GATEHOUSE BANK

ANNUAL REPORT AND FINANCIAL STATEMENTS 2014

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GATEHOUSE BANK PLC

Annual Report and Financial Statements
For the year-ended 31 December 2014

Registered number: 06260053


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Company Information

Directors
Fahed Faisal Boodai
Henry Thompson
Oday Al-Ibrahim
Mohamad Tawfik Al-Tahawy
Matthew Hadrian Marshall Carrington
Stephen Smith
Jonathan Ottley Short
Aboo Twalha Dhunnoo
Craig Friedman

Secretary
Arthur Rogers

Auditor
Deloitte LLP
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London
EC4A 3TR

Registered office
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London
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Registered number
06260053

“The headline performance is the increase in comprehensive profit by £5.4m in 2014 compared to £1.7m in 2013, a substantial improvement of 212%”

Fahed Faisal Boodai,
Chairman

Chairman's Statement

In the name of Allah, the Most Gracious, the Most Merciful

To the Shareholders of Gatehouse Bank plc

The last three years have seen a remarkable transformation of Gatehouse Bank plc ("the Bank") into a sustainable and profitable bank. This transformation is underpinned by a vision shared by all stakeholders and by a drive and an ambition to become successful. It is therefore with immense pleasure that I write to you in presenting the annual report and accounts for the year ended 31 December 2014; specially in highlighting to you our third consecutive profitable growth year. This milestone accomplishment is evidence of the financial strength and stability that the Bank has achieved over this period.

When I wrote to you last year, the Board was in the process of appointing Henry Thompson as the Chief Executive Officer of the Bank, following a period where I held this office on an interim basis. I have had the privilege of working closely with Mr Thompson over the last year and we are both in common accord on a key objective; to build a world-class Gatehouse Group providing high quality investment and financing opportunities to a prestigious client base. Mr Thompson and I have worked attentively during the last 12 months in re-thinking our future and in re-defining the organisational structure, the strategic initiatives and the operating capabilities that are necessary to meet this goal.

It is with the above goal firmly in mind that the Bank entered into a Share Purchase Agreement on 31 December 2014 to complete the full acquisition of Gatehouse Capital for Economic and Financial Consultancy K.S.C (Closed) ("Gatehouse Capital"). Both organisations have worked very closely and collaboratively for the last six years and we have developed a track record and operational and business capabilities that complement each other. This acquisition will not only cement the common values and behaviour that drive both organisations but will also enrich the combined entities with synergies spanning from deeper market penetration and deeper client relationships so as to better leverage our distribution capabilities to a common operational framework and corporate governance structure for quicker, better and more disciplined decision making.

The acquisition of Gatehouse Capital is the first step towards establishing a Gatehouse Group for your ultimate benefit as shareholders. In order to achieve an organisational structure that is aligned with our business strategy, I am pleased to inform you that on 5 March 2015, we established a new holding company, Gatehouse Financial Group Limited that will own your current investment in the Bank. This is the foundation of the new global Gatehouse Group of companies. We will use this to catalyse our growth in creating new companies with the constitutional make-up that is better aligned to their underlying business model or proximity to the client. I am very excited with this new phase of the Bank's development, a clear indication of our evolution as a global and integrated enterprise built for the future. I welcome you all as shareholders of Gatehouse Financial Group Limited.

During 2014, the Bank continued its growth trajectory and financial performance points towards revenue line increasing from £12.9m in 2013 to £15.5m in 2014, an increase of 20%. In spite of the increased Bank's expenditure in achieving the above operational, organisation and strategic re-organisation, net profit after tax improved to £4.1m compared to £4.0m. This is a feature of the strength and resilience of the Bank's new foundation. The headline performance is the increase in comprehensive profit by £5.4m in 2014 compared to £1.7m in 2013, a substantial improvement of 212%. This is also the increase in shareholders' equity.

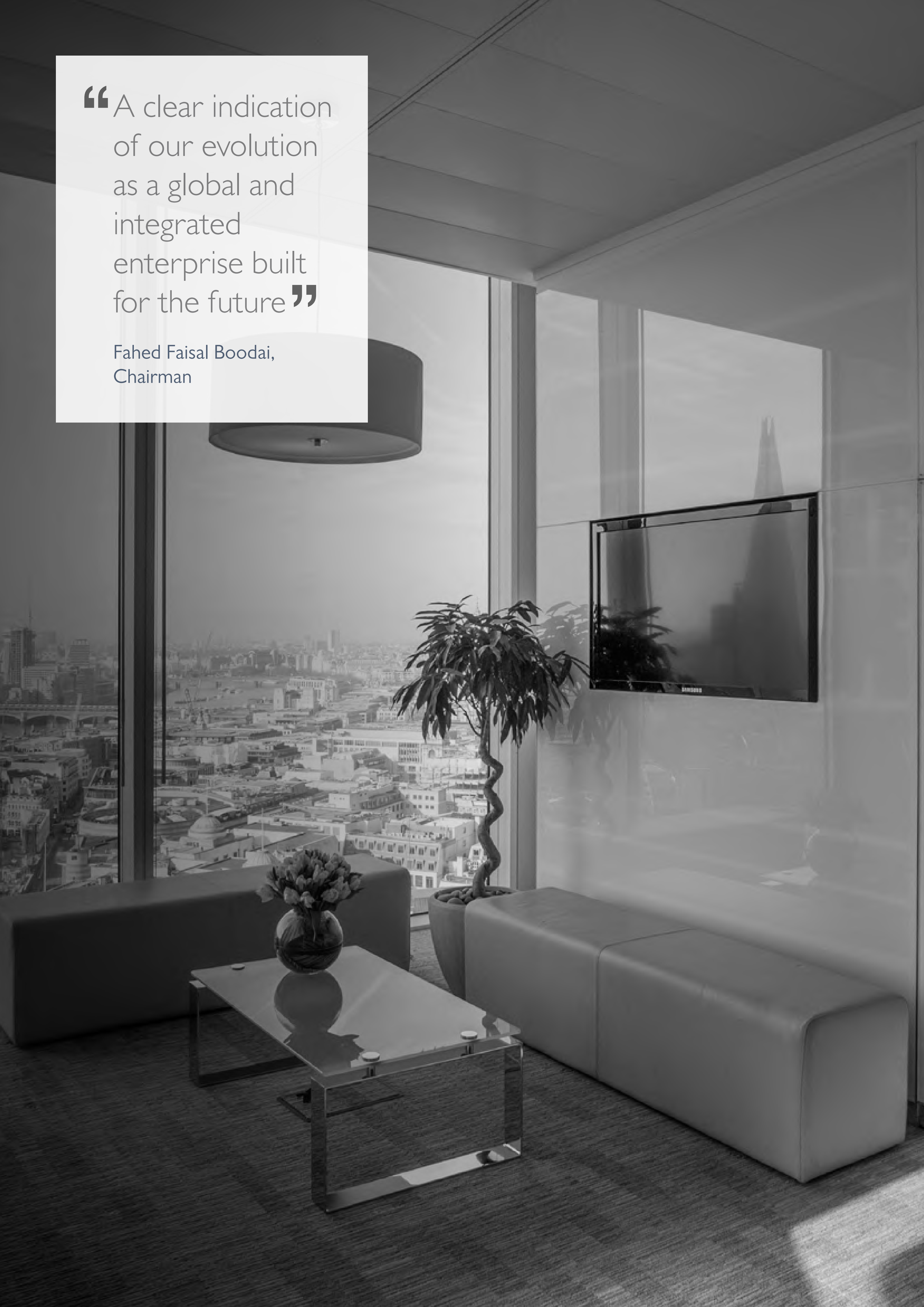
The CEO Statement provides a more detailed operational and financial review of 2014 but I am also going to acknowledge some noteworthy achievements. The Bank exited nine real estate investments in 2014, all profitable, allowing us to recycle circa £180m of equity to our clients. This is a vital contribution to the strength of the Bank's franchise. I am further pleased with the recent launch on 5 March 2015 of the Bank's retail deposit platform, Milestone Savings, a key enabler for the Bank to grow the balance sheet so as to provide financing opportunities.

