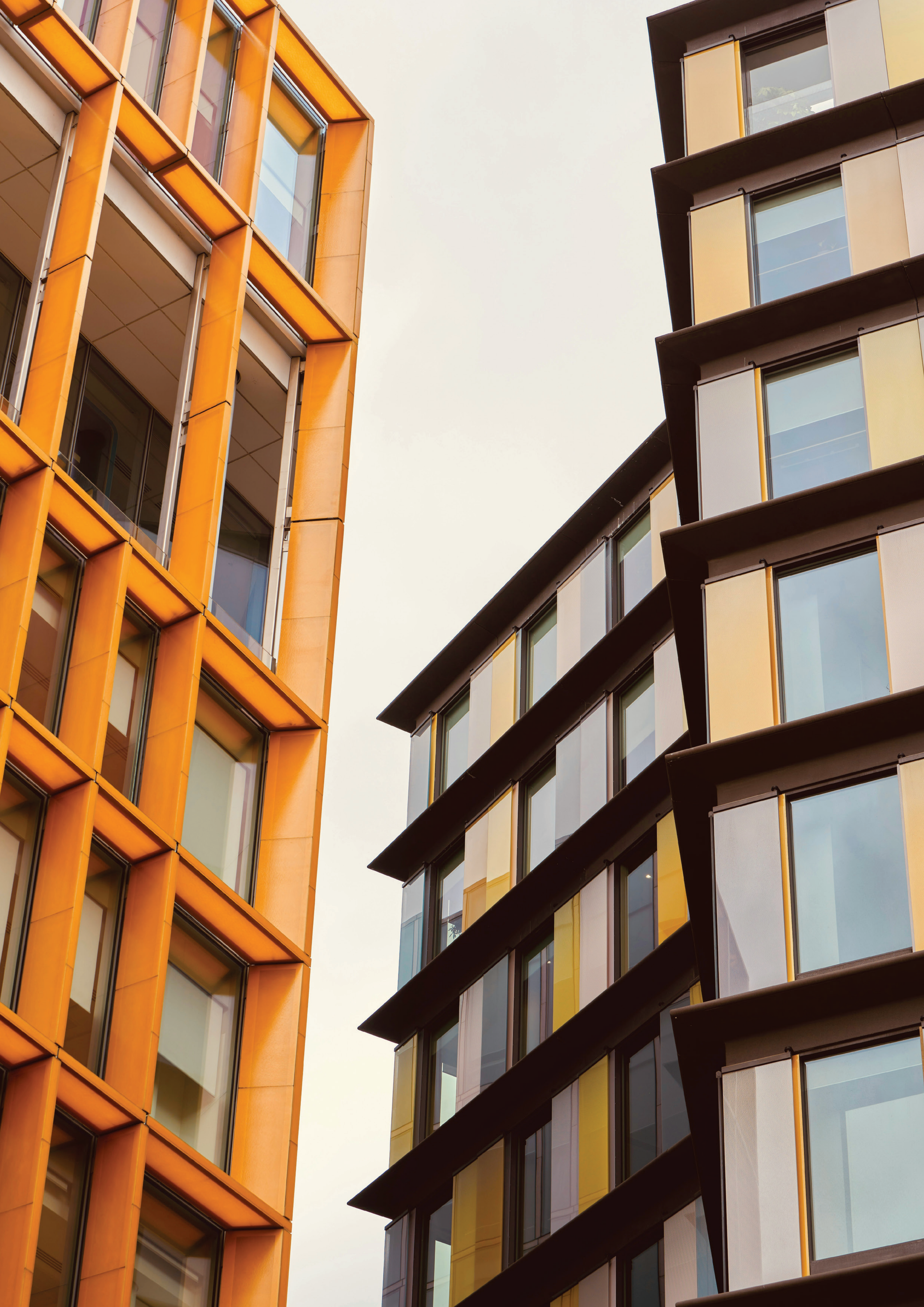


CHAIRMAN'S STATEMENT

In the name of Allah, the Most Gracious, the Most Merciful, on behalf of the Board of Directors of Gatehouse Financial Group Limited ("GFG", "the Group"), I am pleased to present the 2024 Annual Report and Financial Statements.

Gatehouse Financial Group has continued to make substantial progress, largely due to Gatehouse Bank's ("the Bank") financial performance. As of 31 December 2024, the Group's net profit amounted to £3.6 million.

I am incredibly proud of Gatehouse Bank's progress in 2024, which marked its fifth consecutive year of profitability, with a post-tax profit of £3.8 million. This year was one of managed growth, where the focus was on continuing to deliver an excellent service for customers by investing in technology and streamlining the customer journey. At the end of the year, the Bank's rolling 12 month net promoter score (NPS) reached +71, marking a significant milestone in Gatehouse's history of enhanced customer service.

A highlight from 2024 was Gatehouse Bank entering into a home finance partnership for a forward flow agreement to originate in excess of £550 million of home finance for an initial two-year term outwith the Bank's balance sheet. In line with this business strategy, the Bank observed a slight 5% drop in its residential property finance portfolio to £1.168 billion following the sale of a small percentage of its existing portfolio to a forward flow counterparty.

Gatehouse Bank's award-winning savings proposition remained popular with customers, ensuring the Bank can raise sufficient liquidity with a high customer retention rate. In accordance with its home finance targets, total savings deposits also reduced slightly by 2% to £1.289 billion.

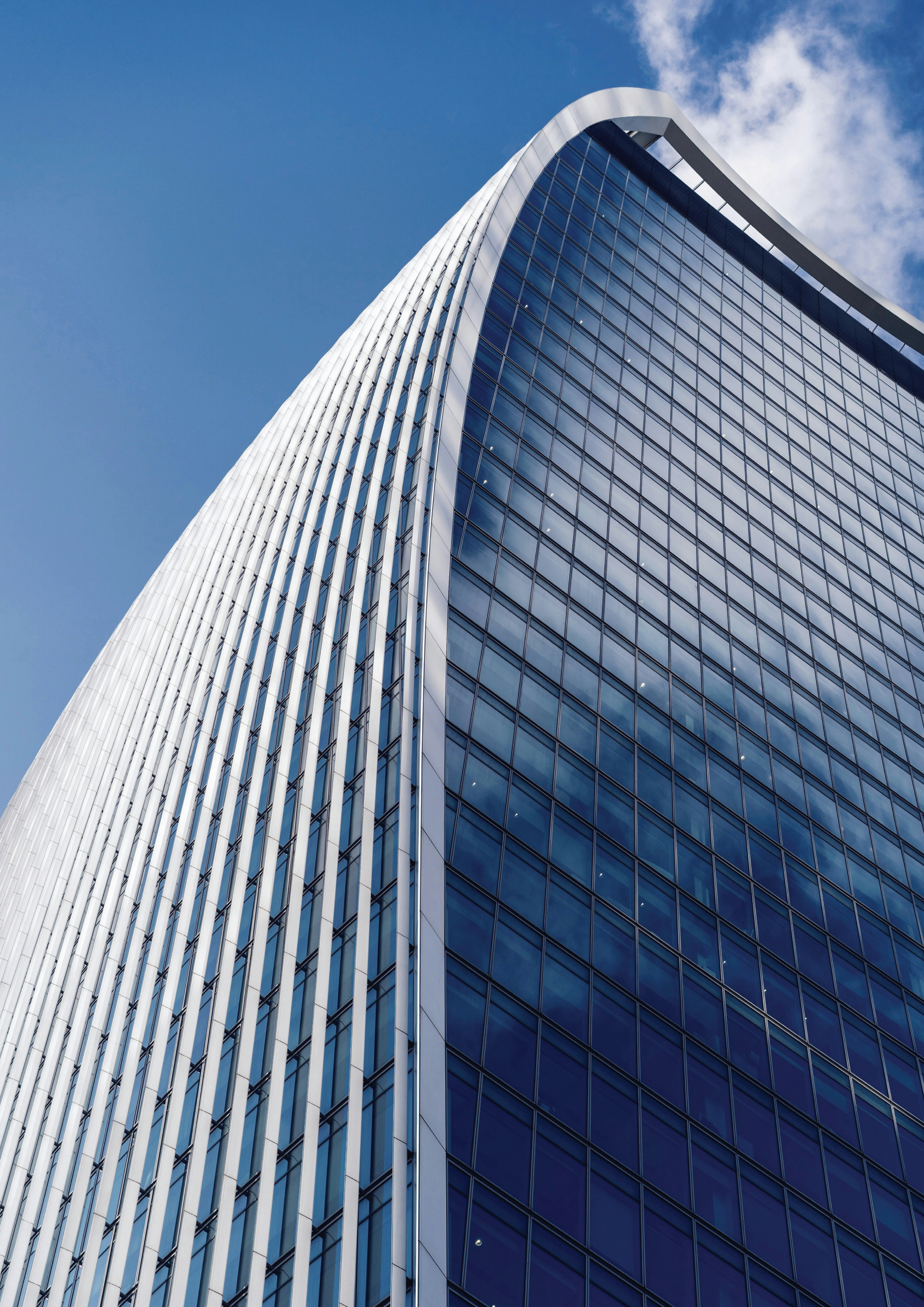
In the institutional Build to Rent sector, Gatehouse Bank continued to deliver as planned through its subsidiary, Gatehouse Living Group. In 2024, Gatehouse Living Group sold an 800-home single-family housing fund on behalf of investors. A strategic joint venture with a UK-based private equity business was also launched to acquire over 1,000 homes from several housebuilders.

The Bank continues to embed ESG into its ethos, product offering and future growth strategy. In 2024, Gatehouse Bank sustained its status as operationally carbon neutral for the fourth consecutive year, consolidated its ESG strategy and continued to positively engage with the United Nations as a founding signatory to the UN Principles for Responsible Banking.

I look forward to continuing to work closely with the Board of Directors in the coming year and would like to extend a warm welcome to Phillip McLelland, who joined Gatehouse Bank as a Non-Executive Director in April 2024.

To conclude, I'd like to thank our Shareholders, Directors, Shariah Supervisory Board and all colleagues for their continued hard work and dedication.

Fahed Faisal Boodai
Chairman
12 May 2025



SHARIAH SUPERVISORY BOARD REPORT

بسم الله الرحمن الرحيم

To the Shareholders of Gatehouse Financial Group Limited

Assalaam A'laikum Wa Rahmat Allah Wa Barakatuh

In compliance with our terms of appointment with Gatehouse Financial Group Limited ("GFG"), we, the Shariah Supervisory Board (the "SSB"), are required to submit the following report of Shariah compliance to you in connection with the business activities and the operations of GFG and its subsidiaries (the "Group").

In connection with our mandate, we have reviewed all material transaction documents that were presented to us and we also relied on certification of Shariah compliance issued by the respective Shariah Supervisory Boards of the subsidiaries within the Group. These include transactional as well as agreements signed with third parties for the purpose of obtaining their services to facilitate the proper operation of the Group. This report relates to the year ended 31 December 2024.

We have conducted overall Shariah review of the Group to form an opinion as to whether the Group has complied with Shariah and with the specific pronouncements, rulings and guidelines issued by us.

Management is responsible for ensuring that the Group conducts its business in accordance with Islamic Shariah. It is our responsibility to form an independent opinion and report to you, based on our overall review of the operations of the Group.

Supervision

The SSB has supervised the Group's operations to the extent it is relevant to Shariah compliance and carried out its role in directing the Group to comply with Shariah and the SSB's Shariah pronouncements.

Group's Contracts

The Group has entered into contracts for its operations and financing agreements. These include obtaining services from third parties to manage the Group and providing financing to clients in a Shariah-compliant manner to generate income. The SSB has reviewed the contracts and agreements presented during the year and conveyed its pronouncements. The Group has followed the pronouncements and, where necessary, amended the relevant documents in order to comply with Shariah.

Shariah Audit

Regular Shariah audits have been carried out of the Group's business activities for the year ended 31 December 2024. The Shariah audit included a review of material transaction documents executed by the Group. In all material respects, the SSB found the business activities of the Group to be in compliance with the principles of Shariah and thanks the management of the Group for adhering to the principles of Shariah.

Balance Sheet

The SSB has reviewed the Group's Balance Sheet, the attached statements therewith and notes complementary thereto.
The SSB indicates that the Balance Sheet is within limits of information presented by the Group's management representing the Group's assets and liabilities.

Zakaat

The Group calculates the Zakaat on behalf of its shareholders according to the Shariah rules approved by the Shariah Supervisory Board and was calculated using the Net Invested Funds method. The SSB reviewed the Group's policies on Zakaat which states that the payment out of the shareholders' funds retained with the Group or the Zakaat payable on the Group's paid up capital is the responsibility of the shareholders.

Conclusions

We performed our review so as to obtain material information including reliance on the certification of Shariah compliance issued by the Shariah Supervisory Boards of the entities within the Group. We sought explanations which we considered necessary in order to provide us with sufficient evidence to give assurance that the Group has not breached the rules and principles of Shariah.

In our opinion, the contracts and agreements, transactions and dealings entered into by the Group for the year ended 31 December 2024 complies with the Islamic principles of Shariah.

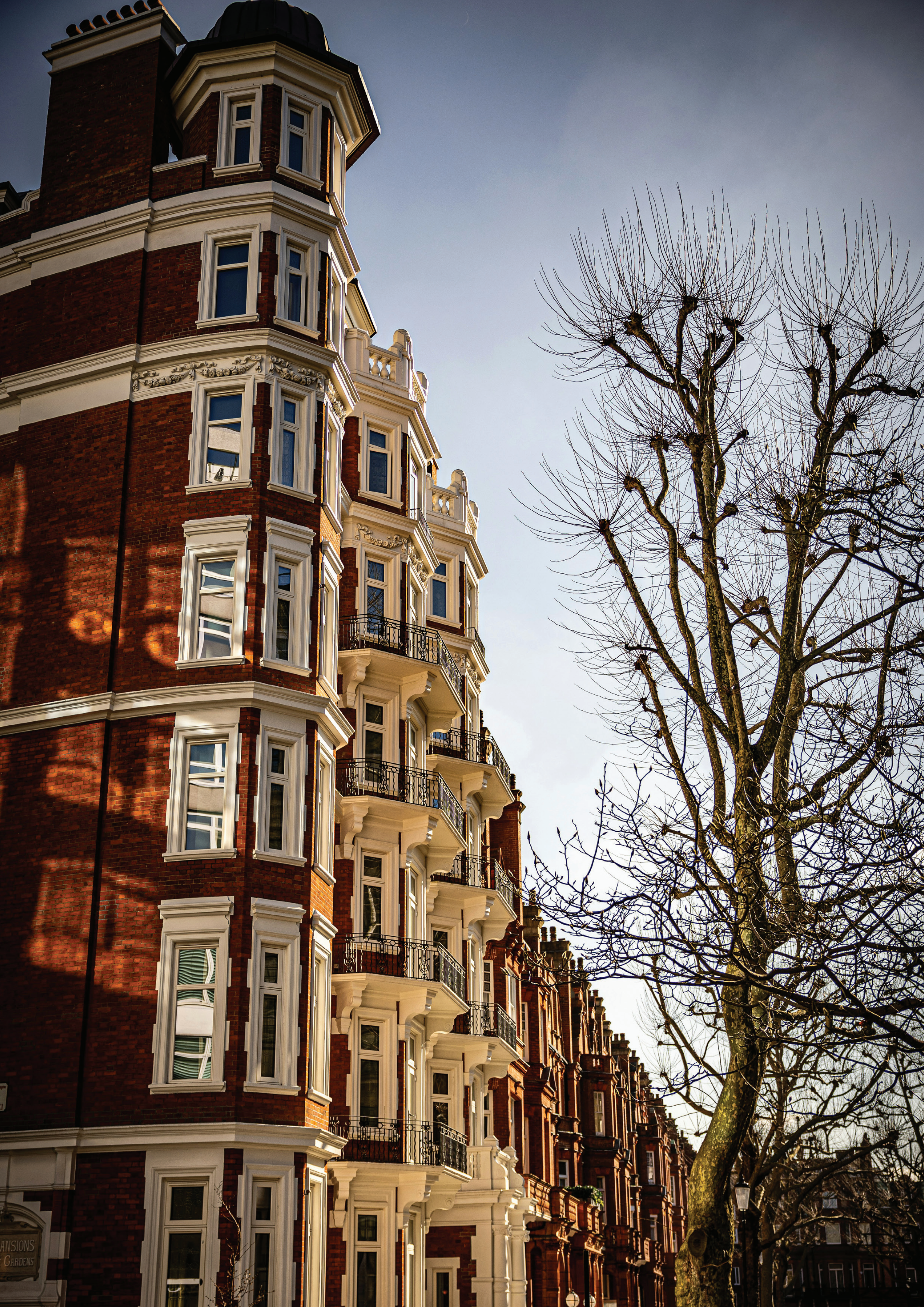
Members of the Shariah Supervisory Board:

Sheikh Nizam Yaquby
Chairman of the SSB

Sheikh Dr Esam Khalaf Al Enezi
Member of the SSB

Sheikh Dr. Abdul Aziz Al-Qassar
Member of the SSB

12 May 2025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DIRECTORS' REPORT

The Directors present their report on the affairs of the Group, together with the financial statements and independent auditor's report, for the year ended 31 December 2024.

