Annual Report and Financial Statements

For the year ended 31 December 2020

gatehousebank

WELCOME

Company Information

Directors

Abdulaziz AlBader
Fahed Faisal Boodai
Andrew Gray
Gerald Gregory
Charles Haresnape
Danesh Mahadeva

Secretary

Mohaimin Chowdhury

Auditor

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Registered number

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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 Bank plc (‘the Bank’), I am pleased to present the 2020 Annual Report and Financial Statements.

Despite the considerable challenges created by the global coronavirus pandemic, I am incredibly pleased with the strong progress achieved by the Gatehouse Bank team during 2020. In line with the Board approved strategy, Gatehouse continues its evolution into a digital-first retail focused bank. Following the Executive management of a small number of legacy agreements over the past couple of years and taking into consideration the macroeconomic stress of 2020, I am proud that the Bank’s strategy remained robust with the Bank reporting a profit for the financial year.

As the pandemic unfolded, the Bank was able to swiftly switch its staff to working from home and our technology for remote working has proved robust during this period. Supporting our customers is key to the Bank’s strategy and I am grateful to our staff who remained committed and supportive of our customers during this difficult period.

The Board believes the return to profitability highlights the financial resilience of the Bank in light of the COVID-19 pandemic and validates the strategic change the Bank pursued from 2017. The Bank is well positioned to continue on its growth trajectory with a focus on growing its diversified financing portfolio.

Our Residential Property Finance offering achieved robust growth during an unprecedented year, attracting both intermediary introduced and direct customers, resulting in a portfolio exceeding £500m.

The Bank’s award-winning digital savings platform continues to go from strength to strength, ensuring we can raise sufficient liquidity with a high retention rate.

Our Build to Rent funds showed extraordinary resilience during the economic volatility experienced in 2020 and work on the origination of a third fund continues.

The Board continues to diligently monitor all regulatory requirements, including our Risk Appetite Statement. We are also keeping a close watch on the uncertainty that continues with regards to the coronavirus pandemic. However, I am confident that the Bank’s clear strategy, focus on supporting customers and strong platform will ensure continued future growth.

Finally, I would like to thank our Shareholders and the Board of Directors for their support and guidance, and all our staff for their continuing hard work and dedication during 2020.

Fahed Faisal Boodai
Chairman
30 April 2021

I would like to thank our Shareholders and the Board of Directors for their support and guidance, and all our staff for their continuing hard work and dedication during 2020.

Chief Executive Officer's Statement

2020 was a challenging, but ultimately successful year for the Bank, as we continued to implement our strategy of extending our retail offering for consumers and businesses.

	£	Year-on-Year change
Gross Assets	825m	+20%
Total Savings	700m	+24%
Home Finance Portfolio	546m	+35%

Coronavirus Pandemic

The Coronavirus pandemic had a significant impact on society, the economy, customers and ultimately Gatehouse Bank's plans in 2020. Whilst our growth ambitions were limited by the economic volatility, we achieved a robust performance and returned to profitability by focusing on supporting our customers and colleagues.

During the year, we provided 274 home finance and commercial real estate customers with payment holidays and I am delighted to report that the vast majority at 97% of these customers are no longer on payment holiday; these customers have now been able to resume payments. In addition, we supported a small number of fixed term savings customers, who were experiencing hardship due to the pandemic, by allowing them to access their funds early to reduce the economic stresses they were experiencing.

Customers

We continued to develop our product offering in 2020, launching a highly competitive range of Cash ISAs for UK savers, and despite a difficult start to the year – with the UK housing market being effectively closed between March and May due to physical valuations not possible under the first lockdown – the Bank's home finance division achieved a strong performance.

Colleagues

Ahead of the first UK lockdown, in response to the global pandemic, Gatehouse took the decision in March to close our offices and move to remote working in order to protect our colleagues. This decision was taken prior to formal Government requirements to work from home.

Whilst this required significantly increased IT resources, the transition to a working from home environment proved very successful, with our service remaining strong throughout the year.

With colleagues working from home, well-being remained at the forefront of our minds and we put in place additional activity for colleagues to ensure they were informed and comfortable in the new work environment.

This included providing office equipment, regular communication, social activities and increasing the frequency of team meetings. We also worked hard to ensure there was two-way communication between the Bank and colleagues with initially fortnightly and later monthly business updates, regular well-being pulse surveys and additional calls between managers and colleagues.

We are committed to providing all colleagues with the opportunity to develop their careers in a strong, positive working environment. To support this the Bank launched a colleague diversity & inclusivity survey during 2020 and established a Diversity & Inclusivity Council, made up of colleagues from across the Bank. The Council met a number of times during the year to consider any improvements we could make to our policies and procedures, and the recommendations presented to the executive team resulted in key work streams to be implemented during 2021.

We continue to operate with an entrepreneurial and challenger style whilst, of course, meeting regulatory standards.

Chief Executive Officer's Statement (continued)

Sustainability

In 2019, Gatehouse Bank became a founding signatory to the UN Principles for Responsible Banking in order to embed and make public our commitment to creating a sustainable future for all.

In 2020, we undertook considerable work to identify the sustainable development needs of the UK and to build our understanding of the Bank's impact on people and the planet. Ensuring this impact is as positive as practicable is the focus of our responsible banking strategy.

Projects undertaken in 2020 included measuring our operational carbon footprint and developing sustainable innovations in our product offering.

Our responsible banking strategy will enable us to develop new propositions and continuously improve the impact we have on the communities we serve, wider society and the environment.

Business Progress

Our strategy was focused in three core markets:

1. Home and Commercial Finance

- Home Purchase Plans
- Buy-to-Let
- Commercial real estate

2. Savings

- Retail customers
- Corporate customers

3. Build to Rent

- Two established funds producing high and sustainable returns to investors
- Work commenced to create a third fund which will hopefully come on stream in 2021

The UK housing market had a turbulent year, with the UK lockdown leading to the market effectively being closed between March and May. However, activity rebounded strongly in the second half of the year following the announcement that taxes would be reduced on UK property transactions completed before the end of March 2021.

Our promise

For savvy savers looking for a better return, aspiring homeowners prepared to think differently and businesses driving for growth, we offer a genuine alternative to conventional banks.

In 2020, our Home Finance offering for UK residents, UK Expat and international landlords plus owner occupiers saw strong growth, with balances increasing 35% year on year to £546m.

Importantly, we continued to establish relationships with new intermediaries – we now have over 2,000 brokers registered to introduce clients to Gatehouse Bank. In addition, our Direct-to-Consumer finance advisory team accounted for 22% of our total 2020 originations.

During the year, we were delighted to welcome Commercial Bank of Kuwait and Warba Bank as introducers for their clients wishing to acquire and finance property in the UK.

In 2021, we plan to extend our home finance product range further with the development of new products.

Our total balance sheet assets now stand at £825m, an increase of 20% compared to 2019, highlighting the continued growth of the Bank.

Supporting the Bank's financing businesses, our award-winning savings proposition also saw considerable growth in 2020, with total deposits at the end of the year exceeding £700m. The combination of competitive products and a fully digital platform has ensured that customer satisfaction remains high.

Despite the economic impact of the coronavirus pandemic, the Build to Rent Funds we manage continued to perform strongly with tenant occupancy high at 99% and lease renewal levels exceeding 70%. Our research 'UK Build to Rent - Performance in a Pandemic' demonstrated that institutional quality Build to Rent remained a sound defensive investment during exceptionally difficult times.

A fund-raising campaign for a significant third Build to Rent fund continued to progress during 2020, despite the impact of the global pandemic, and it is anticipated this will close in 2021.

Gatehouse Bank was awarded several accolades in recognition of its product design, customer service and ethical stance. These include:

Moneynet Award Winner 2020
Best Ethical Savings Provider

Global Islamic Finance Award Winner 2020
Best Islamic Bank for Property & Real Estate Finance

Moneycomms Award Winner 2020
Top Performer for Best Fixed Term Deposit Provider

Moneyfacts 2020
Commended for Best Internet Account Provider, Best Fixed Account Provider and Best Bank Savings Provider

Chief Executive Officer's Statement (continued)

2020 was a year in which our strategy of broadening the products and services the Bank offers to individuals and businesses showed real results. The Bank achieved a pre-tax profit of £2.1m driven by continued growth in its financing portfolio, positive revaluation on investment properties and gains from the sale of a legacy office building. I am confident that post the coronavirus pandemic, and given an improving economy, we will continue to go from strength to strength.

Future growth

We will continue to grow our core sectors organically, whilst looking at the opportunities available in potential adjacent markets.

Our cost:income ratio is predicted to fall significantly over our plan period, as a result of controlled expenses but also significant revenue increases as our Home Finance portfolio exceeds £1bn.

The growth projections are, in my view, realistic as our specialist focus means we need to attract only a modest proportion of UK finance and savings to achieve our planned expansion.

The Board continues to monitor any impacts from the UK leaving the European Union and the implications of the Coronavirus pandemic. We will continue to consider all options and scenarios resulting from this.

Finally, I would like to thank our employees for their hard work and dedication during an immensely challenging year, the Board and the Chairman for their strategic advice and direction, our Shareholders and the Shariah Supervisory Board for their continued support.

Charles Haresnape
Chief Executive Officer
30 April 2021

2020 Key Highlights

Home Finance balances increased

35% to £546m

(2019: £405m)

Our Impact

During the year we worked to increase our understanding of the way our business impacts the UK's most pressing environmental and social needs, including climate change and access to housing. We're now looking for opportunities to help meet these needs through our business strategy and innovative new products and services.

The Covid-19 Pandemic

Our community approach throughout the difficulties of 2020 aimed to be local and responsive. We are proud to be part of a responsible banking community that responded to the needs of society during the Covid-19 pandemic, providing flexible and timely support for customers facing financial hardship and supporting our local NHS trusts with donations during the crisis.

Total Deposits grew by

24% to £700m

(2019: £565m)

Total Regulatory Capital increased by

30% to £98.7m

(2019: £76.2m)

Charity Partnership

Our colleagues raised over £10,000 for our charity partner Macmillan Cancer Support during our partnership from 2019 to 2020. It was a privilege to support Macmillan with the provision of specialist health care and advice for those suffering from cancer.

Corporate Governance Report

THE BOARD OF DIRECTORS ('the Board')

Non-Executive Directors

Fahed Faisal Boodai, Chairman

Mr Boodai is the co-founder and Chairman of Gatehouse Financial Group, Chairman of Gatehouse Bank plc and the founder and Chairman of Gatehouse Capital. Mr Boodai is also the Vice Chairman and CEO of The Securities House, one of the largest shareholders of Gatehouse Financial Group. With more than 20 years' investment banking experience specifically within the global real-estate market, he has presided over diverse real estate acquisitions and exits totalling more than US$3 billion. Mr Boodai holds an MBA with a concentration in Finance from Loyola Marymount University in Los Angeles, California and a Bachelor of Science degree in International Business from the University of San Diego. He also occupies a number of external board and director positions. Mr Boodai's family maintains overall control of the Boodai Corporation, a Kuwait-based holding company with diverse interests including construction, engineering and global real estate.

Gerald Gregory, Deputy Chairman and Chairman of the Board Risk and Compliance Committee and Senior Independent Director

Mr Gregory is a retired Managing Director of a diverse portfolio of businesses, he has significant strategic and operational experience in large (equivalent FTSE top 100) mutual retail financial services companies. He has extensive experience in strategy development and implementation, risk management, treasury and structured finance operations, marketing and sales. He retired from his executive career in March 2008 and since then has worked in a variety of Non-Executive Director roles mainly, but not exclusively, in financial services. He is very familiar with the UK liquidity and capital regimes and has been approved by the UK Regulator under the Senior Managers and Certification Regime.

Abdulaziz AlBader, Vice Chairman

Mr AlBader joined the Board of Gatehouse Bank in February 2017. He has been employed by the Kuwait Investment Authority (KIA) since 1989 and is currently Executive Director for Operations and Administration. Mr AlBader has held other senior roles at the KIA including Executive Vice President, Human Resources & Administration at the Kuwait Investment Office, London. Prior to joining the KIA, he served as Director of the Minister's Office, Ministry of Finance; and Director, Public Warehousing Company and Kuwait Fund for Arab Economic Development, Kuwait. He represented the KIA on the Board of Directors of Warba Bank from February 2014 to March 2016, where he was Chairman of the Risk Committee; Vice Chairman of the Audit Committee; and member of the Governance Committee. Mr AlBader graduated from Kuwait University in 1980 with a BA in Accounting; holds an MBA in Finance from the University of Scranton Pennsylvania, USA; and is a member of the Kuwait Accounting Society.

Andrew Gray, Chairman of the Audit Committee and Remuneration and Nominations Committee
Mr Gray joined the Board of Gatehouse Bank in July 2017. With more than 30 years' experience in the UK banking sector, Mr Gray is a well-respected figure in the industry and was previously Managing Director of Mortgages at Barclays, Deputy Chairman of the Council of Mortgages Lenders and a member of its executive committee. In 2015, he received the Lifetime Achievement Award at the British Mortgage Awards.

Executive Directors

Charles Haresnape, Chief Executive Officer
Mr Haresnape joined Gatehouse Bank as Chief Executive Officer in May 2017. Prior to joining the Bank, he was Group Managing Director at Aldermore Bank from January 2011, where he was responsible for residential and commercial mortgages, plus property development. Before joining Aldermore, Charles was with Connells, one of the UK's largest estate agency groups, where he was Group Mortgage Services Director. Prior to Connells, he was responsible for intermediary mortgage lending at both NatWest and RBS, plus the branch mortgage sales force within NatWest. He has worked for a number of other household names in the banking and building society sectors, including Nationwide and HBOS where he was a senior executive, responsible for mortgage sales and portfolio acquisitions. Charles has been Deputy Chairman of the Council of Mortgage Lenders (CML) and Chairman of the Intermediary Mortgage Lenders Association (IMLA).

Danesh Mahadeva, Chief Financial Officer
Mr Mahadeva was appointed Chief Financial Officer of Gatehouse Bank in July 2017. Danesh began his career at the Bank as Vice President, Head of Finance in September 2013 and was responsible for managing the finance function. He has been an active member of key governing committees of the Bank and has worked closely with the Board in developing the Bank's strategy and financial planning. Prior to joining the Bank, Danesh's previous roles have included working for Barclays Bank Plc across financial and product control and Ernst & Young specialising in audit in the banking and capital markets division. Danesh graduated with a BSc degree in Management Sciences from London School of Economics and Political Science and is a member of the Institute of Chartered Accountants for England & Wales (ICAEW).

Compliance with the UK Corporate Governance Code

The Bank is not required to comply with the UK Corporate Governance Code ('the Code') but it recognises that the Code is seen as a benchmark for best practice and therefore seeks to apply the Code's principles where appropriate and commensurate with its size and operations.

Further explanation of how the principles have been applied is set out from page 12 onwards.

Corporate Governance Report (continued)

Board Leadership and Company Purpose

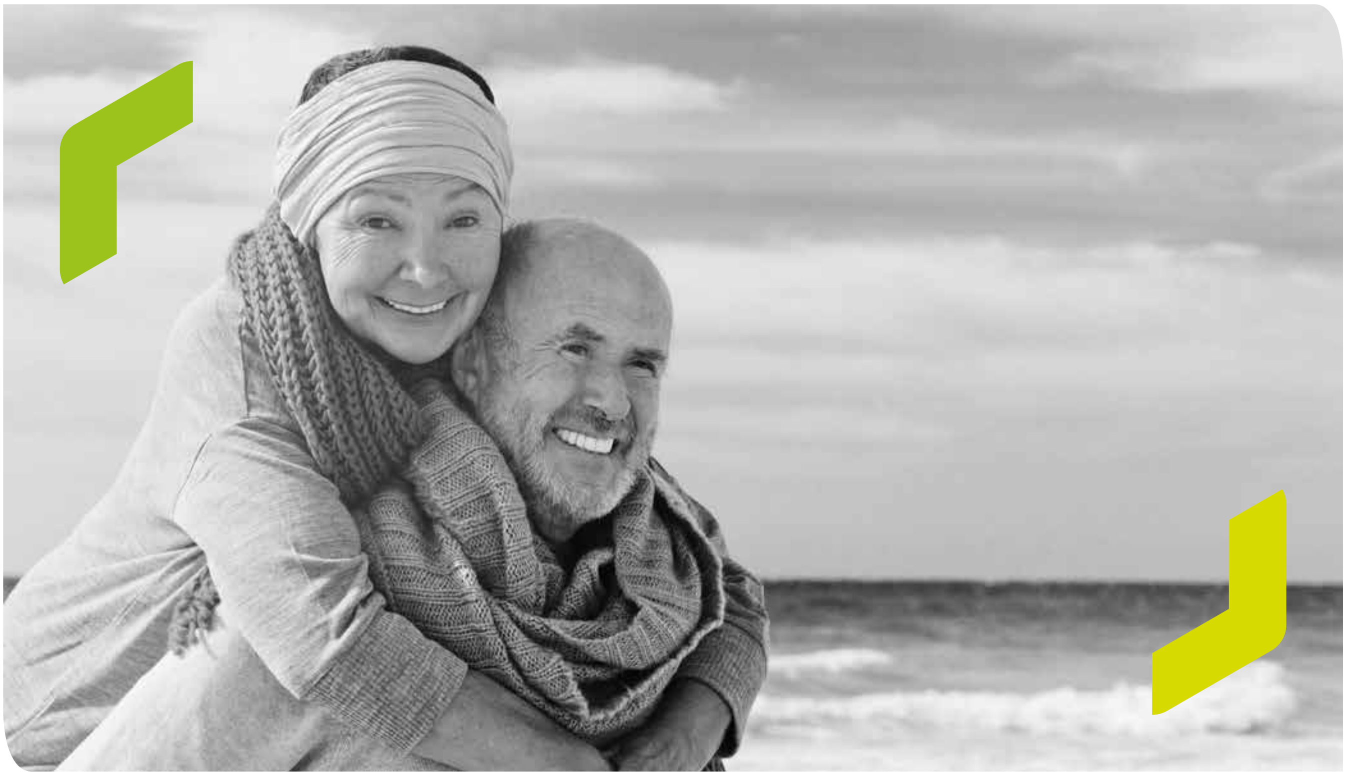
The Board is responsible for the long-term sustainable success of the Bank within a framework of controls which enables prudential and conduct risk to be assessed and managed in accordance with the Bank's Corporate Governance Framework ('CGF'). It is responsible for establishing the Bank's purpose, values and strategy, ensuring that the necessary financial and non-financial resources are in place to meet strategic aims, monitoring performance against key financial and non-financial indicators, overseeing the system of risk management and controls and for setting values and standards in governance matters. It is also responsible for engagement with shareholders and stakeholders and ensuring workforce policies and practices are consistent with the Bank's values to support its long-term sustainable success.

Division of Responsibilities

The Chair leads the Board and is responsible for its overall effectiveness in directing the Bank. The Board includes a combination of executive and non-executive (including independent non-executive) directors and there is a clear division of responsibilities across the Board, separating out the executive from the non-executive functions, in line with the PRA and FCA's Senior Managers and Certification Regime and which are captured in the CGF. The time commitment of the non-executive directors is stated in their individual letters of appointment and they are expected to provide constructive challenge, strategic guidance, offer specialist advice and hold management to account.

Composition, Succession And Evaluation

Appointments to the Board are considered by a Remuneration and Nominations Committee and approved by the Board and succession plans are maintained for board and senior management. The Board and its committees have a combination of skills, experience and knowledge. The Board's annual self-evaluation process considers its composition, diversity and how effectively members work together to achieve objectives. The results of these are considered by the Remuneration and Nominations Committee and reported to the Board with any recommendations.



Audit, Risk And Internal Control

The Board has established an Audit Committee comprising non-executive directors. Its functions include the responsibility to oversee the independence and effectiveness of internal and external audit functions and to satisfy itself on the integrity of financial and narrative statements and that a fair, balanced and understandable assessment of the Bank's position and prospects is presented. The Board has also established a Board Risk and Compliance Committee comprising non-executive directors. Its functions include the responsibility to oversee the internal control framework and determine the nature and extent of the principal risks the company is willing to take to achieve its long-term strategic objectives.