I remain increasingly confident that the Bank has all the right features in becoming the leading global Shariah-compliant investment bank that we aspire to reach. 2015 will be a determining year for us and I am convinced that we will reach new milestones this year, if only from the commitment and dedication of all stakeholders.

We will not achieve the success that we aspire without the strategic support of our shareholders. It therefore gives me great pleasure in welcoming Columbia Threadneedle Investments as a new shareholder of the Bank. Columbia Threadneedle Investments has a long and established track record in providing investment management to a global client base and I cannot emphasise enough the significance of this new strategic partnership that we have formed. I am also very thankful and fortunate to be Chairman of a very supportive and dedicated board of directors who have worked spiritedly in contributing to the positive changes that we have seen in the last three years. On an equal note, I also extend my thanks to all the staff of the Bank and I welcome the staff of Gatehouse Capital as we unite in forming the extended Gatehouse Group.

Fahed Faisal Boodai
Chairman

16 April 2015



> “A clear indication of our evolution as a global and integrated enterprise built for the future”

Fahed Faisal Boodai,
Chairman

Chief Executive Officer's Statement

I would like to thank the Chairman, the Board and the Executive Management for their full support and guidance from the start of my tenure as Chief Executive Officer in 2014 and for their ongoing dedication as we execute the 2015 strategy and business plan.

Overview

As outlined in the Chairman's Statement, we continued to grow the revenue of the Bank from £12.9m to £15.5m whilst at the same time making significant steps to build out the structures, governance and resources that we need to fulfil the Bank's longer-term ambitions. The Bank's profit after tax was £4.1m, up slightly over previous year's figure of £4.0m. Total assets of the Bank increased from £224m to £264m.

Organisational Oversight

An early focus in my new role was to enhance the oversight and control across the organisation and reinforce our commitment to sound governance. To this end, we made a number of key appointments to executive management roles: Chris Combs, Head of Product Development and Distribution, has focused on defining our placement strategy in close co-ordination with the investment teams, as well as segmenting the market, improving investment offering materials and client reporting in coordination with Gatehouse Capital; Art Rogers, General Counsel, has strengthened the legal framework supporting our strategic initiatives and provided valuable oversight; Varadarajan Viswanathan, Head of Compliance and Operational Risk, has been instrumental in addressing Compliance issues facing the Bank and will be adding resources during the course of 2015 to strengthen his team in conjunction with the CFO; and David Swan was selected as Head of Real Estate Investment and started in early January 2015. As the Bank's operations expand and become more complex, these appointments are a clear statement of intent to regulators and strategic partners alike.

Real Estate Investment

Real Estate Investment continues to be a key driver of profitability. One significant completion during the year was the Sigma Private Rented Sector (PRS) transaction in November. Sigma is the type of transaction that we have appetite for: it differentiates us from the competition, enhances our franchise and positions Gatehouse as a pioneer in emerging asset classes. This investment also serves a social need as it addresses the massive housing shortage prevalent throughout the United Kingdom today. In the United States, the Bank sponsored the acquisition of a hotel in mid-town Manhattan and the aggregation of a diversified portfolio of single-family homes across multiple markets. The investment activity sought to maximise returns for clients, while providing for their current income needs.

2014 also saw the exit of the Rolls Royce, Watkin Jones, Debenhams and BT West Bromwich portfolios and returns for all of these investments exceeded underwritten returns. These exits bring considerable merit and intangible value enhancement to the franchise of the Bank. The ability to complete a full investment cycle and exceed the expected returns of the investors is critical to the franchise.

We have a solid and enviable platform and operating model, and are extending our capabilities which should allow us to build on our reputation in this space. As mentioned above, David Swan joined recently as Head of Real Estate Investment and will drive performance in this core area of the business.

Real Estate Financing

Diversifying our revenue stream is vital to the long-term health of the business through market cycles. This has been a key driver to the development of the Real Estate Finance function, which has built out the financing portfolio through the year, with commitments increasing steadily to reach a total of £44m at year end. Of those opportunities that we are pursuing, most are introduced directly by the equity sponsor and are in a range of real estate asset classes, with the average value of financing sitting at £10-£20 million. Around half of the opportunities are in London and the remainder in the broader UK market or Continental Europe.

Business Development

It is clear that Gatehouse has a significant opportunity to penetrate further into the high net worth, family office and certain institutional markets in the GCC region with its current product offering. I am working with Chris Combs, Head of Distribution and Product Development, to implement strategic and operational initiatives designed to improve our ability to structure products for our existing client base and to penetrate new markets.

Today, significant placement volumes come from Kuwait, but the Bank is focused on expanding the distribution platform into KSA, UAE, Oman, Qatar and Bahrain, as well as into South East Asia. The Bank will continue to address the European market, although this remains less of a focus.

With regard to product development, the Bank believes that it can evolve its product offering over time to attract more institutional clients. Institutional funds diversify the client-base, increase AUM, and provide a more stable revenue and capital stream.

Wealth Management

At the moment, Wealth Management complements our other lines of business and this is reflected in the 2015 business model. Significant investment has been made by the Bank into the various platforms, infrastructure and the Client Investment Office in Mayfair to galvanise this business line. Given our brand positioning, there is scope to build out our Wealth Management presence. In 2015, the Bank will seek to build upon its existing platform by introducing new Wealth Management products and services to clients.

Diversifying into Retail Deposits

At the end of 2014, we also prepared the launch of Milestone Savings, which offers an online only Shariah-compliant savings proposition to UK retail customers with between £10,000 and £1,000,000 to deposit. Milestone offers a range of terms at competitive rates of return to challenge in the fixed-term deposit and national savings space in the UK.

Chief Executive Officer's Statement (cont.)

Business Strategy for 2015

The creation of the new holding company referred to in the Chairman's Statement and streamlining the corporate structure with the planned full acquisition of the Bank's affiliate Gatehouse Capital are the first steps in a transition towards a robust corporate footprint. We will continue to look at ways of maximising operational efficiencies across the business. There is a wealth of specialist expertise available to the Bank across the jurisdictions in which we operate, and improved collaboration will allow us to bring the most appropriate skills and experience to bear on delivering both our strategic objectives and excellence for our clients.

We also need to ensure that the appropriate regulatory framework and corporate structure are in place to allow us to grow the business in the jurisdictions where we operate. In each of our markets, we are evaluating our business relative to local regulatory standards and we are putting in place infrastructure to ensure that our business is carried out in line with local regulation.

The Bank is well positioned in 2015 to offer clients a range of real estate investment opportunities in the United Kingdom, the United States, and now Europe. With the hiring of David Swan, we now have the capability and expertise to make real estate investments in European markets, a key market for many of our clients. We will continue to look for ways to diversify our product offering during the year, while ensuring that any new product offering reflects a combination of our capabilities and demand from our clients.

As we broaden the geographical base of the Bank, we are also implementing a number of initiatives to diversify our shareholder base on a strategic basis to reflect the broader reach of the business and support expansion of both our product development and distribution capability.

For 2015 and beyond, there are significant opportunities for us to increase market penetration in the Middle East and Asia with continuing demand for sophisticated Shariah-compliant investment solutions, allowing us to sit at the forefront of Shariah-compliant investment banking as a recognised expert and leader in the field.

Henry Thompson
Chief Executive Officer

16 April 2015

"An early focus in my new role was to enhance the oversight and control across the organisation and reinforce our commitment to sound governance"

Henry Thompson, CEO

Corporate Governance Report

This report explains how Gatehouse Bank plc has applied the principles of corporate governance and best practice in ensuring that it meets the requirements of the UK Corporate Governance Code.

THE BOARD OF DIRECTORS (the "Board")

Fahed Faisal Boodai, Chairman
Mr Boodai is the Chairman of Gatehouse Bank plc, London UK. He is also the founder, Chairman and Chief Executive Officer of Gatehouse Capital. With more than 18 years of extensive experience and realised track record within the global real-estate market, he has presided over US $3.5 billion real estate acquisitions and exits in asset classes ranging from core real estate holdings to student accommodation and medical facilities, including the UK headquarters for Procter & Gamble, Rolls Royce and Intercontinental Hotels. Mr Boodai was listed in the "40 under 40" feature for US magazine "Real Estate Forum", a list of globally recognised real estate investors.