For details about going concern and subsequent events, please refer to note 3 and 36, respectively.

Principal Activities

Gatehouse Financial Group Limited ("GFG", the "Group") was incorporated in Jersey on 5 March 2015 and is the holding Company for Gatehouse Bank plc.

Gatehouse Bank plc is incorporated in the UK and is authorised by the Prudential Regulation Authority (PRA) and regulated by the Financial Conduct Authority (FCA) and the PRA to act as a deposit-taking institution.

Financial results

The financial statements for the year ended 31 December 2024 are shown on pages 13 to 18. The consolidated Group profit for the year after taxation amounts to £3,649k (2023: profit of £3,302k). The consolidated Group comprehensive profit for the year amounts to £3,254k (2023: profit of £1,509k).

Dividend

No dividends were paid during the year (2023: £nil). The Directors do not recommend a final dividend on ordinary shares to be paid in respect of the year (2023: £nil).

Directors and Directors' Interests in Shares

Below is a table of Directors appointments. There were no resignations during 2024.

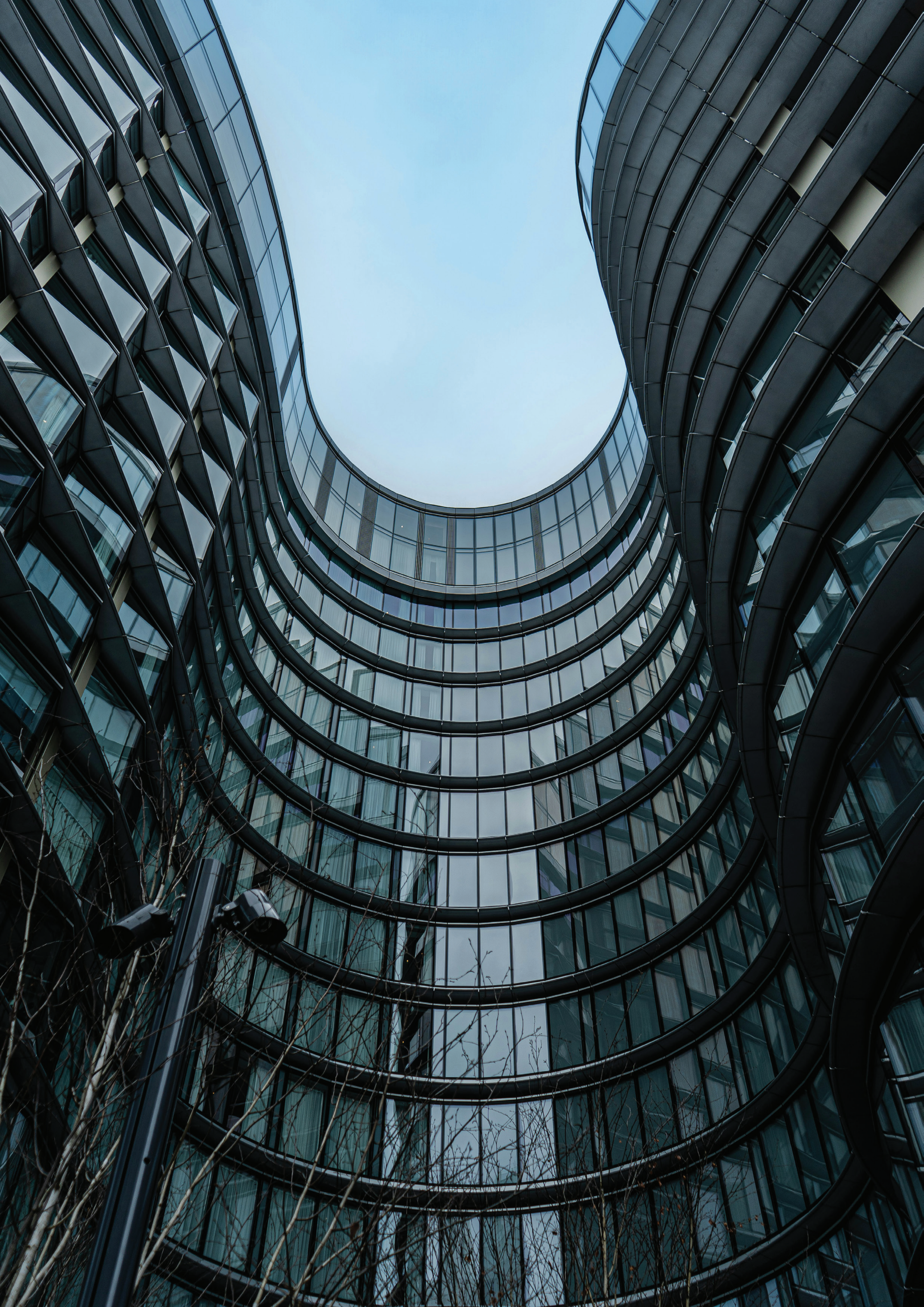
Director	Date of Appointment
Fahed Faisal Boodai	18 March 2015
Abdulaziz AlBader	15 February 2017
Mohamad Tawfik Al-Tahawy	18 March 2015
Charles Haresnape	15 June 2017

Zakaat

The Group calculates the Zakaat on behalf of its shareholders according to the Shariah rules approved by the Shariah Supervisory Board. Zakaat calculated for the year ended 31 December 2024 is 0.0149 pence per ordinary share (2023: 0.0148 pence per ordinary share). The responsibility for payment of Zakaat lies with the shareholders of the Group.

Approved by the Board of Directors and signed on behalf of the Board.

Mohamad Tawfik Al-Tahawy
Director
12 May 2025



DIRECTORS' RESPONSIBILITIES

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

Jersey Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with the UK-adopted International Accounting Standards (IASs). The financial statements are required by Jersey Company law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that year.

In preparing these financial statements, International Accounting Standard 1 requires that Directors present fairly for each financial year the Group's financial position, financial performance and cash flows. This requires the fair representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IASs. However, Directors are also required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IASs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Group's ability to continue as a going concern.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies (Jersey) Law 1991. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

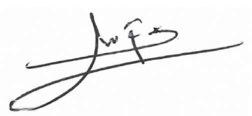
We confirm that to the best of our knowledge:

The financial statements, prepared in accordance with relevant reporting framework, give a true and fair view of the assets, liabilities, financial results of the Group and the undertakings included in the consolidation taken as a whole;

The Chairman's statement includes a fair review of the development and performance of the business and the position of the Group and the undertakings; and

The annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's performance, business model and strategy.

By order of the Board:



Mohamad Tawfik Al-Tahawy
Director
12 May 2025

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GATEHOUSE FINANCIAL GROUP LIMITED

Opinion

We have audited the financial statements of Gatehouse Financial Group Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2024 which comprise consolidated income statement, consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, consolidated statement of cash flows and notes to the financial statements, including material accounting policy information.

The financial reporting framework that has been applied in their preparation is applicable law and UK- adopted international accounting standards.

In our opinion, the financial statements:

- give a true and fair view of the state of the group's affairs as at 31 December 2024 and of the group's profit for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

Basis for opinion

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

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

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

We have nothing to report in this regard.

Matters on which we are required to report by exception.

We have nothing to report in respect of the following matters in relation to which the Companies (Jersey) Law 1991 requires us to report to you if, in our opinion:

- proper accounting records have not been kept, or proper returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations that, to the best of our knowledge and belief, was necessary for the audit.

Responsibilities of Directors

As explained more fully in the directors' responsibilities statement set out on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with

ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

Based on our understanding of the group and the parent company and their industry, we considered that non-compliance with the following laws and regulations might have a material effect on the financial statements: regulatory and supervisory requirements from the regulatory authorities where the group and the parent company conducts their business.

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

- Inquiring of management and, where appropriate, those charged with governance, as to whether the group and the parent company is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- Inspecting correspondence, if any, with relevant licensing or regulatory authorities;
- Communicating identified laws and regulations to the engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- Considering the risk of acts by the group and the parent company which were contrary to applicable laws and regulations, including fraud.

We also considered those laws and regulations that have a direct effect on the preparation of the financial statements, such as tax legislation and the Companies (Jersey) Law 1991.

In addition, we evaluated the directors' and management's incentives and opportunities for fraudulent manipulation of the financial statements, including the risk of management override of controls, and determined that the principal risks related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, in particular in relation to Expected Credit Loss (ECL), fraud risk in revenue recognition (which we pinpointed to the accuracy assertion), and significant one-off or unusual transactions.

Our audit procedures in relation to fraud included but were not limited to:

- Making enquiries of the directors and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud; and
- Addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

A further description of our responsibilities is available on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of the audit report

This report is made solely to the company's members as a body in accordance with Section 113A of the Companies (Jersey) Law 1991. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body for our audit work, for this report, or for the opinions we have formed.

PProborespati

Poppy Proborespati
(Senior Statutory Auditor)
For and on behalf of Forvis Mazars LLP
Chartered Accountants and Statutory Auditor
30 Old Bailey
London
EC4M 7AU
12 May 2025

CONSOLIDATED INCOME STATEMENT

	Notes	Year ended 31 Dec 2024 £'000s	Year ended 31 Dec 2023 £'000s
Income			
Income from financial assets held at amortised cost	4	66,832	55,745
Charges to financial institutions and customers	26	(51,091)	(32,736)
Fees and commission income	7	16,777	10,130
Fees and commission expense		(243)	(127)
Net gains from financial assets at fair value through income statement (FVTIS)	6	2,287	1,952
Net gains from financial assets at fair value through other comprehensive income (FVTOCI)		344	354
Impairment reversal / (charge) on financial assets	10	192	(847)
Foreign exchange gain	5	137	19
Other loss	11	-	(233)
Total operating income		**35,235**	**34,257**
Expenses			
Staff costs	8	(21,048)	(20,643)
Other operating expenses	9	(9,677)	(9,014)
Depreciation and amortisation	22 & 23	(1,313)	(1,302)
Total operating expenses		**(32,038)**	**(30,959)**
Operating profit before tax from continuing operations		**3,197**	**3,298**
Tax	13	452	4
Profit for the year from continuing operations		**3,649**	**3,302**
Attributable to:			
Profit attributable to the Group's equity holders		**3,649**	**3,302**

Notes 1 to 36 form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 Dec 2024 £'000s	Year ended 31 Dec 2023 £'000s
Profit for the year	**3,649**	**3,302**
Items that may be reclassified subsequently to income statement if specific conditions are met:		
Net movement on instruments at FVTOCI	(395)	(1,793)
Other comprehensive loss/gain for the year	**(395)**	**(1,793)**
Comprehensive gain for the year	**3,254**	**1,509**
Attributable to:		
Profit attributable to the Group's equity holders	**3,254**	**1,509**

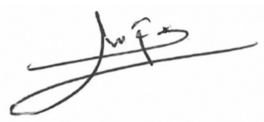
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	31 Dec 2024 £'000s	31 Dec 2023 £'000s
Assets			
Cash and balances with banks		27,823	24,596
Financing and advances at amortised cost	16	1,322,888	1,357,803
Financial assets held at fair value through the income statement	17	8,228	18,278
Financial assets at fair value through other comprehensive income	18	30,613	22,582
Goodwill	19	4,242	4,242
Derivative financial instruments	21	31,054	33,032
Intangible assets	22	2,402	1,879
Property, plant and equipment	23	945	1,155
Deferred tax	13	7,427	5,260
Other assets	25	8,706	4,016
Total assets		**1,444,328**	**1,472,843**
Liabilities			
Financial liabilities measured at amortised cost	26	1,288,832	1,316,464
Derivative financial instruments	21	38,150	44,010
Other liabilities	27	8,649	6,926
Total liabilities		**1,335,631**	**1,367,400**
Net assets		**108,697**	**105,443**
Shareholders' equity			
Share capital	31	167,000	167,000
Own shares	32	(7,951)	(7,951)
Fair value through other comprehensive income reserve		(7,491)	(7,096)
Reserve as a result of subsidiary acquisition		(15,917)	(15,917)
Retained deficits		(26,944)	(30,593)
Total Shareholders' Equity		**108,697**	**105,443**

Notes 1 to 36 form an integral part of the financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on the 12 May 2025.
They were signed on its behalf by:

Fahed Faisal Boodai
Director



Mohamad Tawfik Al-Tahawy
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Own Shares	FVTOCI reserve	Reserve as a result of subsidiary acquisition	Retained deficit	Total Shareholders' equity
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Balance at 1 January 2024	**167,000**	**(7,951)**	**(7,096)**	**(15,917)**	**(30,593)**	**105,443**
Other comprehensive gains for the year						
Net movement on instruments at FVTOCI	-	-	(395)	-	-	(395)
Total other comprehensive losses for the year	**167,000**	**(7,951)**	**(7,491)**	**(15,917)**	**(30,593)**	**105,048**
Continued Operations	-	-	-	-	3,649	3,649
Profit for the year	**-**	**-**	**-**	**-**	**3,649**	**3,649**
Balance at 31 December 2024	**167,000**	**(7,951)**	**(7,941)**	**(15,917)**	**(26,944)**	**108,697**

	Share capital	Own Shares	FVTOCI reserve	Reserve as a result of subsidiary acquisition	Retained deficit	Total Shareholders' equity
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Balance at 1 January 2023	**167,000**	**(7,951)**	**(5,303)**	**(15,917)**	**(33,628)**	**104,201**
Other comprehensive gains for the year						
Net movement on instruments at FVTOCI	-	-	(1,793)	-	-	(1,793)
Total other comprehensive losses for the year	**167,000**	**(7,951)**	**(7,096)**	**(15,917)**	**(33,628)**	**102,408**
Continued Operations	-	-	-	-	3,302	3,302
Profit for the year	**-**	**-**	**-**	**-**	**3,302**	**3,302**
Recycling of reserves on liquidation of subsidiary	-	-	-	-	(267)	(267)
Balance at 31 December 2023	**167,000**	**(7,951)**	**(7,096)**	**(15,917)**	**(30,593)**	**105,443**

CONSOLIDATED STATEMENT OF CASH FLOWS

Cash flows from operating activities	Notes	Year ended 31 Dec 2024 £'000s	Year ended 31 Dec 2023 £'000s
Profit for the year from continuing operations		3,649	3,302
Profit after tax			
Adjusted for:			
Impairment charge	10	(192)	847
Negative revaluation of financial instruments held at FVTIS (unquoted investments)		(1,969)	(22)
Fair value movement in hedging financial instruments (derivative financial instruments)	6	341	(1,083)
Depreciation and amortisation	22&23	1,313	1,302
Foreign exchange (gains)/losses		(120)	145
Taxation	13	(452)	(4)
Net decrease/(increase) in operating assets:			
Fair value movement in financial instruments held at FVTIS (derivative financial instruments)		(4,080)	(14,824)
Changes in financing and advances at amortised cost		35,115	(130,754)
Net decrease/(increase) in other assets		(4,369)	(1,712)
Net increase/(decrease) in operating liabilities:			
Changes in financial liabilities measured at amortised cost	26	(27,632)	148,006
Income tax paid		(850)	(592)
Net increase/(decrease) in other liabilities		1,229	29
Net cash inflow/(outflow) from operating activities		**1,983**	**4,640**
Cash flow from investing activities			
Purchases of financial assets held at FVOCI		(15,693)	-
Proceeds from sale of financial assets held at FVTOCI		7,254	-
Purchases of financial assets held at FVTIS		(2,715)	(1,195)
Proceeds from sale of financial assets held at FVTIS (unquoted investments)		14,735	-
Purchase of plant and equipment	23	(597)	(416)
Purchase of intangible assets	22	(1,057)	(623)
Proceeds from disposal of property, plant and equipment		30	-
Net cash inflow from investing activities		**1,957**	**(2,234)**
Cash flow from financing activities			
Cash outflow for lease liabilities	24	(697)	(701)
Net cash outflow from financing activities		**(697)**	**(701)**
Net outflow/inflow in cash and cash equivalents		**3,243**	**1,705**
Cash and cash equivalents at the beginning of the year		24,596	22,845
Effect of foreign exchange rate changes		(16)	46
Cash and cash equivalents at the end of the year		**27,823**	**24,596**
Additional information on operational cash flows from profit and dividends			
Profit paid		53,847	23,431
Profit received		65,387	55,817
Dividend received		659	845

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

1. General Information

Gatehouse Financial Group Limited (the “Group”, the “Company”) was incorporated as a private company in Jersey on 5 March 2015 under the Companies (Jersey) Law 1991. The address of the registered office is given on page 2.