Remuneration

The Board has established a Remuneration and Nominations Committee comprising non-executive directors. Its functions include the responsibility to ensure remuneration policies and practices are designed to support strategy and promote long-term sustainable success; are in line with the Bank's regulatory obligations; that executive remuneration is aligned to the Bank's purpose and values and linked to the successful delivery of the company's long-term strategy. Directors are expected to exercise independent judgement and discretion when authorising remuneration outcomes, taking account of company and individual performance, and wider circumstances.

Delegation of Authority

Management Committees

The Board has delegated to the Executive Committee (comprising both Executive Directors and other senior management) authority to execute Board strategy and to manage the Bank on a day-to-day basis.

Board Committees

The Board establishes sub-Committees as ad hoc or standing Committees to which certain powers and authority of the Board are delegated. The standing sub-Committees operate under terms of reference approved by the Board that set out the delegation of powers and authority to them.

Corporate Governance Report (continued)

The following standing Committees are currently established:

Board Risk and Compliance Committee ('BRCC')

The BRCC's responsibilities include ensuring that an appropriate risk management framework is in place, the Bank's control environment is commensurate to its needs, based on the strategy adopted by the Board and the nature and scale of the Bank's activities.

The committee also aids managing relationships with external parties, including the Prudential Regulation Authority and the Financial Conduct Authority. The BRCC comprises two independent non-executive directors and one other non-executive director. The BRCC met five times in 2020.

Audit Committee ('AC')

The AC oversees financial reporting, the internal and external audit functions and ensures appropriate actions are taken with regard to internal and external audits. It also oversees relationships with relevant external parties including the external auditor.

The AC comprises two independent non-executive directors and one other non-executive director. The AC met four times in 2020.

Remuneration and Nominations Committee ('RNC')

The RNC's responsibilities include reviewing the ongoing appropriateness of the Bank's remuneration policy and the design of any performance related pay schemes and share incentive plans operated by the Bank. The RNC's responsibilities also include reviewing the structure, size and composition of the Board and making recommendations to the Board, succession planning, identifying and nominating candidates to fill Board vacancies, and reviewing the results of the Board evaluation process. The RNC comprises two independent non-executive directors and one other non-executive director. The RNC met four times in 2020.

Board Credit and Investment Committee ('BCIC')

The BCIC's responsibilities include approving transactions beyond authorities delegated to management committees and approving off-balance sheet proposals relating to the Bank's real estate investment advisory business. The BCIC comprises one independent non-executive director, two other non-executive directors and one executive director. The BCIC met once in 2020.

Below is a table of Directors appointments and committee memberships in 2020.

Director	Date of Appointment	Committee Memberships (as at 31 December 2020)
Fahed Faisal Boodai	25.05.2007	BRCC, BCIC
Gerald Gregory	10.12.2015	AC, BRCC, RNC
Abdulaziz AlBader	15.02.2017	AC, RNC, BCIC
Andrew Gray	12.07.2017	AC, BRCC, RNC, BCIC
Charles Haresnape	8.05.2017	BCIC
Danesh Mahadeva	17.08.2017	-

Our Ethical Approach

Balanced Banking

Grounded in Shariah principles, our products are transparent, fair and socially responsible. We prohibit the use of our funds to support the arms industry, alcohol, tobacco, adult entertainment and gambling.

Sustainability

As founding signatories to the UN Principles for Responsible Banking we have committed to aligning our business strategy with society's goals, as expressed in the UN SDGs and the Paris Climate Agreement – frameworks that identify the most pressing societal, environmental and economic needs of our time. In doing so we demonstrate that our business, and the products and services we provide, can support a sustainable future while achieving long term business benefits.

In the Community

In December 2020, Gatehouse colleagues selected Centrepoint as the Bank's 2021 Charity of the Year due to the fantastic work this leading charity does to support social mobility and access to housing in the UK. From housing and health to learning and engagement, Centrepoint helps vulnerable young people move on from homelessness and build a future they can believe in.

Strategic Report

This Strategic Report has been prepared solely to provide additional information to shareholders to assess the Bank's strategy and the potential for the strategy to succeed.

The Strategic Report contains certain forward-looking statements. These statements are made by the Directors in good faith based on the information available to them up to the time of their approval of this report and such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information.

The Directors, in preparing this Strategic Report, have complied with s414C of the Companies Act 2006.

This Strategic Report has been prepared for Gatehouse Bank plc as a whole and therefore gives greater emphasis to those matters which are significant to the Bank when viewed as a whole.

The Chairman's and Chief Executive Officer's Statements (pages 4 and 5 respectively) provide a review of business over the reporting period and this report highlights the relevant key performance indicators (KPI) of the Bank, which include the Core Equity Tier 1 (CET1) ratio and cost:income ratio.

This Strategic Report discusses the following areas:

- The business model;
- Financial results;
- Strategy and objectives;
- Principal risks and uncertainties;
- Corporate social responsibility; and
- Going concern.

The Business Model

Gatehouse Bank plc is a Shariah-compliant bank based in London, Milton Keynes and Wilmslow, authorised by the Prudential Regulation Authority (PRA) and regulated by the Financial Conduct Authority (FCA) and the PRA. As at 31 December 2020, the Bank had an interest of 35.6% in Gatehouse Capital – Economic and Financial Consultancy KSC, an advisory firm incorporated in Kuwait and a shareholding of 50.1% in Ascend Estates Limited ('Ascend Properties'), a UK property sales and management company.

The Bank aims to be a leader in the Islamic Finance sector by striving to become the most admired UK Shariah-compliant bank. The Bank seeks to achieve this through a simplified business model with a more diverse, lower risk profile supported by an expert senior management team with skills and experience appropriate for the strategy. This involves skilled-manual underwriting dovetailed with modern technology, thereby ensuring scalability.

Financial Results

The financial results for the year ended 31 December 2020 are shown on pages 52 to 61. Profit before tax for the year amounted to £2,085,507 (2019: loss before tax of £1,910,111).

The Chief Executive Officer's and Chairman's Statements provide a review of business over the reporting period.

The below table highlights the relevant key performance indicators for 2020:

	2020	2019	% Annual change
Home Finance portfolio	£546m	£405m	+35%
Total Deposits	£700m	£565m	+24%
Leverage ratio	11%	11%	-
Average risk weight	54%	58%	(4%)
Cost:income*	114%	112%	+2%
CET1 ratio	21%	19%	+2%

*Cost:income ratio is calculated by dividing the total operating expenses by the total operating income excluding one-off revaluations on financing assets and unquoted equity securities presented in Note 6 and net gains from fair value re-measurement presented in Note 11.

Strategy and Objectives

The Bank's business segments can be described as follows:

Residential Property Financing

Our range of Residential Property Financing products help facilitate ownership of residential property. The Bank uses common forms of Shariah financing structures including Diminishing Musharaka agreements.

The Bank offers Buy-to-Let finance for UK, UK Expat and International residential property landlords, and Home Purchase Plans for UK, UK Expat and international home buyers.

During 2020, the UK housing market was significantly impacted by the coronavirus pandemic, with the market effectively closed between March and May as the UK entered its first lockdown. However, the market recovered strongly in the second half of the year following the announcement that taxes would be reduced on UK property transactions completed before the end of March 2021.

In the Buy-to-Let market the economic volatility created by the pandemic resulted in the Bank reducing its offering, with the removal of financing for Houses in Multiple Occupation (HMOs) in June. As the Buy-to-Let market stabilised towards the end of the year we reviewed our position and reintroduced this offering at the start of 2021.

Gatehouse provides financing for a range of Buy-to-Let investors, from single residential property investment finance to more complex company structures including property portfolios. All finance is secured on UK residential property. Despite the challenges of 2020, total Buy-to-Let financing increased by 28% year-on-year to £494million.

Our Home Purchase Plans offering launched in 2019, bringing additional competition to the UK Homeowner Finance Market, and during 2020 we saw strong demand from homebuyers with total financing increasing by 171% year on year to £55m. We plan to further broaden our offering in 2021 with new products suited to first-time homebuyers.

In addition, during 2020 we also established new introducer partnerships with Commercial Bank of Kuwait and Warba Bank, with the Banks referring clients, who are looking to finance UK properties, to Gatehouse Bank.

The growth in Home Finance achieved in 2020 helped contribute to the average risk-weight falling to 54% improving the Bank's capital efficiency.

Real Estate Commercial Finance

The global pandemic severely restricted much of the UK real estate market in 2020, with limited numbers of offices open owing to 'working from home' becoming the new norm for many and the high street effectively closed by lockdowns.

Due to these challenges, total Real Estate Commercial Finance facilities decreased by 3% year-on-year to £123million.

As our Home Finance portfolio has grown significantly, we took the decision to reduce our appetite for commercial financing, enabling a more efficient use of our capital.

Real Estate Investment Advisory (REIA)

The Real Estate Investment Advisory team specialises in sourcing, structuring, advising on and delivering high quality, real estate investment opportunities sourced from the UK. These transactions are generally funded by overseas investors.

Appetite for new business diminished in 2020, due to the global coronavirus pandemic, with the team focusing on supporting existing customers.

Institutional Build to Rent (BTR)

Gatehouse has completed two BTR funds and developed more than 1,600 family homes across 22 sites predominately in North West England.

Locations are well connected with accessibility to respective city centres and/or to local and national transport links, and are within catchment areas for good local schools and educational institutions.

The BTR sector is one of the fastest growing housing investment segments in the UK.

Following on from its proven track record and the continued institutional investor appetite for the sector, Gatehouse plans to raise a third fund during 2021, from which we expect to deliver over 2,000 additional units.

We remain committed to the single-family home types of properties, rather than large apartment blocks.

Bridging Finance

Gatehouse Bank established a relationship with the first Shariah-compliant bridge finance provider in the UK real estate market in 2019.

Our relationship deepened during 2020 with the Bank providing a revolving facility. We believe the UK bridging finance market offers a growth opportunity for Gatehouse going forward and expect our activity in the bridging sector to grow further during 2021.

Treasury

The Treasury team's primary function is to ensure that the Bank's balance sheet remains robust through prudent and efficient management of liquidity by using the short and medium-term money markets, retail deposits and foreign exchange products. They also ensure that the Bank maintains liquidity in accordance with its internal and regulatory requirements and manages investments in Sukuk.

Savings

The Bank provides online personal deposit accounts offering diversification of existing funding sources with products up to a five-year term.

Our award-winning Savings platform is managed by a specialised outsourced provider and we have also developed strong relationships with cash management platforms. This strategy has resulted in a successful diversification and incremental liquidity.

The Bank experienced strong demand for its competitive savings products in 2020, with retail deposits increasing by 45% to £465million.

During 2020, the Bank further extended its retail savings offering, with the launch of a range of Cash ISA products which attracted additional savers to Gatehouse.

Strategic Report (continued)

Principal Risks and Uncertainties

The Bank's principal risks and uncertainties have been highlighted and discussed in detail in Note 38.

Brexit

The Bank will continue to monitor the transitional arrangements from the UK leaving the European Union. The Bank's financing activity is solely focused in the United Kingdom and, as such, will be impacted by any risks emerging from changes in the macroeconomic environment. On a structural note, the Bank does not anticipate Brexit to impact operational continuity – staff and systems - due to its UK-centric footprint.

Corporate Social Responsibility

We take our responsibility to society and the environment seriously. Our Shariah principles ensure our business and operations are conducted in a fair manner and that our products are transparent, fair and socially responsible.

We prohibit the use of our funds to support the arms industry, alcohol, tobacco, adult entertainment and gambling. Our principles encourage trading and enterprise that generates wealth for the benefit of the whole community.

Gatehouse Bank is committed to integrating sustainability into our business to demonstrate that our business and the products and services we provide can support a sustainable future for all, while achieving both short and long-term business benefits.

As a founding signatory to the UN Principles for Responsible Banking, we are working to align our business activity with society's goals. In 2020, the Bank made strong progress expanding its ethical position to include environmental considerations and an enhanced relevance to the broader global sustainable development context by taking into account international frameworks like the United Nations Sustainable Development Goals (UN SDGs).

Considerable work has been undertaken this year to understand, manage, and ultimately improve our

During the year we held a number of fundraising events for Macmillan Cancer Support. Pictured below shows staff participating in a 'Walking Step Challenge' during Autumn 2020:

positive impact on people and the planet, while capturing the business opportunities available to organisations like Gatehouse Bank which are innovating for sustainability.

Understanding our Impact

Achieving strong sustainable performance is in keeping with our core values as an ethical bank. As a British, Shariah-compliant Bank, our differently designed financial structures are well placed to support a positive sustainability impact. This is because the Islamic finance model prohibits highly speculative financial products and the funding of many activities that have the potential to cause harm to society.

In 2020 we conducted a bank-wide impact assessment to understand how our current ethical position aligns with society's goals and where there is the potential to do more to improve our sustainable performance.

The social, environment, and economic needs of the UK are at the heart of what will guide our responsible banking strategy. As part of our impact assessment, we increased our understanding of the UK's sustainability challenges and identified its priority need areas. We then mapped these to the UN SDGs to help us define the wider sustainable development context relevant to our business and operations.

In consultation with internal stakeholders, we then made a high-level assessment of the areas where our operations and business activities have an impact on the environment, society, and the economy.

This assessment has helped us identify areas of high performance and positive impact as well as specific projects required to improve our performance. This new understanding is informing our comprehensive and integrated responsible banking strategy that helps our business benefit from, and contribute to, a sustainable future for all.

Results were published in our Impact Areas Report, the Bank's first sustainability focused report, available on our website www.gatehousebank.com.

Integrating Sustainability

In 2020 we began the process of integrating sustainability into policy and practice. We embedded the consideration of environmental, social, and economic (ESG) impacts into our product development process. This has ensured that ESG impact is considered in the development of any new savings or home finance products at Gatehouse Bank.

This focus on sustainability has resulted in the development of our innovative new product, Green Saver, which supports UK woodland growth through tree planting. Tree planting is vital for meeting some of the UK's greatest environmental needs and aligns with UN SDG 15, Life on Land. Woodlands grown through our Green Saver scheme are certified by the UK Government's Woodland Carbon Code and result in carbon credits which are publicly registered on behalf of our savings customers.

We also developed the Bank's first Sustainable Procurement Policy and embedded ESG considerations into our supplier on-boarding and renewal process. This will help us manage and improve the impact of our supply chain, increase our support for responsible businesses like ourselves and reward strong sustainability performance across our network. This policy will be launched in 2021.

This image represents one of the social media posts we issued to promote the launch of our Green Saver accounts:

Strategic Report (continued)

Climate Change

In 2020 we made the decision to measure the greenhouse gas emissions of our internal operations across our three offices in London, Milton Keynes, and Wilmslow. As we are a digital-first bank, we are therefore able to avoid any emissions associated with a physical branch network.

In addition to our direct emissions, we measured significant and relevant indirect emissions. Measured indirect emissions included purchased energy, waste, and business travel. Our operational footprint therefore included Scope 1, 2 and selected Scope 3 Greenhouse Gas Emission Categories as defined by the Greenhouse Gas Protocol (GHG Protocol).

As part of our commitment to improving our environmental impact, we aim to reduce our carbon footprint and help support the transition to a low-carbon economy. Looking ahead, we plan to set targets to reduce and offset our operational carbon footprint, with ambitions to become carbon neutral in our operations.

Our 2019 carbon footprint has been certified to the global standard for accounting emissions, ISO 14064-3 by the Carbon Trust. The Carbon Trust was set up by the UK Government in 2001 to reduce carbon emissions and help drive low carbon innovation.

In the Community

At Gatehouse Bank we are committed to giving back. We were proud to be part of a responsible banking community responding to the needs of society during the COVID-19 crisis. On behalf of our colleagues, Gatehouse donated £23,060 in 2020 to charities responding to urgent needs in our community.

A significant portion of this total went to local NHS trusts to support the frontline response to the global pandemic. Donations were also made to charities supporting the vulnerable with food and shelter during the winter.

Despite a turbulent year, in 2020 Gatehouse colleagues continued to fundraise for our Charity of the Year, Macmillan Cancer Support, which provides specialist health care and advice for those living with cancer and their loved ones. In total, together we raised over £10,000 for the Macmillan partnership, with colleagues hosting fundraisers, running marathons, and donated vital funds.

In December 2020, our colleagues selected Centrepoint as Gatehouse Bank's 2021 Charity of the Year because of the work this leading charity does to support social mobility and access to housing in the UK. Centrepoint helps vulnerable young people move on from homelessness and build a future they can believe in.

Diversity and Inclusivity

We believe that diversity fuels our creativity and connects us to the communities we serve. Gatehouse Bank must be an organisation where everyone, regardless of who they are or where they come from, can contribute on equal terms and has the opportunity to succeed. We are committed to recruiting and retaining a diverse workforce that reflects our increasingly diverse customer base. At Gatehouse we are working together to create an inclusive workplace.

In August 2020 we conducted the Bank's first annual Diversity & Inclusivity Survey to help us measure representation and inclusion via the employee experience. Results from this survey are helping to shape our diversity strategy moving forward.

The Bank also established a colleague led Diversity & Inclusivity Council to ensure colleague voices are an integral part of our actions to improve our diversity and inclusion performance.

Memberships and Affiliations

At Gatehouse we recognise that we are part of a global community committed to responsible banking and sustainability. We value the benefits of community and peer learning to drive best practice in sustainability and are committed to strengthening our network and partnering with organisations to help achieve society's goals.

Improving our Environmental Footprint throughout 2020

Paper Saving

We converted a selection of frequently used customer documents and forms to digital or online formats **saving approximately 30,000 sheets of A4 paper per year** and avoiding the carbon emissions associated with domestic and international postage.

Product Innovation

The groundwork commenced for new product innovations during 2021, as part of our strategy to demonstrate that our business, and the products and services we provide, can support a sustainable future while achieving long term business benefits.

Circular Economy

We donated our unwanted IT equipment to be tested, wiped and prepared for reuse or recycle diverting a total of over 1.6 tonnes of IT equipment from landfill and avoiding 74,506 kg of CO2e emissions. **This amounted to saving 43% of the total carbon footprint** (the greenhouse gas emissions) of the devices.

Climate Action

We calculated the Bank's 2019 operational carbon footprint by measuring the greenhouse gas emissions associated with our three offices, in accordance with the global accounting standards for emissions (ISO 14064-3). This will serve as a baseline for us to take action to reduce and offset our operational carbon footprint and support action on climate change.

Strategic Report (continued)

United Nations Environmental Programme - Finance Initiative (UNEP FI) - UN Principles for Responsible Banking

In September 2019, Gatehouse Bank became a founding signatory to the UN Principles for Responsible Banking, alongside 129 other institutions from the global banking community. The UN Principles provide the framework for a sustainable banking system and help the financial sector demonstrate how it makes a positive contribution to society.

Gatehouse Bank has been an active member of the community of signatory banks throughout 2020, participating in multiple working groups developing and sharing best practice for responsible banking. This has included our contribution to the UNEP FI portfolio analysis tool; Guidance on Impact Analysis and Guidance on Reporting.

As a founding signatory, we have committed to further aligning our business strategy with society's goals. These Goals are expressed in the United Nations Sustainable Development Goals (SDGs), the Paris Climate Agreement and other relevant frameworks that identify the most pressing societal, environmental, and economic needs of our time.

Global Ethical Finance Initiative (GEFI) and the Islamic Finance Council UK (UKIFC)

Gatehouse Bank has partnered with the Islamic Finance Council UK (UKIFC) and the Global Ethical Finance Initiative (GEFI) – both not-for-profit organisations committed to driving finance for positive change. The UKIFC is the first advisory body dedicated to Islamic finance to endorse the UN Principles for Responsible Banking. The Bank is working with the UKIFC as part of a global taskforce intended to encourage Islamic financial institutions to embrace the UN SDGs and show the world that commitment to planet and people lies at the heart of Islamic finance.

Through its partnership with GEFI the Bank has been able to reinforce its position as a progressive ethical bank by presenting at events involving some of the world's leading financial institutions as well as demonstrate its commitment to climate action by supporting the Path to COP26 campaign.