Mr Boodai received his M.B.A from Loyola Marymount University in Los Angeles, California and a BS in International Business from the University of San Diego and holds a number of board member positions across a range of global funds and US/European companies.

Non-Executive Directors

Oday Al Ibrahim, Vice Chairman
Mr Al Ibrahim has 30 years' experience in the Middle East and European financial markets. He currently holds the position of Director, Head of European Equity at the Kuwait Investment Authority ("KIA"). Mr Al Ibrahim has a number of senior level positions managing KIA European Equities Division, as well as investment activity on behalf of the Kuwait Investment Office in London. Mr Al Ibrahim also holds board memberships in Switzerland and London.

Mohamad Tawfik Al-Tahawy
Mr Al-Tahawy is Advisor to The Securities House K.S.C.C, Kuwait ("TSH") where he is responsible for overseeing the investment and finance functions and has held this position since 2011. Prior to this, Mr Al-Tahawy was the Assistant Managing Director, Corporate Finance at TSH. He joined TSH in 1998 and has served in various capacities, including financial control, internal audit and corporate finance, in addition to being an active member in all committees, including executive, investment, information systems and human resources. He supervised TSH's direct investments and assumed a key role in its strategic initiatives.

Prior to joining TSH, Mr Al-Tahawy worked for KPMG and Ernst & Young and has extensive accounting knowledge of a diversified set of activities including investment, finance, trading, contracting and manufacturing. Mr Al-Tahawy holds a Masters degree in Business Administration in addition to designations for Certified Public Accountant, Certified Valuation Analyst, Certified Internal Auditor, Certified Management Accountant and Certified Financial Manager.

Craig Friedman
Mr Friedman was appointed as a Non-Executive Director on 31st December 2013. Mr Friedman joins the Board after more than 20 years of investment banking and investing experience in the US commercial real estate market. Mr Friedman is the founder of Arch Street Capital Advisors, LLC, a full-service real estate advisory firm based in Greenwich, CT, US. Since 2003, Arch Street Capital Advisors has advised clients on more than $5 billion of acquisitions, dispositions and financings in the industrial, office, multifamily, residential condominium, student housing, single-family rental and health care sectors of the US real estate market. Prior to founding Arch Street Capital Advisors, Mr Friedman was an investment banker with the real estate investment banking group of Deutsche Bank, based in New York.

Fahed Faisal Boodai
Chairman

Oday Al Ibrahim
Vice Chairman

Mohamad Tawfik Al-Tahawy
Non-Executive Director

Craig Friedman
Non-Executive Director

Independent Non-Executive Directors ("Independent Directors")

Lord Matthew Carrington of Fulham, Deputy Chairman and Chairman of Remuneration and Nominations Committee

Lord Carrington is an experienced Non-Executive Director, with a strong track record of providing leadership and strategic thinking in areas such as finance and pensions as well as public relations. Lord Carrington is a former Member of Parliament and Chairman of the Treasury Select Committee, with particular experience in the Middle East. His previous role was Group Chief Executive of the Retail Motor Industry Federation, a major trade association for the motor industry. Lord Carrington holds a MSc Economics from the London Business School as well as a BSc in Physics from Imperial College London. In 2013, Lord Carrington was honoured with a Peerage in the House of Lords by Her Majesty The Queen.

Stephen Smith, Chairman of Business Strategy and Investment Committee

Mr Smith was appointed as an Independent Non-Executive Director on 13 June 2013. Mr Smith previously served as Chief Investment Officer at British Land Co. plc. Prior to British Land, Mr Smith served as Global Head of Asset Management at AXA Real Estate Investment Managers Ltd, where he was responsible for the asset management of a portfolio of more than €40 billion on behalf of Life Funds, listed property vehicles, unit linked and closed end funds. He has also served as Managing Director at Sun Life Properties for five years and brings with him substantial real estate industry expertise.

Jos Short, Chairman of Audit, Risk and Compliance Committee

Mr Short was appointed as an Independent Non-Executive Director and Chairman of the Audit, Risk and Compliance Committee on 29 May 2013. Mr Short has 30 years' experience in European investment banking and real-estate investment management and is currently Chairman of the Remuneration Committee and Non-Executive Director at Great Portland Estates. Mr Short previously held a Non-Executive Director position at Big Yellow. In 2008 Mr Short founded the company INTERNOS Global Investors, a Pan European property investment management business which now has €4.1bn under management across several asset classes and countries within Europe.

Executive Directors

Henry Thompson – Chief Executive Officer

Mr Thompson joined Gatehouse Bank plc as Chief Executive Officer on 8 April 2014. Mr Thompson worked previously with Arcapita Bank, a leading Shariah-compliant investment firm, for 17 years, where he was General Counsel and a senior member of management. Before joining Arcapita, Mr Thompson was an Attorney at Gibson, Dunn & Crutcher, an international law firm, where he was involved in international business transactions and regulatory matters. Mr Thompson holds dual US and British Citizenship. He graduated from Georgetown University, Washington D.C., in 1974, where he gained a B.S. in Foreign Service, and from Georgetown University Law Centre in 1989, where he gained a J.D. cum laude.

Twalha Dhunnoo - Chief Financial Officer

Mr Dhunnoo began his career at Gatehouse as Executive Vice President, Head of Finance, Operations & IT in September 2007 and played an instrumental role alongside the leadership team to develop the corporate business plan and implement the core banking system during its start-up phase and to manage the FSA authorisation process that led to Gatehouse Bank obtaining its banking licence in April 2008. Post authorisation, Mr Dhunnoo headed the Bank's Finance and Operations Department and also set- up the Bank's Customer Service function. Mr Dhunnoo worked closely with the Bank's primary shareholder and the Board in developing the Bank's business strategy and financial projections and the capital structuring that led to the Bank's capital increase in July 2011. Mr Dhunnoo previously held various roles in London at Ernst & Young, Mellon Bank and Deutsche Bank. Mr Dhunnoo graduated with an MA degree from Cambridge University, UK and is a member of the Institute of Chartered Accountants for England & Wales.

Lord Matthew Carrington
Deputy Chairman

Stephen Smith
Non-Executive Director

Jos Short
Non-Executive Director

Henry Thompson
Chief Executive Officer

Aboo Twalha Dhunnoo
Chief Financial Officer

Corporate Governance Report (cont.)

Compliance with the UK Corporate Governance Code

The Board of Gatehouse Bank plc considers that Gatehouse Bank plc has complied in all material respects with the principles set out in the 2012 UK Corporate Governance Code for the whole of the financial year ended 31 December 2014, except as noted in the 'Division of Responsibilities'.

LEADERSHIP

Role of the Board

The Board is responsible for the leadership, strategic direction, prudential control and long-term performance of the Bank. It does so by applying an internal system of corporate governance as described in this statement.

The Board has a schedule of matters reserved to the Board for decision. These include the adoption of strategic or business plans, major transactions, investment strategy, major treasury or financial decisions, significant borrowing, capital structure, issuance of equity or debt securities and approval of the annual report and financial statements. The Board's agenda is determined against a pre-planned template to ensure than in addition to day-to-day matters, all relevant issues come to the Board for review at appropriate intervals. In 2014, there were four regular, and three ad hoc Board meetings.

Division of Responsibilities

CEO Interim Arrangements - Following the resignation of Mr Richard Thomas as Chief Executive Officer on 4 April 2013, the Board documented and approved a set of interim arrangements to ensure the principle of "four-eyes" was in place at all times.

Mr Boodai agreed to become the Acting Chief Executive Officer for the interim period, which was approved by the Prudential Regulation Authority and Lord Carrington, the independent Deputy Chairman, agreed to take on the role as Chairperson of all Board meetings. This ensured the Bank continued to have a clear divide between the responsibilities of running of the board, and that of running the Bank's business.

The permanent Chief Executive Officer, Mr Henry Thompson joined on 8 April 2014 and Mr Boodai reverted to the role of Chairman and the formal division of responsibilities between the Chairman and Chief Executive Officer resumed.