Under Article 105(11) of the Companies Jersey Law 1991, the Directors of a holding company need not prepare separate financial statements (i.e. Company only financial statements) if consolidated accounts for the Company are prepared, unless required to do so by the member of the Company by ordinary resolution. The members of the Company had not passed a resolution requiring separate financial statements and, in the Directors’ opinion the Company meets the definition of a holding company. As permitted by law, the Company’s Board of Directors have elected not to prepare separate financial statements for the Company.

2. Adoption of new and revised standards

New and revised standards in issue but not yet effective

The Group has not applied the following new and revised IASs that have been issued but are not yet effective and had not yet been adopted by the UK:

New or amended standard or interpretation	Effective date – for annual periods beginning on or after
Amendments to IFRS 7 and 9: Classification and Measurement of Financial Instruments	1 January 2026
IFRS 18: Presentation and Disclosures in Financial Statements	1 January 2027
IFRS 19: Subsidiaries without Public Accountability: Disclosures	1 January 2027

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group future periods except for the adoption of IFRS 18. The Group is currently working to identify all impacts the amendments as discussed in IFRS 18 will have on the primary financial statements and notes to the financial statements.

Amendments to accounting standards that are mandatorily effective for the current year:

The following amendments to existing accounting standards became effective for annual periods beginning on 1 January 2024:

- Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants - Amendments to IAS 1
- Lease Liability in a Sale and Leaseback – Amendments to IFRS 16
- Disclosures: Supplier Finance Arrangements -Amendments to IAS 7 and IFRS 7

None of these amendments will have an impact on the Group’s consolidated financial statements at 31 December 2024.

3. Basis of preparation and significant accounting policies

Going concern

The Group’s business activities, together with the factors likely to affect its future development, performance as well as the financial position of the Group, its cash flows and liquidity position are described in this annual report and accounts. In addition, Note 35 to the financial statements includes the Group’s objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and its exposures to credit and liquidity risk.

The Group ensures it meets its capital and liquidity prudential limits and regulatory thresholds on a day-to-day basis by actively managing its cash, short-term treasury placements and longer dated exposures. This also includes stress testing the impact of one or more events that may adversely affect the amount of regulatory capital and positive liquidity of the Group. The Directors monitor the likelihood of such a stress event or combination of events happening on a forward-looking basis regularly and take such preventive and detective actions as appropriate to ensure any stress event or events and their impact is mitigated on a timely basis. The Group’s forecasts and projections take account of possible changes in future conditions and performance and the maintenance of planned capital and liquidity resources above the regulatory base requirements for the foreseeable future. In light of the above, the Directors continue to adopt the going concern basis in preparing the annual report and financial statements.

The assessment performed covers the next 12 months from the date of signing the financial statements. The Group has made an assessment of going concern, taking into account both current performance of the Group as well as the war in Ukraine and domestic economic crisis, and including consideration of projections incorporating the impact of rise in the interest rate, property market for the Group’s capital and funding position. Specifically, the Group considered:

- The adequacy and resilience of the Group's capital base throughout the pandemic including revised macro-economic scenarios;
- The impact of negative valuations on the Group's real estate and legacy assets;
- The adequacy of the Group's liquidity taking into account the hardship policy offered to customers in financial stress, the strength of its retail deposit offering and the support it continues to receive from the Kuwait Investment Authority ("KIA"); and
- The regulatory and legal environment and any potential conduct risks.

Basis of accounting

The financial statements have been prepared in accordance with UK-adopted International Accounting Standards (IASs). The financial statements have been prepared under the historical cost accounting convention except for financial assets and liabilities stated at their fair value, comprising investment securities and derivative financial instruments.

Figures stated in thousands of pounds sterling

These consolidated financial statements disclose figures stated in thousands of pound sterling and are rounded up to the nearest amount in pound sterling.

Significant accounting judgements, estimates and assumptions

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect in the amounts recognised in the consolidated financial statements.

Structured entities

The Group uses judgement in determining which entities are structured entities. If the voting or similar rights are not the dominant factor in deciding who controls the entity and such voting rights relate to the administrative tasks only and the relevant activities are directed by means of contractual arrangements, the Group identifies such entities as structured entities. After determining whether an entity is a structured entity, the Group determines whether it needs to consolidate this entity based on the consolidation principles of IFRS 10. The management of the Group has determined that it does not have any controlling interest in consolidated structured entities as at the reporting date. (See Note 20)

Key sources of estimation uncertainty

Level 3 fair value measurements

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data. Fair value is estimated on the basis of historic cost less impairment and by reference to the net asset value of the underlying investment, where the net asset value is not based on observable market data (see Note 35).

The fair value of unquoted equity securities (See Note 18) has been identified as a key source of estimation uncertainty at 31 December 2024 that has a significant risk of resulting in a material adjustment within the next year. Estimates are involved in assessing the fair value of the equity investment securities based on expected sale proceeds which is significantly derived from property prices. Applying different assumptions at 31 December 2024 to determine expected sale proceeds could materially impact the fair value estimation. As discussed in Note 35, a 20 % decrease in property prices would reduce the fair value of financial assets held at FVTIS by £1.5m and £4.9m as at 31 December 2024 and 2023, respectively. The fair value of financial assets held at FVTOCI would reduce by £155.5k and £204.7k as at 31 December 2024 and 2023, respectively, as a result of 20 % decrease in discount for lack of marketability.

3. Basis of preparation and significant accounting policies (cont.)

Recoverability of deferred tax asset

Deferred tax assets are recognised in respect of tax losses to the extent that is probable that future taxable profit will be available against which the tax losses can be utilised. Although in UK tax losses can be utilised indefinitely, judgment is required to determine the amount of deferred tax asset that can be recognised, based on the likely timing and level of future taxable profit, together with future tax planning strategies.

Accounting policy for deferred tax is set out in taxation section and the details of deferred tax assets and liabilities are set out in note 13.

In recognising a deferred tax asset for unutilised losses, the Directors' make certain judgements around the recoverability of the deferred tax asset.

Judgement is involved in determining the period of time over which it is probable there will be sufficient future taxable profits against which the unutilised losses can be used.

Estimates of the level of future profitability are made in determining the amount of deferred tax asset against unutilised losses at the reporting date. This includes estimating the impact of economic conditions on future profitability.

The factors considered by management in making these judgements and assumptions for the estimates are disclosed in note 13 together with a sensitivity analysis of the deferred tax asset to a change in the estimate of future profitability.

Expected Credit losses (ECL)

The calculation of expected credit losses involves a number of assumptions and assessments. The valuation of expected credit losses is inherently associated with a certain degree of uncertainty. When measuring ECL the Group uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

The IFRS9 engine uses a range of data to calculate the forward looking ECL which includes a macro-economic forecast under a range of economic scenarios. The forecasts and forward-looking information give rise to uncertainties and assumptions.

The below table shows the impact of different macro-economic scenarios on the Group's Residential Property Financing ("RPF") business.

Year	Upside (£'000)	Mild Upside (£'000)	Base (£'000)	Stagnation (£'000)	Downside (£'000)	Severe Downside (£'000)
2024	(1,026)	(750)	(444)	697	1,187	2,112
2023	(770)	(536)	(160)	862	1,344	2,351

(-) sign indicates a release where as (+) sign denotes a charge.

Each scenario is assigned a different weight, the sum of weights are 100%. The weights of the blended ECL as recommend by Oxford Economics are 50% for the base case macroeconomic scenario and 10% for the remaining macroeconomic scenarios.

More details of the sensitivity of the RPF ECL allowance to changes in the macro-economic scenarios used in the calculation are set out in note 35.

Real Estate Finance ("REF") business ECL calculation is based on Monte-Carlo simulation and does not follow the scorecard methodology used for RPF portfolio. Please note that this is a closed portfolio and no new deals are booked in this portfolio. The below table shows the impact on REF total impairment when the overall value of collateral is reduced by 10% and 20%. Year 2023 figures are also included for comparison.

Year	10%	20%
2024	£1.6m	£3.5m
2023	£1.9m	£4.1m

3. Basis of preparation and significant accounting policies (cont.)

Basis of consolidation

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Group's financial statements.

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of the subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When the Group loses control of a subsidiary, the gain or loss on disposal recognised in profit or loss is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), less liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as required/permitted by applicable IFRS Standards). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 when applicable, or the cost on initial recognition of an investment in an associate or a joint venture.

Foreign currencies

The consolidated financial statements are presented in sterling, which is the Group's functional and presentation currency, transactions in foreign currencies are initially recorded at the rate of exchange ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the functional currency at the balance sheet date. Non-monetary assets and liabilities are translated into sterling at the effective historical rate used on the date of initial recognition. Exchange differences arising on the settlements of monetary items and on the retranslation of monetary items are included in the profit or loss for the year.

Financial Instruments

The Group has applied the accounting policy choice to remain with IAS 39 for fair value hedge accounting.

Measurement categories of financial assets and liabilities

The Group classifies all financial assets into one of the following categories:

1. Amortised cost;
2. Fair value thorough other comprehensive income (FVOCI); and
3. Fair value though income statement (FVTIS):
   a. mandatory
   b. fair value option.

The starting point for classification of financial assets into respective measurement categories is the business model for managing the financial instruments, as well as whether the instrument's contractual cash flows only constitute solely payments of principal and profit.

Financial liabilities are classified as follows:

1. Amortised cost; and
2. Fair value through income statement (FVTIS):
   a. mandatory
   b. fair value option.

As a general rule, financial liabilities are recognised at amortised cost. The exceptions are the financial liabilities required to be measured at fair value through income statement, such as derivatives and liabilities which, upon initial recognition, are irrevocably identified as being measured at fair value (fair value option).

Upon initial recognition, all financial assets and liabilities are measured at fair value. Directly attributable transaction costs are included in the acquisition cost.

3. Basis of preparation and significant accounting policies (continued)

All purchases and sales of financial assets are recognised using settlement date accounting. Changes in fair value between the trade date and settlement date are recognised in the consolidated statement of income or in the consolidated statement of comprehensive income in accordance with the policy applicable to the related instrument. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the timeframe generally established by regulations or conventions in the marketplace.

Business model assessment

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel; and
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed.

The expected frequency, value and timing of sales are also important aspects of the Group's assessment.

The Solely Payments of Principal and Profit ("SPPP") test

As a second step of its classification process the Group assesses the contractual terms of financial assets to identify whether they meet the SPPP test.

Principal is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset. The most significant elements of the profit from a financing arrangement are typically the consideration for the time value of money and credit risk. To make the SPPP assessment, the Group applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the profit rate is set.

Financing and advances at amortised cost

Financing and advances at amortised cost include financial assets that are held to collect contractual cash flows that are SPPP. They are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost less impairment losses.

Financial assets held at fair value through the income statement

Financial assets held at value through income statement include unquoted equity securities. Unquoted equity securities are not held for trading and therefore the Group has the irrevocable election at initial recognition to classify the instruments as FVTOCI, which has not been taken. This election is available for each separate investment.

Financial assets classified under this caption are carried in the statement of financial position at fair value with net changes in fair value recognised in the income statement.

Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income include unquoted equity securities which the Group has elected to hold under FVTOCI and quoted Sukuk.

The Group may irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination, in other comprehensive income. Gains and losses arising from changes in the fair value of these financial instruments are never recycled to the income statement. Dividends on such investments are recognised in the income statement unless the dividend represents a recovery of part of the cost of the investment.

For debt instruments, gains and losses arising from changes in the fair value are recognised in FVTOCI reserve of equity. Upon disposal, the cumulative gain or loss previously recognised in other comprehensive income are recycled to the income statement.

Reclassification of financial instruments

As a general rule, financial assets are not reclassified after initial recognition. Reclassification is permitted in the rare case that the Group changes the business model it applies for the management of financial asset. The reclassification of financial liabilities is not permitted after initial recognition.

No reclassifications have been made during the period covered in the financial statements.

3. Basis of preparation and significant accounting policies (continued)

Offsetting financial assets and liabilities

Financial assets and liabilities are set off on the balance sheet if the Group has a contractual right to offset, in its operating activities and in the event of bankruptcy, and if the intention is to settle the items on a net basis or to simultaneously liquidate the asset and settle the liability.

Fair Value Hedge Accounting

IFRS 9 includes an accounting policy choice to remain with IAS 39 hedge accounting, which the Group has exercised. The Group applies fair value hedge accounting to hedge Profit Rate Swaps ("PRS") which hedge the exposure in fixed rate mortgages in the residential book. Effective 1 January 2023, the Group has transitioned from micro to macro fair value hedge accounting which is in conformity with IAS 39 carve-out.

At the inception of a hedging relationship, the Group documents the relationship between the hedging instruments and the hedged items, its risk management objective and its strategy for undertaking the hedge. The Group also requires a documented assessment, both at hedge inception and on an ongoing basis, of whether or not the hedging instruments that are used in hedging transactions are highly effective in offsetting the changes attributable to the hedged risks in the fair values of the hedged items.

To qualify for hedge accounting, IAS 39 requires that at the inception of the hedge and throughout its life, each hedge must be expected to be highly effective (prospective effectiveness), and demonstrate actual effectiveness (retrospective effectiveness) on an on-going basis; the Group assesses this at inception (prospective effectiveness) and on a monthly basis (retrospective effectiveness). The documentation of each hedging relationship sets out how the effectiveness of the hedge is assessed.

For prospective effectiveness, the hedging instrument must be expected to be highly effective in achieving offsetting changes in fair value attributable to the hedged risk during the period for which the hedge is designated. For actual effectiveness to be achieved, the changes in fair value must offset each other in the range of 80 per cent to 125 per cent, for the hedge to be deemed effective.

The Group determines hedged items by identifying portfolios of homogenous financing based on their contractual profit rates, maturity and other risk characteristics. Financing within the identified portfolios are allocated to repricing time buckets based on expected, rather than contractual, repricing dates. The hedging instruments are designated appropriately to those repricing time buckets.

Hedge effectiveness is measured on a monthly basis, by comparing fair value movements of the designated proportion of the bucketed loans due to the hedged risk, against the fair value movements of the derivatives, to ensure that they are within an 80% to 125% range.

The aggregated fair value changes in the hedged financing are recognised as an asset in the Fair value hedge accounting adjustment on the face of the Statement of financial position. Should hedge effectiveness testing highlight that movements for a particular bucket fall outside the 80-125% range (i.e., the hedge relationship was ineffective for the period), no fair value hedge accounting adjustment is recorded for that month for that particular bucket. Regardless of the results of the retrospective hedge effectiveness testing, at the end of every month, in order to minimise the ineffectiveness from early repayments and accommodate new exposures, the Group voluntarily de-designates the hedge relationships and re-designates them as new hedges. At de-designation, the fair value hedge accounting adjustments are amortised on a straight-line basis.

Derivative Financial Instruments

Derivative financial instruments include Shariah-compliant forward foreign exchange agreements based on the principle and commitment to investment securities and PRS instruments.

Derivative financial instruments are recognised initially, and are subsequently re-measured, at fair value. Fair values of PRS instruments are obtained using discounted cash flow models. The valuation of derivative financial instruments held at fair value through the income statement is recognised in the balance sheet under derivative financial instruments on either the asset or liability side of the balance sheet dependent on whether the valuation is positive or negative respectively. The valuation of one class of derivative financial instruments is not offset against the valuation of another class of derivative financial instruments.

3. Basis of preparation and significant accounting policies (continued)

ECL measurement

The Group's portfolio is split into three asset classes Treasury (placements and Liquid Asset Buffer ("LAB") Sukuk), Real Estate Finance ("REF") and Residential Finance Book (Home Purchase Plans ('HPPs') and Buy To Let).

ECL is based on a separate estimation of probability of defaults ('PDs'), loss given defaults ('LGDs') and exposures at defaults ('EADs') for each exposure and which are determined based on a combination of internal and external data.

The assets to be tested for impairment are divided into the following three stages:

- Stage 1 comprises financial assets with no significant increase in credit risk since initial recognition;
- Stage 2 comprises financial assets with a significant increase in credit risk since initial recognition, but for which there is no objective evidence that the claim is credit-impaired at the time of reporting; and
- Stage 3 comprises financial assets for which objective circumstances have been identified indicating that the claim is impaired.