Women in Islamic and Ethical Finance Forum (WIEFF)

Gatehouse Bank is a corporate member of the Women in Islamic and Ethical Finance Forum (WIEFF). WIEFF is an independent, international forum for industry professionals to collaborate and promote the interests of the ethical and Islamic finance industry. The long-term vision of the forum is to support and promote women in Islamic finance globally and to create a platform which fosters links between the Islamic and ethical finance industries (ESG, SRI, Green Finance, Impact Investing) for the expansion and advancement of the sector.

Going Concern

As at the date of signing this report and after making all reasonable and appropriate enquiries, taking into account the Bank's regulatory capital, liquidity, forecasts, stress tests and scenario analyses, the Directors have a reasonable expectation that the Bank has adequate financial resources to continue in operational existence for the foreseeable future. The Directors are satisfied that the going concern basis remains appropriate in preparing these financial statements of the Bank. Further disclosures on the going concern basis can be found in Note 3 to the financial statements.

Approval

This Strategic Report was approved by the Board of Directors and signed on its behalf by:

Charles Haresnape
Chief Executive Officer
30 April 2021

We are proud to partner with these organisations that demonstrate our commitment to Corporate Social Responsibility:

Global Ethical Finance Initiative (GEFI)

Carbon Trust

United Nations Environmental Programme - Finance Initiative (UNEP FI) - UN Principles for Responsible Banking

Woodland Carbon Code

The Islamic Finance Council UK (UKIFC)

Women in Islamic and Ethical Finance Forum (WIEFF)

Shariah Supervisary Board Report

بسم الله الرحمن الرحيم

To the Shareholders of Gatehouse Bank plc.
Assalaam A'laikum Wa Rahmat Allah Wa Barakatuh.

In compliance with our terms of appointment with Gatehouse Bank plc (**'Bank'**), we, the Shariah Supervisory Board of the Bank (**'SSB'**), are required to submit the following report of Shariah compliance to you in connection with the business activities and the operations of the Bank.

Pursuant to our mandate, we have reviewed the activities of the Bank and material transaction documents entered into and material agreements with third parties for supply of services to facilitate the operations of the Bank. This report relates to the period 1 January 2020 to 31 December 2020 (**'Period'**).

We have conducted an overall review the Bank's activities to form an opinion as to whether the Bank has complied with Shariah rules and principles and also with the specific pronouncements, rulings and guidelines issued by us (**'Shariah'**).

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

Supervision

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

Bank's Contracts

The Bank has entered into contracts for its operations and financing agreements. These include obtaining services from third parties to manage the Bank 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 Bank has followed the pronouncements and, where necessary, amended the relevant documents in order to comply with Shariah.

Shariah Audit

The SSB has reviewed internal Shariah audit reports and made an assessment of systems and controls in place for the processing of related expenses incurred by employees of the Bank.

Annual Report

The SSB has perused the Bank's draft Annual Report and Accounts and the Statements and Notes therein.

Zakaat

The Bank's parent company, Gatehouse Financial Group Limited ('GFGL'), calculates the Zakaat on behalf of its shareholders according to the Shariah rules approved by its Shariah Supervisory Board. The Zakaat payable for GFGL's paid up capital is the responsibility of GFGL's shareholders.

Conclusion

We performed our review so as to obtain material information and explanations which we considered necessary in order to provide us with sufficient evidence to give a reasonable assurance that the Bank has not breached Shariah during the Period.

In our opinion, the Bank was, in all material respects, in compliance with Shariah rules and principles during the Period.

Members of the Shariah Supervisory Board

Sheikh Dr 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

30 April 2021

Directors Report

The Directors present their annual report on the affairs of the Bank, together with the financial statements and auditor's report, for the year ended 31 December 2020. The Corporate Governance Report set out on pages 10 to 14 forms part of this report. The Strategic Report starting on Page 16 contains details of principal activity of the Company and provides information on the development of the Company's business during the year, details of exposure to risks and uncertainties and indications of likely future developments, going concern, and any significant events after the reporting date.

Information about the use of financial instruments by the company and its subsidiaries is given in Note 3 to the financial statements.

Dividend

No dividends were paid during the year (2019: £nil). The Directors do not recommend a final dividend on ordinary shares to be paid in respect of the year (2019: £nil).

Directors and Directors' Interests in Shares

The names of the Directors and Company Secretary at the date of this report are shown on page 2 all of whom have served the Bank during the whole accounting period. None of the Directors who held office at the end of the financial year has any interest in the shares of the Bank.

Directors' Indemnities

The Bank has made qualifying third-party indemnity provisions jointly with its parent for the benefit of their Directors and directors of subsidiaries that were in post during the year and remain in force at the date of this report.

Employee Consultation

The Bank places considerable value on the involvement of its employees and keeps them informed on matters affecting them as employees and on the various factors affecting the performance of the Bank.

Policy on Payment of Creditors

The Bank's policy is to agree terms of payment with suppliers and these normally provide for settlement within 30 days after the date of the invoice, except where other arrangements have been negotiated. It is the policy of the Bank to abide by the agreed terms of payment, provided the supplier performs according to the terms of the contract.

Auditor

Deloitte LLP has expressed their willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Political Contributions and Charitable Donations

Political Contributions and Charitable Donations
The Bank made no political contributions (2019: £nil) and £23,060 of charitable donations (2019: £nil) during the year.

Directors' Statement as to Disclosure of Information to Auditor

Each of the persons who is a Director at the date of approval of this report confirms that:

- So far as the Director is aware, there is no relevant audit information (as defined in the Companies Act 2006) of which the Bank's auditor is unaware; and
- Each of the Directors has taken all the steps that he/she ought to have taken as a Director to make himself/herself aware of any relevant audit information and to establish that the Bank's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with s418 of the Companies Act 2006.

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

Danesh Mahadeva
Chief Financial Officer
30 April 2021

During the year we held a number of fundraising events for Macmillan Cancer Support. Pictured below is a selection of photos from our Virtual Quiz in May 2020:

Section 172(1) Statement

The directors have, in good faith, acted in a way to promote the success of the company for the benefit of its members as a whole, and in doing so have had regard (amongst other matters) to factors (a) to (f) under section 172 of the Companies Act 2006 which includes:

- The likely consequences of any decision in the long term;
- The interests of the company's employees;
- The need to foster the company's business relationships with suppliers, customers and others;
- The impact of the company's operations on the community and the environment;
- The desirability of the company maintaining a reputation for high standards of business conduct; and
- The need to act fairly as between members of the company.

The Board's key duty is to ensure a sustainable business model as underpinned by its strategic change from 2017 and in doing so has regard to the interest of the below key groups:

- Investors;
- Customers;
- Communities;
- Employees;
- Environment; and
- Regulators.

Investors

The Board appreciates the support from its shareholders and the interests of our shareholders are represented by our shareholder directors, Fahed Faisal Boodai and Abdulaziz AlBader representing The Securities House and the Kuwait Investment Authority (KIA) respectively. In 2020, both The Securities House and the KIA participated in a group convertible debt instrument with the funds used solely for the Bank and to support its strategic growth.

Our purpose

We exist to help more people realise their dreams and aspirations.

With an alternative, balanced approach to banking, we offer **a different way**.

Section 172(1) Statement (continued)

In light of the impact of COVID-19 and at the start of the UK lockdown the Bank's Executive Committees reporting into the Board convened weekly meetings to cover its review over its key performance indicators covering capital, liquidity, stress testing, customer impact and operational resilience. The Board also approved a revised risk appetite for 2020 taking into account the material change in the macroeconomic impact of COVID-19 and a revised 2020 strategic plan was approved to ensure the Bank continued on its original plan to deliver sustainable business growth to its investors.

Customers

As outlined in the Chairman's and CEO's statement, supporting our customers is key to the Bank's business model and strategic plan and has been a significant focus of the Board throughout 2020.

The Board was keen to ensure that there was no deterioration in customer service levels during 2020 and with the Bank continuing to support its customers via payment holidays and review of customer terms where appropriate whilst maintaining an appropriate risk and control environment.

The Board and Executive Committees monitor the impact on customers through regular reports on customer Net Promoter Scores (NPS) and customer feedback, and this information helps guide and inform the Board 's decisions on strategy and customer satisfaction.

Communities

The Board is committed and proud to support the wider community in dealing with the economic crisis caused by COVID-19. Please refer to the Bank's Strategic Report for further details on the Bank's key initiatives in 2020 to support the communities.

Employees

The Bank's employees and their wellbeing is of paramount importance to the Board and Executive Committee. In light of the pandemic, all employees were required to work from home and formal risk assessment processes were undertaken to ensure an appropriate environment was maintained. This involved increasing the resources of our IT department to provide greater support to our staff working remotely as well as the provision to all staff of laptops and other home office equipment, where appropriate.

The Bank undertakes employee surveys (including its first diversity and inclusivity survey) throughout the year as a means to obtain ongoing feedback from its staff. This feedback is used by management and reported to the Board in guiding its decision making affecting employees. Throughout the pandemic, the Bank has maintained monthly virtual town halls providing employees with updates on strategy and key business matters.

The Board is also pleased with the level of engagement from its staff in charitable giving and in supporting the Bank in improving the wider community. Please see Strategic Report for further details.

Environment

The Board recognises the importance of climate change and in reducing the Bank's carbon footprint. Please refer to Bank's Strategic Report for further details on the Bank's key initiatives supporting the environment.

Regulators

The Board and the Executive Committee maintain an open and transparent relationship with the regulators.

The Bank ensures at all times that the regulatory impact of its activities are taken fully into consideration. All key regulatory requirements and metrics are reviewed by the Board on a daily basis and throughout the year the Board ensures it keeps the regulators up to date on key business and operational updates.

Our values

Responsible

We believe in a transparent, fair and socially responsible system of finance, based on Shariah principles. Through the sharing of both risk and reward in an equitable way, we offer an alternative, balanced approach to banking for our customers.

Open

We encourage an open and transparent dialogue with our customers and colleagues, welcoming different ideas and perspectives. We recognise the value of listening and the progress that comes from freedom of thought and permission to fail.

Can-do

We embrace opportunity and are resourceful in the face of challenge. By looking beyond accepted conventions, being willing to adapt, and always working as a team, we move forward where others stand still. Our attitude is refreshingly can-do.

Director's Responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent company and of their profit or loss for that period. In preparing these financial statements, International Accounting Standard 1 requires that Directors:

- 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 IFRSs 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 company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are 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.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' Responsibility Statement

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 loss of the Bank and the undertakings included in the consolidation taken as a whole;
- The Strategic Report together with the Chairman and CEO Statements include a fair review of the development and performance of the business and the position of the Bank and the undertakings included, together with a description of the principal risks and uncertainties that they face; 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 company's performance, business model and strategy.

By order of the Board

Danesh Mahadeva
Chief Financial Officer
30 April 2021

Independent Auditor's Report to the Members of Gatehouse Bank plc

Report on the audit of the financial statements

1. Opinion

In our opinion the financial statements of Gatehouse Bank plc (the 'parent company' or 'Bank') and its subsidiaries (the 'Group'):

- give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2020 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated and parent company statements of financial position;
- the consolidated and parent company statements of changes in equity;
- the consolidated and parent company cash flow statements; and
- the related Notes 1 to 42.

The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006.

2. 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 Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the parent company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Summary of our audit approach

Key audit matters	**The key audit matters that we identified in the current year were:** • Valuation of expected credit losses on financing assets; • Valuation of unquoted investments at fair value; • Going concern basis of accounting; and • Impairment of goodwill. Within this report, key audit matters are identified as follows: Newly identified Increased level of risk Similar level of risk Decreased level of risk
Materiality	The materiality that we used for the Group financial statements was £653k which was determined on the basis of 0.6% of Net Assets.
Scoping	Our audit included the full audit scope of all significant components of the Group. Our Group audit scope represented 71% of the Group's revenue, 82% of the Group's profit before tax and 97% of the Group's total net assets.
Significant changes in our approach	In the prior year we used the total net profit on financial assets and liabilities at amortised cost and net fee and commission income as a basis for our materiality for the Group. Considering the volatility of the income statement over the past few years and given macroeconomic uncertainty during COVID-19, we changed the basis to net assets. Please refer to section 6.1 for further details.

4. 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.

Our evaluation of the directors' assessment of the Group's and parent company's ability to continue to adopt the going concern basis of accounting is discussed in section 5.3.

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 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.

Independent Auditor's Report to the Members of Gatehouse Bank plc (continued)

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1. Valuation of expected credit losses on financing assets

Key audit matter description	Valuation of expected credit losses ('ECL') on financing assets requires a significant degree of judgement. During the twelve-month period the total amount of financing assets has grown considerably primarily due to the continuing growth in the Buy-to-Let residential property financing portfolio leading to the total gross amount of financing and advances at amortised cost reaching £702m (2019: 559m). As at 31 December 2020, the total provision for expected credit losses on financing assets was £2.8m (2019: £150k). The significant increase in ECL in 2020 was driven by the impact of the COVID-19 pandemic and the associated lockdowns in the UK. The focus of the key audit matter was on the following: • Determination of probabilities of default ('PDs') for the diminishing Musharaka portfolio; • Identification of significant increase in credit risk ('SICR') since origination, which drives classification of accounts between Stage 1 and Stage 2, for the Real Estate Finance portfolio; • Completeness and valuation of overlays; and • Valuation of collateral for exposures in Stage 2 and Stage 3. Further due to the current economic uncertainty as a result of the COVID-19 pandemic, the level of management judgement in the ECL estimation has significantly increased. We also noted that management have introduced changes to ECL models in the current period. As a result, we have identified the following additional areas for our key audit matter: • Macroeconomic forecasts and selection of multiple macroeconomic scenarios ('MES'); • Changes in the ECL model methodology in the current period; and • Identification of SICR for customers on payment holidays. We considered that a risk of potential fraud lies within valuation of expected credit losses on financing assets due to the inherent potential for management bias in the valuation of expected credit losses. Management has disclosed information about credit risk within Note 39 and provision for expected credit losses in Note 19 to the financial statements. The accounting policy and information about judgements and estimation can be found within Note 3 to the financial statements.

How the scope of our audit responded to the key audit matter	As part of our audit work we: • Obtained an understanding of the relevant controls over the ECL assessment; • Independently assessed management's impairment policy and models against the requirements of IFRS 9; • Involved our credit modelling specialists to test whether the implemented model code remained in line with the methodology; • Performed a retrospective assessment of observed default rates against modelled PDs; • Performed testing across the Stage 1 population to assess whether there are other exposures where indications of SICR may exist but have not been identified by management; • Involved our credit modelling specialist, to perform a review and evaluate the changes in the ECL methodology, assess if any additional overlays were required to address model weaknesses and evaluate the management's approach for identification of SICR for customers on payment holidays; • Involved our economics specialist team to challenge MES by performing an independent benchmarking of MES model data.
Key observations	Based on the procedures performed, we concluded that the expected credit losses have been appropriately valued.

5.2. Valuation of unquoted investments at fair value

Key audit matter description	The Group holds a portfolio of unquoted investments in real estate investment structures (SPVs) held at fair value. The valuations of these investments are determined in line with IFRS 9 and are dependent on a number of judgemental inputs with the most significant being valuations of underlying property assets. We considered that a risk of potential fraud lies within the valuation of unquoted investments, due to the inherent potential for management bias in determining the judgemental inputs to the valuation calculation, including valuations of underlying properties. COVID-19 has also had a significant impact on property markets, and we considered this impact as part of our risk assessment. As at 31 December 2020, the fair value of unquoted investments in real estate investment structures at fair value was £15m (2019: £15.8m) — see Notes 20 and 21 to the financial statements. The accounting policy can be found within Note 3 to the financial statements. Management also disclosed information about market risk in Note 39 to the financial statements.
How the scope of our audit responded to the key audit matter	As part of our audit work we: • Obtained an understanding of the relevant controls around the valuation process; • Independently recalculated the net asset value of the SPVs based on SPV accounts and third party property valuations. These were compared to the Bank's assessment of value; • Involved our real estate valuation specialists to assess the property valuations and relevant methodologies used for appropriateness. • Independently assessed the SPV valuation methodology in line with the requirements of IFRS 9; • Obtained audited SPV accounts to test inputs into the valuation; Where SPV accounts were not audited, we tested material balances by agreeing them to supporting documentation; • Challenged adjustments made in the valuation by independent reperformance and testing of adjustments, and assessment of their reasonableness.
Key observations	Based on the procedures performed, we concluded that the valuation of unquoted investments at fair value is appropriate.

Independent Auditor's Report to the Members of Gatehouse Bank plc (continued)

5.3. Going concern basis of accounting

Key audit matter description	The rapid spread and ongoing uncertainty surrounding the impact of COVID-19 has increased complexity associated with the Directors' assessment of the Group's and Company's ability to continue as a going concern over a period of at least 12 months from the date of approval of the Financial Statements. In particular, the Group is impacted by risks of increase in expected credit losses, reductions in asset values, decrease in originations of new lending and outflows of customers' funds, which have been significantly elevated as a result of the COVID-19 pandemic. In making their assessment, the Directors specifically considered: • The impact on capital and liquidity of a plausible stress scenario reflecting potential downside risks associated with the COVID-19 pandemic, including a fall in residential and commercial real estate values, increase in arrears and defaults, decrease in new originations of financing and decrease in customer deposits; • Business continuity plans and subsequent changes to those plans as a consequence of a prolonged impact from the COVID-19 pandemic; and • The regulatory and legal environment and any potential conduct risks. The Directors consider that the going concern basis of accounting is appropriate and that there is no material uncertainty related to going concern. The Directors' assessment of going concern was included in the Strategic report on page 16. Management's associated consideration of the impact of COVID-19 on the Company's and Group's ability to continue as a going concern is detailed in Note 3 to the financial statements.
How the scope of our audit responded to the key audit matter	To support our audit work we involved our prudential and regulatory specialists to challenge and assess management's evaluation of the Group's and Company's profitability, solvency, liquidity and funding forecast position. Specifically, we: • Tested the appropriateness of the management's assumptions in the stress scenario by comparing them to data available from previous financial downturns and stress testing assumptions published by the Bank of England; • Assessed the capital and liquidity position of the Group and the Company in the stress scenario over the period of 12 months from the date of the approval of the financial statements and evaluated whether any breaches of regulatory requirements are forecast; • Evaluated the feasibility of management's business continuity plans based on our understanding of the business and its environment; • Considered whether any significant potential regulatory and legal challenges exist based on our enquiries of management and review of regulatory correspondence and evaluated their impact on the Group's and Company's capital and liquidity position; and • Assessed the appropriateness of the going concern disclosures in the financial statements.
Key observations	We concurred with management's conclusion that the going concern basis of accounting was appropriate.

5.4. Impairment of goodwill

Key audit matter description	The Group acquired Ascend Estates Limited in 2018. According to IAS 36 'Impairment of assets', goodwill acquired in a business combination is required to be tested for impairment at least annually. The goodwill impairment assessment is a complex area and requires management to exercise a significant degree of judgement, in particular in relation to the forecasting of the future performance of the Ascend business and discount rates used. The total amount of goodwill as at 31 December 2020 was £3.8m (2019: £3.8m). Management has not identified any impairment to goodwill recorded for the current period. Management have disclosed information about goodwill within Note 23 to the financial statements. The respective accounting policy can be found within Note 3 to the financial statements.
How the scope of our audit responded to the key audit matter	As part of our audit work we: • Obtained an understanding of the relevant controls around the goodwill impairment assessment; • Involved our valuation specialists in our challenge of goodwill impairment audit approach; • Obtained, assessed and challenged the management paper on Gatehouse Capital goodwill and Ascend goodwill impairment performed and the amortisation calculation of the relevant acquired identifiable intangible assets and assess whether the review performed by the management and accounting treatments are consistent with the requirements of IAS 36 'Impairment of assets'; • Involved our valuation specialist to assess the discount rate used in the calculation of the recoverable value; • Tested the mathematical accuracy of the forecasting model; and • As part of our challenge, we assessed the reasonableness of Gatehouse Capital and Ascend business forecasts that were used by management in impairment assessment, which involved a retrospective assessment of accuracy of historical forecasts prepared by management for Gatehouse Capital and Ascend.
Key observations	We concurred with management's assessment that no impairment of goodwill is required.