Composition of the Board

As at 31 December 2014, the Board comprised nine Directors; three Independent Non-Executive Directors, four Non-Executive Directors and two Executive Directors.

The Board is sufficient in size and diversity to reflect a broad range of views, whilst allowing all Directors to participate effectively.

Independence of Directors

Gatehouse Bank plc has chosen its Independent Directors on the basis of the experience and skill sets that they contribute to the Board. These factors are considered alongside the provisions of the UK Corporate Governance Code which helps determine whether the director is independent in character and judgement and if there are any relationships or circumstances that could affect his or her judgement.

The Board considers Matthew Carrington, Stephen Smith and Jos Short to be independent within the meaning of the UK Corporate Governance Code. None of these Directors has any executive or other role or relationship with the Bank's management or counterparties that would affect their objectivity and all have proven to be independent in character and judgement.

Approved conflicts of interest policy

It is a fundamental requirement for good business practice that all potential conflicts of interest are identified promptly and properly managed.

The Bank takes all reasonable steps to identify conflicts of interest between:

- Itself, its shareholders and subsidiaries and associates of its shareholders; and
- Itself, including its directors, managers, employees, or any person directly or indirectly linked to Gatehouse Bank plc by control.

The identification and management of these conflicts have been approved by the Bank's Board. The Bank's Compliance department is responsible for keeping and regularly updating a record of the kinds of service or activities carried out by or on behalf of Gatehouse Bank plc in which a conflict of interest entailing a material risk of damage to the interests of Gatehouse or one or more of its clients has arisen or, in the case of an ongoing service or activity, may arise.

Training and Professional Development

All Directors are expected to make an informed contribution. Upon their appointments, new Directors receive a detailed induction programme which includes: an introduction to the Board and overview of the Bank; its strategy and key risks; operational structures; main business activities and materials and presentations from executives responsible for key areas of the business.

The Board receives training via online, group and one on one sessions throughout the year to address current business or emerging issues which, in 2014, included Board Effectiveness and Significant Influence Function responsibilities, Risk Management and Regulatory Requirements.

Information and Support

The Company Secretary is responsible for ensuring the Directors receive adequate information for Board meetings at least seven days in advance and for facilitating communication flow between the Board and management. Senior management provides to the Board all information necessary to enable the Board to perform its duties; that information is provided principally in regular reports covering key performance indicators and in comprehensive meeting papers. Further information is obtained by the Board from the Executive Directors and from other senior executives of the Bank upon request.

All Directors have access to the services of the Company Secretary. In addition, the Bank provides access, at its expense, to the services of independent professional advisers in order to assist Directors in their role, especially Non-Executive Directors, wherever this is deemed necessary.

The Bank also provides insurance cover and indemnities for all Directors and Officers.

Evaluation

The Board regularly undertakes an evaluation of its own performance and that of its committees. This includes a self-appraisal of the terms of references of the Board and its committees. A review of the governance structure was conducted in May 2014, which concluded in amendments to Committee memberships. Further changes were made to the management committee structure to streamline approval processes and Board reporting.

Appointment,

The appointment of Directors is considered by the Remuneration and Nominations Committee and approved by the Board.

The time commitment expected of the Non-Executive Directors is stated in the job specification and individual letters of appointment.

Election and Re-Election of Directors

Following the provisions in the Articles of Association, all Directors who have been appointed by the Board must stand for re-election at the first Annual General Meeting following their appointment and, subsequently every three years. All Directors proposed for election or re-election at the 2014 Annual General Meeting were approved.

AUTHORITY AND DELEGATION

The Board is responsible for ensuring the maintenance of proper accounting records which disclose with reasonable accuracy the financial position of the Bank. It is required to ensure that the financial statements present a fair view for each financial period.

Board Authority

The Board has delegated authority to the Remuneration and Nominations Committee, Audit, Risk and Compliance Committee and Business Strategy and Investment Committee in accordance with corporate governance best practice. The committee structure for the Bank has been developed to encourage the efficient and transparent flow of information and decision-making within the organisation.

Delegated Executive Authority

The Board has delegated to the Chief Executive Officer and to the Executive Committee (comprising both Executive Directors and other senior executives) authority to execute Board strategy and to manage the Bank on a day to day basis, including approval of financial commitments below the levels requiring Board approval.

Role of the Board Committees

One of the specific duties of the Board was the establishment of committees of the Board and the creation of the terms of reference setting out the delegation of powers and authority to these committees. The Board has delegated specific powers and authority to the following committees as set out in their respective terms of reference:

- Audit, Risk and Compliance Committee ("ARCC") – The ARCC has a key role in managing relationships with external parties, including the Prudential Regulation Authority and Financial Conduct Authority and the external auditors, specifically with regard to financial reporting, internal controls and risk management systems, whistle blowing, internal audit and external audit.
- Remuneration and Nominations Committee ("RNC") - The primary role of the Remuneration and Nominations Committee is to set the policies and structure of the remuneration for Executive Directors and senior executives and management in the Bank. The Committee is chaired by an independent non-executive director, currently Matthew Carrington. Directors affected by decisions of this committee will not be present and are therefore unable to influence outcomes.
- Business Strategy and Investment Committee ("BSIC") – The primary role of this committee centres on the development of Gatehouse's strategic plan including identifying business opportunities in line with strategic objectives, tracking progress on existing business plans, evaluating opportunities and reporting back to the Board with recommended strategies. The Committee meets annually in December to set the strategy for the following year, and all Directors are invited to attend to ensure full Board participation. It also meets throughout the year, as and when necessary, to approve specific transactions, or receive updates on key initiatives.

Each Committee compromises Independent Directors and Non-Executive Directors and is chaired by an experienced Chairman.

In respect of the acquisition of Gatehouse Capital (Project Globe), an independent committee of the Board of Directors was established by the Board to provide oversight of the transaction. This Committee comprises all three independent non-executive directors.

All Committee chairs report to the Board on the activities of the committee at each Board meeting.

RISK MANAGEMENT AND INTERNAL CONTROL

In compliance with the provisions of the UK Corporate Governance Code, the Board regularly reviews the effectiveness of the Group's risk management and internal control systems. The Bank is committed to the ongoing sustainability of its business lines and has established a comprehensive corporate governance and risk management framework to ensure that the risks faced by the Bank are managed prudently.

The Board's monitoring covers all material controls, including financial, operational and compliance controls and is based principally on reviewing reports from internal audit and from management to consider whether significant risks are identified, evaluated, managed and controlled and whether any significant weaknesses are promptly remedied and indicate a need for more extensive monitoring.

The Board has delegated this to the ARCC to ensure independent oversight. The ARCC is responsible for:

- ensuring that appropriate risk mitigation is in place;
- ensuring the Bank's control environment is commensurate to its needs and based upon the strategy adopted by the Bank's Board; and
- ensuring that appropriate actions are taken with regard to the various internal and external audits and reviews that are undertaken.

Further disclosures on Risk Management are provided in Note 33 to the financial statements.

REMUNERATION

Further disclosures on Director's remuneration are provided in Note 5 to the financial statements.

RELATIONS WITH SHAREHOLDERS

The Bank is committed to ongoing dialogue with its shareholders. The Chief Financial Officer is responsible for coordinating the communication of half and full year financial result announcements.

The Chairman attends a number of meetings to discuss the Bank's strategic direction and the Board is kept advised of the views of shareholders by means of regular updates at Board meetings. The membership of Mr Boodai, Mr Al-Tahawy and Mr Al Ibrahim on the Board ensures the view of the majority shareholders are shared with the Board. All Directors are afforded opportunities to meet with shareholders and the Independent Directors are encouraged to meet with all shareholders to ensure their views are represented at the Board.

Constructive use of AGM

The Annual General Meeting provides an opportunity for the shareholders to meet the Directors. Shareholders are invited to attend and to raise any questions either in advance or at the meeting.