In Stage 1, provisions are to be recognised which correspond to the loss expected to occur within 12 months as a result of default. In Stage 2 and Stage 3, provisions are to be recognised corresponding to the loss expected to occur at some time during the whole of the remaining maturity of the asset as a result of default.

The significant increase in credit risk reflects the risk of default and is a measurement by which the agreement's relative change in credit risk is measured. The assessment is made up of three elements: quantitative, qualitative and the 30 days past due 'backstop' indicator whereby clients would move from Stage 1 to Stage 2 for RPF. The major triggers for significant increase in credit risk differ between products:

- REF - Missed-payment (one or two), risk events etc;
- RPF - Missed-payment (one or two) or forbearance.; and
- Treasury – non-payment.

Quantitative modelling is used in conjunction with internal and external credit grades and ratings in assessing whether credit risk has significantly increased. The Group monitors the effectiveness of the criteria used to identify significant increase through regular reviews. For each financial asset the Group also compares the lifetime probability of default (PD) at the reporting date with the lifetime PD that was expected at the reporting date at initial recognition (PD thresholds) in order to identify whether the risk of default has increased significantly.

REF and residential financing portfolios under IFRS 9 consider a financial asset to be in default when either the customer is unlikely to pay its credit obligation, or the customer is more than 90 days past due. Treasury assets are considered to be in default immediately if they are not settled on the due date or when there is evidence that the counterparty is unlikely to pay its credit obligations on the contractual due date.

To supplement the IFRS 9 models, the Group uses post model adjustments (PMA's) where there are known model limitations or the sensitivity is not as expected. The PMA's take into account risk factors and related credit impacts that have not been captured in the model. All PMA's are approved by the CRO and CFO and agreed at the Group's risk committee with a plan for remediation.

Forward-looking information

Under IFRS 9, the Group has incorporated the Oxford Economics forward-looking forecasts for UK unemployment rate, residential property price index, BoE policy rate and UK 5-Yr Government Bond Yield for a forward-looking assessment into the IFRS9 model.

Financial Assets and Liabilities *Recognition/de-recognition*

A financial asset or a financial liability is recognised when the Group becomes a party to the contractual provisions of the instrument. A financial asset (in whole or in part) is derecognised when the contractual rights to receive cash flows from the financial asset has expired or the Group has transferred substantially all risks and rewards of ownership and has not retained control. If the Group has retained control, it continues to recognise the financial asset to the extent of its continuing involvement in the financial asset.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same financier on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and recognition of a new liability.

3. Basis of preparation and significant accounting policies (continued)

All purchase and sale of financial assets are recognised using settlement date accounting. Changes in fair value between the trade date and settlement date are recognised in the consolidated statement of income or in the consolidated statement of comprehensive income in accordance with the policy applicable to the related instrument. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulations or conventions in the marketplace.

Write-offs

Financial assets are written off either partially or in their entirety only when the Group has no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense.

IFRS 3 – Optional 'Concentration' test – Asset Acquisition

Effective from 01 January 2020, IFRS 3 introduces an optional 'concentration test' to assess whether substantially all the fair value of the gross assets acquired is concentrated in a single identifiable asset or a group of similar identifiable assets. The purpose of the concentration test is to permit a simplified assessment of whether an acquired set of activities and assets may not be a business. The Group may elect to apply the concentration test on a transaction-by-transaction basis.

According to paragraph 2(b) of IFRS 3, an entity needs to do the following on acquisition of a group of assets:

(a) Identify and recognise the individual identifiable assets acquired and liabilities assumed; and

(b) Allocate the cost of the group to the individual identifiable assets and liabilities based on their relative FVs at the date of the acquisition.

According to the November 2017 The IFRS Interpretations Committee ("Committee") update, the Committee considered two possible ways of accounting for the acquisition of the group.

Applying the first approach, an entity accounts for the acquisition of a group of assets as follows:

a. it identifies the individual identifiable assets acquired and liabilities assumed that it recognises at the date of the acquisition;

b. it determines the individual transaction price for each identifiable asset and liability by allocating the cost of the group based on the relative fair values of those assets and liabilities at the date of the acquisition; and then

c. it applies the initial measurement requirements in applicable Standards to each identifiable asset acquired and liability assumed. The entity accounts for any difference between the amount at which the asset or liability is initially measured and its individual transaction price applying the relevant requirements.

Applying the second approach, for any identifiable asset or liability initially measured at an amount other than cost, an entity initially measures that asset or liability at the amount specified in the applicable IFRS Standard. The entity deducts from the transaction price of the group of assets the amounts allocated to the assets and liabilities initially measured at an amount other than cost, and then allocates the residual transaction price to the remaining identifiable assets and liabilities based on their relative fair values at the date of the acquisition.

The Group may apply the first approach to account for the acquisition of an asset or a group of assets provided the criteria for asset acquisition is met using the optional concentration test in IFRS 3.

3. Basis of preparation and significant accounting policies (continued)

Cash and balances with banks

The caption Cash and Balances with banks represents cash and current account balances with banks, all held in interest-free accounts.

Property, Plant and Equipment

Plant and equipment is stated at cost, which includes direct and incremental acquisition costs less accumulated depreciation and impairment losses if any. Depreciation is provided on a straight-line basis over estimated useful life as follows:

Leasehold Property	Over life of lease
Leasehold Improvements	Minimum of life of lease or 10 years
Leasehold Vehicles	Over life of lease
Property	Over life of lease
Computer Equipment	3 years
Fixtures and Fittings	5 years

Costs include all incremental, directly attributable external costs incurred in bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

An item of property, plant or equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Intangible assets

Intangible assets other than goodwill are accounted for in accordance with IAS 38 Intangible Assets. Intangible assets are initially recognised when they are separable or arise from contractual or other legal rights, the cost can be measured reliably and, in the case of intangible assets not acquired in a business combination, where it is probable that future economic benefits attributable to the assets will flow from their use. Intangible assets are stated at cost (which is, in the case of assets acquired in a business combination, the acquisition date fair value) less accumulated amortisation and provisions for impairment, if any, and are amortised over their useful lives on a straight line basis, in a manner that reflects the pattern to which they contribute to future cash flows, generally using the amortisation periods set out below:

- Goodwill – not amortised;
- Software development costs – 5 years;
- Licence fees – 5 years; and
- Customer lists – 15 years.

Intangible assets are reviewed for impairment when there are indications that impairment may have occurred.

The amortisation share is recorded in depreciation and amortisation.

Goodwill

Goodwill arises on the acquisition of subsidiary and associated entities and represents the excess of the fair value of the acquisition over the identifiable net assets acquired. Goodwill is capitalised and reviewed annually for impairment, or more frequently when there are indications impairment has occurred.

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. At the acquisition date the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date. Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the acquiree over the fair value of the identifiable net assets recognised. Goodwill is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. The recoverable amount is the higher of fair value less cost to sell and value in use. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. Any impairment loss is recognised immediately in profit or loss and is not subsequently reversed.

3. Basis of preparation and significant accounting policies (continued)

Impairment of non-financial assets

The Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered permanent diminution in value. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects a current market assessment of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than the carrying amount, the asset is written down to its recoverable amount. An impairment loss is recognised as an expense in the income statement.

Income and expenses

Income from financial assets held at amortised cost

"Income from financial assets held at amortised cost" consists of profit derived from Shariah-compliant financing and advances under Murabaha, Diminishing Musharaka agreements and Murabaha placements. A Murabaha arrangement represents an agreement whereby the Group purchases a commodity and then sells it to a customer on a deferred settlement basis with an agreed mark-up. A Musharaka contract represents an agreement between the Group and the customer entering into a partnership in the ownership of a specific asset on ongoing basis or for a limited time, during which the Group enters in particular arrangements with the customer to sell to them its share in this partnership until they become the sole owner of the specific asset (diminishing musharaka).

The calculation of profit on financial assets that are not impaired (Stage 1, Stage 2) is performed by applying the effective profit rate to the gross outstanding amount of asset. Once asset is impaired or classified as Stage 3, the effective profit rate is applied to amortised cost of the asset (i.e. gross amount less the expected credit losses).

Profit receivable on Murabaha placements and Diminishing Musharaka is recognised as income on a time-apportionment basis over the period of the contract, based on applying the effective profit rate to the principal amounts outstanding.

Revenue from contracts with customers

The standard for revenue from contracts with customers, IFRS 15, is applied for different types of services which are mainly recognised under Fees and commission income in the income statement.

The income is recognised at the point in time when the performance obligation is satisfied, which corresponds to the transfer of control over the service to the customer. The total income is divided between each service and recognition in income depends on whether the services are fulfilled at a specific point in time, or over time.

The following principles apply to the time at which income is recognised:

- Income earned gradually as the services are performed, is recognised at the rate these services are delivered, i.e. on a straight-line basis over time. This is due to the fact that the customer receives and consumes the service simultaneously, meaning that the Group's obligation is fulfilled in line with the rendering of the service.
- Income attributable to a specific service or action is recognised when the service has been performed, i.e. at a specific point in time. Examples of such income are brokerage and payment commissions.

The income recognised must reflect the anticipated income. When the income includes variable reimbursement, such as refund, bonus or performance-based element, the income is recognised when it is highly probable there that no repayment of the amount will take place. Payments are made on a regular basis as the services are performed and advance payments refer to a maximum of 12 months into the future. Accrued income is recognised for services that have been performed but have not been paid for. Deferred income is recognised for payments received for services which have not been performed.

If the costs incurred in fulfilling a contract with a customer are not within the scope of another Standard (for example, IAS 2 Inventories, IAS 16 Property, Plant and Equipment or IAS 38 Intangible Assets), the Group shall recognise a contract cost asset from the costs incurred to fulfil a contract only if those costs meet all of the following criteria:

3. Basis of preparation and significant accounting policies (continued)

- Are directly related to a contract or to an anticipated contract that can be specifically identified by the Group,
- Generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) future performance obligations, and
- Are expected to be recovered.

Costs recognised as contract cost asset are amortised on a systematic basis consistently with the transfer of goods or services related to the asset.

An impairment of contract cost asset should be recognised whenever the asset's value exceeds the remaining consideration to be received, less past and future unrecognised expenses.

Fees and commissions

Fees and commissions are recognised in line with the satisfaction of performance obligations. This can be either at a point in time or over time, in line of the provision of the service to the customer. Fees and commissions arising from transactions for third parties, such as the acquisition of securities or the purchase or sale of other assets, are recognised when right to receive the income has been established. Management advisory and service fees are recognised based on applicable service contracts or over the period the service is provided.

Charges to financial institutions and customers

"Charges to financial institutions and customers" consists of profit payable from Shariah-compliant deposits including Murabaha deposits and Wakala arrangements. A Wakala arrangement represents an agreement whereby the Group accepts a deposit of funds on behalf of a customer to perform an investment activity and endeavours to pay a return based on a pre agreed rate.

Profit payable on Murabaha deposits and Wakala arrangements is recognised as income on a time-apportionment basis over the period of the contract, based on the principal amounts outstanding.

Share-based payments

The Group accounts for its share-option scheme in accordance with IFRS 2. At each balance sheet date, the Group revises its estimate of the number of equity options expected to vest.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non-market-based vesting conditions.

Taxation

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

Current tax is provided on taxable profits at the current rate.

Deferred tax is provided in full using the liability method on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised.

The Group recognised deferred tax asset amounting to £7,427k as at 31 December 2024 (2023: £5,260k). Deferred tax assets are recognised in respect of tax losses to the extent that is probable that future taxable profit will be available against which the tax losses can be utilised.

IFRS 16 – Leases

IFRS 16 introduced a new definition for leases and confirmed the distinction between two types of leases (operating and finance) with reference to the accounting treatment to be applied by the lessor.

With reference to the accounting treatment to be applied by the lessee, the accounting standard sets, for all the leasing typologies, the recognition of right-of-use assets and lease liabilities in the statement of financial position, initially measured at the present value of the future lease payments.

3. Basis of preparation and significant accounting policies (continued)

At the initial recognition such asset is measured on the basis of the lease contract cash flows. After the initial recognition the right of use is measured on the basis of the rules set for the assets by IAS 16, IAS 38 or by IAS 40 and therefore applying the cost model, less any accumulated depreciation and any accumulated impairment losses.

The Group decided, as allowed by the standard, not to apply IFRS 16 provisions to:

- Leases of intangible assets;
- Short-term leases, lower than 12 months; and
- Low value assets leases.

In order to calculate the lease liability and the related right-of-use asset, the Group proceeds with discounting the future lease payments at a proper discount rate. In this respect, future lease payments to discount are determined based on contractual provisions.

The lease payments are discounted at the interest rate implicit in the contract or, if it is not available, at the incremental borrowing rate. The latter is determined on the basis of the cost funding for liabilities of similar duration and similar security of those implicit in the lease contract.

In determining the lease term, the Group takes into consideration the non-cancellable period, established in the contract, in which the lessee is entitled to use the underlying asset also taking into account potential renewal options if the lessee is reasonably certain to renew. In particular, with regards to those contracts that allow the lessee to tacitly renew the lease contract after a first set of years, the lease term is determined taking into account factors such as the length of the first period, the existence of dismissal plans for the asset leased and any other circumstance indicating the reasonably certainty of the renewal.

Right-of-use assets are disclosed within property, plant and equipment in the consolidated statement of financial position, lease liabilities are disclosed within other liabilities in the consolidated statement of financial position. Finance cost is disclosed within other operating expenses and similar changes in the consolidated income statement, depreciation of right-of-use assets is disclosed within depreciation and amortisation in the consolidated income statement. Cash outflow for lease liabilities is disclosed within cash flows from financing activities in the consolidated statement of cash flows.

The lease term for the Group's right of use asset is 5 years. There are no future cash outflows to which the lessee is potentially exposed that are not reflected in the measurement of lease liabilities. This asset has been assessed for impairment under IAS 36. The carrying amount of the right of use assets remains above the recoverable amount of right of use assets and no impairment has occurred in the year ended 31 December 2024.

Pension costs

The Group operates a defined contribution pension scheme for all staff. The cost of the scheme is equal to the contributions payable to the scheme for the accounting period and is recognised within "Staff costs" in the income statement. The Group has no further obligation once the contributions have been paid.

4. Income from financial assets held at amortised cost

	2024	2023
	£'000s	£'000s
Income from financing arrangements	64,388	53,645
Income from financial institutions	2,444	2,100
	66,832	**55,745**

5. Foreign exchange gains / (losses)

	2024	2023
	£'000s	£'000s
Net (losses) / gains on translation of derivative financial instruments	(1,370)	71
Net gains / (losses) on translation of balances denominated in foreign currency	1,507	(52)
	137	**19**

6. Net gains from financial assets at fair value through income statement

	2024	2023
	£'000s	£'000s
Profit income on financing assets	-	2
Dividend income	659	845
Hedge ineffectiveness	(341)	1,083
Realised gain on unquoted equity security	678	-
Net revaluation on unquoted equity securities	1,291	22
	2,287	**1,952**

7. Fees and commission income

	2024	2023
	£'000s	£'000s
Management fees	11,145	9,591
Investment advisory and other fees	5,632	539
	16,777	**10,130**

8. Staff costs, Directors' emoluments and number of employees

	2024	2023
	£'000s	£'000s
Staff costs		
Directors' salaries and fees	2,748	2,121
Directors' pensions	149	103
	2,897	**2,224**
Staff salaries	13,911	14,228
Staff pension contributions	751	700
Social security costs	1,874	1,821
Other staff costs	1,615	1,670
	21,048	**20,643**
Highest paid Director		
Emoluments	812	705
Defined Contribution Pension	44	35
	856	**740**

	2024 No.	2023 No.
Number of employees at year end	308	300
Average number of employees	304	300

The average number of persons employed by the Group during the period, including Non-Executive Directors, is disclosed as below:

Function	2024	2023
General Management	15	15
Operations	80	82
Specialist Functions	109	95
Subsidiaries	104	108
Total average	**308**	**300**

The number of directors for whom retirement benefits are accruing under defined contribution schemes is 4 (2023: 5).

In July 2017 the Bank adopted the Gatehouse Long-Term Incentive Plan (LTIP) for the purposes of granting options to eligible employees to incentivise and reward the delivery of the Bank's long-term strategy and growth over a sustained period. The options provide a conditional right to exercise the acquisition of a specified number of ordinary shares in Gatehouse Bank plc subject to an exit event occurring which includes the acquisition of more than 50% ordinary shares of the Bank or a successful completion of an initial public offering (IPO). The exercise price is set at £0.01p per share. The option period is the period beginning on the date on which the option first becomes exercisable and ending on the tenth anniversary of the date of grant. The weighted average remaining contractual life for options outstanding as at end of 2024 is 4.6 years (2023: 5.6 years).