Independent Auditor's Report to the Members of Gatehouse Bank plc (continued)

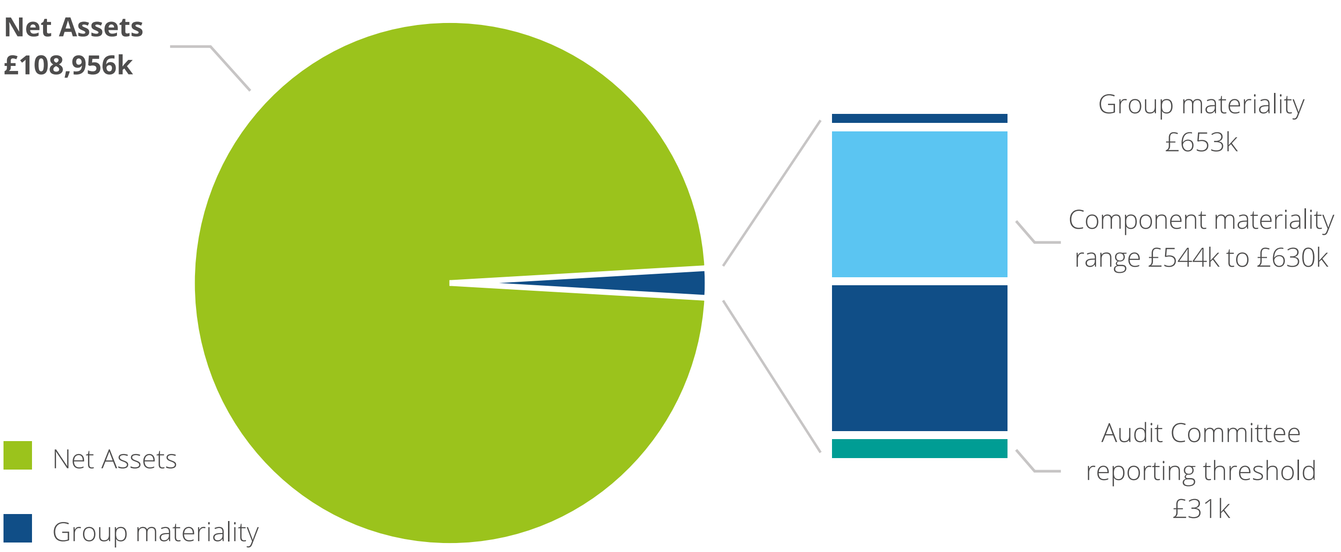
6. Our application of materiality

6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent company financial statements
Materiality	£653k (2019: £569k)	£630k (2019: £549k)
Basis for determining materiality	0.6% of net assets (2019: 5% of revenue defined as income on financial assets held at amortized cost plus net fee and commission income).	0.6% of net assets, which is capped at 96.5% of the materiality of the Group (2019: 5% of revenue defined as income on financial assets held at amortized cost plus net fee and commission income, which is capped at 96.5% of the materiality of the Group).
Rationale for the benchmark applied	Net assets has been chosen as a benchmark as it provides a more stable measure year on year than profit before tax. We also considered the key risk to the Bank in light of COVID-19 and their relative size, scale and complexity would be their regulatory capital position. This is of particular significance to the regulators, as well as the shareholders as the viability of the Bank is determinant on the capital position being sustained.	



6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.

	Group financial statements	Parent company financial statements
Performance materiality	50% (2019: 70%) of Group materiality	50% (2019: 70%) of parent company materiality
Basis and rationale for determining performance materiality	We considered factors including the previously identified deficiencies in internal controls, the large number of significant risks identified in the current year which relate to significant judgemental areas and the amount of uncorrected misstatements in the prior year, we believe it is appropriate to reduce the materiality threshold by a greater tolerance level. We have concluded that a reduction of 50% is appropriate.	

6.3. Error reporting threshold

We agreed with the audit committee that we would report to the committee all audit differences in excess of £31k (2019: £28k), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the audit committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1.Identification and scoping of components

Our audit was scoped by obtaining an understanding of the Group and its environment, including internal control framework, and assessing risks of material misstatements. The parent company has one subsidiary each in UK and France and one associate located in Kuwait. Two previously held subsidiaries in Jersey were dissolved during the year. As at 31 December 2020, the Bank had an interest of 35.6% in Gatehouse Capital – Economic and Financial Consultancy KSC, an advisory firm incorporated in Kuwait and a shareholding of 50.1% in Ascend Estates Limited ('Ascend Properties'), a UK property sales and management company. Component materiality levels were set in the range from £544k to £630k (2019: £304k to £549k).

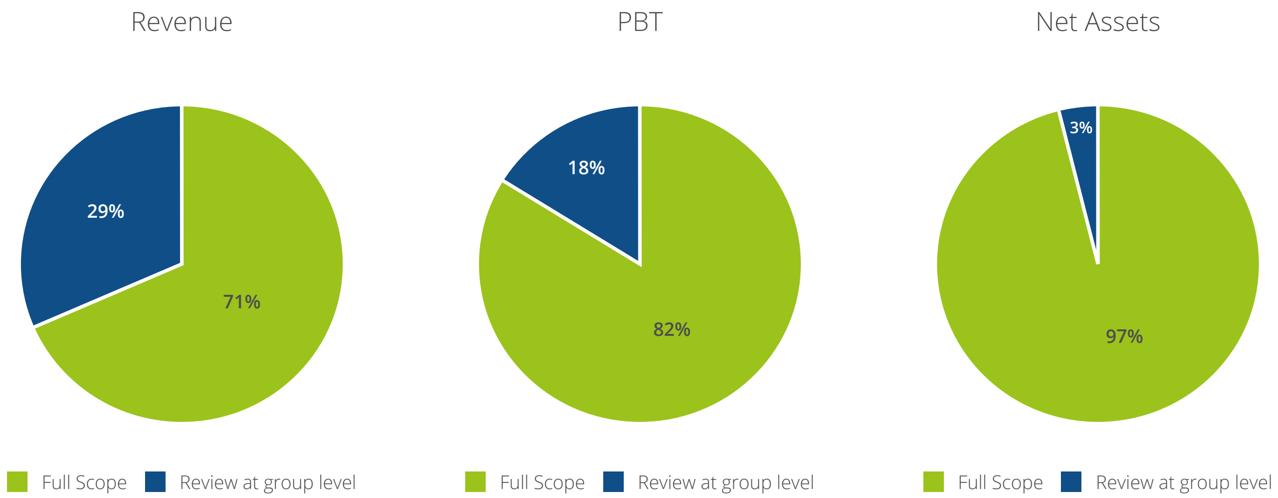
The Bank obtained control over Silver Noisy Sarl in February 2020. Silver Noisy is incorporated in France and its main business is ownership and letting of the office space. Also, during the year the Bank dissolved Gate Holdings Limited and GHB Properties Limited which were used to acquire the Bank's office building which was sold in March 2020.

Audit work to respond to the risks of material misstatement was performed directly by the Group engagement team in the UK for all subsidiaries, including work on consolidation entries, with the exception of the associate where a component audit team in Kuwait was involved. Our supervision of this component included regular communication and discussion of the component's risk assessment, audit plan and results of testing. We also performed a review of their working papers.

For Ascend and Silver Noisy (UK and France Subsidiary) we performed analytical review procedures at Group level. For Gatehouse Capital (Associate in Kuwait) we performed full scope audit.

Independent Auditor’s Report to the Members of Gatehouse Bank plc (continued)

Scoping of Components



7.2. Our consideration of the control environment

As part of our audit we:

- Obtained an understanding of the Group’s and Company’s control environment;
- Engaged our IT specialist team to obtain an understanding of the general IT controls;
- Considered the control deficiencies identified in the prior periods; and
- Evaluated the impact of recent changes in the business and the environment it operates in since the last annual report and consolidated financial statements and their impact on the control environment.

Having considered the aforementioned factors and implementation process of control deficiencies identified in prior period, we designed a fully substantive audit approach with no control reliance for the audited period for all areas apart from customer deposits.

A third party administrator maintains the records of customer deposits. We obtained an external auditor’s ISAE 3000 report for the period from 01 November 2019 to 31 October 2020, which documents the suitability of design and implementation and operating effectiveness of controls. As the reporting date of the Bank is 31 December 2020, we have obtained a bridging letter for the period from 01 November 2020 to 31 December 2020 detailing that there have not been any material changes to the internal control environment nor any material deficiencies in the internal controls.

7.3. Working with other auditors

Deloitte Kuwait act as component auditor of significant component (‘Gatehouse Capital’) with regards to Group. The Group engagement team obtains an understanding of the component auditor only when it plans to request the component auditor to perform work on the financial information of a component for the Group audit.

As the Group engagement team (Deloitte London), we did not only base our understanding of the component auditor (Deloitte Kuwait) on the previous experience, we have ensured appropriate communication at the planning phase to ensure an understanding of the component team.

The UK audit engagement team included the significant component audit team in the team briefing and held regular dialogues with them throughout the audit.

We also issued a set of instructions to the component audit team setting out the audit procedures we requested them to undertake. We also involved the component audit team in the planning meeting to discuss their risk assessment, and reviewed documentation of the findings from their work.

Timely, precise, tailored Group referral instructions were provided to the component engagement team and discussed the referral instructions with the component engagement team to confirm mutual understanding of expected activities and procedures to be performed by the component auditor.

The component engagement team's identification, response, and documentation for significant risks were duly reviewed and identified guidance and tools relevant to the scope of work requested from the component engagement team and directed the component engagement team to review such guidance, and discuss how to apply such guidance and tools to the component engagement team's procedures and documentation.

8. Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, 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.

9. Responsibilities of directors

As explained more fully in the directors' responsibilities statement, 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 Group's and 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 Group or the parent company or to cease operations, or have no realistic alternative but to do so.

Independent Auditor's Report to the Members of Gatehouse Bank plc (continued)

10. 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 these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: **www.frc.org.uk/auditorsresponsibilities**. This description forms part of our auditor's report.

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

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

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the Group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management, internal audit and the audit committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the Group's documentation of their policies and procedures relating to:
  - o identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - o detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - o the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team including significant component audit teams and relevant internal specialists, including tax, financial instrument valuations, IT, real estate valuations, regulatory, credit modelling and analytics specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas: valuation of expected credit losses on financing assets; goodwill impairment; and going concern basis of accounting. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the Group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, Prudential Regulation Authority ('PRA') and Financial Conduct Authority ('FCA') regulations, pensions and tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Group's ability to operate or to avoid a material penalty. These included the Group's operating licence, regulatory solvency requirements and environmental regulations.

11.2. Audit response to risks identified

As a result of performing the above, we identified valuation of expected credit losses on financing assets, goodwill impairment and going concern basis of accounting as key audit matters related to the potential risk of fraud. The key audit matters section of our report explains the matters in more detail and also describes the specific procedures we performed in response to those key audit matters.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the audit committee and in-house legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with the PRA, the FCA, and HMRC; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and significant component audit teams, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Independent Auditor's Report to the Members of Gatehouse Bank plc (continued)

Report on other legal and regulatory requirements

12. Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

13. Opinion on other matters prescribed by the Capital Requirements (Country-by-Country Reporting) Regulations 2013

In our opinion the information given in Note 40 to the financial statements for the financial year ended 31 December 2020 has been properly prepared, in all material respects, in accordance with the Capital Requirements (Country-by Country Reporting) Regulations 2013.

14. Matters on which we are required to report by exception

14.1. Adequacy of explanations received and accounting records

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

14.2. Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made.

We have nothing to report in respect of this matter.

15. Other matters which we are required to address

15.1. Auditor tenure

Following the recommendation of the audit committee, we were appointed by the Board of Directors at its meeting on 5 November 2007 to audit the financial statements for the year ending 31 December 2007 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 14 years, covering the years ending 31 December 2007 to 31 December 2020.

15.2. Consistency of the audit report with the additional report to the audit committee

Our audit opinion is consistent with the additional report to the audit committee we are required to provide in accordance with ISAs (UK).

16. Use of our report

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

Atif Yusuf (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
30 April 2021

Consolidated Income Statement

	Notes	Year ended 31 Dec 2020 £	Year ended 31 Dec 2019 £
Income			
Income from financial assets held at amortised cost	4	25,587,819	18,640,627
Charges to financial institutions and customers		(15,759,993)	(12,365,556)
Fees and commission income		5,169,687	5,370,584
Fees and commission expense		(116,760)	(69,874)
Foreign exchange gains	5	914,618	2,009,104
Net gains from financial assets at fair value through income statement (FVTIS)	6	2,707,770	3,659,805
Net gains from financial assets at fair value through other comprehensive income (FVTOCI)		359,325	692,656
Gain on investment properties	11	3,753,412	-
Gain on sale of property held for sale	12	1,580,912	-
Other income	13	2,542,402	2,267
Impairment charge	9	(2,783,138)	(112,297)
Total operating income		**23,956,054**	**17,827,316**
Expenses			
Staff costs	7	(13,971,705)	(12,990,608)
Depreciation and amortisation	25 & 26	(1,029,939)	(1,059,042)
Other operating expenses	8	(7,688,374)	(5,463,862)
Total operating expenses		**(22,690,018)**	**(19,513,512)**
Operating profit/(loss)		**1,266,036**	**(1,686,196)**
Other provisions	10	-	(1,250,000)
Net share of profit of associate	21	819,471	1,026,085
Profit/(loss) before tax	14	**2,085,507**	**(1,910,111)**
Tax	15	(428)	(161,414)
Profit/(loss) for the year from continuing operations		**2,085,079**	**(2,071,525)**
Attributable to:			
Profit/(loss) attributable to the Bank's equity holders		2,079,191	(2,368,732)
Non-controlling interest		5,888	297,207
		2,085,079	**(2,071,525)**

Consolidated Statement of Comprehensive Income

	Year ended 31 Dec 2020 £	Year ended 31 Dec 2019 £
Profit/(loss) for the year from continuing operations	**2,085,079**	**(2,071,525)**
Items that may be reclassified subsequently to income statement if specific conditions are met:		
Gain/(losses) on FVTOCI investments	268,759	(291,833)
Reclassification of gains on FVTOCI debt instruments included in the profit or loss	-	148,967
Foreign currency translation losses from investment in associate	(539,427)	(539,285)
	(270,668)	**(682,151)**
Items that will not be reclassified subsequently to income statement:		
Losses on FVTOCI investments	(847,490)	(232,112)
Other comprehensive losses for the year	**(1,118,158)**	**(914,263)**
Comprehensive loss for the year	**966,921**	**(2,985,788)**
Attributable to:		
Profit/(loss) attributable to the Bank's equity holders	961,033	(3,282,995)
Non-controlling interest	5,888	297,207
	966,921	**(2,985,788)**

Notes 1 to 41 form an integral part of the financial statements.

Consolidated Statement of Financial Position

	Notes	31 Dec 2020 £	31 Dec 2019 £
Assets			
Cash and balances with banks		12,643,552	11,659,288
Financing and advances at amortised cost	18	702,169,539	559,115,475
Financial assets held at FVTIS	19	27,579,569	49,099,024
Financial assets at FVTOCI	20	17,942,048	22,963,601
Investment in associate	21	13,764,004	14,693,072
Goodwill	22	3,805,020	3,805,020
Derivative financial instruments	24	15,351,126	6,571,752
Intangible assets	25	1,465,028	1,326,049
Investment Properties	11	24,515,666	-
Property, Plant and Equipment	26	1,906,506	1,430,883
Other assets	28	3,682,258	2,449,470
		824,824,316	673,113,635
Property held for sale	12	-	11,555,998
Total assets		**824,824,316**	**684,669,633**
Liabilities			
Financial liabilities measured at amortised cost	29	698,836,512	564,742,230
Financial liabilities held at FVTIS	30	1,226,019	-
Derivative financial instruments	24	7,734,381	4,977,556
Other liabilities	31	7,701,457	6,858,551
Total liabilities		**715,498,369**	**576,578,337**
Net assets		**109,325,947**	**108,091,296**
Shareholders' equity			
Share capital	35	150,049,301	150,049,301
Foreign currency translation reserve		1,547,920	2,087,347
Fair value through other comprehensive income reserve		(3,433,988)	(2,855,257)
Retained deficits		(39,680,622)	(42,027,543)
Equity attributable to the Bank's equity holders		108,482,611	107,253,848
Non-controlling interest		843,336	837,448
Total Equity		**109,325,947**	**108,091,296**

Notes 1 to 41 form an integral part of the financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 30 April 2021. They were signed on its behalf by:

Charles Haresnape
Chief Executive Officer

Danesh Mahadeva
Chief Financial Officer

Consolidated Statement of Changes in Equity

	Share capital	FVTOCI reserve	Foreign currency translation reserve	Retained deficit	Equity attributable to the Bank's equity holders	Non-controlling interest	Total
	£	£	£	£	£	£	£
Balance at 1 January 2020	150,049,301	(2,855,257)	2,087,347	(42,027,543)	107,253,848	837,448	**108,091,296**
Other comprehensive (losses)/gains for the year							
Unrealised loss on instruments at FVTOCI	-	(578,731)	-	-	(578,731)	-	**(578,731)**
Reserve on acquisition of subsidiaries	-	-	-	267,730	267,730	-	**267,730**
Foreign currency translation loss from associate investments	-	-	(539,427)	-	(539,427)	-	**(539,427)**
Total other comprehensive (losses)/gains for the year	**150,049,301**	**(3,433,988)**	**1,547,920**	**(41,759,813)**	**106,403,420**	**837,448**	**107,240,868**
Profit for the year	-	-	-	2,079,191	2,079,191	5,888	**2,085,079**
Balance at 31 December 2020	**150,049,301**	**(3,433,988)**	**1,547,920**	**(39,680,622)**	**108,482,611**	**843,336**	**109,325,947**

	Share capital	FVTOCI reserve	Foreign currency translation reserve	Retained deficit	Equity attributable to the Bank's equity holders	Non-controlling interest	Total
	£	£	£	£	£	£	£
Balance at 1 January 2019	150,049,301	(2,480,279)	2,626,632	(39,658,811)	110,536,843	540,242	**111,077,085**
Other comprehensive (losses)/gains for the year							
Unrealised loss on instruments at FVTOCI	-	(523,945)	-	-	(523,945)	-	**(523,945)**
Accumulated reserve movement on disposal of instruments at FVTOCI	-	148,967	-	-	148,967	-	**148,967**
Foreign currency translation loss from associate investments	-	-	(539,285)	-	(539,285)	-	**(539,285)**
Total other comprehensive (losses)/gains for the year	**150,049,301**	**(374,978)**	**(539,285)**	**(39,658,811)**	**(914,263)**	**540,242**	**(914,263)**
Loss for the year	-	-	-	(2,368,732)	(2,368,732)	297,206	**(2,071,526)**
Balance at 31 December 2019	**150,049,301**	**(2,855,257)**	**2,087,347**	**(42,027,543)**	**107,253,848**	**837,448**	**108,091,296**

Consolidated Statement of Cash Flows

	Year ended 31 Dec 2020	Year ended 31 Dec 2019
Cash flows from operating activities	£	£
Operating profit/(loss) on ordinary activities after tax	2,085,079	(2,071,525)
Adjusted for:		
Impairment charge	2,783,138	112,297
Other provisions	-	1,250,000
Positive revaluation of financial instruments held at FVTIS	295,493	(816,591)
Gain on sale of property held for sale	(1,580,912)	-
Positive revaluation on investment properties	(3,753,412)	-
Share of operating profit from associate	(819,471)	(1,026,085)
Fair value movement in derivative financial instruments	(96,153)	235,328
Depreciation and amortisation	1,029,939	1,059,042
Foreign exchange (gains)	(898,243)	(2,009,104)
Losses on financial assets held at FVTIS	-	352,648
Taxation	428	161,414
Net decrease/(increase) in operating assets:		
Net investment in financial assets held at FVTOCI	487,662	1,089,694
Net investment in financial assets held at FVTIS	(17,582,574)	3,903,809
Changes in financing and advances at amortised cost	(145,837,202)	(256,733,400)
Net (increase)/decrease in other assets	(965,058)	1,105,661
Net increase/(decrease) in operating liabilities:		
Changes in financial liabilities measured at amortised cost	134,094,282	243,511,346
Net increase in other liabilities	1,201,534	289,417
Net cash outflow from operating activities	**(29,555,470)**	**(9,586,039)**
Cash flow from investing activities		
Dividend received from associate	1,106,867	1,811,705
Proceeds from sale of financial assets held at FVTOCI	9,574,453	12,374,352
Proceeds from sale of financial assets held at FVTIS	14,258,523	-
Purchases of financial assets	(5,517,048)	(6,989,325)
Purchase of plant and equipment	(1,785,495)	(103,659)
Purchase of intangible assets	(501,221)	(387,102)
Net proceeds from disposal of property held for sale	13,779,085	-
Net cash inflow from investing activities	**30,915,164**	**6,705,971**
Cash flows from financing activities		
Cash outflow for lease liabilities	(359,057)	(325,180)
Net cash outflow from financing activities	**(359,057)**	**(325,180)**
Net inflow/(outflow) in cash and cash equivalents	**1,000,637**	**(3,205,248)**
Cash and cash equivalents at the beginning of the year	11,659,288	15,669,222
Effect of foreign exchange rate changes	(16,373)	(804,686)
Cash and cash equivalents at the end of the year	**12,643,552**	**11,659,288**

Company Statement of Financial Position

	Notes	31 Dec 2020 £	31 Dec 2019 £
Assets			
Cash and balances with banks		10,571,311	10,096,036
Financing and advances at amortised cost	18	702,169,539	566,160,242
Financial assets held at FVTIS	19	49,072,214	49,099,024
Financial assets at FVTOCI	20	17,942,048	22,963,601
Investment in associate	21	11,307,937	11,307,937
Investment in subsidiaries	22	4,344,279	9,682,579
Derivative financial instruments	24	15,351,126	6,571,752
Intangible assets	25	1,040,559	868,928
Property, Plant and Equipment	26	1,451,090	1,072,099
Other assets	28	1,892,375	2,233,938
Total Assets		**815,142,478**	**680,056,136**
Liabilities			
Financial liabilities measured at amortised cost	29	698,836,512	564,742,230
Financial liabilities held at FVTIS	30	1,226,019	-
Derivative financial instruments	24	7,734,381	4,977,556
Other liabilities	31	4,901,661	6,199,353
Total liabilities		**712,698,573**	**575,919,139**
Net Assets		**102,443,905**	**104,136,997**
Shareholders' Equity			
Share capital	35	150,049,301	150,049,301
Fair value through other comprehensive income reserve		(2,968,682)	(2,492,098)
Retained deficits		(44,636,714)	(43,420,206)
Equity attributable to the Bank's equity holders and total equity		**102,443,905**	**104,136,997**

During the financial year ended as at 31 December 2020, the Bank has made standalone losses of £1,216,508 (2019: £1,759,724 loss).