GATEHOUSE BANK

Strategic Report

Cautionary Statement

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 which incorporates the Chairman's statement and Chief Executive Officer's statement 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 strategic report discusses the following areas:

- The business model
- Financial results
- Future developments
- Strategy and objectives
- Principal risks and uncertainties
- Corporate social responsibility
- Going concern basis

The Business Model

Gatehouse Bank plc is a Wholesale Shariah-compliant Investment bank based in the city of London, authorised by the Prudential Regulation Authority (PRA) and regulated by the Financial Conduct Authority (FCA) and the PRA. As at 31 December 2014, the Bank had an interest of 49% in Gatehouse Capital, an investment advisory firm incorporated in Kuwait. The Bank also has a presence in the South East Asia region through a Representative Office in Malaysia.

The Bank aims to be a leader in the Islamic Finance sector by striving to secure the long term preservation of wealth for the shareholders and for the institutional and high net-worth clients. The Bank achieves this by providing real estate investment and financing solutions, fixed income products, treasury products and services and superior customer service.

Financial Results

The financial statements for the year ended 31 December 2014 are shown on pages 33 to 66. The profit before tax for the year amounted to £4,131,755 (2013; £4,032,479). The Chief Executive Officer's and Chairman's statements provide a review of business over the reporting period and highlight all relevant key performance indicators of the Bank.

Future Developments

Group Restructure

In December 2014, the Bank carried out a full review of its operation, capabilities, market and competitive environment and its regulatory framework. As part of this review the Board recommended that the shareholders establish a new holding company, Gatehouse Financial Group Limited which will hold the shareholders current investment in the Bank as well as future planned investment for organic growth. The application envisages that Gatehouse Financial Group Limited will own Gatehouse Bank and other companies (jointly referred to as the "Gatehouse Group") and was established on 5 March 2015 and on 6 March 2015 applied to the PRA to become the 100% controller of the Bank. The aim of the Group will be to focus on two core businesses: (i) origination, advisory and realisation of investments and (ii) third party financing secured against real estate properties. The Bank believes that the proposed reorganisation will substantially improve the corporate and operational structure of the Gatehouse Group allowing it to execute its business strategy and benefit its shareholders and other stakeholders.

Strategy and Objectives

During 2014, the Bank business lines can be described as follows:

Real Estate Investments

The Real Estate Investments team specialises in sourcing, structuring, and delivering high quality, long lease real estate investment opportunities sourced from the UK. Access to specialised US advisors facilitates access to US Real Estate origination capabilities.

Real Estate Finance

The Real Estate Finance team originate, syndicate and participate in secured and first-ranking Shariah-compliant financing to real-estate owning corporates.

Product Development and Distribution

The Product Development and Distribution team is responsible for distribution of the Bank's investment products across the different segments within its investor base. Care is taken to ensure that clients are shown investment opportunities appropriate to their own risk tolerance and investment strategies. The professionals within the team provide thoughtful and customised investment solutions to clients with the objective of securing long-term relationships between Gatehouse and the client.

Wealth Management

The Wealth Management department is responsible for supporting the core business activities of the Bank by developing products and services which enhance Gatehouse's long-term relationships with its High Net Worth Individuals (HNWIs) and Family Office clients. The team achieves this by providing simple yet professional Wealth Management products and services in demand by clients and by delivering an excellent customer service experience.

Treasury

The Treasury team's primary function is to ensure that the balance sheet remains robust and profitable through prudent and efficient management of liquidity by using the short and medium term money markets, retail deposit products and FX. They also ensure

Strategic Report (cont.)

that the Bank maintains liquidity in accordance with its internal and regulatory requirements. They manage investments in fixed income sukuk and listed equities.

Principal Risks and Uncertainties

The Bank's principal risks and uncertainties have been highlighted and discussed in detail in Note 33.

Corporate Social Responsibility

Gatehouse fulfils its corporate and social responsibilities through an ethical approach in support of a range of not-for-profit organisations. Corporate social responsibility is viewed as an integral component of the Bank's corporate governance framework.

Corporate Responsibility

Gatehouse's business objectives and operations are conducted in a manner that calls for fair dealing with business partners, customers and employees and a sense of corporate responsibility in all business dealings. This approach dovetails with the requirements of Shariah principles, which underpin the Bank's operations and form the basis of its product offering.

Social Responsibility

Gatehouse also believes in the importance of supporting a range of not-for-profit endeavours. Gatehouse aims to work with organisations in the local community with a focus on education and social welfare in order to create sustainable and long-term social enhancements. In this regard and given our Shariah construct, Gatehouse has opportunity to provide training and guidance on Shariah principles and Islamic finance.

During 2014, Gatehouse Bank continued to work in partnership with Mosaic, a charity founded by HRH The Prince of Wales, to supply mentors on a voluntary basis to work with pupils at local schools. The Bank's employees are encouraged to invest time to support children from local communities.

Sustainability

Gatehouse encourages all staff to operate in a sustainable manner and we aim to minimise any harmful effects on the environment.

This culture is supported via staff policies and procedures.

The Bank's offices feature motion sensitive lighting to reduce the amount of excess power.

Going Concern

As at the date of signing this report and after making all reasonable and appropriate enquiries and taking into account the Bank's regulatory capital and liquidity, its forecasts and 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 2 to the financial statements.

Approval

This report was approved by the Board of Directors on 31 March 2015 and signed on its behalf by:

Aboo Twalha Dhunoo
Director

16 April 2015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Shariah Supervisory 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 (the "Bank"), we, the Shariah Supervisory Board (the "SSB"), are required to submit the following report of Shariah compliance to you.

We have reviewed all material transaction documents that the Bank has entered into. These include agreements signed with third parties for the purpose of obtaining their services in order to facilitate the proper operation of the Bank. This report relates to the period from 1 January 2014 to 31 December 2014.

We have conducted overall review 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.

Management is responsible for ensuring that the Bank conducts its business in accordance with Islamic Shariah rules and principles. It is our responsibility to form an independent opinion 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 compliance and carried out its role in directing the Bank to comply with Islamic Shariah principles and the SSB's Shariah pronouncements.

Bank's Contracts

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

Shariah Audit

The SSB has carried out regular Shariah Audit of the Bank's business activities for the period from 1 January 2014 to 31 December 2014. The Shariah audit included (i) a review of all transaction documents executed by various departments of the Bank; and (ii) an audit of all business related expenses incurred by employees of the Bank. The SSB identified some minor discrepancies in its findings in relation to business expenses, which the Bank has addressed through further internal controls and systems. In all material respects, the SSB found all matters of the Bank to be in compliance with the principles of Shariah and thanks the management of the Bank for adhering to the principles of Shariah.

Balance Sheet

The SSB has perused the Bank's Balance Sheet, the attached statements therewith and notes complementary thereto. The SSB indicates that the Balance Sheet is within limits of information presented by the Bank's management representing the Bank's Assets and Liabilities.

Zakaat

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

Conclusions

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 assurance that the Bank has not breached the rules and principles of Islamic Shariah.

In our opinion, the contracts and agreements, transactions and dealings entered into by the Bank during the year ended 31 December 2014 are in compliance with the Islamic principles of Shariah.

16 April 2015

Members of the Shariah Supervisory Board

Mufti Muhammad Nurullah Shikder
Member of the SSB

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

Sheikh Dr Esam Khalaf Al Enezi
Member of the SSB

Directors' Report

The Directors present their annual report on the affairs of the Group, together with the financial statements and auditor's report, for the year ended 31 December 2014. The Corporate Governance Statement set out on pages 15 to 19 forms part of this report.

A holding company, Gatehouse Group Financial Limited, was incorporated on 5 March 2015 with the intention of owning 100% of the share capital of Gatehouse Bank plc subject to regulatory approval. There are no other significant events since the balance sheet date affecting the financial statements. An indication of likely future developments in the business of the company are included in the Strategic Report on pages 21 and 22.

Information about the use of financial instruments by the company and its subsidiaries is given in note 2 to the financial statements.

Dividend

No dividends were paid during the year (2013: £nil). The Directors do not recommend a final dividend on ordinary shares to be paid in respect of the year (2013: £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 7. Of the Directors who held office at the end of the financial year, Fahed Boodai has a beneficial interest in 100 ordinary shares of the Bank. All the directors served for the entire year with the exception of the CEO who was appointed on 8 April 2014.