In 2024 there is no new issued numbers of options (2023: £70m). There were no options lapsed in 2024 (2023: nil). As a result, the total number of options in issue are 511,000,000 as at 2024 (2023: 511,000,000). In consideration of the conditional right to acquire ordinary shares of the Bank, the value of outstanding option is deemed nil as at 2024 (2023: nil) therefore no expense has been recorded during both periods.

The number of directors who had options received under LTIP is 3 (2023: 3). No options have been exercised during 2024 and 2023.

9. Other operating expenses

	2024	2023
	£'000s	£'000s
Occupancy Costs	967	1,012
IT and communication costs	1,778	1,784
Legal and professional fees	1,748	2,504
Travel and accommodation	2,005	626
Consultancy	265	268
Advertising and marketing	636	689
Other tax payable	552	510
Shariah Supervisory Board fees	60	65
Other operating charges	1,666	1,556
	9,677	**9,014**

10. Impairment release / (charge)

	2024	2023
	£'000s	£'000s
Release / (charge) of expected credit losses	192	(847)
	192	**(847)**

11. Other loss

	2024	2023
	£'000s	£'000s
Other loss	-	(233)
	-	**(233)**

12. Profit/(Loss) before tax

	2024 £'000s	2023 £'000s
Profit before tax is stated after charging:		
Net foreign exchange (losses)/gains	137	19
Auditor's remuneration	595	653
Rentals paid under operating leases: premises	698	701
Depreciation and amortisation	1,313	1,302

	2024 £'000s	2023 £'000s
Auditor's remuneration can be analysed as follows:		
Audit of the Group's accounts	580	653
Other services:		
Other audit-related services	15	12
	595	**665**

13. Taxation

	2024 £'000s	2023 £'000s
Analysis of tax charge for the year		
Current tax		
UK Corporation tax based on the profit for the year	-	-
Other corporation tax – Gatehouse Investment Management Limited	(925)	(16)
Other corporation tax – Ascend Estates Limited	(790)	(715)
Total current tax charge	**(1,715)**	**(731)**
Deferred tax		
Tax losses	**2,167**	**735**
Effect on changes in tax rates	-	-
Tax on profits on ordinary activities	**452**	**4**

The standard rate of UK corporation tax applied to reported profit is 25% (2023: 23.5%). Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The Finance Act 2021 increases the main rate of corporate tax to 25% with effect from 1 April 2023. As at 31 December 2024, deferred tax asset was valued based on 25% corporation tax rate.

At the statement of financial position date, the Group has unused tax losses of £48,150k (2023: £45,165k) available for offset against future profits. Deferred tax asset is recognised for unused tax losses to the extent it is probable there will be sufficient future taxable profits against which the losses can be used. It requires significant judgements to be made about the projection of long-term future profitability and the period over which recovery extends. The Group has selected a 10-year horizon for the recognition period. A deferred tax asset has been recognised on losses of £29,707k and £20,895k in 2024 and 2023, respectively. As at 31 December 2024 and 31 December 2023, no deferred tax asset has been recognised in respect of the remaining £18,443k and £24,270k, respectively, of losses and £3,108k and £3,332k, respectively, of other temporary differences at the statement of financial position date due to limited certainty with respect to forecasting profits over extended future periods.

13. Taxation (continued)

In assessing future profitability, the management considered a range of positive and negative evidence for this purpose. The principal positive evidences and factors include:

- The absence of any expiry dates for UK tax losses.
- The ability to generate future profits through continued growth of profit generating assets.

Against this, there are a number of uncertainties inherent in any long-term financial assumptions and projections and other negative evidence, including:

- Incurred an accumulated pre-tax loss of £49.3 million in previous years.
- Political uncertainty and potential risk of further taxation of UK BTL market.
- Difficulty of predicting future revenues accurately.

Sensitivity of the deferred tax asset to changes in assumptions:

Determining the value of the deferred tax asset relies on making judgments about when it will be recoverable and estimating future income. If future earnings deviate from current forecasts, adjustments may be necessary, potentially impacting the income statement significantly in the coming years. The sensitivity of the deferred tax asset on unutilised tax losses due to changes in forecasts and assumptions was considered.

Impact of change in assumptions:

Profit forecast: On DTA balance as at 31 December 2024, if the profitability forecast for 2025 – 2029 was assumed to be 10% lower than projected, the deferred tax asset balance would decrease by £194k to £7.23m. On DTA balance as at 31 December 2023, if the profitability forecast for 2024 – 2028 was assumed to be 10% lower than projected, the deferred tax asset balance would decrease by £49k to £5.21m.

Profit growth: For standalone GHB profits, 2% increase in profits is projected starting from 2030. If this assumption was changed to 1% growth for all years from 2030 to 2034 while maintaining a 10-year horizon, the deferred tax asset balance on 31 December 2024 would decrease by £66k to £7.36m.

For standalone GHB profits, 2% increase in profits is projected starting from 2029. If this assumption was changed to 1% growth for all years from 2029 to 2033 while maintaining a 10-year horizon, the deferred tax asset balance on 31 December 2023 would decrease by £10k to £5.25m.

The tax credit in the income statement for the period was £452k (2023: £4k). The tax expense can be reconciled to the profit per the income statement as follows:

	2024	**2023**
	£'000s	**£'000s**
Profit before tax from continuing operations	3,197	3,298
	3,197	**3,298**
Tax at the UK corporation tax rate of 25% (2023: 23.5%)	799	775
Effects of:		
Results from associates and subsidiaries	20	24
Expenses not deductible for tax purposes	107	134
Unrecognised current year losses and other temporary differences	-	-
Income not taxable for tax purposes	(1)	(1)
Other permanent differences	9	(10)
Effect of changes in tax rate	-	(1)
Recognition of previously unrecognised tax losses	(1,386)	(925)
Tax (credit)/charge in the consolidated income statement	**(452)**	**(4)**

14. Profit Rate Swap (continued)

The Group participates in Shariah compliant derivatives, profit rate swaps ("PRS") to hedge the exposure in fixed rate mortgages in the residential and commercial financing books.

At the inception of the hedge there is formal designation and documentation of the hedging relationship and the entity's risk management objective and strategy for undertaking the hedge. The hedge is expected to be highly effective in achieving offsetting changes in fair value attributable to the hedged risk, consistently with the originally documented risk management strategy for that particular hedging relationship. The effectiveness of the hedge can be reliably measured, i.e. the fair value of the hedged item that is attributable to the hedged risk and the fair value of the hedging instrument can be reliably measured. The hedge is assessed on an ongoing basis and determined actually to have been highly effective throughout the financial reporting periods for which the hedge was designated.

Hedge ineffectiveness for the Group's PRS can be explained by:

- Floating leg of the PRS will have a value on any day other than the reset date. The floating leg only exists in the hedging instrument and not the hedged item so ineffectiveness will result;
- Prepayments of the hedged items will cause an over-hedged position and ineffectiveness will result; and
- Maturity dates of the hedged items and the hedging instruments differ so ineffectiveness will result.

The table below show the fair values of financial instruments designated for hedging, recorded as assets or liabilities, together with their notional amounts:

	2024 £'000s	2023 £'000s
Notional Principal	**403,000**	**415,000**
Fair value adjustment to hedged item	29,381	28,904
Accrued profit of hedged item	1,424	2,087
Carrying Value of hedged item	**30,805**	**30,991**
Fair value adjustment to hedging instrument	(27,138)	(26,320)
Carrying Value of hedging instrument	**(27,138)**	**(26,320)**
Net Profit Rate Swaps Fair Value Hedges	2,243	2,584
Net Profit Rate Swaps Accrued profit	1,425	2,087
Net carrying Value of hedged item and hedging instrument	**3,667**	**4,671**

The line item in the Statement of Financial Position that includes the hedging instrument is 'Derivative Financial Instruments and the line item that includes the hedged item is 'Financing and advances at amortised cost'.

For actual hedge effectiveness to be achieved, the changes in fair values of hedging instrument and the hedged item must offset each other in the range of 80 per cent to 125 per cent, for the hedge to be deemed highly effective. Effectiveness are driven by (i) Maturity dates of the hedged items and the hedging instruments differ (ii) Payment frequencies/ payment dates differing between the hedged item and hedging instrument (iii) The floating leg only exists in the hedging instrument and not hedged item. The hedge ineffectiveness recognised in profit for the year 2024 is £341k loss (2023: £1,083k gain).

The below table sets out the outcome of the Group's hedging strategy, in particular, to changes in the fair value of the hedged items and hedging instruments in the current year and the comparative year, used as the basis for recognising ineffectiveness. The hedge ineffectiveness is recognised as part of 'Net gains on financial assets at fair value through income statement' line as disclosed in note 6.

		2024			2023		
		Gains/(losses) attributable to the hedged risk		Hedge Effectiveness	Gains/(losses) attributable to the hedged risk		Hedge Effectiveness
Hedged Items	**Hedging Instrument**	**Hedged Items**	**Hedging Instrument**		**Hedged Items**	**Hedging Instrument**	
Fixed rate mortgages	Profit rate swaps	3,296	(3,636)	(90.62) %	16,662	(15,579)	(106.95) %

15. Company profit attributable to equity shareholders

£3,649k of the company profit for the financial year (2023: £3,302k) has been presented in the accounts of the Group.

16. Financing and advances at amortised cost

Financing and advances to customers, corporates and financial institutions are held at amortised cost. That is, the initial fair value (which is normally the amount advanced or financed) is adjusted for repayments and fees to represent the effective finance rate of the asset

	Avg. Yield	2024	Avg. Yield	2023
		£'000s		£'000s
Gross financing and advances at amortised cost		1,332,708		1,367,974
Less: allowances for impairment		(9,820)		(10,171)
Financing and advances at amortised cost	5.10%	**1,322,888**	4.69%	**1,357,803**

Exposure on financing and advances at amortised cost subject to impairment testing:

	Financing and advances at amortised cost 2024			
	Stage 1 12m ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	£'000s	£'000s	£'000s	£'000s
Gross carrying value	1,162,210	91,462	79,036	1,332,708
Loss allowance	(790)	(497)	(8,533)	(9,820)
Carrying value under IFRS 9	**1,161,420**	**90,965**	**70,503**	**1,322,888**

	Financing and advances at amortised cost 2023			
	Stage 1 12m ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	£'000s	£'000s	£'000s	£'000s
Gross carrying value	1,193,565	116,814	57,595	1,367,974
Loss allowance	(1,279)	(1,254)	(7,638)	(10,171)
Carrying value under IFRS 9	**1,192,286**	**115,560**	**49,957**	**1,357,803**

Change in expected credit losses on financing and advances at amortised cost:

	Stage 1 12m ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	£'000s	£'000s	£'000s	£'000s
Loss allowance as at 1 January 2024	(1,279)	(1,254)	(7,638)	(10,171)
Transfers				
Transfer from stage 1 to stage 2	120	(120)	-	-
Transfer from stage 1 to stage 3	166	-	(166)	-
Transfer from stage 2 to stage 1	(109)	109	-	-
Transfer from stage 2 to stage 3	-	542	-542	-
Transfer from stage 3 to stage 1	-	-	-	-
Transfer from stage 3 to stage 2	-	(21)	21	-
Changes in PD's/ LGD's / EAD's	312	247	(359)	200
Others	-	-	151	151
Loss allowance as at 31 December 2024	**(790)**	**(497)**	**(8,533)**	**(9,820)**

	Stage 1 12m ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	£'000s	£'000s	£'000s	£'000s
Loss allowance as at 1 January 2023	(3,108)	(5,586)	(632)	(9,326)
Transfers				
Transfer from stage 1 to stage 2	1,176	(1,176)	-	-
Transfer from stage 1 to stage 3	23	-	(23)	-
Transfer from stage 2 to stage 1	(910)	910	-	-
Transfer from stage 2 to stage 3	-	5,275	(5,275)	-
Transfer from stage 3 to stage 1	-	-	-	-
Transfer from stage 3 to stage 2	-	(13)	13	-
Changes in PD's/ LGD's / EAD's	1,540	(664)	(1,721)	(845)
Loss allowance as at 31 December 2023	**(1,279)**	**(1,254)**	**(7,638)**	**(10,171)**

Change in gross carrying amount of financing and advances at amortised cost:

	Financing and advances at amortised cost 2024			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	£'000s	**£'000s**	**£'000s**	**£'000s**
Gross carrying amount as at 1 January 2024	1,193,565	116,814	57,595	1,367,974
Transfers				
Transfer from stage 1 to stage 2	(47,817)	47,817	-	-
Transfer from stage 1 to stage 3	(17,689)	-	17,689	-
Transfer from stage 2 to stage 1	49,888	(49,888)	-	-
Transfer from stage 2 to stage 3	-	(11,675)	11,675	-
Transfer from stage 3 to stage 1	502	-	(502)	-
Transfer from stage 3 to stage 2	-	1,087	(1,087)	-
Net new financing/payments	(16,239)	(12,693)	(6,183)	(35,115)
Others	-	-	(151)	(151)
Gross carrying amount as at 31 December 2024	**1,162,210**	**91,462**	**79,036**	**1,332,708**

	Financing and advances at amortised cost 2023			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	£'000s	**£'000s**	**£'000s**	**£'000s**
Gross carrying amount as at 1 January 2023	1,113,761	106,426	17,035	1,237,222
Transfers				
Transfer from stage 1 to stage 2	(51,033)	51,033	-	-
Transfer from stage 1 to stage 3	(27,770)	-	27,770	-
Transfer from stage 2 to stage 1	44,324	(44,324)	-	-
Transfer from stage 2 to stage 3	-	(13,486)	13,486	-
Transfer from stage 3 to stage 1	-	315	(315)	-
Transfer from stage 3 to stage 2	-	-	-	-
Net new financing/payments	114,283	16,850	(381)	130,752
Gross carrying amount as at 31 December 2023	**1,193,565**	**116,814**	**57,595**	**1,367,974**

17. Financial assets held at fair value through the income statement

	Avg. Yield	**2024**	**Avg. Yield**	**2023**
		£'000s		**£'000s**
Unquoted equity securities		8,228		18,278
	0%	**8,228**	0%	**18,278**

18. Financial assets held at fair value through other comprehensive income

	Avg. Yield	**2024**	**Avg. Yield**	**2023**
		£'000s		**£'000s**
Quoted Sukuk	2.23%	28,282	1.10%	19,512
Unquoted equity securities		2,331		3,070
		30,613		**22,582**

Exposure on financial assets at fair value through other comprehensive income subject to impairment testing:

	Financial assets at fair value through other comprehensive income – Debt assets 2024			
	Stage 1 12m ECL	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
	£'000s	**£'000s**	**£'000s**	**£'000s**
Gross carrying value	28,294	-	-	28,294
Loss allowance	(12)	-	-	(12)
Carrying value under IFRS 9	**28,282**	**-**	**-**	**28,282**

	Financial assets at fair value through other comprehensive income – Debt assets 2023			
	Stage 1 12m ECL	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
	£'000s	**£'000s**	**£'000s**	**£'000s**
Gross carrying value	19,516	-	-	19,516
Loss allowance	(4)	-	-	(4)
Carrying value under IFRS 9	**19,512**	**-**	**-**	**19,512**

Change in expected credit losses on financial assets at fair value through other comprehensive income:

	Financial assets at fair value through other comprehensive income – Debt assets 2024			
	Stage 1 12m ECL	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
	£'000s	**£'000s**	**£'000s**	**£'000s**
Loss allowance as at 1 January 2024	(4)	-	-	(4)
New financial assets originated or purchased	(8)	-	-	(8)
Changes in PD's/ LGD's / EAD's	-	-	-	-
FX and other movements	-	-	-	-
Loss allowance as at 31 December 2024	**(12)**	**-**	**-**	**(12)**

	Financial assets at fair value through other comprehensive income – Debt assets 2023			
	Stage 1 12m ECL	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
	£'000s	**£'000s**	**£'000s**	**£'000s**
Loss allowance as at 1 January 2023	(3)	-	-	(3)
New financial assets originated or purchased	(1)	-	-	(1)
Changes in PD's/ LGD's / EAD's	-	-	-	-
FX and other movements	-	-	-	-
Loss allowance as at 31 December 2023	**(4)**	**-**	**-**	**(4)**

19. Investment in subsidiaries

The Group consists of a parent company, Gatehouse Financial Group Limited, incorporated in Jersey and a number of subsidiaries and associates held directly and indirectly by Gatehouse Financial Group Limited, which operate and are incorporated around the world. Kuwait Investment Authority and The Securities House K.S.C.P are the ultimate controlling party.