Notes 1 to 41 form an integral part of the financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on the 30 April 2021. They were signed on its behalf by:

Charles Haresnape
Chief Executive Officer

Danesh Mahadeva
Chief Financial Officer

Company Statement of Changes In Equity

	Share capital	FVTOCI reserve	Retained deficit	Total
Balance at 1 January 2020	150,049,301	(2,492,098)	(43,420,206)	**104,136,997**
Other comprehensive losses for the year				
Unrealised loss on instruments at FVTOCI	-	(476,584)	-	**(476,584)**
Total Other comprehensive losses for the year	**150,049,301**	**(2,968,682)**	**(43,420,206)**	**103,660,413**
Loss for the year (Note 14)	-	-	(1,216,508)	**(1,216,508)**
Balance at 31 December 2020	**150,049,301**	**(2,968,682)**	**(44,636,714)**	**102,443,905**

	Share capital	FVTOCI reserve	Retained deficit	Total
Balance at 1 January 2019	150,049,301	(2,540,603)	(41,660,482)	**105,848,216**
Other comprehensive losses for the year				
Unrealised loss on instruments at FVTOCI	-	(100,462)	-	**(100,462)**
Accumulated reserve movement on disposal of instruments at FVTOCI	-	148,967	-	**148,967**
Total Other comprehensive losses for the year	**150,049,301**	**48,505**	**(41,660,482)**	**48,505**
Loss for the year (Note 14)	-	-	(1,759,724)	**(1,759,724)**
Balance at 31 December 2019	**150,049,301**	**(2,492,098)**	**(43,420,206)**	**104,136,997**

Company Statement of Cash Flows

	Year ended 31 Dec 2020 £	Year ended 31 Dec 2019 £
Cash flows from operating activities		
Operating loss on ordinary activities after tax	(1,216,508)	(1,759,724)
Adjusted for:		
Impairment charge	2,783,138	112,297
Other provisions	-	1,250,000
Positive revaluation of financial instruments held at FVTIS	(608,201)	(816,591)
Fair value movement in derivative financial instruments	(96,153)	235,328
Depreciation and amortisation	1,460,599	744,440
Foreign exchange (gains)	(873,477)	(2,009,104)
Losses on financial assets held at FVTIS	-	352,648
Net decrease/(increase) in operating assets:		
Net investment in financial assets held at FVTOCI	487,565	1,090,625
Net investment in financial assets held at FVTIS	(17,409,271)	3,903,809
Changes in financing and advances at amortised cost	(138,792,435)	(256,742,057)
Net (increase)/decrease in other assets	(765,304)	17,317
Net increase/(decrease) in operating liabilities:		
Changes in financial liabilities measured at amortised cost	134,094,282	243,551,809
Net increase in other liabilities	(1,098,983)	(364,661)
Net cash outflow from operating activities	**(22,034,748)**	**(10,433,864)**
Cash flow from investing activities		
Dividends received from associate	1,106,867	1,811,705
Proceeds from sale of financial assets	9,574,453	12,374,352
Purchases of financial assets	(5,517,048)	(6,989,325)
Proceeds on sale of financial assets held at FVTIS	14,258,523	-
Purchase of plant and equipment	(1,510,001)	(81,384)
Purchase of intangible assets	(501,221)	(387,102)
Proceeds from sale of subsidiaries	5,338,300	-
Net cash inflow from investing activities	**22,749,873**	**6,728,246**
Cash flows from financing activities		
Cash outflow for lease liabilities	(198,710)	(157,793)
Net cash outflow from financing activities	**(198,710)**	**(157,793)**
Net inflow/(outflow) in cash and cash equivalents	**516,415**	**(3,863,411)**
Cash and cash equivalents at the beginning of the year	10,096,036	14,764,131
Effect of foreign exchange rate changes	(41,140)	(804,684)
Cash and cash equivalents at the end of the year	**10,571,311**	**10,096,036**

Notes To The Consolidated Financial Statements For The Year Ended 31 December 2020

1. General Information

The Bank was incorporated as a public limited company in England and Wales on 25 May 2007 under the Companies Act 1985 and received authorisation from the FSA on 21 April 2008 to carry out regulated activities as a deposit-taking institution. The address of the registered office is given on page 2.

2. Adoption of new and revised standards

New and revised IFRSs in issue but not yet effective
The Bank has not applied the following new and revised IFRSs that have been issued but are not yet effective and had not yet been adopted by the EU:

New or amended standard or interpretation	Effective date – for annual periods beginning on or after
IFRS 17 Insurance contracts	1 January 2021
Amendments to IFRS 9, IAS 39 and IFRS 7 relating to profit rate benchmark reform - Phase 2	1 January 2021
Amendments to IAS 1 Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to IFRS 3 - Reference to the Conceptual Framework	1 January 2022
Amendments to IAS 16 Property, Plant and Equipment—Proceeds before Intended Use	1 January 2022
Amendments to IFRS 10 and IAS 28 Sale on Contribution of Assets between an Investor and its Associate or Joint Venture	Date to be determined by IASB

Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Bank has applied a number of amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2020:

- Amendments to IFRS 3 Definition of business; and
- Amendments to IAS 1 and IAS 8 Definition to Material;

These standards or interpretations were considered by the management of the Bank. Management have considered the optional concentration test for related transactions as per Amendments to IFRS3 Definition of business, as described below.

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 Bank 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 Bank 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

Going concern

The Bank's business activities, together with the factors likely to affect its future development, performance as well as the financial position of the Bank, its cash flows, liquidity position and obtaining financing facilities are described in this annual report and accounts. In addition, Note 38 to the financial statements includes the Bank'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 Bank 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 Bank. 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 Bank'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 Bank has made an assessment of going concern, taking into account both current performance of the Bank as well as the impact of the Covid-19 pandemic, and including consideration of projections incorporating the impact of the Covid-19 pandemic

Notes To The Consolidated Financial Statements (continued)

for the Bank's capital and funding position. Specifically, the Bank considered:

- The adequacy and resilience of the Bank's capital base throughout the pandemic including revised macro-economic scenarios;
- The impact of negative valuations on the Bank's real estate and legacy assets;
- The adequacy of the Bank'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 the International Financial Reporting Standards (IFRSs) as adopted by the EU. 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.

Significant accounting judgements, estimates and assumptions

Judgements

In the process of applying the Bank'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 Bank 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 Bank identifies such entities as structured entities. After determining whether an entity is a structured entity, the Company determines whether it needs to consolidate this entity based on the consolidation principles of IFRS 10. The management of the Company has determined that it does not have any controlling interest in consolidated structured entities as at the reporting date.

Key estimates

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 38).

Provisions

In 2019, the Bank estimated a judgemental provision for £1,250,000 for any adverse findings on legacy activities. The provision represents management's best estimate on any potential liability taking into account all readily available information. Management have retained the provision at the same level as taken in 2019 with no adjustment proposed for 2020. Please refer to Note 10 for further details.

Credit losses

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. Areas involving a high degree of assumptions include future-oriented information in macroeconomic scenarios and model-based calculations, additional overlays considering the credit risk for payment holiday customers due to the economic distress caused by COVID-19, assessment of significant increase in credit risk since initial recognition.

If a further 5% and 10% shift in accounts occurred, moving from stage 1 to stage 2 for the Bank's financing portfolio and all other variables were held constant, the Bank's loss for the year ended 31 December 2020 would increase by £206,897 and £413,794 respectively.

A 10% relative reduction in the overall value of collateral realised in RPF business would increase the total impairment provisions for such financing by £439,363 as at 31 December 2020. A 20% relative reduction in the overall value of collateral realised in RPF business would increase the total impairment provisions for such financing by £1,101,403 as at 31 December 2020.

A 10% relative reduction in the overall value of collateral realised in REF business would increase the total impairment provisions for such financing by £720,493 as at 31 December 2020. A 20% relative reduction in the overall value of collateral realised in REF business would increase the total impairment provisions for such financing by £1,477,822 as at 31 December 2020.

Basis of consolidation

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

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with those used by the Bank. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Foreign currencies

The financial statements are presented in sterling, which is the Bank'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.

Notes To The Consolidated Financial Statements (continued)

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

Measurement categories of financial assets and liabilities
The Bank 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 profit or loss, 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.

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 market place.

Business model assessment

The Bank determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The Bank'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 Bank's assessment

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

As a second step of its classification process the Bank 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 Bank 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 financing advanced to corporate customers and unquoted equity securities. Financing advanced to corporate customer has been classified in this caption as it has failed to meet all the requirements set out in the SPPP test indicating that its cash flows are not solely payments of principal and profit, irrespective of the business model. Unquoted equity securities are not held for trading and therefore the Bank 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 quoted funds, unquoted equity securities which the Bank has elected to hold under FVTOCI and quoted Sukuk.

The Bank 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

Notes To The Consolidated Financial Statements (continued)

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 Bank 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.

Offsetting financial assets and liabilities

Financial assets and liabilities are set off on the balance sheet if the Bank 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 Bank has exercised. The Bank applies fair value hedge accounting to hedge Profit Rate Swaps ('PRS') which hedge the exposure in fixed rate mortgages in the residential and commercial financing books. At the inception of a hedging relationship, the Bank documents the relationship between the hedging instruments and the hedged items, its risk management objective and its strategy for undertaking the hedge. The Bank 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; GHB 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.

Derivative Financial Instruments

Derivative financial instruments include Shariah-compliant forward foreign exchange agreements based on the Wa'ad 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.

ECL measurement

The Bank'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 qualitative triggers for significant increase in credit risk differ between products:

- REF - commonly breach of covenants Finance To Value (FTV), Finance Service Cover Ratio (FSCR) or non-payment;
- RPF - non-payment or significant increase in FTV based on quarterly Home Price Index (HPI); 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 Bank monitors the effectiveness of the criteria used to identify significant increase through regular reviews. For each financial asset the Bank 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 Bank 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 Bank's risk committee with a plan for remediation.

Forward-looking information

Under IFRS 9, the Bank has incorporated the Office for Budget Responsibility (OBR) forward-looking forecasts for UK unemployment rate, residential property price index and other variables into the IFRS 9 model.

Investment in subsidiaries (for standalone)

The investments in subsidiary undertakings in the Bank's financial statements are stated at cost less impairment. Investments in subsidiary undertakings are assessed for impairment where there is an indication of impairment. Where impairment exists, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss recognised in the statement of comprehensive income.

Notes To The Consolidated Financial Statements (continued)

Investment Property
Investment properties are properties held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment properties are measured at cost on initial recognition. Cost includes expenditure that is directly attributable to the acquisition of the investment property. The Bank has adopted the fair value model for subsequent measurement and any change in fair value is recognised in consolidated income statement. Fair values of investment properties are determined by appraisers having an appropriate recognised professional qualification and recent experience in the location and category of the property being valued.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in consolidated statement of income. When the use of a property changes such that it is reclassified as property and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

Financial liabilities held at fair value through income statement
The Bank may designate a financial liability upon initial recognition as at financial liabilities held at fair value through income statement if it eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring that liability or recognising the gains and losses on such a liability on different bases (commonly referred to as an 'accounting mismatch').

Investment in associate
An associate is an entity over which the Bank has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and net assets of associates are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Bank's share of the net assets of the associate, less any impairment in the value of the investment. Losses of an associate in excess of the Bank's interest in that associate are not recognised.

Any excess of the cost of acquisition over the Bank's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is included within the carrying amount of the investment.

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 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.

Property held for sale
Property held for sale is measured at the lower of carrying amount and fair value less costs to sell. Impairment on property held for sale is recognised in profit and loss. Property held for sale is not depreciated.

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.

Notes To The Consolidated Financial Statements (continued)

Impairment of non-financial assets

The Bank 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 Diminishing Musharaka agreements and Murabaha placements. A Murabaha arrangement represents an agreement whereby the Bank 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 Bank 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 Bank 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 Bank'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. Income from contracts with customers constitutes an immaterial portion of the items including in Other income. Additional expenditure required to obtain a contract with a customer is not recognised as an asset (prepaid expense), and instead is recognised as an expense during the accounting period in which it arises.

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 Bank 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 Bank accounts for its share-option scheme in accordance with IFRS 2. At each balance sheet date, the Bank 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 Bank'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.

No deferred tax assets are recognised at 31 December 2020 as management believe that it is improbable that the related tax benefit will be realised due to tax losses brought forward.

IFRS 16 – Leases

Effective from 1 January 2019, the Bank adopted the accounting standard IFRS 16 Leases. IFRS 16 modified the set of international accounting principles and interpretations on leases, in particular, IAS 17. 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.

Notes To The Consolidated Financial Statements (continued)

With reference to the accounting treatment to be applied by the lessee, the new 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.

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 Bank 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 Bank 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 Bank 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.

Operating leases

The Group enters into lease agreements as a lessor with respect to some of its investment properties. Leases for which the Group is a lessor are classified as operating leases. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Subsequent to initial recognition, the Group regularly reviews the estimated unguaranteed residual value and applies the impairment requirements of IFRS 9, recognising an allowance for expected credit losses on the lease receivables.

Pension costs

The Bank 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 Bank has no further obligation once the contributions have been paid.

Segmental reporting

The Bank has one class of business and carries out its activity only in the UK and accordingly no segmental reporting is provided.

4. Income from financial assets held at amortised cost

	2020	2019
	£	£
Income from financing arrangements	25,406,236	15,698,638
Income from financial institutions	181,583	2,941,989
	25,587,819	**18,640,627**

5. Foreign exchange gains

	2020	2019
	£	£
Net (losses)/gains on translation of derivative financial instruments	(574,920)	3,758,838
Net gains/(losses) on translation of balances denominated in foreign currency	1,489,538	(1,749,734)
Net gains in foreign exchange	**914,618**	**2,009,104**

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

	2020	2019
	£	£
Profit income of financing assets	1,420,715	1,719,119
Dividend income	1,094,843	1,712,071
Positive revaluation on financing asset	65,319	816,591
Hedge ineffectiveness	(96,153)	(235,328)
Net revaluation on unquoted equity securities	223,046	(352,648)
	2,707,770	**3,659,805**

Notes To The Consolidated Financial Statements (continued)

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

	2020	2019
	£	£
Directors' salaries and fees	1,019,116	1,259,756
Directors' pensions	54,249	54,064
	1,073,365	**1,313,820**
Staff salaries	10,125,877	8,524,548
Staff pension contributions	452,012	452,964
Social security costs	933,479	1,147,576
Other staff costs	1,386,972	1,551,700
	13,971,705	**12,990,608**
Highest paid Director	432,377	615,839
Emoluments	**432,377**	**615,839**

	2020	2019
	No.	No.
Number of employees at year end	248	211
Average number of employees	246	182

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 acquire 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. During the year the total number of options in issue were 365,000,000 (2019: 365,000,000).

The Group was able to make use of the UK Government Coronavirus Job Retention Scheme and furloughed staff. In 2020 the Group received funds of £463,686 from the scheme while the Bank received funds of £250,772. The funds received were offset against staff costs.

8. Other operating expenses

	2020	2019
	£	£
Financing expense on leases	857,705	1,622,969
IT and communication costs	867,670	1,059,221
Legal and professional fees	1,273,971	841,732
Travel and accommodation	271,256	457,561
Consultancy	29,143	244,610
Advertising and marketing	410,540	205,016
Other tax payable	669,535	130,713
Recruitment costs	-	90,280
Shariah Supervisory Board fees	55,250	57,649
Other operating charges	942,493	754,111
Other operating costs relating to Investment Properties	2,310,811	-
	7,688,374	**5,463,862**

Other operating costs relating to Investment Properties includes £305,344 of expenses which do not directly relate to generating rental income during the year.

9. Impairment charge

	2020	2019
	£	£
Charge of expected credit losses	2,783,138	112,297
	2,783,138	**112,297**

10. Other Provisions

A provision of £1,250,000 was included in the financial statements in 2019 to cover the possibility of any adverse findings relating to the Company's historic activities. The amount was highly uncertain and was expected to become known in 2020, however, the Bank has not received any further update relevant to legacy activities. The amount of any possible liability has been estimated based on the Company's best judgement and management deem the provision taken in 2019 to be appropriate and sufficient.

Notes To The Consolidated Financial Statements (continued)

11. Investment Properties

The Bank acquired investment properties during the year which are held at fair value – please refer to Note 22 for more information. The balance of investment properties is given below:

	2020	2019
	£	£
Investment Properties	24,515,666	-

The balance as at 31 December 2020 includes the additions and re-measurement during the year with a fair value gain of £3,753,412 recognised in the income statement.

The fair value of the investment properties is determined by reference to current market prices for similar properties, adjusted as necessary for condition and location, or by reference to recent transactions updated to reflect current economic conditions. Discounted cash flow techniques may be employed to calculate fair value where there have been no recent transactions, using current external market inputs such as market rents and interest rates. The valuations were carried out by appropriately qualified independent valuers. There are no restrictions on the title for the sale of the properties or the transfer of income or proceeds from disposal.

12. Property Held For Sale

In December 2019, management signed a property sale agreement with the sale being completed in March 2020. The Bank was able to achieve a sale price for the building of £14,000,000 generating a gain on sale of £1,580,912.

13. Other Income

Income of £2,542,402 relates to rental income the Bank has earned from its investment properties in the year.