Directors' Indemnities

The Bank has made qualifying third party indemnity provisions for the benefit of its Directors that were made 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

The Bank made no political contributions (2013: £nil) and £nil (2013: £50,750) of charitable donations during the year. The Board has agreed to purify an additional £5,070 through charitable donations in 2015.

Zakaat

The Bank calculates the Zakaat on behalf of its shareholders according to the Shariah rules approved by the Shariah Supervisory Board. Zakaat calculated for the year ended 31 December 2014 is 0.0172 pence per ordinary share of 1 pence each (2013: 0.0162 pence per ordinary share of 1 pence each). The responsibility for payment of Zakaat lies with the shareholders of the Bank and not the Bank itself.

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 ought to have taken as a Director to make himself 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.

Aboo Twalha Dhunoo
Director

16 April 2015


GATEHOUSE BANK

Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and 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 Group and Parent 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 Parent company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent company and enable them to ensure that 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 Parent 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 profit of the Bank and the undertakings included in the consolidation taken as a whole; and
- 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

Aboo Twalha Dhunnoo
Chief Financial Officer

16 April 2015

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

We have audited the financial statements of Gatehouse Bank plc ("the company") for the year ended 31 December 2014 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Financial Position, the Consolidated and Company Statements of Cash Flows, the Consolidated and Company Statements of Changes in Equity and the related notes 1 to 33. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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.

Respective responsibilities of Directors and auditor

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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

<u>In our opinion:</u>

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2014 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion 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.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept 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; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

R J Topley

Robert Topley (Senior statutory auditor)
For and on behalf of Deloitte LLP

Chartered Accountants and Statutory Auditor

London, United Kingdom

16 April 2015

Consolidated Income Statement

	Notes	Year ended 31 Dec 2014 £	Year ended 31 Dec 2013 £
Income			
Income from investment and financing activities	3	7,665,449	6,537,131
Financing charges to financial institutions and customers		(1,422,794)	(725,029)
Fees and commission income		4,678,797	2,813,311
Fees and commission expense		(890,106)	(305,270)
Foreign exchange (losses)/gains	4	(215,541)	517,557
Realised gains on investments		5,182,749	3,642,171
Net Ijara profit		365,777	93,987
Other income		90,727	335,397
Total operating income		**15,455,058**	**12,909,255**
Expenses			
Staff costs	5	(6,961,504)	(4,857,664)
Depreciation and amortisation	19 & 20	(596,867)	(258,289)
Other operating expenses	6	(4,835,909)	(4,191,708)
Total operating expenses		**(12,394,280)**	**(9,307,661)**
Operating profit		**3,060,778**	**3,601,594**
Share of profit of associate		1,918,604	1,017,594
Impairment losses	7	(847,627)	(586,709)
Profit before tax	8	**4,131,755**	**4,032,479**
Tax	9	(52,223)	-
Profit for the year from continuing operations		**4,079,532**	**4,032,479**

Other Comprehensive Income

		Year ended 31 Dec 2014 £	Year ended 31 Dec 2013 £
Profit for the year from continuing operations		**4,079,532**	**4,032,479**
Gain/(loss) on available-for-sale investments		1,016,707	(2,032,940)
Foreign currency gains/(losses) from investment in associate		254,117	(285,168)
Other comprehensive profit/(loss) for the year		**1,270,824**	**(2,318,108)**
Comprehensive profit for the year		**5,350,356**	**1,714,371**
Earnings per share from continuing operations			
Basic	10	0.03 pence	0.03 pence
Diluted	10	0.02 pence	0.02 pence

Notes 1 to 33 form an integral part of the financial statements.

Consolidated Statement of Financial Position

	Notes	31 Dec 2014 £	31 Dec 2013 £
Assets			
Cash and balances with banks		18,181,711	13,082,623
Due from financial institutions	12	77,218,549	79,627,205
Financing arrangements	13	63,809,116	35,690,704
Investment securities	14	58,142,731	57,781,626
Investment in associate	15	18,620,948	10,756,207
Ijara receivable	16	9,867,959	9,756,679
Derivative financial instruments	18	155,920	41,898
Intangible assets	19	556,710	251,022
Property, Plant and Equipment	20	14,223,480	14,203,881
Other assets	21	2,764,216	2,946,559
Total assets		**263,541,340**	**224,138,404**
Liabilities			
Due to financial institutions	22	129,504,983	96,536,391
Due to customers	23	2,636,732	2,760,388
Ijara payable	16	3,006,546	2,956,679
Other liabilities	24	2,870,954	2,728,723
Derivative financial instruments	18	24,086	-
Total liabilities		**138,043,301**	**104,982,181**
Net assets		**125,498,039**	**119,156,223**
Shareholders' equity			
Share capital	29	158,000,001	158,000,001
Own shares	30	(7,950,700)	(8,942,160)
Foreign currency translation reserve		(31,050)	(285,167)
Available-for-sale reserve		(378,733)	(1,395,440)
Retained deficits		(24,141,479)	(28,221,011)
Equity attributable to the Bank's equity holders and total equity		**125,498,039**	**119,156,223**

Notes 1 to 33 form an integral part of the financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on the 31 March 2015. They were signed on its behalf by:

Henry Thompson
Chief Executive Officer

Aboo Twalha Dhunnoo
Chief Financial Officer

Consolidated Statement of Changes in Equity

	Share capital	Own Shares	Available-for-Sale reserve	Foreign currency translation reserve	Retained deficit	Total
	£	£	£	£	£	£
Balance at 1 January 2013	158,000,001	(8,942,160)	637,500	-	(32,253,490)	**117,441,851**
Unrealised loss on available-for-sale investments	-	-	(2,032,940)	-	-	**(2,032,940)**
Foreign currency loss from associate investments	-	-	-	(285,167)	-	**(285,167)**
Profit for the year	-	-	-	-	4,032,479	**4,032,479**
Balance at 31 December 2013	**158,000,001**	**(8,942,160)**	**(1,395,440)**	**(285,167)**	**(28,221,011)**	**119,156,223**
Balance at 1 January 2014	158,000,001	(8,942,160)	(1,395,440)	(285,167)	(28,221,011)	**119,156,223**
Movement during the year	-	991,460	-	-	-	**991,460**
Unrealised gain on available-for-sale investments			1,016,707	-	-	**1,016,707**
Foreign currency gain from associate investments	-	-	-	254,117	-	**254,117**
Profit for the year	-	-	-	-	4,079,532	**4,079,532**
Balance at 31 December 2014	**158,000,001**	**(7,950,700)**	**(378,733)**	**(31,050)**	**(24,141,479)**	**125,498,039**

Consolidated Statement of Cash Flows

	Year ended 31 Dec 2014 £	Year ended 31 Dec 2013 £
Cash flows from operating activities		
Operating profit on ordinary activities after tax	4,079,532	4,032,479
Adjusted for:		
Impairment of investments	847,627	586,709
Share of operating profit of associate	(1,918,604)	(1,017,594)
Fair value movement in derivative financial instruments	(89,936)	83,261
Depreciation and amortisation	596,867	258,289
Taxation	52,223	-
Realised gains on investments	(5,182,749)	(3,642,171)
Income from investment and financing activities	(7,440,219)	(5,954,990)
Returns to financial institutions and customers	1,422,794	725,029
Net decrease/(increase) in other assets	164,660	(22,348)
Net increase/(decrease) in other liabilities	144,019	(194,450)
Net cash outflow from operating activities	**(7,323,786)**	**(5,145,786)**
Cash flow from investing activities		
Net (increase)/decrease in financial assets:		
Investment securities	4,990,723	(880,860)
Investment in associate	(5,732,572)	(574,195)
Financing arrangements	(27,775,662)	(1,963,634)
Due from financial institutions	2,263,350	(8,035,998)
Ijara	59,306	102,216
Amounts paid to sukuk holders	-	(155,250)
Income from investment and financing activities	5,709,780	3,440,610
Dividends received	2,415,060	2,986,724
Purchase of property, plant and equipment	(536,812)	(13,700,878)
Purchase of intangible assets	(385,340)	(206,480)
Net cash outflow from investing activities	**(18,992,167)**	**(18,987,745)**
Cash flows from financing activities		
Proceeds from financing arrangements	32,674,914	24,432,409
Profit paid in respect of financing arrangements	(1,259,873)	(703,700)
Net cash inflow from financing activities	**31,415,041**	**23,728,709**
Net inflow/(outflow) in cash and cash equivalents	**5,099,088**	**(404,822)**
Cash and cash equivalents at the beginning of the year	13,082,623	13,487,445
Cash and cash equivalents at the end of the year	**18,181,711**	**13,082,623**