Information about the composition of the Group at the end of the reporting period is as follows:

Subsidiaries	Principal Activity	Place of business & Country of incorporation	GFG consolidated interest
Directly held:			
Gatehouse Bank plc	Banking and Investment Advisory	England & Wales	100.0%
Indirectly held:			
Held through Gatehouse Bank plc			
Gatehouse Build to Rent Group Limited	Holding Company	England & Wales	100.0%

Following subsidiaries of the are indirectly held through Gatehouse Build to Rent Group Limited:

Subsidiaries	Principal Activity	Place of business & Country of incorporation	GFG consolidated interest
Ascend Estates Limited	Management of real estate	England & Wales	100%
Gatehouse Investment Management Limited	Real Estate Investment Advisory	England & Wales	100%

The opportunity has been identified to combine Ascend and the Group's real estate investment advisory (REIA) arm in relation to SPV, as discussed in note 20, under one branded entity, with a view to adding future value within a fast-growing sector of the UK real estate market. As a result of this initiative, REIA business was transferred to Gatehouse Investment Management Limited (GIM) in April 2023. Consequently, the Bank transferred its entire holding in GIM and Ascend to Gatehouse Build to Rent Group Limited (GBTRG). The Group has accounted the restructuring transaction under common control under book-value method of accounting.

Silver Noisy Sarl, a previously 100% owned subsidiary by the Bank, has been liquidated in 2023.

The recoverable amount of this investment in subsidiary as a cash-generating unit (CGU) is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by the directors covering a year period. The pre-tax discount rate applied to the cash flow projections is 13.3%. The growth rate used to extrapolate the cash flows of the unit beyond a year period is 2%.

The calculation of the value in use for the unit is most sensitive to the following assumptions:

- Forecast growth rate. This rate is in line with the economic and fiscal outlook for the UK economy from 2025-2029.
- Earnings before income tax, depreciation and amortization (EBITDA). EBITDA forecast is based on historical experience of operating margins, adjusted for the impact for any potential adverse market movement.
- Discount rate. This represents the current market assessment of the risks specific to the CGU, taking into consideration the time value of money and pertinent risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the bank and its operating segments and is derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the company's investors. Although cost of debt is not part of permanent capital structure of the company, this portion was derived by taking into account pertinent risk-free rate of a government bond which will be repaid at maturity.

The movement of the Goodwill during the year is provided below:

Goodwill	2024 £'000s	2023 £'000s
Cost		
At 1 January	4,242	4,242
Impairment		
Impairment loss recognised in the year ended 31 December	-	-
Acquisitions during the year		
Intangible assets recognised in the year ended 31 December	-	-
Carrying amount		
At 31 December	**4,242**	**4,242**

20. Disclosure of interests in other entities

The Group has investments in a number of special purpose vehicles (SPVs) that have an interest in UK property. The Group provides investment advisory services in relation to the investments. The investment SPVs have two classes of equity: management shares which carry voting rights; and participating shares which represent economic interests in the SPVs. None of the SPVs are consolidated by the Group as the Group holds only a small percentage of the participating shares and acts as agent in its capacity as investment advisor for the SPVs. Typically, the Group receives a fixed annual advisory fee for its services which is not linked to the performance of the SPV and a performance fee of 20% of profits achieved over a specified rate of return.

None of the SPVs are consolidated by the Group as the Group holds only a small percentage of the participating shares and has no involvement in the management or control of the SPVs.

The Group's gross investment in property SPVs is £8,228k (2023: £18,278) which is included in financial assets held at fair value through the income statement. The Group has also provided funding through fixed term Murabaha contracts as bridge financing to these SPVs. The Group's maximum loss relating to these SPVs is equal to the exposure in the SPVs. The primary risk to which the Group is exposed is the risk of changes in the valuation of the Group's investment in the SPV due to changes in the valuation of the property held by each SPV or changes in the cash flows generated by the property.

21. Derivative financial instruments

	Assets £'000s	Liabilities £'000s	Notional amount £'000s
2024			
Maturing in 0-3 months	31,054	(38,150)	429,212
Maturing in 3-6 months	-	-	-
	31,054	**(38,150)**	**429,212**
2023			
Maturing in 0-3 months	33,032	(44,010)	434,713
Maturing in 3-6 months	-	-	-
	33,032	**(44,010)**	**434,713**

The Group uses foreign currency agreements for matching currency exposure. The Group also uses derivatives to prudently manage its profit rate risk, which allows the Group to hedge against risks arising from deposits of certain short-term maturities and longer-term financing.

22. Intangible assets

Intangible assets:	2024	2023
	£'000s	£'000s
Software costs and licence fees	1,951	1,382
Customer List	451	497
Total Balance at 31 December	**2,402**	**1,879**

Software costs and licence fees	2024	2023
	£'000s	£'000s
Cost		
At 1 January	5,321	4,698
Additions	1,057	623
Transfer	67	-
At 31 December	**6,445**	**5,321**
Amortisation		
At 1 January	3,939	3,431
Charge for the year	515	508
Transfer	40	-
At 31 December	**4,494**	**3,939**
Net book value		
At 1 January	1,382	1,267
At 31 December	**1,951**	**1,382**

Customer lists	2024	2023
	£'000s	£'000s
Cost		
At 1 January	686	686
Additions	-	-
At 31 December	**686**	**686**
Amortisation		
At 1 January	189	141
Charge for the year	46	48
At 31 December	**235**	**189**
Net book value		
At 1 January	**497**	**545**
At 31 December	**451**	**497**
Total Intangibles		
At 1 January	**1,879**	**1,812**
At 31 December	**2,402**	**1,879**

23. Property, plant and equipment

Group	Leasehold property	Leasehold vehicles	Computer equipment	Fixtures and fittings	Leasehold improvements	Total
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Cost						
At 1 January 2024	2,926	459	1,310	284	244	5,223
Additions	36	447	76	38	-	597
Disposals	(31)	-	(66)	-	-	(97)
At 31 December 2024	**2,931**	**906**	**1,320**	**322**	**244**	**5,723**
Depreciation						
At 1 January 2024	2,100	381	1,150	224	213	4,068
Charge for the period	445	160	95	26	26	752
Write-off on disposals	-	-	(42)	-	-	(42)
At 31 December 2024	2,545	541	1,203	250	239	4,778
Net book value						
At 1 January 2024	826	78	160	60	31	1,155
At 31 December 2024	**386**	**365**	**117**	**72**	**5**	**945**

Group	Leasehold property	Leasehold vehicles	Computer equipment	Fixtures and fittings	Leasehold improvements	Total
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Cost						
At 1 January 2023	2,635	440	1,190	278	264	4,807
Additions	291	19	120	6	-	436
Disposals	-	-	-	-	(20)	(20)
At 31 December 2023	**2,926**	**459**	**1,310**	**284**	**244**	**5,223**
Depreciation						
At 1 January 2023	1,548	317	1,057	200	199	3,321
Charge for the period	552	64	93	24	14	747
Write-off on disposals	-	-	-	-	-	-
At 31 December 2023	2,100	381	1,150	224	213	4,068
Net book value						
At 1 January 2023	1,087	123	133	78	65	1,486
At 31 December 2023	**826**	**78**	**160**	**60**	**31**	**1,155**

24. Leases

Right of use assets

The Group's leased assets including buildings, vehicles and computer equipment as at 31 December 2024:

	Leasehold property	Leasehold vehicles	Computer equipment	Total
	£'000s	£'000s	£'000s	£'000s
Cost				
At 1 January 2024	826	78	-	904
Additions	35	451	-	486
Depreciation charge for the year	(476)	(189)	-	(665)
At 31 December 2024	**385**	**340**	**-**	**725**

The Group's leased assets including buildings, vehicles and computer equipment as at 31 December 2023:

	Leasehold property	Leasehold vehicles	Computer equipment	Total
	£'000s	£'000s	£'000s	£'000s
Cost				
At 1 January 2023	1,087	123	-	1,210
Additions	291	19	-	310
Depreciation charge for the year	(552)	(64)	-	(616)
At 31 December 2023	**826**	**78**	**-**	**904**

Lease liabilities

Contractual undiscounted cash flows:	2024	2023
	£'000s	£'000s
Less than one year	359	619
One to five years	440	466
More than five years	-	-
	799	**1,085**

Amounts recognised in the income statement:	2024	2023
	£'000s	£'000s
Profit on lease liabilities	47	64
Expenses relating to short-term leases	-	-
Expenses relating to leases of low value assets, excluding short-term leases of low value items	-	
	47	**64**

Amounts recognised in the statement of cash flows:

	2024	2023
	£'000s	£'000s
Cash outflow for leases	(698)	(701)
	(698)	**(701)**

25. Other Assets

	2024	2023
	£'000s	£'000s
Other debtors	6,194	2,627
Prepayments	1,366	1,186
ColCap Financial UK	23	-
Contract cost asset	756	-
Accrued income receivable	368	203
	8,706	**4,016**

Certain cost to fulfil a contract has been recognised as contract cost asset in December 2024. No amortisation expense has been recognised in 2024.

26. Financial liabilities measured at amortised cost

	Avg. Yield	£'000s
Financial liabilities measured at amortised cost at 1 January 2024	4.72%	1,316,464
Net proceeds from financial institutions and customers		(26,905)
Net increase in profit payable		(727)
Financial liabilities measured at amortised cost at 31 December 2024	4.74%	**1,288,832**

	Avg. Yield	£'000s
Financial liabilities measured at amortised cost at 1 January 2023	2.82%	1,168,458
Net proceeds from financial institutions and customers		138,752
Net increase in profit payable		9,254
Financial liabilities measured at amortised cost at 31 December 2023	4.72%	**1,316,464**

The total accrued profit for financial liabilities at amortised cost during 2024 is £51,091k (2023: £32,736k).

27. Other liabilities

	2024	2023
	£'000s	£'000s
Lease liabilities	799	1,085
Other taxes and social security costs	481	1,398
Other Provisions	143	-
ColCap Financial UK	1,429	-
Other creditors	5,797	4,443
	8,649	**6,926**

28. Maturity analysis of financial assets and liabilities

The table shows an analysis of assets and liabilities analysed between those expected to be recovered or settled within more or less than 12 months of the balance sheet date:

2024	**Less than 12 months**	**More than 12 months**	**Total**
	£'000s	**£'000s**	**£'000s**
Assets			
Cash and balances with banks	27,823	-	27,823
Financing and advances at amortised cost	166,020	1,156,868	1,322,888
Financial assets held at FVTIS	-	8,228	8,228
Financial assets held FVTOCI	5,214	25,399	30,613
Derivative financial instruments	31,054	-	31,054
Total financial assets	**230,111**	**1,190,495**	**1,420,606**
Liabilities			
Financial liabilities measured at amortised cost	975,929	312,903	1,288,832
Derivative financial instruments	38,150	-	38,150
Other liabilities including leases	334	391	725
Total financial liabilities	**1,014,413**	**313,294**	**1,327,707**

2023	**Less than 12 months**	**More than 12 months**	**Total**
	£'000s	**£'000s**	**£'000s**
Assets			
Cash and balances with banks	24,596	-	24,596
Financing and advances at amortised cost*	136,804	1,220,999	1,357,803
Financial assets held at FVTIS	-	18,278	18,278
Financial assets held FVTOCI	7,310	15,272	22,582
Derivative financial instruments	33,032	-	33,032
Total financial assets	**201,742**	**1,254,549**	**1,456,291**
Liabilities			
Financial liabilities measured at amortised cost	840,943	475,521	1,316,464
Derivative financial instruments	44,010	-	44,010
Other liabilities including leases	619	466	1,085
Total financial liabilities	**885,572**	**475,987**	**1,361,559**

*In previous accounting period the Group presented the breakdown of maturity dates for Financing and advances at amortised cost assuming the full financing principal amount will be repaid upon the contractual maturity date of the facilities. The 2023 comparative figures have been restated to present this information based on the specific repayment schedule of the outstanding principal amounts which is in line with 2024 figures. As this change is presentational in nature there has been no impact to the any of the amounts presented within the face of the financial statements.

29. Assets and liabilities in foreign currency

The Group manages its exposure to foreign exchange rate fluctuations by matching assets with liabilities in the same currency as far as possible.

	2024 £'000s	2023 £'000s
Assets		
Denominated in Sterling	1,414,017	1,448,996
Denominated in other currencies	30,311	23,847
	1,444,328	**1,472,843**

	2024 £'000s	2023 £'000s
Liabilities		
Denominated in Sterling	1,334,770	1,366,521
Denominated in other currencies	861	879
	1,355,631	**1,367,400**

30. Pension Commitments

Within the Group, only Gatehouse Bank plc provides a defined contribution pension scheme for all staff. The assets of the scheme are held separately from those of the Bank in independently administered funds. During the period, pension costs of £778k were charged to the income statement (2023: £723k). The pension creditor outstanding at the balance sheet date amounted to £101k (2023: £94k).

31. Share Capital

	2024 £'000s	2023 £'000s
Authorised: Unlimited		
Issued: 17,000,000,100 ordinary shares of no par per share	-	-
Issued and fully paid:		
16,200,000,100 ordinary shares	-	-
15,000,000,100 shares paid up by 1 pence per share	150,000	150,000
1,200,000,000 shares paid up by 0.75 pence per share	9,000	9,000
	159,000	159,000
Issued and partly paid:		
493,000,000 ordinary shares paid up by 0.01 pence per share	4,930	4,930
Issued but not paid:		
307,000,000 Ordinary shares	3,070	3,070
Total issued share capital	**167,000**	**167,000**

The issued and non-fully paid share capital relates to shares previously issued to the Gatehouse Bank's former Employee Benefit Trust (EBT). These shares were transferred to Gatehouse Financial Group Limited, following the share for share exchange in 2015.

32. Own shares

The Own Shares reserve represents the shares issued as part of the Group's Employee Incentive Plan, held by the Employee Benefit Trust on behalf of participating employees and the Trustee. 800,000k ordinary shares of £0.01 each (2023: 800,000k ordinary shares) were held by the Employee Benefit Trust at 31 December 2024 of which 493,000,000 were partly paid up to £0.0001 per share (2023: 493,000k).

33. Off balance sheet items

Financing commitments

At the balance sheet date, the Group has outstanding financing commitments related relating to residential property financing portfolio as follows:

	2024 £'000s	2023 £'000s
Within one year	75,161	39,740
	75,161	**39,740**

Expected credit losses on financing commitments as at 31 December 2024 amounted to £37k (31 December 2023: £20k).

34. Related party transactions

During the reporting year, the Group entered into separate transactions with related counterparties.

All related parties' transactions were entered into at an arm's length price; amounts outstanding and transaction during the period with related parties as at 31 December were as follows. Transaction during the period predominantly pertains to recharges from the Group to related parties. These transactions were incurred by the Group on behalf of the related parties therefore recharged.

2024	**Shareholder** Kuwait Investment Authority **£'000s**	**Shareholder** The Securities House K.S.C.C. **£'000s**
Profit income during the period	-	83
Profit expense during the period	-	-
Assets	-	187
Liabilities	-	-

2023	**Shareholder** Kuwait Investment Authority **£'000s**	**Shareholder** The Securities House K.S.C.C. **£'000s**
Profit income	-	-
Profit expense	117	-
Assets	-	104
Liabilities	-	-

The disclosure requirements in respect of remuneration to key management personnel has been met by providing Directors' emoluments details in note 8.

35. Risk Management

The Risk Management function is primarily at the Bank level and forms an integral part of the Bank's three lines of defence governance model. Its role, as the second line of defence, is to provide the control functions (Risk and Compliance) for the Board that are robust and commensurate to scale and nature of the business activities that the Bank undertakes. It discharges these responsibilities through monitoring performance against set limits and tolerances to risk exposures, through various validation and exception reports, through the composition of prudential reports and through stress testing and sensitivity analysis. The Internal Audit function, outsourced to Grant Thornton, a professional services firm, performs regular reviews of different activities of the Bank represents the third line of defence.

The Risk Management Function provides the day-to-day monitoring of risk exposures to ensure that the Bank's activities remain within the risk appetite parameters set by the Board.

The Chief Risk Officer is responsible for the risk management and compliance function, which considers all material risks on a consolidated basis and, in this respect, chairs the Executive Risk Committee.

Credit Risk

Credit risk is the risk of suffering financial loss in the event that one of the Group's clients or market counterparties fail to fulfil their contractual obligations. Credit risk may also arise where the downgrading of an entity's credit rating causes the fair value of an investment in that entity's financial instruments to fall. The credit risk that the Group faces arises mainly from Treasury activities, real estate equity investment and senior and mezzanine real estate financing.