14. Profit/(Loss) before tax

	2020	2019
Profit /(Loss) before tax is stated after charging:	£	£
Net foreign exchange gains	914,618	2,009,104
Auditor's remuneration	279,000	220,500
Rentals paid under leases	359,057	325,180
Depreciation and amortisation	1,029,939	1,059,042

	2020	2019
Auditor's remuneration can be analysed as follows:	£	£
Audit of accounts	267,000	209,000
Other services:		
Other audit-related services	12,000	11,500
	279,000	**220,500**

15. Taxation

	2020	2019
	£	£
Analysis of tax charge for the period		
Current tax		
UK Corporation tax based on the profit for the year	-	-
Other corporation tax – GHB Properties Limited	428	6,874
Other corporation tax – Ascend Estates Limited	-	154,540
Total current tax charge	**428**	**161,414**
Deferred tax		
Origination and reversal of timing differences	-	-
Effect on changes in tax rates	-	-
Tax on profits on ordinary activities	**428**	**161,414**

Notes To The Consolidated Financial Statements (continued)

The standard rate of corporation tax applied to reported profit is 19% (2019: 19%). Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

Deferred tax assets of £10,097,442 (2019: £8,312,350), including tax losses of £9,865,219 (2019: £9,290,274), have not been recognised due to uncertainty of timing on future profitability.

The tax expense in the income statement for the period was £428 (2019: £161,414). The tax expense can be reconciled to the profit/(loss) per the income statement as follows:

	2020	2019
	£	£
Profit/(Loss) before tax from continuing operations	2,085,507	(1,759,724)
	2,085,507	**(1,759,724)**
Tax at the UK corporation tax rate of 19%	396,246	(334,348)
Effects of:		
Results from associates and subsidiaries	(210,305)	(344,655)
Expenses not deductible for tax purposes	42,180	284,336
Tax relief on disposal of fixed asset	122,013	-
Unrecognised current year losses and other temporary differences	764,372	395,426
Fixed asset differences	1,273	12,024
Income not taxable for tax purposes	(1,116,930)	(12,916)
Other permanent differences	1,151	133
Other corporation tax charge-GHB Properties limited	428	6,874
Other corporation tax – Ascend Estates Limited	-	154,540
Tax charge in the consolidated income statement	**428**	**161,414**

16. Profit Rate Swap

In 2018 the Bank entered into 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 are 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 Bank'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:

Group and Company	**2020**	**2019**
	£	**£**
Notional Principal	**281,700,000**	**281,700,000**
Fair value adjustment to hedged item	7,134,137	2,223,786
Accrued profit of hedged item	12,075	203,831
Carrying Value of hedged item	**7,146,212**	**2,427,617**
Fair value adjustment to hedging instrument	(7,468,903)	(2,462,399)
Accrued profit of hedging instrument	(265,103)	(266,685)
Carrying Value of hedging instrument	**(7,734,006)**	**(2,729,084)**
Net Profit Rate Swaps Fair Value Hedges	(334,766)	(238,613)
Net Profit Rate Swaps Accrued profit	(253,028)	(62,854)
Net carrying Value of hedged item and hedging instrument	**(587,794)**	**(301,467)**

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

The hedge ineffectiveness recognised in profit or loss for the year 2020 is £96,153 loss, (2019: £235,328 loss).

17. Company loss attributable to equity shareholders of the Bank

£1,216,508 of the company loss for the financial year (2019: £1,759,724 loss) has been dealt with in the accounts of the Bank.

As permitted by section 408 of the Companies Act 2006, a separate profit and loss account of the Bank has not been presented.

Notes To The Consolidated Financial Statements (continued)

18. 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.

Group	*Avg. Yield*	2020	*Avg. Yield*	2019
		£		£
Gross financing and advances at amortised cost		705,101,889		559,265,182
Less: allowances for impairment		(2,932,350)		(149,707)
Financing and advances at amortised cost	3.92%	**702,169,539**	3.92%	**559,115,475**

Company	*Avg. Yield*	2020	*Avg. Yield*	2019
		£		£
Gross financing and advances at amortised cost		705,101,889		566,309,949
Less: allowances for impairment		(2,932,350)		(149,707)
Financing and advances at amortised cost	3.92%	**702,169,539**	3.91%	**566,160,242**

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

Financing and advances at amortised cost 2020	**Stage 1 12m ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
	£	£	£	£
Gross carrying value	643,614,080	55,290,348	6,197,461	**705,101,889**
Loss allowance	(264,795)	(2,492,475)	(175,080)	**(2,932,350)**
Carrying value under IFRS 9	**643,349,285**	**52,797,873**	**6,022,381**	**702,169,539**

Financing and advances at amortised cost 2019	**Stage 1 12m ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
	£	£	£	£
Gross carrying value	537,487,394	18,663,432	3,114,356	**559,265,182**
Loss allowance	(66,223)	(59,181)	(24,303)	**(149,707)**
Carrying value under IFRS 9	**537,421,171**	**18,604,251**	**3,090,053**	**559,115,475**

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

Financing and advances at amortised cost 2020	**Stage 1 12m ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
	£	**£**	**£**	**£**
Loss allowance as at 1 January 2020	(66,223)	(59,181)	(24,303)	**(149,707)**
New financial assets originated or purchased	(89,350)	-	-	**(89,350)**
Transfers				
Transfer from stage 1 to stage 2	16,808	(16,808)	-	**-**
Transfer from stage 1 to stage 3	5,723	-	(5,723)	**-**
Transfer from stage 2 to stage 1	(11,889)	11,889	-	**-**
Transfer from stage 2 to stage 3	-	55,796	(55,796)	**-**
Changes in PD's/ LGD's / EAD's	(119,864)	(2,484,171)	(89,258)	**(2,693,293)**
Loss allowance as at 31 December 2020	**(264,795)**	**(2,492,475)**	**(175,080)**	**(2,932,350)**

Financing and advances at amortised cost 2019	**Stage 1 12m ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
	£	**£**	**£**	**£**
Loss allowance as at 1 January 2019	(30,021)	(7,563)	-	**(37,584)**
New financial assets originated or purchased	(111,618)	-	-	**(111,618)**
Transfers				
Transfer from stage 1 to stage 2	49,505	(49,505)	-	**-**
Transfer from stage 1 to stage 3	24,303	-	(24,303)	**-**
Transfer from stage 2 to stage 1	351	(351)	-	**-**
Changes in PD's/ LGD's / EAD's	1,257	(1,762)	-	**(505)**
Loss allowance as at 31 December 2019	**(66,223)**	**(59,181)**	**(24,303)**	**(149,707)**

Notes To The Consolidated Financial Statements (continued)

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

Financing and advances at amortised cost 2020	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
	£	**£**	**£**	**£**
Gross carrying amount as at 1 January 2020	537,487,394	18,663,432	3,114,356	**559,265,182**
Transfers				
Transfer from stage 1 to stage 2	(48,647,330)	48,647,330	-	**-**
Transfer from stage 1 to stage 3	(4,882,215)	-	4,882,215	**-**
Transfer from stage 2 to stage 1	4,690,931	(4,690,931)	-	**-**
Transfer from stage 2 to stage 3	-	(951,410)	951,410	**-**
Net new financing/payments	154,965,300	(6,378,073)	(2,750,520)	**145,836,707**
Gross carrying amount as at 31 December 2020	**643,614,080**	**55,290,348**	**6,197,461**	**705,101,889**

Financing and advances at amortised cost 2019	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
	£	**£**	**£**	**£**
Gross carrying amount as at 1 January 2019	300,085,605	2,446,351	-	**302,531,956**
Transfers				
Transfer from stage 1 to stage 2	(18,663,418)	18,663,418	-	**-**
Transfer from stage 1 to stage 3	(3,114,356)	-	3,114,356	**-**
Transfer from stage 2 to stage 1	637,851	(637,851)	-	**-**
Net new financing/payments	258,541,712	(1,808,486)	-	**256,733,226**
Gross carrying amount as at 31 December 2019	**537,487,394**	**18,663,432**	**3,114,356**	**559,265,182**

19. Financial assets held at fair value though the income statement

Group	Avg. Yield	2020	Avg. Yield	2019
		£		£
Gross financing and advances		12,659,180		33,549,650
(Negative)/Positive revaluations		(36,173)		816,591
Total financing and advances		**12,623,007**		**34,366,241**
Unquoted equity securities		14,956,562		14,732,783
	2.98%	**27,579,569**	4.81%	**49,099,024**

Company	Avg. Yield	2020	Avg. Yield	2019
		£		£
Gross financing and advances		36,510,272		33,549,650
(Negative)/Positive revaluations		(2,394,620)		816,591
Total financing and advances		**34,115,652**		**34,366,241**
Unquoted equity securities		14,956,562		14,732,783
	5.29%	**49,072,214**	4.81%	**49,099,024**

Included within the Company financing and advances is an intercompany Wakala of £12,623,007 (2019: £27,112,669) with the Bank's parent company, Gatehouse Financial Group Limited.

20. Financial assets at fair value through other comprehensive income

Group and Company	Avg. Yield	2020	Avg. Yield	2019
		£		£
Quoted Sukuk	2.16%	17,942,048	1.64%	16,576,477
Unquoted equity securities		-		1,098,809
Quoted funds		-		5,288,315
		17,942,048		**22,963,601**

Notes To The Consolidated Financial Statements (continued)

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 2020	Stage 1 12m ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	£	£	£	£
Gross carrying value	17,943,965	-	-	**17,943,965**
Loss allowance	(1,917)	-	-	**(1,917)**
Carrying value under IFRS 9	**17,942,048**	**-**	**-**	**17,942,048**

Financial assets at fair value through other comprehensive income – Debt assets 2019	Stage 1 12m ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	£	£	£	£
Gross carrying value	16,577,898	-	-	**16,577,898**
Loss allowance	(1,421)	-	-	**(1,421)**
Carrying value under IFRS 9	**16,576,477**	**-**	**-**	**16,576,477**

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 2020	Stage 1 12m ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	£	£	£	£
Loss allowance as at 1 January 2020	(1,421)	-	-	**(1,421)**
New financial assets originated or purchased	(1,429)	-	-	**(1,429)**
Changes in PD's/ LGD's / EAD's	933	-	-	**933**
FX and other movements	-	-	-	**-**
Loss allowance as at 31 December 2020	**(1,917)**	**-**	**-**	**(1,917)**

Financial assets at fair value through other comprehensive income – Debt assets 2019	Stage 1 12m ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	£	£	£	£
Loss allowance as at 1 January 2019	(1,589)	-	-	**(1,589)**
New financial assets originated or purchased	168	-	-	**168**
Changes in PD's/ LGD's / EAD's	-	-	-	**-**
FX and other movements	-	-	-	**-**
Loss allowance as at 31 December 2019	**(1,421)**	**-**	**-**	**(1,421)**

21. Investment in associate

The Bank has one associate, Gatehouse Capital Economic and Financial Consultancy KSCC ('Gatehouse Capital'), where the Bank has 35.6% (2019: 35.6%) ownership in the underlying legal and/or beneficial interests. The Company's registered address is 15th Floor, Al Dhow Tower, Sharq, Khalid Bin Al Waleed Street, P. O. Box 29120, Safat 13150, Kuwait.

Foreign currency translation loss from associate investments of £539,427 (2019: £539,285 loss) during the period have been recorded in reserves.

The consolidated statement of financial position reflects an investment in associate of £13,764,004 (2019: £14,693,072), and a net share of profit for the year ended 31 December 2020 of £819,471 (2019: £1,026,085).

	2020	2019
	£	£
Aggregated amounts relating to associate		
Total assets	31,238,423	33,549,852
Total liabilities	(1,363,873)	(1,400,689)
Net assets	**29,874,550**	**32,149,163**
Group's share of net assets of associates	**10,635,340**	**11,445,102**
Total revenue	6,177,966	6,979,272
Profit	2,301,884	2,882,262
Net share of profit from associate	**819,471**	**1,026,085**

Notes To The Consolidated Financial Statements (continued)

Details of the Bank's associate at 31 December 2020 are as follows:

Name	Place of incorporation (or registration) and operation	Proportion of ownership interest %	Proportion of voting power held %
Gatehouse Capital Economic and Financial Consultancy KSCC	Kuwait	35.6%	35.6%

22. Investment in Subsidiaries

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	GHB consolidated interest
Directly held:			
Ascend Estates Limited	Management of real estate	England and Wales	50.1%
Silver Noisy Sarl	Letting of office space	France	100%

All subsidiaries are included in the consolidated accounts. During the year the Bank dissolved Gate Holdings Limited and GHB Properties Limited which were used to acquire the Bank's office building which was sold in March 2020. Please see Note 12 for more details.

The Bank provided additional financing of €13,000,000 to one of its key clients, Silver Noisy Sarl on 13 February 2020 and obtained control over this entity. Silver Noisy is incorporated in France and its main business is ownership and letting of the office space.

The Bank elected to apply the optional concentration test in IFRS 3 – Business Combination. Based on the assessment, the fair value of gross assets was concentrated in a group of identifiable assets, and these assets are classified as 'Investment Property'.

The Bank applied the first approach of the November 2017 The IFRS Interpretations Committee ('Committee') to account for acquisition of assets on the acquisition date. The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are as set out below:

	2020
	£
Cash and cash equivalents	91,654
Investment Property	19,169,862
Other Assets	1,485,049
Other Liabilities	(1,410,936)

The net gain on acquisition date is £2,155. Other assets mainly relate to rent receivable and re-charges to tenants of the properties. Other liabilities mainly relate to expenses payable relating to management of the properties.

The Bank acquired 50.1% shareholding of Ascend in October 2018 for a total consideration of £4,344,279. £3,805,020 Goodwill relates solely to the Bank's acquisition of Ascend and movement of the Goodwill during the year is provided below:

Goodwill	
Cost	
At 1 January 2020	3,805,020
At 31 December 2020	**3,805,020**
Impairment	
Impairment loss recognised in the year ended 31 December 2020	-
Carrying amount	
At 31 December 2020	**3,805,020**
At 31 December 2019	**3,805,020**

23. Disclosure of interests in other entities

The Bank has investments in a number of special purpose vehicles (SPVs) that have an interest in UK property. The Bank 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 Bank as the Bank holds only a small percentage of the participating shares and acts as agent in its capacity as investment advisor for the SPVs. Typically, the Bank 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.

The Bank also has investments in a number of US property special purpose vehicles (SPVs) which are included in investment securities. Gatehouse Capital is the sponsor of these SPVs and provides investment advisory services to them. None of the SPVs are consolidated by the Bank as the Bank holds only a small percentage of the participating shares and has no involvement in the management or control of the SPVs.

Notes To The Consolidated Financial Statements (continued)

The Bank's gross investment in property SPVs is £ 14,069,954 (2019: £21,076,657) which is included in financial assets held at fair value through the income statement and financial assets held at fair value through other comprehensive income. The Bank has also provided funding through fixed term Murabaha contracts as bridge financing to these SPVs. The Bank's maximum loss relating to these SPVs is equal to the exposure in the SPVs. The primary risk to which the Bank is exposed is the risk of changes in the valuation of the Bank'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.

24. Derivative financial instruments

	Assets £	Liabilities £	Notional amount £
2020	15,351,126	7,734,381	314,884,574
Maturing in 0-3 months	-	-	-
Maturing in 3-6 months	**15,351,126**	**7,734,381**	**314,884,574**
2019			
Maturing in 0-3 months	6,571,752	4,977,556	327,851,693
Maturing in 3-6 months	-	-	7,546,037
	6,571,752	**4,977,556**	**335,397,730**

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

25. Intangible assets

Group & Company Software costs and licence fees	2020 £	2019 £
Cost		
At 1 January	3,195,293	2,808,191
Additions	501,221	387,102
Disposals	-	-
At 31 December	**3,696,514**	**3,195,293**
Amortisation		
At 1 January	2,326,365	2,010,853
Charge for the period	329,590	315,512
On disposal	-	-
At 31 December	**2,655,955**	**2,326,365**
Net book value		
At 1 January	**868,928**	**797,338**
At 31 December	**1,040,559**	**868,928**

Group Customer lists	2020 £	2019 £
Cost		
At 1 January	489,773	489,773
Additions	-	-
At 31 December	**489,773**	**489,773**
Amortisation		
At 1 January	32,652	-
Charge for the period	32,652	32,652
At 31 December	**65,304**	**32,652**
Net book value		
At 1 January	**457,121**	**489,773**
At 31 December	**424,469**	**457,121**
Total Intangibles		
At 1 January	**1,326,049**	**1,287,111**
At 31 December	**1,465,028**	**1,326,049**

Notes To The Consolidated Financial Statements (continued)

26. Property, plant and equipment

Group	Property	Leasehold property	Leasehold vehicles	Computer equipment	Fixtures and fittings	Leasehold improvements	Total
	£	£	£	£	£	£	£
Costs							
At 1 January 2020	-	564,282	108,490	1,129,694	250,771	1,653,606	**3,706,843**
Additions	-	1,346,043	96,880	164,284	40,328	138,010	**1,785,545**
Disposals	-	-	-	(273,920)	(133,578)	(1,547,416)	**(1,954,914)**
At 31 December 2020	**-**	**1,910,325**	**205,370**	**1,020,058**	**157,521**	**244,200**	**3,537,474**
Depreciation							
At 1 January 2020	-	159,056	48,847	935,561	164,104	968,392	**2,275,960**
Charge for the period	-	407,390	55,809	139,008	18,648	46,841	**667,696**
Write-off on disposals	-	-	-	(254,222)	(133,527)	(924,939)	**(1,312,688)**
At 31 December 2020	**-**	**566,446**	**104,656**	**820,347**	**49,225**	**90,294**	**1,630,968**
Net book value							
At 1 January 2020	-	405,226	59,643	194,133	86,667	685,214	**1,430,883**
At 31 December 2020	**-**	**1,343,879**	**100,714**	**199,711**	**108,296**	**153,906**	**1,906,506**

Group	Property	Leasehold property	Leasehold vehicles	Computer equipment	Fixtures and fittings	Leasehold improvements	Total
	£	£	£	£	£	£	£
Costs							
At 1 January 2019	12,216,511	-	-	1,092,490	316,712	2,999,867	**16,625,580**
Additions	-	-	-	83,776	19,883	-	**103,659**
Leases (IFRS 16 implementation adjustment)	-	564,282	108,490	14,061	-	-	**686,833**
Reclassification to property held for sale	(12,216,511)	-	-	-	-	-	**(12,216,511)**
Disposals	-	-	-	(60,633)	(85,824)	(1,346,261)	**(1,492,718)**
At 31 December 2019	**-**	**564,282**	**108,490**	**1,129,694**	**250,771**	**1,653,606**	**3,706,843**
Depreciation							
At 1 January 2019	550,314	-	-	910,430	222,416	2,029,390	**3,712,550**
Charge for the period	110,064	159,056	48,847	80,136	27,512	285,263	**710,878**
Write-off on disposals	(660,378)	-	-	(55,005)	(85,824)	(1,346,261)	**(2,147,468)**
At 31 December 2019	**-**	**159,056**	**48,847**	**935,561**	**164,104**	**968,392**	**2,275,960**
Net book value							
At 1 January 2019	11,667,197	-	-	182,060	94,296	970,477	**12,913,030**
At 31 December 2019	**-**	**405,226**	**59,643**	**194,133**	**86,667**	**685,214**	**1,430,883**

Notes To The Consolidated Financial Statements (continued)

Company	Leasehold property	Computer equipment	Fixtures and fittings	Leasehold improvements	Total
	£	£	£	£	£
Cost					
At 1 January 2020	293,949	1,091,074	133,527	1,653,605	**3,172,155**
Additions	1,208,318	148,481	15,192	138,010	**1,510,001**
Disposals	-	(273,920)	(133,578)	(1,547,416)	**(1,954,914)**
At 31 December 2020	**1,502,267**	**965,635**	**15,141**	**244,199**	**2,727,242**
Depreciation					
At 1 January 2020	75,051	923,087	133,527	968,391	**2,100,056**
Charge for the period	316,575	124,439	928	46,842	**488,784**
Write-off on disposals	-	(254,222)	(133,527)	(924,939)	**(1,312,688)**
At 31 December 2020	**391,626**	**793,304**	**928**	**90,294**	**1,276,152**
Net book value					
At 1 January 2020	218,898	167,987	-	685,214	**1,072,099**
At 31 December 2020	**1,110,641**	**172,331**	**14,213**	**153,905**	**1,451,090**