Company Statement of Financial Position

	Notes	31 Dec 2014	31 Dec 2013
		£	£
Assets			
Cash and balances with banks		17,850,825	12,929,014
Due from financial institutions	12	77,218,549	79,627,205
Financing arrangements	13	70,952,925	42,868,814
Investment securities	14	65,042,731	64,681,626
Investment in associate	15	16,752,100	11,307,937
Investment in subsidiaries	16	5,338,200	5,338,200
Derivative financial instruments	18	155,920	41,898
Intangible assets	19	556,710	251,022
Plant and equipment	20	2,117,027	1,987,370
Other assets	21	2,579,928	2,709,984
Total assets		**258,564,915**	**221,743,070**
Liabilities			
Due to financial institutions	22	129,490,728	96,529,237
Due to customers	23	2,636,732	2,760,388
Other liabilities	24	2,781,673	2,679,477
Derivative financial instruments	18	24,086	-
Total liabilities		**134,933,219**	**101,969,102**
Net Assets		**123,631,696**	**119,773,968**
Shareholders' Equity			
Share capital	29	158,000,001	158,000,001
Own shares	30	(7,950,700)	(7,950,700)
Available-for-sale reserve		(378,733)	(1,395,439)
Retained deficits		(26,038,872)	(28,879,894)
Equity attributable to the Bank's equity holders and total equity		**123,631,696**	**119,773,968**

Notes 1 to 33 form an integral part of the financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on the 31 March 2015. They were signed on its behalf by:

Henry Thompson
Chief Executive Officer

Aboo Twalha Dhunnoo
Chief Financial Officer

Company Statement of Changes in Equity

	Share capital	Own Shares	Available-for- Sale Reserve	Retained deficit	Total
	£	£	£	£	£
Balance at 1 January 2013	158,000,001	(7,950,700)	637,500	(32,579,864)	**118,106,937**
Unrealised loss on un-quoted securities	-	-	(2,032,940)	-	**(2,032,940)**
Profit for the year (Note 11)	-	-	-	3,699,970	**3,699,970**
Balance at 31 December 2013	**158,000,001**	**(7,950,700)**	**(1,395,440)**	**(28,879,894)**	**119,773,967**
Balance at 1 January 2014	158,000,001	(7,950,700)	(1,395,440)	(28,879,894)	**119,773,967**
Unrealised gain on available-for-sale securities	-	-	1,016,707	-	**1,016,707**
Profit for the year (Note 11)	-	-	-	2,841,022	**2,841,022**
Balance at 31 December 2014	**158,000,001**	**(7,950,700)**	**(378,733)**	**(26,038,872)**	**123,631,696**

Company Statement of Cash Flows

	Year ended 31 Dec 2014 £	Year ended 31 Dec 2013 £
Cash flows from operating activities		
Operating profit on ordinary activities after tax	2,841,022	3,699,970
Adjusted for:		
Provision for impairment of investments	847,627	586,709
Fair value movement in derivative financial instruments	(89,936)	83,261
Depreciation and amortisation	486,809	258,289
Taxation	47,456	
Realised gains on investments	(5,182,749)	(3,642,170)
Dividends receivable	(2,463,439)	(2,986,724)
Income from investment and financing activities	(5,720,383)	(3,742,431)
Returns to financial institutions and customers	1,422,794	725,029
Net decrease in other assets	183,693	57,073
Net increase/(decrease) in other liabilities	54,739	(243,696)
Net cash outflow from operating activities	**(7,572,367)**	**(5,204,691)**
Cash flow from investing activities		
Net (increase)/decrease in financial assets:		
Investment securities	4,990,723	(6,219,060)
Investment in associate	(5,444,163)	(364,623)
Financing arrangements	(27,933,461)	(8,998,145)
Due from financial institutions	2,263,350	(8,035,998)
Income from investment and financing activities	5,709,780	3,440,610
Dividends received	2,415,060	2,986,724
Purchase of plant and equipment	(536,812)	(1,484,367)
Purchase of intangible assets	(385,340)	(206,480)
Net cash outflow from investing activities	**(18,920,863)**	**(18,881,339)**
Cash flows from financing activities		
Proceeds from financing arrangements	32,674,914	24,432,409
Profit paid in respect of financing arrangements	(1,259,873)	(703,700)
Net cash inflow from financing activities	**31,415,041**	**23,728,709**
Net inflow/(outflow) in cash and cash equivalents	**4,921,811**	**(357,321)**
Cash and cash equivalents at the beginning of the year	12,929,014	13,286,336
Cash and cash equivalents at the end of the year	**17,850,825**	**12,929,014**

Notes to the Consolidated Financial Statements

1. General Information

The Bank was incorporated as a public limited company in the United Kingdom 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 7.

The adoption of Standards and Interpretations issued by the International Accounting Standards Board (IASB), as adopted by the EU, that were effective for the current year has not had a material impact on the financial statements of the Company. At the date of authorisation of these financial statements, the following Standard has not been applied in these financial statements and was in issue but not yet effective:

Name of new Standards/amendments	Effective date
IFRS9: Financial Instruments	1 January 2018

The Directors are currently considering the potential impact of the adoption of the aforementioned new standard on the financial statements of the Bank. The Bank believes that the adoption in the future of the Standard above will not have a material impact on the amounts reported in these financial statements but will change the classification and measurement of certain of the Bank's financial instruments.

2. Basis of preparation and significant accounting policies

Going concern

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. All through 2014, the Bank operated comfortably within its regulatory capital and liquidity requirements.

In light of the above, the Directors continue to adopt the going concern basis in preparing the Annual Report and financial statements. The Bank's business activities, together with the factors likely to affect its future development, performance and position as well as the financial position of the Bank, its cash flows, liquidity position and borrowing facilities are described in this Annual Report and accounts. In addition, note 33 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.

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.

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

Basis of consolidation

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 into line with those used by the group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

The Company adopted IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities in 2012.

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.

Income from investment and financing activities

"Income from investment and financing activities" consists of profit derived from Shariah-compliant financing including Murabaha placements, participation in sukuk or syndicated financing transactions and equity holdings. 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.

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

Profit receivable on Murabaha placements and participation in sukuk or syndicated financing transactions is recognised as income on a time-apportionment basis over the period of the contract, based on the principal amounts outstanding.

Income received from equity holdings as distribution or dividends is recognised when Gatehouse's right to receive payment has been established.

Financing charges to financial institutions and customers

"Financing charges to financial institutions and customers" consists of profit payable from Shariah-compliant deposits including Murabaha deposits and Wakala arrangments. 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.

Fees and commissions

Fees and commissions are recognised on an accruals basis as the service is provided. 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.

Financial Assets and Liabilities

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 Group'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 Group's interest in that associate are not recognised.

Any excess of the cost of acquisition over the Group'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 recognised as goodwill. The goodwill is included within the carrying amount of the investment.

Ijara

The Bank accounts for the Ijara as a finance lease in accordance with IAS 17 and records the investment in the lease as the gross investment discounted at the rate implicit in the lease which at inception causes the aggregate present value of the mimimum lease payments to be equal to the sum of the fair value of the leased asset and any initial direct costs of the lessor.

The Bank recognises finance income and expense so as to reflect a constant periodic rate of return on its net investment in the finance lease.

Investment Securities

Investment securites includes investments as at fair value through profit and loss (FVTPL) and available-for-sale investments.