The Group's Risk function covers several areas in respect of assessing credit related exposures:

- The overall management and implementation of the risk appetite framework as determined by the Board; determining mandate and scale limits and implementing the risk appetite as set by the Board;
- Assessment of existing and potential Treasury counterparties and Sukuk by undertaking comprehensive credit risk assessments and making recommendations to the appropriate decision making forums. This includes monitoring of portfolio composition; and
- The monitoring of exposures to ensure compliance with approved limits and that the credit quality of the counterparty has not deteriorated or circumstances changed. Monitoring provides a picture of the portfolio as a whole and its inherent risks, including concentrations and capital allocation.

In view of the Group's strategic focus on real estate business, the Risk function also covers the following:

- Assessment of real estate equity investments and senior and mezzanine financing activities via the provision of comprehensive credit risk assessments making recommendations to appropriate decision-making forums. This includes monitoring of portfolio composition; and
- The ongoing monitoring and review of credit risk for real estate equity investment and finance exposures to ensure compliance with covenants and early identification of changes to the credit risk profile and composition of the portfolio.
- Enhanced analysis of potentially deteriorating credit exposures through a 'watch list' process.

A comprehensive control framework is in place. This incorporates:

- Maximum exposure guidelines relating to exposure to an individual counterparty or transaction;
- Country/Region specific limits to avoid excessive concentration of credit risk; and
- Industry specific limits to avoid excessive concentration of credit risk in individual economic sectors.

A range of analysis methodologies are used to determine the credit quality of a counterparty, such as quantitative analysis, qualitative analysis, credit rating model, external rating agency research, industry specific research and for wholesale assets, market information such as credit spreads. The current Internal Capital Adequacy Assessment Process (ICAAP) is based on Gatehouse Bank adopting the Standardised approach to credit risk quantification for capital purposes.

The Group has in place processes for estimating the impairment provision on loans and advances associated with credit risk in accordance with IFRS 9 Financial instruments (IFRS 9). IFRS 9 requires use of expected credit loss ("ECL") models for the purposes of calculating impairment loss.

The Group's ECL models allow the assessment of the credit risk exposure to the Group that is inherent in financial assets and commitments (Treasury assets (including LAB Sukuk), real estate finance and residential property finance). The models are jointly controlled by Risk and Finance functions, who also agree the nature of forward-looking scenarios.

The ECL models require the Group to exercise judgement using subjective assumptions when determining both the timing and the amounts of ECL for loans and advances subject to credit risk.

Sensitivity Analysis

As per the sensitivity analysis of macro-economic factors, PD and ECL are expected to increase due to worsening economic projections, including economic growth, unemployment rates, and product rate increases, on the other hand, improving economic forecasts and rate decreases are anticipated to reduce the PD and ECL. LGD is inversely proportional to house prices, it would elevate if house prices fell, and would decline if house prices increased. The influence of economic variables differs according to different portfolios. The computation of ECL is on a per-customer basis, considering local indexation, with modifications made to account for additional risk factors in geographical areas that are projected to respond more strongly to changes in economic conditions.

The major assumptions considered for the analysis include unemployment forecasts, predicted housing price changes, and borrowing rate movements.

Exposure of credit risk

The Expected credit loss estimate is essential to be based on an unbiased expectation of future economic scenarios. The Group's approach incorporates a starting point which is a defined base case scenario used for planning purposes and to further generate alternative economic scenarios around the base case. The base case scenario is a conditional forecast based on numerous assumptions that represent the Group's best estimate of significant future developments.

The parameters used with group's ECL model include macroeconomic factors which have been established as drivers of the default risk and loss estimates. As a result, in each scenario an estimate of credit losses is calculated using the combination of these macroeconomic factors.

The ECL calculation incorporates multiple economic scenarios which have been weighted according to considered likelihood.
The table below shows the weightings and peak values of the key variables used within the scenarios, based on a 5-year forecast.

2024 Relevant economic variables

Scenarios	Key Economic Variables	Years				
		2025	2026	2027	2028	2029
Base Case	BOE Rate	4.60%	3.60%	3.00%	2.50%	2.50%
	Unemployment rate	4.41%	4.35%	4.23%	4.10%	4.00%
	House Price Index	2.80%	1.66%	2.71%	4.09%	4.56%
Upside	BOE Rate	6.00%	5.88%	4.88%	3.88%	3.50%
	Unemployment rate	3.94%	2.73%	2.08%	2.11%	2.24%
	House Price Index	6.05%	5.56%	6.82%	6.14%	4.33%
Mild Upside	BOE Rate	5.50%	5.13%	4.13%	3.13%	3.00%
	Unemployment rate	4.19%	3.69%	3.62%	3.63%	3.64%
	House Price Index	4.03%	3.94%	5.21%	4.96%	4.43%
Stagnation	BOE Rate	4.50%	3.13%	2.25%	2.25%	2.25%
	Unemployment rate	5.28%	6.01%	6.62%	6.57%	6.30%
	House Price Index	1.16%	-1.68%	-0.62%	4.37%	4.84%
Downside	BOE Rate	4.50%	2.63%	1.75%	1.75%	1.75%
	Unemployment rate	5.48%	6.29%	6.87%	6.82%	6.54%
	House Price Index	0.46%	-3.22%	-2.28%	4.50%	4.97%
Severe Downside	BOE Rate	4.37%	1.88%	1.00%	1.00%	1.00%
	Unemployment rate	5.82%	6.77%	7.31%	7.25%	6.94%
	House Price Index	-0.72%	-5.98%	-5.41%	4.76%	5.23%

2023 Relevant economic variables

Scenarios	Key Economic Variables	Years				
		2024	2025	2026	2027	2028
Base Case	BOE Rate	5.25%	4.60%	3.60%	2.59%	2.00%
	Unemployment rate	4.54%	4.51%	4.13%	3.97%	3.85%
	House Price Index	-4.26%	-2.49%	0.01%	0.05%	0.04%
Upside	BOE Rate	6.25%	6.25%	5.38%	4.38%	3.38%
	Unemployment rate	4.02%	3.11%	2.42%	2.29%	2.31%
	House Price Index	1.32%	1.90%	4.50%	4.99%	3.99%
Mild Upside	BOE Rate	5.75%	5.75%	4.88%	3.88%	2.88%
	Unemployment rate	4.30%	4.06%	3.82%	3.76%	3.71%
	House Price Index	-0.71%	-0.04%	0.03%	0.06%	0.04%
Stagnation	BOE Rate	5.13%	3.88%	2.88%	1.88%	1.75%
	Unemployment rate	5.70%	6.55%	6.95%	6.87%	6.55%
	House Price Index	-8.52%	-6.51%	-2.47%	0.03%	0.05%
Downside	BOE Rate	5.00%	3.63%	2.38%	1.50%	1.50%
	Unemployment rate	5.86%	6.77%	7.17%	7.09%	6.75%
	House Price Index	-10.38%	-8.19%	-3.98%	1.32%	4.61%
Severe Downside	BOE Rate	4.88%	3.00%	1.63%	0.75%	0.75%
	Unemployment rate	6.12%	7.12%	7.54%	7.45%	7.09%
	House Price Index	-13.52%	-11.07%	-6.69%	-0.99%	4.85%

The base case scenario is in line with the annual financial forecast of the company and has been revised in line with the recent changes in the economic environment on the reporting date. To exhibit the best judgment of the management, the scenario weighting shall be reviewed regularly throughout the year. The slight upturn and downturn economic scenarios are viewed as less likely and are weighted accordingly in the model.

Scenario Weighting 2024		Base Case	Upside	Mild Upside	Stagnation	Downside	Severe Downside
		50%	10%	10%	10%	10%	10%
BOE Rate	Highest Rate	4.60%	6.00%	5.50%	4.50%	4.50%	4.37%
Unemployment Rate	Peak	4.41%	3.94%	4.19%	6.62%	6.87%	7.31%
House Price Index	Start to Trough	1.66%	4.33%	3.94%	-1.68%	-3.22%	-5.98%

Scenario Weighting 2023		Base Case	Upside	Mild Upside	Stagnation	Downside	Severe Downside
		50%	10%	10%	10%	10%	10%
BOE Rate	Highest Rate	5.25%	6.25%	5.75%	5.13%	5.00%	4.88%
Unemployment Rate	Peak	4.54%	4.02%	4.30%	6.95%	7.17%	7.54%
House Price Index	Start to Trough	-4.26%	1.32%	-0.71%	8.52%	10.38%	13.52%

The below table sets out the average five-year forecast for key macroeconomic variables forecast with 100% weighing, to illustrate sensitivities to model weighting in relation to RPF.

2024	Weighted Scenario ECL, no PMA	Base Case	Upside	Mild Upside	Stagnation	Downside	Severe Downside
HPP	656,020	542,549	386,634	463,956	839,756	964,116	1,192,999
BTL	1,486,937	1,156,803	729,394	928,325	2,000,159	2,365,548	3,061,925
Total	2,142,957	1,699,352	1,116,028	1,392,281	2,839,915	3,329,664	4,254,924

2024			
Post model adjustments	**ECL model output**	**PMA**	**Total ECL**
HPP	656,020	70,423	726,443
BTL	1,486,937	288,019	1,774,956
Total	**2,142,957**	**358,442**	**2,501,399**

2023	Weighted Scenario ECL, no PMA	Base Case	Upside	Mild Upside	Stagnation	Downside	Severe Downside
HPP	733,294	721,689	479,241	571,662	1,003,951	1,133,794	1,374,851
BTL	1,644,011	1,549,336	1,128,528	1,269,655	2,235,677	2,587,147	3,353,417
Total	2,377,305	2,271,025	1,607,769	1,841,317	3,239,628	3,720,941	4,728,268

2023			
Post model adjustments	**ECL model output**	**PMA**	**Total ECL**
HPP	733,294	63,098	796,392
BTL	1,644,011	196,630	1,840,641
Total	**2,377,305**	**259,728**	**2,637,033**

Note 3 refers to the basis by which the Group reviews for impairments of its financial assets. Note 10 details the impairment provisions taken in the year to the income statement.

Exposure

The table below shows the maximum exposure to credit risk for financial assets on the balance sheet at 31 December 2024 and 31 December 2023:

	2024	2023
	£'000s	**£'000s**
Cash and balances with banks	27,823	24,596
Financing and advances at amortised cost	1,322,888	1,357,803
Financial assets held at fair value through other comprehensive income (debt assets)	28,282	19,512
Derivative financial instruments	31,054	33,032
	1,410,047	**1,434,943**

The group holds collateral against secured financing made to businesses and individuals in the form of charges over properties, other registered securities over assets, and guarantees.

Geographical region

The Group's credit exposure can be analyzed into the following geographical regions:

	2024	2023
	£'000s	£'000s
GCC countries	153,497	142,171
Kuwait	6,339	8,800
Saudi Arabia	34,907	25,639
UAE	48,798	80,402
Qatar	58,137	19,955
Oman	2,064	2,263
Bahrain	3,252	5,112
Europe	1,025,420	983,642
North America	21,060	26,688
South America	933	955
Asia	184,631	246,558
Africa	14,029	20,417
Australasia	10,477	14,512
	1,410,047	**1,434,943**

Credit quality

The table below shows the credit quality of financial assets on the balance sheet at 31 December 2024 and 2023, based on the Group's credit rating system:

2024	**Investment grade**	**Non-investment grade**	**Non-rated**	**Total**
	£'000s	**£'000s**	**£'000s**	**£'000s**
Assets				
Cash and balances with banks	27,821	-	2	27,823
Financing and advances at amortised cost	87,662	-	1,235,226	1,322,888
Financial assets held at fair value through the income statement (debt assets)	-	-	-	-
Financial assets held at fair value through other comprehensive income (debt Assets)	28,282	-	-	28,282
Derivative financial instruments	31,054	-	-	31,054
Total assets	**174,819**	**-**	**1,235,228**	**1,410,047**

2023	**Investment grade**	**Non-investment grade**	**Non-rated**	**Total**
	£'000s	**£'000s**	**£'000s**	**£'000s**
Assets				
Cash and balances with banks	24,594	-	2	24,596
Financing and advances at amortised cost	68,260	-	1,289,543	1,357,803
Financial assets held at fair value through the income statement (debt assets)	-	-	-	-
Financial assets held at fair value through other comprehensive income (debt Assets)	19,512	-	-	19,512
Derivative financial instruments	33,032	-	-	33,032
Total assets	**145,398**	**-**	**1,289,545**	**1,434,943**

Collateral

The Group holds collateral against financing made to individuals in the form of charges over properties.

REF	Gross exposure £'000s	ECL Total £'000s	Net balance £'000s	ECL coverage	Collateral £'000s
2024	47,742	7,247	40,495	17.896%	60,537
2023	53,884	7,493	46,391	16.152%	70,505

RPF 2024	Gross exposure £'000s	ECL Total £'000s	Net balance £'000s	ECL coverage	Collateral £'000s
<=60%	249,439	41	249,398	0.016%	554,027
60%-70%	341,955	418	341,537	0.122%	525,125
70%-80%	406,035	1,143	404,893	0.282%	539,461
>80%	170,832	937	169,894	0.552%	202,308
Total	**1,168,261**	**2,539**	**1,165,722**	**0.218%**	**1,820,921**

RPF 2023	Gross exposure £'000s	ECL Total £'000s	Net balance £'000s	ECL coverage	Collateral £'000s
<=60%	278,667	432	278,235	0.155%	592,659
60%-70%	384,053	621	383,432	0.162%	590,257
70%-80%	397,219	962	396,256	0.243%	529,114
>80%	165,404	622	164,786	0.377%	196,981
Total	**1,225,343**	**2,637**	**1,222,706**	**0.216%**	**1,909,011**

Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its short-term payment obligations when they fall due, without a loss of capital and/or income. Liquidity risk management on a day-to-day basis is the responsibility of the Treasury department which is overseen and monitored by the Risk function and the Asset and Liability Committee. To manage this risk, the Group maintains an adequate portfolio of liquid assets which consists of cash and short-term bank deposits and Sukuk by monitoring forecast and actual cash flows and matching the maturity profiles of assets and liabilities. The Group is subject to and complies with the systems and control requirements of the PRA and CRD IV liquidity regime.

The Group has two principal sources of funding being: i) funding from retail aggregators via Rasin, Flagstone and Akoni deposits ii) retail deposit platform Gatehouse savings. The Group has actively sought to reduce its reliance on shareholder funding and has concentrated its efforts in raising alternative funding via its retail savings platform, Gatehouse savings, Rasin, Flagstone and Akoni deposits. As at 31 December 2024 Gatehouse savings deposits were £1,008m (2023: £1,041m) and Retail aggregator deposits were £246m (2023: £247m).

Liquidity and rate profile

The following table details the Group's contractual maturities for its financial assets and financial liabilities based on undiscounted cash flows. The table includes all contractual cash flows.

2024	Less than 1 month £'000s	1-3 months £'000s	3-6 months £'000s	6-12 months £'000s	1-5 year £'000s	Total £'000s
Assets						
Fixed rate items	79,033	51,008	17,352	25,265	1,179,936	1,352,594
Non-rate sensitive	57,453	-	-	-	-	57,453
Total assets	**136,486**	**51,008**	**17,352**	**25,265**	**1,179,936**	**1,410,047**
Liabilities						
Fixed rate items	475,276	180,684	196,901	151,362	312,903	1,317,126
Non-rate sensitive	10,001	-	-	-	-	10,001
Total liabilities	**485,277**	**180,684**	**196,901**	**151,362**	**312,903**	**1,327,127**
Net	**(348,791)**	**(129,676)**	**(179,549)**	**(126,097)**	**867,033**	**82,920**

2023	Less than 1 month £'000s	1-3 months £'000s	3-6 months £'000s	6-12 months £'000s	1-5 year £'000s	Total £'000s
Assets						
Fixed rate items*	95,660	26,480	6,753	17,762	1,233,201	1,379,856
Non-rate sensitive	55,087	-	-	-	-	55,087
Total assets	**150,747**	**26,480**	**6,753**	**17,762**	**1,233,201**	**1,434,943**
Liabilities						
Fixed rate items	359,147	77,754	99,565	330,916	475,522	1,342,904
Non-rate sensitive	17,715	-	-	-	-	17,715
Total liabilities	**376,862**	**77,754**	**99,565**	**330,916**	**475,522**	**1,360,619**
Net	**(226,115)**	**(51,274)**	**(92,812)**	**(313,154)**	**757,679**	**74,324**

*In previous accounting period the Group presented the breakdown of maturity dates for Financing and advances at amortised cost assuming the full financing principal amount will be repaid upon the contractual maturity date of the facilities. The 2023 comparative figures have been restated to present this information based on the specific repayment schedule of the outstanding principal amounts which is in line with 2024 figures. As this change is presentational in nature there has been no impact to the any of the amounts presented within the face of the financial statements.