Company	Leasehold property	Computer equipment	Fixtures and fittings	Leasehold improvements	Total
	£	£	£	£	£
Cost					
At 1 January 2019	-	1,064,695	219,350	2,999,867	**4,283,912**
Additions	-	81,384	-	-	**81,384**
IFRS 16 implementation adjustment	293,949	-	-	-	**293,949**
Disposals	-	(55,005)	(85,823)	(1,346,262)	**(1,487,090)**
At 31 December 2019	**293,949**	**1,091,074**	**133,527**	**1,653,605**	**3,172,155**
Depreciation					
At 1 January 2019	-	909,478	219,350	2,029,390	**3,158,218**
Charge for the period	75,051	68,614	-	285,263	**428,928**
Write-off on disposals	-	(55,005)	(85,823)	(1,346,262)	**(1,487,090)**
At 31 December 2019	**75,051**	**923,087**	**133,527**	**968,391**	**2,100,056**
Net book value					
At 1 January 2019	-	155,217	-	970,477	**1,125,694**
At 31 December 2019	**218,898**	**167,987**	**-**	**685,214**	**1,072,099**

27. Leases

Right of use assets

The Group's leased assets including buildings, vehicles and computer equipment as at 31 December 2020:

Group	Leasehold property	Leasehold vehicles	Computer equipment	Total
	£	£	£	£
At 1 January 2020	405,226	59,643	10,738	**475,607**
Additions	1,346,043	96,880	-	**1,442,923**
Depreciation charge for the year	(407,390)	(55,809)	(4,695)	**(467,894)**
At 31 December 2020	**1,343,879**	**100,714**	**6,043**	**1,450,636**

The Group's leased assets including buildings, vehicles and computer equipment as at 31 December 2019:

Group	Leasehold property	Leasehold vehicles	Computer equipment	Total
	£	£	£	£
At 1 January 2019	564,282	108,490	14,061	**686,833**
Depreciation charge for the year	(159,056)	(48,847)	(3,323)	**(211,226)**
At 31 December 2019	**405,226**	**59,643**	**10,738**	**475,607**

The Company's leased assets including buildings for its office spaces:

Company	Leasehold property 2020	Leasehold property 2019
	£	£
At 1 January	218,898	293,949
Additions	1,208,318	-
Depreciation charge for the year	(316,575)	(75,051)
At 31 December	**1,110,641**	**218,898**

Notes To The Consolidated Financial Statements (continued)

Lease liabilities

Contractual undiscounted cash flows:

Group	2020 £	2019 £
Less than one year	518,084	29,647
One to five years	1,166,621	380,724
More than five years	29,349	75,470
	1,714,054	**485,841**

Company	2020 £	2019 £
Less than one year	369,881	74,024
One to five years	1,027,612	149,257
	1,397,493	**223,281**

Amounts recognised in the income statement:

Group	2020 £	2019 £
Profit on lease liabilities	81,871	31,292
Expenses relating to short-term leases	-	71,955
Expenses relating to leases of low value assets, excluding short-term leases of low value items	-	20,942
	81,871	**124,189**

Amounts recognised in the statement of cash flows:

Group	2020 £	2019 £
Total cash outflow for leases	(359,057)	(325,180)
	(359,057)	**(325,180)**

Company	2020	2019
	£	£
Total cash outflow for leases	(198,710)	(157,793)
	(198,710)	**(157,793)**

The Group as a Lessor

Operating leases, in which the Group is the lessor, relate to investment property owned by the Group with lease terms of between 5 to 9 years. The lessee does not have an option to purchase the property at the expiry of the lease period.

The unguaranteed residual values do not represent a significant risk for the Group, as they relate to property which is located in a location with a good demand for the office space. The Group did not identify any indications that this situation will change.

Maturity analysis of operating lease payments:

Group	2020
	£
Year 1	2,001,092
Year 2	1,997,315
Year 3	1,997,315
Year 4	1,631,140
Year 5	218,745
Year 6	55,978
Year 7	55,978

£1,798,190 of income relating to operating leases has been reported in the income statement.

Notes To The Consolidated Financial Statements (continued)

28. Other assets

Group	2020	2019
	£	£
Intercompany receivable	115,767	1,089,730
Prepayments	836,998	517,361
Accrued income receivable	45,595	185,830
Other debtors	2,683,898	656,549
	3,682,258	**2,449,470**

Company	2020	2019
	£	£
Intercompany receivable	115,767	1,089,730
Prepayments	563,093	466,414
Accrued income receivable	45,595	185,830
Other debtors	1,167,920	491,964
	1,892,375	**2,233,938**








Notes To The Consolidated Financial Statements (continued)

29. Financial liabilities measured at amortised cost

Group	*Avg. Yield*	£
Financial liabilities measured at amortised cost at 1 January 2020	2.19%	**564,742,230**
Net proceeds from financial institutions and customers		134,091,826
Net increase in profit payable		797,823
FX Movement		(795,367)
Financial liabilities measured at amortised cost at 31 December 2020	1.74%	**698,836,512**

	Avg. Yield	£
Financial liabilities measured at amortised cost at 1 January 2019	2.55%	**318,846,691**
Net proceeds from financial institutions and customers		244,230,572
Net increase in profit payable		2,648,162
FX Movement		(983,195)
Financial liabilities measured at amortised cost at 31 December 2019	2.19%	**564,742,230**

Company	*Avg. Yield*	£
Financial liabilities measured at amortised cost at 1 January 2020	2.19%	**564,742,230**
Net proceeds from financial institutions and customers		134,091,826
Net increase in profit payable		797,823
FX Movement		(795,367)
Financial liabilities measured at amortised cost at 31 December 2020	1.74%	**698,836,512**

	Avg. Yield	£
Financial liabilities measured at amortised cost at 1 January 2019	2.55%	**318,806,228**
Net proceeds from financial institutions and customers		244,271,035
Net increase in profit payable		2,648,162
FX Movement		(983,195)
Financial liabilities measured at amortised cost at 31 December 2019	2.19%	**564,742,230**

30. Financial liabilities held at fair value through the income statement

Group and Company	2020	2019
	£	£
Financial liabilities held at fair value through the income statement	**1,226,019**	**-**

Financial liabilities held at fair value through income statement relate to a partial participation from a third party in a syndicated financing arrangement with the Bank which is classified as fair value through the income statement.

31. Other liabilities

Group	2020	2019
	£	£
Payable to subsidiary shareholders	-	1,738,560
Other provisions	1,250,000	1,250,000
Lease liabilities	1,714,054	485,840
Other taxes and social security costs	390,554	324,442
Other creditors	4,346,849	3,059,709
	7,701,457	**6,858,551**

Company	2020	2019
	£	£
Payable to subsidiary shareholders	-	1,738,560
Other provisions	1,250,000	1,250,000
Other taxes and social security costs	390,554	324,442
Lease liabilities	1,397,493	223,281
Other creditors	1,863,614	2,663,070
	4,901,661	**6,199,353**

A Group entity, Ascends Estates Limited, was able to make use of the Bounce Back Loan Scheme and the Coronavirus Business Interruption Loan as in 2020 it received £679,000 (£79,000 via Bounce Back Loan Scheme and £600,000 via the Coronavirus Business Interruption Loan).

Notes To The Consolidated Financial Statements (continued)

32. 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 from the balance sheet date:

Group	Less than 12 months	More than 12 months	Total
2020	£	£	£
Assets			
Cash and balances with banks	12,643,552	-	**12,643,552**
Financing and advances at amortised cost	65,741,397	636,428,142	**702,169,539**
Financial assets held at fair value through the income statement	27,579,569	-	**27,579,569**
Financial assets held at fair value through other comprehensive income	3,663,148	14,278,900	**17,942,048**
Investment in Associates	-	13,764,004	**13,764,004**
Derivative financial instruments	15,351,126	-	**15,351,126**
Total financial assets	**124,978,792**	**664,471,046**	**789,449,838**
Liabilities			
Financial liabilities measured at amortised cost	470,932,683	227,903,829	**698,836,512**
Financial liabilities held at fair value through the income statement	1,226,019	-	**1,226,019**
Derivative financial instruments	7,734,381	-	**7,734,381**
Other liabilities	518,084	1,195,970	**1,714,054**
Total financial liabilities	**480,411,167**	**229,099,799**	**709,510,966**

Company	Less than 12 months	More than 12 months	Total
2020	£	£	£
Assets			
Cash and balances with banks	10,571,311	-	**10,571,311**
Financing and advances at amortised cost	65,741,397	636,428,142	**702,169,539**
Financial assets held at fair value through the income statement	49,072,214	-	**49,072,214**
Financial assets held at fair value through other comprehensive income	3,663,148	14,278,900	**17,942,048**
Investment in Subsidiaries	-	4,344,279	**4,344,279**
Investment in Associates	-	11,307,937	**11,307,937**
Derivative financial instruments	15,351,126	-	**15,351,126**
Total financial assets	**144,399,196**	**666,359,258**	**810,758,454**
Liabilities			
Financial liabilities measured at amortised cost	470,932,683	227,903,829	**698,836,512**
Financial liabilities held at fair value through the income statement	1,226,019	-	**1,226,019**
Derivative financial instruments	7,734,381	-	**7,734,381**
Other liabilities	369,881	1,027,612	**1,397,493**
Total financial liabilities	**480,262,964**	**228,931,441**	**709,194,405**

Notes To The Consolidated Financial Statements (continued)

Group 2019	Less than 12 months £	More than 12 months £	Total £
Assets			
Cash and balances with banks	11,659,288	-	**11,659,288**
Financing and advances at amortised cost	59,953,225	499,162,250	**559,115,475**
Financial assets held at fair value through the income statement	-	49,099,024	**49,099,024**
Financial assets held at fair value through other comprehensive income	3,785,152	19,178,449	**22,963,601**
Investment in Associates	-	14,693,072	**14,693,072**
Derivative financial instruments	6,571,752	-	**6,571,752**
Total financial assets	**81,969,417**	**582,132,795**	**664,102,212**
Liabilities			
Financial liabilities measured at amortised cost	363,380,419	201,361,811	**564,742,230**
Derivative financial instruments	4,977,556	-	**4,977,556**
Other liabilities	1,768,206	456,194	**2,224,401**
Total financial liabilities	**370,126,181**	**201,818,005**	**571,944,187**

Company	Less than 12 months	More than 12 months	Total
2019	£	£	£
Assets			
Cash and balances with banks	10,096,036	-	**10,096,036**
Financing and advances at amortised cost	66,997,992	499,162,250	**566,160,242**
Financial assets held at fair value through the income statement	-	49,099,024	**49,099,024**
Financial assets held at fair value through other comprehensive income	3,785,152	19,178,449	**22,963,601**
Investment in Subsidiaries	-	9,682,579	**9,682,579**
Investment in Associates	-	11,307,937	**11,307,937**
Derivative financial instruments	6,571,752	-	**6,571,752**
Total financial assets	**87,450,932**	**588,430,239**	**675,881,171**
Liabilities			
Financial liabilities measured at amortised cost	363,380,419	201,361,811	**564,742,230**
Derivative financial instruments	4,977,556	-	**4,977,556**
Other liabilities	1,812,584	149,257	**1,961,841**
Total financial liabilities	**370,170,559**	**201,511,068**	**571,681,627**

Notes To The Consolidated Financial Statements (continued)

33. Assets and liabilities in foreign currency

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

Group	2020	2019
Assets	**£**	**£**
Denominated in Sterling	755,158,230	638,107,115
Denominated in other currencies	69,666,086	46,562,518
	824,824,316	**684,669,633**
Liabilities		
Denominated in Sterling	690,280,668	512,325,915
Denominated in other currencies	25,217,701	64,252,422
	715,498,369	**576,578,337**

Company	2020	2019
Assets	**£**	**£**
Denominated in Sterling	752,880,100	637,178,657
Denominated in other currencies	62,262,378	42,877,479
	815,142,478	**680,056,136**
Liabilities		
Denominated in Sterling	689,076,878	511,666,717
Denominated in other currencies	23,621,695	64,252,422
	712,698,573	**575,919,139**

34. Pension commitments

The Bank 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 £452,012 were charged to the income statement (2019: £452,964). The pension creditor outstanding at the balance sheet date amounted to £59,391 (2019: £56,062).

35. Share capital

	2020 £	2019 £
Authorised: 22,500,000,000 ordinary shares of 1 pence each	225,000,000	225,000,000
Issued and paid: 15,000,000,100 ordinary shares of 1 pence each	150,000,001	150,000,001
Issued and partly paid: Ordinary shares of 1 pence each paid up by 0.01 pence per share	4,930,000	4,930,000
Issued but not paid: Ordinary shares of 1 pence each	3,070,000	3,070,000
Total issued share capital	**158,000,001**	**158,000,001**
Total uncalled and unpaid share capital	(7,950,700)	(7,950,700)
	150,049,301	**150,049,301**

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

36. Off balance sheet items

Financing commitments

At the balance sheet date, the Bank has outstanding financing commitments as follows:

	2020 £	2019 £
Within one year	75,557,226	59,311,869
	75,557,226	**59,311,869**

Expected credit losses on financing commitments as at 31 December 2020 amounted to £15,351 (31 December 2019: £372).

Notes To The Consolidated Financial Statements (continued)

37. Related party transactions

The Bank is a wholly-owned subsidiary of Gatehouse Financial Group Limited ('GFGL'). During 2015 the Bank entered into a financing agreement with GFGL which has a 2020 year-end balance of £12,623,007 (2019: £27,112,669) which was used to purchase the remaining 64.4% share in Gatehouse Capital. The Bank also entered into £139,978 (2019: £326,250) of rechargeable expenses for professional fees incurred on behalf of GFGL.

The Kuwait Investment Authority is a shareholder of Gatehouse Financial Group Limited. As at 31 December 2020 the Bank had a credit facility in place with the KIA for $250,000,000 (£183,009,407) that could be drawn when required.

The disclosure requirement in respect of remuneration to key management personnel has been met by providing Directors' emoluments details in Note 7.

Amounts outstanding with related parties as at 31 December were as follows:

2020	**Shareholder**	**Shareholder**	**Ultimate parent**	**Associate**
	Kuwait Investment Authority	The Securities House K.S.C.C.	Gatehouse Financial Group Limited	Gatehouse Capital
	£	**£**	**£**	**£**
Profit income	-	-	1,409,179	-
Profit expense	1,885,364	-	-	-
Assets	-	-	11,213,827	-
Treasury liabilities	55,328,566	28	12,440	-
Undrawn credit facility	127,680,841	-	-	-

2019	**Shareholder**	**Shareholder**	**Ultimate parent**	**Associate**
	Kuwait Investment Authority	The Securities House K.S.C.C.	Gatehouse Financial Group Limited	Gatehouse Capital
	£	**£**	**£**	**£**
Profit income	-	-	1,700,237	-
Profit expense	4,021,159	-	-	-
Assets	-	-	25,509,765	17,500
Treasury liabilities	101,772,279	28	141,443	-
Undrawn credit facility	87,485,452	-	-	-

38. Risk Management

The Risk Management function forms an integral part of Gatehouse'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, performed by 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 or more of the Bank's customers, 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 the Bank's investment in that entity's financial instruments to fall. The credit risk that the Bank faces arises mainly from financing residential real estate, Treasury activities, real estate equity investment and senior and mezzanine commercial real estate financing.

The Bank'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 Bank'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.

Notes To The Consolidated Financial Statements (continued)

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.

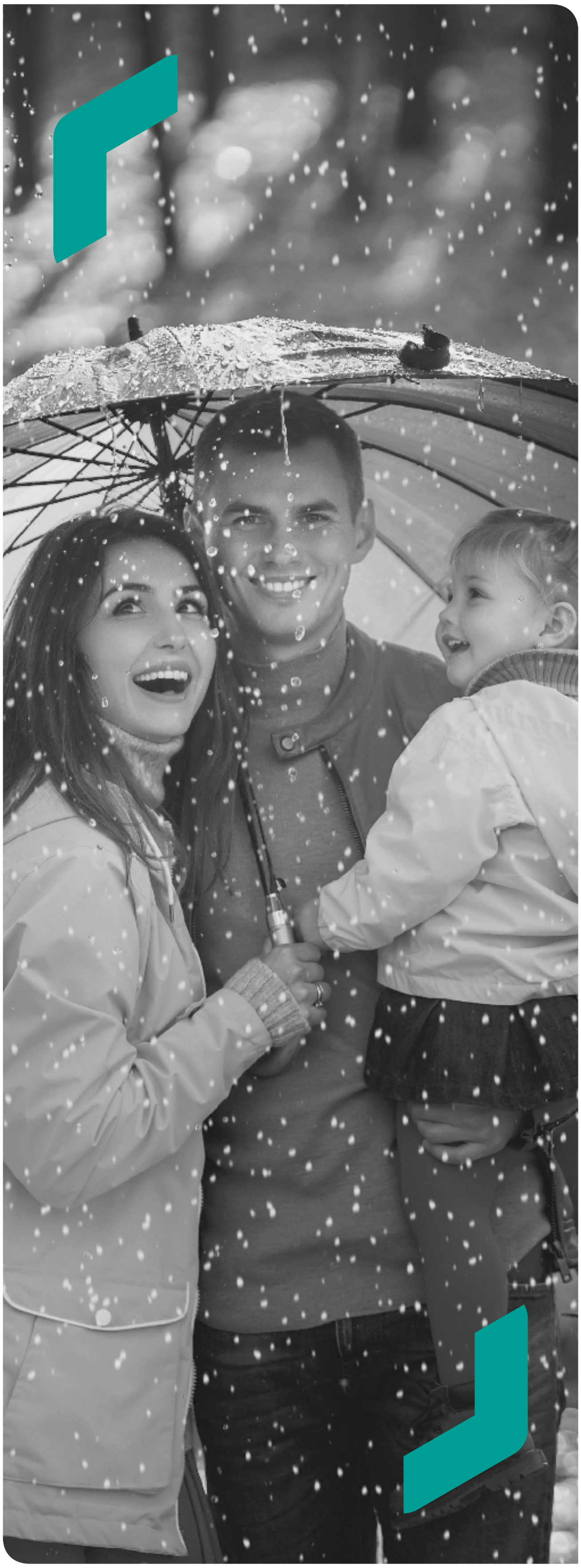
A range of analysis methodologies are used to determine the credit quality of a counterparty, such as quantitative analysis, qualitative analysis, credit rating model, external rating agency research, industry specific research and for wholesale assets, market information such as credit spreads. The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

The Bank 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 Bank's ECL models allow the assessment of the credit risk exposure to the Bank 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 Bank to exercise judgement using subjective assumptions when determining both the timing and the amounts of ECL for loans and advances subject to credit risk.

Note 3 refers to the basis by which the Bank reviews for impairments of its financial assets. Note 9 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 2020 and 31 December 2019:

Group	2020	2019
	£	£
Cash and balances with banks	12,643,552	11,659,288
Financing and advances at amortised cost	702,169,539	559,115,475
Financial assets held at fair value through the income statement (Debt Assets)	12,623,007	34,366,241
Financial assets held at fair value through other comprehensive income (Debt Assets)	17,942,048	21,864,792
Derivative financial instruments	15,351,126	6,571,752
	760,729,272	**633,577,548**

Company	2020	2019
	£	£
Cash and balances with banks	10,571,311	10,096,036
Financing and advances at amortised cost	702,169,539	566,160,242
Financial assets held at fair value through the income statement (Debt Asset)	34,115,652	34,366,241
Financial assets held at fair value through other comprehensive income (Debt Assets)	17,942,048	21,864,792
Derivative financial instruments	15,351,126	6,571,752
	780,149,676	**639,059,063**

Notes To The Consolidated Financial Statements (continued)

Geographical region

The Bank's credit exposure can be analysed into the following geographical regions based on the location of the obligor:

Group	2020 £	2019 £
GCC countries	101,760,716	83,299,655
Kuwait	*18,159,099*	*33,223,845*
Saudi Arabia	*22,002,679*	*17,116,447*
UAE	*41,773,692*	*24,602,789*
Qatar	*16,410,621*	*4,417,694*
Oman	*1,716,745*	*1,895,955*
Bahrain	*1,697,880*	*2,042,925*
Europe	510,305,435	405,570,450
North America	21,256,499	22,826,647
South America	959,986	230,003
Asia	94,431,503	98,210,281
Africa	16,978,199	11,564,118
Australasia	15,036,934	11,876,394
	760,729,272	**633,577,548**

Company	2020 £	2019 £
GCC countries	101,760,716	82,999,751
Kuwait	*18,159,099*	*32,923,941*
Saudi Arabia	*22,002,679*	*17,116,447*
UAE	*41,773,692*	*24,602,789*
Qatar	*16,410,621*	*4,417,694*
Oman	*1,716,745*	*1,895,955*
Bahrain	*1,697,880*	*2,042,925*
Europe	529,725,837	411,351,869
North America	21,256,501	22,826,647
South America	959,986	230,003
Asia	94,431,503	98,210,281
Africa	16,978,199	11,564,118
Australasia	15,036,934	11,876,394
	780,149,676	**639,059,063**

Credit quality

The table below shows the credit quality of financial assets on the balance sheet at 31 December 2020 and at 31 December 2019, based on a credit rating system:

Group	Investment grade	Non-investment grade	Non-rated	Total
2020	£	£	£	£
Assets				
Cash and balances with banks	10,569,529	-	2,074,023	**12,643,552**
Financing and advances at amortised cost	16,463,232	-	685,706,307	**702,169,539**
Financial assets held at fair value through the income statement (Debt Asset)	-	-	12,623,007	**12,623,007**
Financial assets held at fair value through other comprehensive income	17,942,048	-	-	**17,942,048**
Derivative financial instruments	15,351,126	-	-	**15,351,126**
Total assets	**60,325,935**	**-**	**700,403,337**	**760,729,272**

Company	Investment grade	Non-investment grade	Non-rated	Total
2020	£	£	£	£
Assets				
Cash and balances with banks	10,569,528	-	1,783	**10,571,311**
Financing and advances at amortised cost	16,463,232	-	685,706,307	**702,169,539**
Financial assets held at fair value through the income statement (Debt Asset)	-	-	34,115,652	**34,115,652**
Financial assets held at fair value through other comprehensive income	17,942,048	-	-	**17,942,048**
Derivative financial instruments	15,351,126	-	-	**15,351,126**
Total assets	**60,325,934**	**-**	**719,823,742**	**780,149,676**

Notes To The Consolidated Financial Statements (continued)

Group	Investment grade	Non-investment grade	Non-rated	Total
2019	£	£	£	£
Assets				
Cash and balances with banks	11,657,439	-	1,849	**11,659,288**
Financing and advances at amortised cost	10,004,623	-	549,110,852	**559,115,475**
Financial assets held at fair value through the income statement (Debt Asset)	-	-	34,366,241	**34,366,241**
Financial assets held at fair value through other comprehensive income	16,576,477	-	5,288,315	**21,864,792**
Derivative financial instruments	6,571,752	-	-	**6,571,752**
Total assets	**44,810,291**	**-**	**588,767,257**	**633,577,548**

Company	Investment grade	Non-investment grade	Non-rated	Total
2019	£	£	£	£
Assets				
Cash and balances with banks	10,094,187	-	1,849	**10,096,036**
Financing and advances at amortised cost	10,004,623	-	556,155,619	**566,160,242**
Financial assets held at fair value through the income statement (Debt Asset)	-	-	34,366,241	**34,366,241**
Financial assets held at fair value through other comprehensive income	16,576,477	-	5,288,315	**21,864,792**
Derivative financial instruments	6,571,752	-	-	**6,571,752**
Total assets	**43,247,039**	**-**	**595,812,024**	**639,059,063**

Liquidity Risk

Liquidity risk is the risk that the Bank 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 Bank 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 Bank is subject to and complies with the systems and control requirements of the PRA and CRD IV liquidity regime.

The Bank has two principal sources of funding being: i) funding from shareholder via the Kuwait Investment Authority ('KIA') and ii) retail deposit platform Gatehouse savings. As at 31 December 2020 the KIA has provided the Bank with a funding of £54,640,753 (2019: £101,772,279). The Bank 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. As at 31 December 2020 Gatehouse savings deposits were £465,135,245 (2019: £323,296,792).

Liquidity and rate profile

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

Group	Less than 1 month	1-3 months	3-6 months	6-12 months	1-5 years	Total
	£	£	£	£	£	£
2020						
Assets						
Fixed rate items	47,900,212	3,310,898	4,156,067	26,672,450	650,707,043	**732,746,670**
Non-rate sensitive	27,982,602	-	-	-	-	**27,982,602**
Total assets	**75,882,814**	**3,310,898**	**4,156,067**	**26,672,450**	**650,707,043**	**760,729,272**
Liabilities						
Fixed rate items	136,625,805	75,868,312	113,038,843	154,360,239	227,903,713	**707,796,912**
Non-rate sensitive	-	-	-	-	-	**-**
Total liabilities	**136,625,805**	**75,868,312**	**113,038,843**	**154,360,239**	**227,903,713**	**707,796,912**
Net	**(60,742,991)**	**(72,557,414)**	**(108,882,776)**	**(127,687,789)**	**422,803,330**	**52,932,360**

Notes To The Consolidated Financial Statements (continued)

Company	Less than 1 month	1-3 months	3-6 months	6-12 months	1-5 years	Total
	£	£	£	£	£	£
2020						
Assets						
Fixed rate items	47,900,212	3,310,898	4,156,067	48,165,095	650,707,043	**754,239,315**
Non-rate sensitive	25,910,361	-	-	-	-	**25,910,361**
Total assets	**73,810,573**	**3,310,898**	**4,156,067**	**48,165,095**	**650,707,043**	**780,149,676**
Liabilities						
Fixed rate items	136,625,805	75,868,312	113,038,843	154,360,239	227,903,713	**707,796,912**
Non-rate sensitive	-	-	-	-	-	**-**
Total liabilities	**136,625,805**	**75,868,312**	**113,038,843**	**154,360,239**	**227,903,713**	**707,796,912**
Net	**(62,815,232)**	**(72,557,414)**	**(108,882,776)**	**(106,195,144)**	**422,803,330**	**72,352,764**

Group	Less than 1 month	1-3 months	3-6 months	6-12 months	1-5 years	Total
	£	£	£	£	£	£
2019						
Assets						
Fixed rate items	29,221,338	2,692,354	13,612,596	14,630,769	533,528,490	**754,239,315**
Non-rate sensitive	18,027,209	-	-	3,785,152	18,079,640	**39,892,001**
Total assets	**47,248,547**	**2,692,354**	**13,612,596**	**18,415,921**	**551,608,130**	**633,577,548**
Liabilities						
Fixed rate items	103,929,902	63,964,133	122,156,058	77,945,409	201,724,284	**569,719,786**
Non-rate sensitive	569,719,786	-	-	-	-	**-**
Total liabilities	**103,929,902**	**63,964,133**	**122,156,058**	**77,945,409**	**201,724,284**	**569,719,786**
Net	**(56,681,355)**	**(61,271,779)**	**(108,543,462)**	**(59,529,488)**	**349,883,846**	**63,857,762**

Company	Less than 1 month	1-3 months	3-6 months	6-12 months	1-5 years	Total
	£	£	£	£	£	£
2019						
Assets						
Fixed rate items	29,221,338	2,692,354	13,612,596	21,675,536	533,528,491	**600,730,315**
Non-rate sensitive	16,463,956	-	-	3,785,152	18,079,640	**38,328,748**
Total assets	**45,685,294**	**2,692,354**	**13,612,596**	**25,460,688**	**551,608,131**	**639,059,063**
Liabilities						
Fixed rate items	103,929,902	63,964,133	122,156,058	77,945,409	201,724,284	**569,719,786**
Non-rate sensitive	-	-	-	-	-	**-**
Total liabilities	**103,929,902**	**63,964,133**	**122,156,058**	**77,945,409**	**201,724,284**	**569,719,786**
Net	**(58,244,608)**	**(61,271,779)**	**(108,543,462)**	**(52,484,721)**	**349,883,847**	**69,339,277**

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. Gatehouse Bank 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 Bank's activities. The Bank'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 summarises 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

Notes To The Consolidated Financial Statements (continued)

- 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 Bank only trades in Shariah-compliant products, the carrying value of financial instruments held by the Bank 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 Bank's profit for the year ended 31 December 2020 would decrease/increase £10,461,000 (2019: £5,423,000).

In order to meet internal and client demand, the Bank 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 Bank uses derivatives to prudently manage its PRR. In 2020 the Bank undertook profit rate derivatives (swaps) totalling £281,700,000 (2019: £281,700,000) in the form of fixed for floating rate, which allowed the Bank 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 Appetite Statement. 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 2020, the market value of nominal positions generating profit rate VaR was £91,933,674 (2019: £100,135,505) which generated profit rate VaR of:

2020	95% VaR (£)
One day	**(53,470)**
One week	(231,998)
2019	**95% VaR (£)**
One day	**(8,792)**
One week	(24,757)

The Bank 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.

LIBOR Interest Rate Benchmark Reform (IBOR)
The Bank is exposed to the GBP LIBOR interest rate benchmark for assets in the banking book and for profit rate swaps used to hedge the profit rate risk. The Bank's products are exposed to 3M LIBOR, 12M LIBOR and SONIA.

In order to make the business ready for transition away from LIBOR, a working group was setup headed by the Treasurer who reports to the Assets and Liabilities Committee (ALCO). Aside from Treasury, this working group comprised of Finance, Risk, Legal, Operations, Compliance and the Front Office for the Residential and Commercial areas of the Bank.

The purpose of the working group was to understand existing exposures of the Bank which have reference to LIBOR benchmarking in their pricing, review current documentation and to prepare and deliver on an action plan to enable a smooth transition to alternative benchmark risk free rates (RFR) such as the Sterling Overnight Index Average Rate (SONIA).

As at 31 December 2020, the Bank has two exposures in its Commercial Financing portfolio totalling £5.46m; these products are referenced to the Libor benchmark with only one of these exposures £3.34m requiring switching to a RFR. In order to manage profit rate risk, the Bank has entered into profit rate swaps with an investment grade financial institution. As at 31 December 2020, the Bank has £197m notional of profit rate swaps linked to the LIBOR benchmark; out of which £37m will mature before 31 December 2021.

The Bank is closely monitoring the market and the output from the various industry working groups managing the transition to the new benchmark, this includes announcements made by the Financial Conduct Authority (FCA) and the Prudential Regulation Authority (PRA). The FCA has stated that it will no longer compel banks to submit the rates used to calculate LIBOR after 2021 and that GBP LIBOR should be replaced by SONIA.

The Bank is prepared to transition from LIBOR, it has taken the required steps to move away from the use of LIBOR as a reference rate by end of 2021 and has entered into c£85m of profit rate swaps using SONIA benchmark as at 31 December 2020.

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 2020, the net market value of nominal foreign exchange exposure was £693,958 (2019: £390,695) which generated Foreign Exchange VaR of:

2020	**95% VaR (£)**
One day	**(4,385)**
One week	(11,589)
2019	**95% VaR**
One day	**(1,510)**
One week	(4,032)

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 2020, the Bank has not used derivatives to hedge Sukuk investments. VaR is used to monitor the risk arising from the available-for-sale 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 2020, the market value of nominal FVTOCI Sukuk investment exposure was £17,943,965 (2019: £16,577,898) which generated Price Risk VaR of:

Notes To The Consolidated Financial Statements (continued)

2020	95% VaR (£)
One day	**(7,508)**
One week	(10,943)
2019	**95% VaR**
One day	**(6,345)**
One week	(9,685)

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 2020 and 31 December 2019, 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 are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); As at 31 December 2020 and 31 December 2019, Level 2 financial instruments were primarily legacy financing assets; 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 2020 and 31 December 2019, Level 3 financial instruments are investments in unquoted equity securities and financing arrangements. Fair value is estimated on the basis of discounted cash flow models for financing arrangements at fair value through income statement and by reference to the net asset value of the underlying investment for unquoted equities, where the net asset value is not based on observable market data. Unquoted equity securities 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.

Group	Level 1	Level 2	Level 3	Total
2020	**£**	**£**	**£**	**£**
Derivative financial instruments				
Derivative financial instruments	15,351,126	-	-	**15,351,126**
Financial assets held at fair value through the income statement				
Unquoted equity securities	-	-	14,956,562	**14,956,562**
Financing arrangements	-	-	12,623,007	**12,623,007**
Financial assets at fair value through other comprehensive income				
Quoted Sukuk	17,942,048	-	-	**17,942,048**
Total	**33,293,174**	**-**	**27,579,569**	**60,872,743**

Company	Level 1	Level 2	Level 3	Total
2020	**£**	**£**	**£**	**£**
Derivative financial instruments				
Derivative financial instruments	15,351,126	-	-	**15,351,126**
Financial assets held at fair value through the income statement				
Unquoted equity securities	-	-	14,956,562	**14,956,562**
Financing arrangements	-	21,492,645	12,623,007	**34,115,652**
Financial assets at fair value through other comprehensive income				
Quoted Sukuk	17,942,048	-	-	**17,942,048**
Total	**33,293,174**	**21,492,645**	**27,579,569**	**82,365,388**

Group and Company	Level 1	Level 2	Level 3	Total
2019	**£**	**£**	**£**	**£**
Derivative financial instruments				
Derivative financial instruments	6,571,752	-	-	**6,571,752**
Financial assets held at fair value through the income statement				
Unquoted equity securities	-	-	14,732,783	**14,732,783**
Financing arrangements	-	7,257,731	27,108,510	**34,366,241**
Financial assets at fair value through other comprehensive income				
Quoted Sukuk	16,576,477	-	-	**16,576,477**
Quoted Funds	5,288,315	-	-	**5,288,315**
Unquoted equity securities	-	-	1,098,809	**1,098,809**
Unquoted funds	-	-	-	**-**
Total	**28,436,544**	**7,257,731**	**42,940,102**	**78,634,377**

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.

Notes To The Consolidated Financial Statements (continued)

Group and Company Level 3 asset	2020 Carrying value £	2019 Carrying value £	Valuation Technique	Significant unobservable inputs
Financing arrangements	12,623,007	27,108,510	Measured using discounted cash flow models	Financial statements
UK Unquoted equity securities	14,956,562	15,368,668	Measurement of net assets as a proportion of participating shares in issue	Third party appraisal reports, cash and debt balances
US Unquoted equity securities	-	462,924	Measurement of net assets as a proportion of participating shares in issue	Third party appraisal reports, audited financial statements
Unquoted funds	-	-	Measurement of net assets as a proportion of participating shares in issue	Financial statements
Total	**27,579,569**	**42,940,102**		

A proportionate increase/(decrease) in the net asset value within the financial statements would result in an increase/(decrease) in the fair value of the level 3 instruments.

Reconciliation of Level 3 fair value measurements of financial assets:

2020 **Fair Value Through Other Comprehensive Income**	Unquoted equities	Unquoted funds	Unquoted sukuk	Total
Balance at 1 January 2020	**1,098,809**	**-**	**-**	**1,098,809**
Total gains or losses:				
In income statement	-	-	-	**-**
In FVTOCI	(1,098,809)	-	-	**(1,098,809)**
Purchases	-	-	-	**-**
Issues	-	-	-	**-**
Settlements	-	-	-	**-**
Transfers out of Level 3	-	-	-	**-**
Transfers into Level 3	-	-	-	**-**
Balance at 31 December 2020	**-**	**-**	**-**	**-**

2019

Fair Value Through Other Comprehensive Income	Unquoted equities	Unquoted funds	Unquoted sukuk	Total
Balance at 1 January 2019	**2,395,185**	**228,207**	**-**	**2,623,392**
Total gains or losses:				
In income statement	-	-	-	**-**
In FVTOCI	(1,296,376)	-	-	**(1,296,376)**
Purchases	-	-	-	**-**
Issues	-	-	-	**-**
Settlements	-	(228,207)	-	**(228,207)**
Transfers out of Level 3	-	-	-	**-**
Transfers into Level 3	-	-	-	**-**
Balance at 31 December 2019	**1,098,809**	**-**	**-**	**1,098,809**

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 'Losses on FVOCI investments'.

2020

Financial assets held at fair value through the income statement	Financing arrangements	Unquoted equities	Total
Balance at 1 January 2020	**27,108,510**	**14,732,783**	**41,841,293**
Negative revaluations	-	-	**-**
Fair value uplifts	65,319	223,779	**289,098**
Net settlements	(14,550,822)	-	**(14,550,822)**
Balance at 31 December 2020	**12,623,007**	**14,956,562**	**27,579,569**

A 20% decrease in property prices would reduce the fair value of financial assets held at FVIS by £4.4m as at 31 December 2020.

Notes To The Consolidated Financial Statements (continued)

2019

Financial assets held at fair value through the income statement	**Financing arrangements**	**Unquoted equities**	**Total**
Balance at 1 January 2019	28,208,931	15,085,431	**43,294,362**
Negative revaluations	(342)	(352,648)	**(3,352,990)**
Fair value uplifts	-	-	**-**
Net settlements	(1,100,079)	-	**(1,100,079)**
Balance at 31 December 2019	**27,108,510**	**14,732,783**	**41,841,293**

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'.

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, internal audit findings, external events and key operational risk indictors. 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

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 Bank.

Capital Risk Management (Unaudited)

The Bank 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, where the Bank was able to raise £9,000,000 in the first quarter 2020. The financing was provided by private and institutional investors.

The Bank's regulatory capital position was as follows:

	2020	2019
Core Tier 1 Capital	£	£
Share capital	150,049,301	150,049,301
Retained losses	(44,636,714)	(43,420,206)
Other Reserves – FVTOCI	(2,968,682)	(2,492,099)
Add back of IFRS 9 impairments due to transitional arrangements	1,172,099	90,677
	103,616,004	**104,227,673**
Deductions from CET1	**(13,914,821)**	**(28,038,865)**
Tier 2 Capital	**9,000,000**	**-**
Total regulatory capital	**98,701,183**	**76,188,808**

39. Country by Country Disclosures

The Capital Requirements (Country-by-Country) Regulations came into effect on 1 January 2014 and places certain reporting obligations on financial institutions that are within the scope of the European Union's Capital Requirements Directive (CRD IV). The objective of the reporting requirements is to provide increased transparency regarding the activities of the institution.

As at 31 December 2020, Gatehouse Bank Plc and its subsidiaries are all UK or France registered entities.

Employees
The average number of permanent employees was 246 (2019: 182) for the year ended 31 December 2020.

Notes To The Consolidated Financial Statements (continued)

Country-by-Country Breakdown

2020

Country	Type of Operations	Net Income from Continuing operations (£)	Profit/(loss) before tax (£)	Corporation tax paid (£)	Average number of employees
United Kingdom	PRA and FCA regulated Bank	15,856,268	(1,216,508)	-	146
France	Letting of office space	2,542,402	231,593	-	-
United Kingdom	Management of real estate	3,840,503	(20,852)	-	100
Group Consolidated adjustments		1,716,881	3,091,274	(428)	-
Total	**-**	**23,956,054**	**2,085,507**	**(428)**	**246**

2019

Country	Type of Operations	Net Income from Continuing operations (£)	Profit/(loss) before tax (£)	Corporation tax paid (£)	Average number of employees
United Kingdom	PRA and FCA regulated Bank	14,849,116	(1,759,724)	-	112
Jersey	Investment vehicles	2,365,369	1,992,372	6,874	-
United Kingdom	Management of real estate	3,539,905	755,995	154,550	70
Group Consolidated adjustments		(4,177,074)	(2,898,754)	-	-
Total	**-**	**16,577,316**	**(1,910,111)**	**161,424**	**182**

The Group received no public subsidies during 2020 and 2019.

Notes to Country-by-Country Breakdown

- Financial information is presented under IFRS.
- The information is presented on a consolidated basis, inclusive of subsidiaries.
- Group consolidation adjustments include accounting eliminations between Gatehouse Bank plc and its subsidiaries (Ascend Estates Limited and Silver Noisy Sarl)

40. Subsequent Events

In January 2021 the Bank, acting as investment advisor, agreed the exchange and completion of the sale of a private rented sector fund for a total consideration of approximately £148m and earnt fee income of circa £2m.

41. Parent Company

As at 31 December 2020 the Bank's ultimate parent undertaking and controlling party was Gatehouse Financial Group Limited, incorporated as a private company in Jersey on 5 March 2015 under the Companies (Jersey) Law 1991. The address of the registered office is Gatehouse Financial Group Limited, 44 Esplanade, St Helier, Jersey JE4 9WG.

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