Market risk

Market risk is the risk of loss arising from a potential change in the value of an instrument or portfolio of instruments as a result of changes in market parameters (such as interest rates, equity indices, bond prices, commodity markets and exchange rates) during a specified time horizon. The Group is exposed to market risk in the management of its balance sheet. The role of the Risk function is to identify, quantify, manage and monitor the potential effects of those potential changes on the value of the portfolio, and broader balance sheet.

The Board sets and approves the market risk appetite for the Group's activities. The Group's Treasury department generally manages market risk. The Risk function implements a quantitative and qualitative limit framework within the context of the approved market risk appetite. A daily market risk report summarizes market risk exposures against agreed limits. This daily report is circulated to the Treasurer for review.

A detailed market risk presentation is produced monthly and discussed at the Asset and Liability Committee.

Market risk measurement

The techniques used to measure and control market risk include:

- Nominal exposure limits: overnight and intraday limits;
- Value at Risk: an estimate of potential changes in the fair value or market value of the Bank's portfolio due to changes in market risk factors;
- Maximum loss: an estimate of the potential loss the Bank would have made on its portfolio had it held the same portfolio every day for the last 12 months;
- Sensitivity Analysis: an estimate of the potential loss incurred due to a specified change in a specified market risk factor; and
- Stress Testing and Scenario Analysis: used to estimate vulnerability to exceptional but plausible events. Stress testing ensures the adequacy of capital and liquidity, the viability of strategy and assesses the risks impacting Gatehouse Bank across a range of market conditions.

Although the Group only trades in Shariah-compliant products, the carrying value of financial instruments held by the Group is sensitive to movement in interest rates. If interest rates had been 200 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2024 would decrease/increase by £7,332k (2023: £7,172k).

In order to meet internal and client demand, the Group maintains access to market liquidity by using all reasonable endeavors to quote bid and offer prices with other market makers and carries an inventory of approved capital market and treasury instruments, including a range of cash, securities and treasury products. These include Commodity Murabaha, Wakala, Islamic foreign exchange forwards and Profit Rate Swaps or a combination of these instruments.

Value at Risk

Profit Rate Risk (equivalent to Interest Rate Risk)

The varying profit share features and maturities of products, together with the use of Treasury products create Profit Rate Risk ('PRR') exposures due to the imperfect matching of margins and maturity differences between assets and liabilities.

The Group uses derivatives to prudently manage its PRR. In 2024 the Group undertook profit rate derivatives (swaps) totalling £403m (2023: £415m) in the form of fixed for floating rate, which allowed the Group to tactically hedge against risks arising from deposits of certain short-term maturities and longer-term financing.

Overarching PRR limits are set by the Board and articulated accordingly within the Risk Management Framework (RMF). The Board have further delegated oversight of PRR to the Bank's Executive Committee who mandate the Bank's Asset and Liability Committee (ALCO) to monitor and assess PRR. Basis Point Value (BPV) and Value at Risk (VaR) is used to monitor the risk arising from open profit rate positions. The Bank's Pillar 1 minimum capital requirement allows for profit rate risk through the profit rate risk requirement.

As at 31 December 2024, the market value of nominal positions generating profit rate VaR was £92m (2023: £131m) which generated profit rate VaR of:

2024	95% VaR (£)
One day	(8,371)
One week	(9,867)
2023	**95% VaR (£)**
One day	3,176
One week	(21,080)

The Group applies VaR methodology for measuring interest rate, currency and basis spread risks for both the trading portfolio and banking books. VaR measure adopted by the Bank estimates the potential negative change in the market value of a portfolio at a 99% confidence level over a 1-day horizon. The Bank distinguishes the following types of VaR:

1. Total VaR is calculated for all risk factors taken in aggregate;
2. Interest rate VaR is originated from interest rate risk exposure of the portfolio;
3. Foreign exchange VaR is originated from foreign exchange risk exposure of the portfolio;
4. Residual VaR is originated from other factors exposure of the Sukuk portfolio.

Foreign Exchange Risk

A proportion of treasury funding and investment activity is undertaken in foreign currencies, mainly US dollars, Euros and Kuwaiti Dinar. Foreign currency exposure is hedged on the balance sheet to reduce currency exposures to acceptable levels. VaR is used to monitor the risk arising from open foreign currency positions. The Group's Pillar 1 minimum capital requirement allows for foreign exchange risk through the foreign exchange risk requirement.

As at 31 December 2024, the net market value of nominal foreign exchange exposure was £527k (2023: £5,165k) which generated Foreign Exchange VaR of:

2024	95% VaR (£)
One day	(1,683)
One week	(3,673)
2023	**95% VaR (£)**
One day	(707)
One week	(2,954)

Financial assets at fair value through other comprehensive income - Sukuk Portfolio Risk

As part of liquidity management, the Bank's Treasury department invests in selected sukuk. As at 31 December 2024, the Bank has not used derivatives to hedge sukuk investments. VaR is used to monitor the risk arising from the FVTOCI sukuk investment portfolio. The Group's Pillar 1 minimum capital requirement allows for investment risk through the equity position risk requirement.

As at 31 December 2024, the market value of nominal FVTOCI sukuk investment exposure was £28,282k (2023: £19,512k) which generated Price Risk VaR of:

2024	95% VaR (£)
One day	(27,635)
One week	(62,024)
2023	**95% VaR (£)**
One day	(24,389)
One week	(54,983)

Fair value measurements recognised in the balance sheet

The following table provides an analysis of the financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1: Fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets and liabilities. As at 31 December 2024, Level 1 financial instruments are primarily investments in sukuk that are quoted in active markets and market bid prices have been applied to fair value these at year end;
- Level 2: Fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); As at 31 December 2024 and 31 December 2023, the group did not hold any Level 2 financial instruments; and
- Level 3: Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data. As at 31 December 2024, Level 3 financial instruments are investments in unquoted equity securities. Fair value is estimated on the basis of historic cost less impairment and by reference to the net asset value of the underlying investment, where the net asset value is not based on observable market data. The Group splits its level 3 unquoted equity securities between KWD and UK assets. KWD assets are valued using the audited accounts of the underlying SPV's as well as available market data for similar assets in order to arrive at a net asset value. UK assets are valued using confirmations of debt and cash balances held via the SPV and third-party appraisal reports. The valuation techniques include net present value and discounted cash flow models, comparison to similar instruments and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark profit rates, and credit spreads. The objective of valuation techniques is to arrive at fair value determination that reflects 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.

2024	**Level 1**	**Level 2**	**Level 3**	**Total**
	£'000s	**£'000s**	**£'000s**	**£'000s**
Derivative financial instruments				
Derivative financial instruments	31,054	-	-	31,054
Financial assets held at fair value through the income statement				
Unquoted equity securities	-	-	8,228	8,228
Financial assets at fair value through other comprehensive income				
Quoted sukuk	28,282	-	-	28,282
Unquoted equity securities	-	-	2,331	2,331
Total	**59,336**	**-**	**10,559**	**69,895**

2023	**Level 1**	**Level 2**	**Level 3**	**Total**
	£'000s	**£'000s**	**£'000s**	**£'000s**
Derivative financial instruments				
Derivative financial instruments	33,032	-	-	33,032
Financial assets held at fair value through the income statement				
Unquoted equity securities	-	-	18,278	18,278
Financial assets at fair value through other comprehensive income				
Quoted sukuk	19,512	-	-	19,512
Unquoted equity securities	-	-	3,070	3,070
Total	**52,544**	**-**	**21,348**	**73,892**

The fair value of financial assets and liabilities at amortised cost approximates their carrying value. There were no transfers between Level 1 and Level 2 during the year and no transfers between Level 2 and Level 3.

Level 3 asset	2024 Carrying value £'000s	2023 Carrying value £'000s	Valuation Technique	Significant unobservable inputs
Fair Value Through Other Comprehensive Income				
-KWD Unquoted equity securities	2,331	3,070	Measurement of net assets as a proportion of participating shares in issue	Discount for lack of marketability
Financial assets held at fair value through the income statement				
-UK Unquoted equity securities	8,228	18,278	Measurement of net assets as a proportion of participating shares in issue	Net rental yield, market rents, stabilised operating leakage, and portfolio transaction costs
Total	**10,559**	**21,348**		

Reconciliation of Level 3 fair value measurements of financial assets at fair value through other comprehensive income:

	Fair Value Through Other Comprehensive Income	
	2024	**2023**
	£'000s	**£'000s**
Balance at 1 January	3,070	5,417
Total gains or losses:		
In income statement	-	-
In FVTOCI	(777)	(2,375)
Purchases	-	-
Issues	-	-
Settlements	-	-
FX retranslation	38	28
Transfers out of Level 3	-	-
Transfers into Level 3	-	-
Balance at 31 December	**2,331**	**3,070**

The fair value of financial assets held at FVTOCI would reduce by £155.5k and £204.7k as at 31 December 2024 and 2023, respectively, as a result of 20 % decrease in discount for lack of marketability.

The line item in the Consolidated Statement of Comprehensive Income that includes change in unrealised gains/ (losses) on financial assets through other comprehensive income is 'Net movement on instruments at FVTOCI'.

Reconciliation of Level 3 fair value measurements of financial assets at fair value through the income statement:

	Financial assets held at fair value through the income statement	
	2024	**2023**
	£'000s	**£'000s**
Balance at 1 January	18,278	17,061
Fair value uplifts	1,291	(20)
Realised gain on sale	678	-
Net settlements	(12,019)	1,237
Balance at 31 December	**8,228**	**18,278**

A 20% decrease in property prices would reduce the fair value of financial assets held at FVIS by £1.5m and £4.9m as at 31 December 2024 and 2023, respectively.

The line item in the Consolidated Income Statement that includes change in unrealised gains/ (losses) on financial assets held at fair value through the income statement is 'Net gains from financial assets at fair value through income statement'.

The table below describes the effect of changing the significant unobservable inputs to reasonable possible alternatives in relation to financial assets held at fair value through the income statement unquoted equity securities:

	2024		**2023**	
	5% Favourable Change	**5% Unfavourable Change**	**5% Favourable Change**	**5% Unfavourable Change**
Unobservable inputs	**£'000**	**£'000**	**£'000**	**£'000**
Net Rental Yield	696	(630)	2,083	(1,882)
Market Rents	661	(661)	1,953	(1,953)
Stabilised Operating Leakage	166	(166)	414	(414)
Portfolio Transaction Costs	15	(15)	44	(44)
Total	**1,538**	**(1,472)**	**4,494**	**(4,293)**

Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes or systems, human factors, or from external events. Major sources of operational risk include operational process reliability, IT security, outsourcing of operations, dependence on key suppliers, implementation of strategic change, integration of acquisitions, fraud, operational error, customer service quality, regulatory and legislative compliance, recruitment, training retention of staff and social and environmental impacts.

Ongoing assessment of operational risks occurs through the analysis of risk events, audit findings, external events and key operational risk indictors. Key functions across Gatehouse Bank periodically perform self-assessments of the risks and associated controls in operating their respective processes. Relevant operational risk management information is recorded in a dashboard that is prepared and presented monthly to the Executive Risk Committee, and quarterly to the Board Risk & Compliance Committee.

Pillar 3 Disclosures

Gatehouse Bank plc's Pillar 3 disclosures are presented in the "Pillar 3 Disclosures" document, available on request. The disclosures are made annually and are published as soon as practicable after the publication of the annual report and financial statements of the Group.

Capital Risk Management (Unaudited)

Within the Group, Gatehouse Bank plc's policy in respect of capital adequacy is to maintain a strong capital base so as to retain investor, creditor and market confidence. During the year, capital has been maintained at a level above minimum regulatory requirements. Such levels have been established by reference to an Internal Capital Adequacy Assessment Process ("ICAAP") assessment. The PRA reviews the ICAAP assessment of its Pillar 2 capital requirement as part of the Total Capital Requirement (TCR) process.

The Bank holds its cash with a number of reputable financial institutions. All cash and cash equivalents are short-term, highly liquid investments that are readily convertible into known amounts of cash.

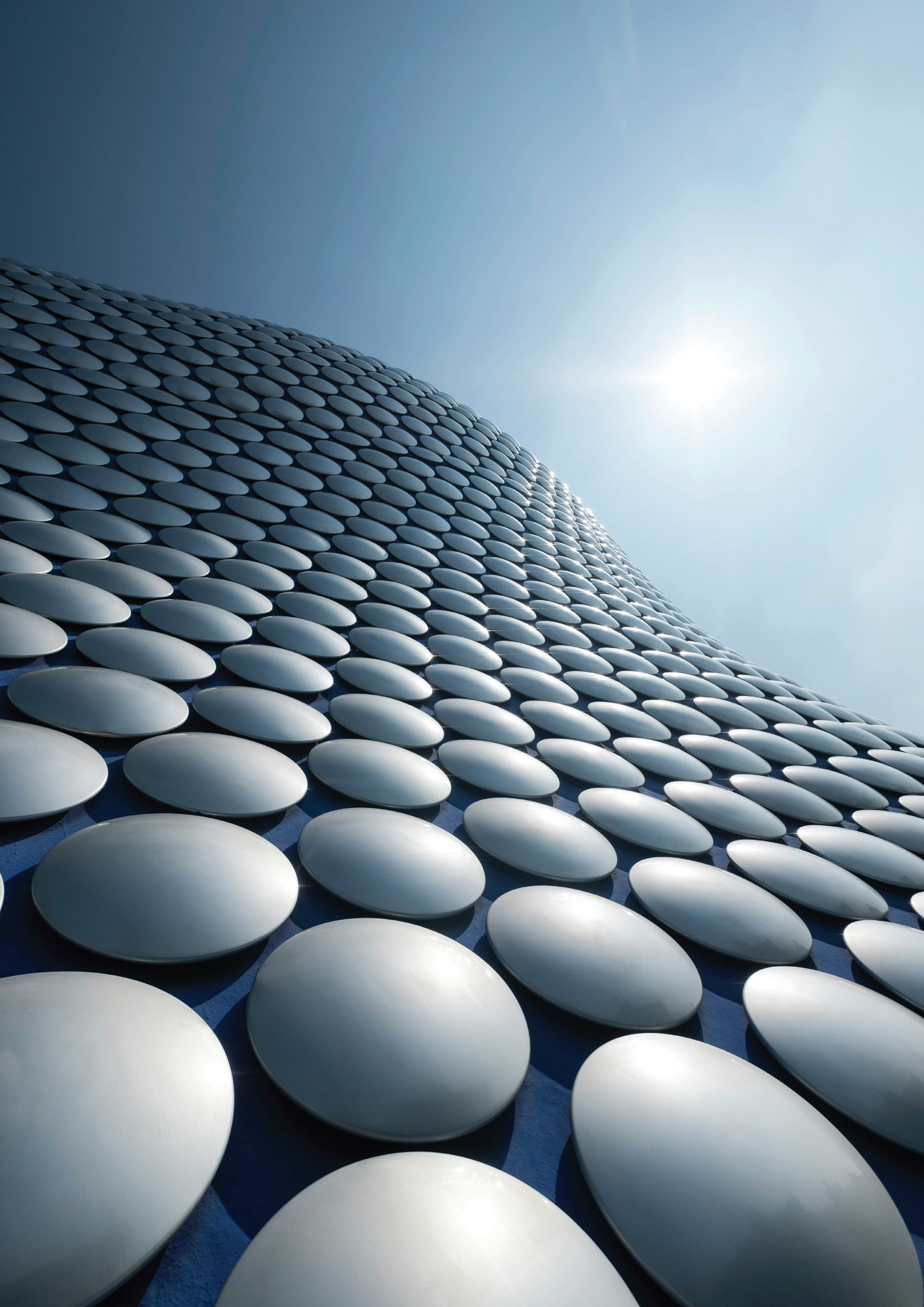
The Bank's capital requirements are set and monitored by the regulator. Regulatory capital consists of Tier 1 capital, which includes ordinary share capital and retained earnings less intangible assets, and Tier 2 capital.

Gatehouse Bank plc's regulatory capital position was as follows:

	2024	2023
Core Tier 1 Capital	**£'000s**	**£'000s**
Share capital	150,049	150,049
Retained losses	(24,352)	(27,103)
Other Reserves – FVTOCI	(4,378)	(4,722)
Add back of IFRS 9 impairments due to transitional arrangements	-	-
	121,736	**118,224**
Deductions from CET1	(12,736)	(10,066)
Tier 2 Capital	**18,500**	**18,500**
Total regulatory capital	**127,083**	**126,658**

36. Subsequent Events

There were no material events subsequent to 31 December 2024 and up until the authorisation of the financial statements for issue, that have not been disclosed elsewhere in the financial statements.



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