Participation in sukuk or equity investments where the Bank has an intention to sell-down so as to rebalance the portfolio of assets, reduce exposures to concentration risk or where it believes market conditions would merit a sale are best classed as available-for-sale (AFS) investments. AFS investments included in investment securities are initially recognised at fair value plus any directly related transaction costs and are subsequently measured at fair value. Changes in fair value of AFS investments are recognised directly in equity in the accounting period in which they arise.

Equity investments either designated by the Bank as at fair value through profit and loss upon initial recognition or acquired principally for the purpose of selling in the near term, or if these are part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking are classified as financial assets at fair value through profit and loss (FVTPL).

Financial assets at fair value through profit or loss are initially recognised at fair value plus any directly related transaction costs. Subsequently, these assets are measured at fair value with changes in fair value recognised in income statement.

Fair Value Hedge Accounting

The Bank applies fair value hedge accounting to hedge the foreign exchange risk on its available–for-sale (AFS) portfolio. 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 foreign exchange risks in the fair values of the hedged items.

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.

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

Derivative Financial Instruments

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

Derivative financial instruments are recognised initially, and are subsequently re-measured, at fair value. 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.

Due from financial institutions, Financing Arrangements, Due to financial institutions and Due to customers

These balance sheet captions comprise non-derivative financial assets and liabilities with fixed or determinable repayments that are not quoted in an active market. Financial assets and liabilities included under these captions are initially recognised at fair value plus any directly related transaction costs. They are accounted for as Loans and Receivables and measured at amortised cost less any impairment losses.

Provision for impairment of financial assets

At each reporting date, the Bank reviews the carrying value of its financial assets. A financial asset is said to be impaired if there is objective evidence of events since the last reporting date that will adversely affect the amount and the timing of future cash flows from the asset. The amount of the impairment losses is the extent by which the carrying value of the financial asset is less than the present value of the estimated future cash flows. The amount of the impairment losses is recognised in the income statement and the carrying value of the financial asset is written down.

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	10 years
Computer and Office Equipment	3 years
Furniture and Fixtures	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.

Intangible assets

Intangible assets consist of capitalised software development costs and licence fees. Costs include all incremental, directly attributable external costs incurred in bringing the software to the condition necessary for it to be capable of operating in the manner intended by management. Intangible assets are amortised on a straight-line basis over a useful economic life of five years from the date they are brought into full operational use.

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.

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.

Operating leases

Operating lease rentals are charged to the income statement on a straight line basis over the period of the lease.

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.

3. Income from investment and financing activities

	2014	2013
	£	£
Income from amounts due from financial institutions	1,628,966	1,983,831
Income from financing arrangements	2,509,084	880,951
Income from Sukuk investments	1,112,339	685,625
Income from other investment securities	2,415,060	2,986,724
	7,665,449	**6,537,131**

4. Foreign exchange (losses)/gains

	2014	2013
	£	£
Net (losses)/gains on translation of balances denominated in foreign currency	(371,461)	475,658
Net gains on translation of forward foreign exchange agreements	155,920	41,899
Net (losses)/gains in foreign exchange	**(215,541)**	**517,557**

5. Staff costs, directors' emoluments and number of employees

	2014	2013
	£	£
Staff costs		
Directors' salaries and fees	1,144,849	987,194
Directors' pensions	47,781	30,975
Staff salaries	3,788,692	2,615,520
Staff pension contributions	418,763	312,408
Social security costs	535,706	434,089
Other staff costs	1,025,713	477,478
	6,961,504	**4,857,664**
Directors' salaries and fees		
Emoluments	1,144,849	987,194
Pension contributions	47,781	30,975
	1,192,630	**1,018,169**
Highest paid director		
Emoluments	395,690	194,027
Pension contribution	28,125	19,125
	423,815	**213,152**

	2014	2013
	No.	No.
Number of employees at year end	54	44
Average number of employees	51	43

5. Staff costs, directors' emoluments and number of employees (cont.)

Employee incentive plan

The bank operates an equity-based Employee Incentive Plan, jointly with the Employee Benefit Trust (EBT). Under the rules of the Plan, the Bank can, from time to time, grant nil-paid issued shares, to employees of the Bank on a joint ownership basis with the Trustee of the Employee Benefit Trust . A nominal amount is paid on each grant date to ensure consideration passed for the legal contract with the remaining consideration deferred until the shares are sold at a future date. During 2014, no ordinary shares (2013: nil) were granted. The shares issued to employees are treated as equity-settled share-based payment in compliance with IFRS 2 Share-based Payment.

6. Other operating expenses

	2014	2013
	£	£
Rent and other occupancy costs	1,243,373	656,260
Consultancy	573,172	942,107
Legal and professional fees	778,270	678,319
Recruitment costs	358,079	365,518
IT and communication costs	560,925	436,865
Advertising and marketing	331,837	163,480
Shariah Supervisory Board fees and expenses	77,402	60,223
Other operating charges	912,851	888,936
	4,835,909	**4,191,708**

7. Impairment losses

	2014	2013
	£	£
Financing arrangements	-	312,290
Investment securities	949,610	373,738
Reversal of impairment in previous periods	(101,983)	(99,319)
	847,627	**586,709**

The Bank impaired two of its US unquoted equity investments by £935,044 during the year ended 31 December 2014 and an additional £14,566 relating to the impairment on one UK unquoted fund.

An impairment of £101,983 was reversed in the year due to an improvement in the recoverable amount of a previously impaired real estate asset.

Note 14 reflects the impact of these impairments on the statement of financial position.

8. Profit before tax

	2014	2013
	£	£
Profit before tax is stated after charging:		
Net foreign exchange losses/(gains)	215,541	(517,557)
Auditor's remuneration	173,333	91,335
Rentals paid under operating leases: premises	340,278	191,039
Depreciation and amortisation	596,867	258,289
Auditor's remuneration can be analysed as follows:		
Audit of the Bank's accounts	87,200	70,000
Other services:		
Tax advisory services	7,800	14,835
Other services	78,333	6,500
	173,333	**91,335**

9. Taxation

The tax expense in the income statement for the period was £52,223 (2013: £nil). The tax expense can be reconciled to the loss per the income statement as follows:

	2014	2013
	£	£
Consolidated profit before tax from continuing operations	4,131,755	4,032,479
	4,131,755	**4,032,479**
Tax at the UK corporation tax rate of 21.5% (2013: 23.5%)	(888,327)	(937,413)
Effects of:		
Effect of results from associates and subsidiaries	267,305	78,140
Expenses not deductible for tax purposes	(51,515)	(35,206)
Tax losses utilised but previously not recognised	672,537	894,479
Withholding tax on dividends from associate	47,456	-
Other	4,767	-
Tax charge in the consolidated income statement	**52,223**	**-**

£52,223 tax payable consists of £47,456 withholding tax liability relating to provision for local Kuwait tax on dividends received from associate and £4,767 relating to tax on GHB Properties Limited.

The unrecognised deferred tax asset is calculated at 20% (2013: 20%) and can be analysed as follows:

	2014	2013
	£	£
Tax losses not utilised	(5,098,987)	(4,861,406)
Accelerated tax depreciation	(74,313)	(277,377)
Unrecognised deferred tax asset	**(5,173,300)**	**(5,138,783)**

10. Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding. Diluted earnings per share is calculated by dividing the basic earnings by the weighted average number of ordinary shares outstanding plus the weighted average number of dilutive potential ordinary shares. The dilutive potential ordinary shares are represented by the shares held by the Employee Benefit Trust as part of the Employee Incentive Plan.

The effect of dilutive potential ordinary shares on the weighted average number of ordinary shares outstanding is as follows:

	2014	2013
	No.	No.
Weighted average number of ordinary shares outstanding	15,000,000,100	15,000,000,100
Weighted average number of dilutive potential ordinary shares	800,000,000	800,000,000
Weighted average number of ordinary shares assuming dilution	**15,800,000,100**	**15,800,000,100**

11. Company profit attributable to equity shareholders of the Bank

£2,841,022 of the company profit for the financial year (2013: £3,699,970) 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 company has not been presented.

12. Due from financial institutions

Group and company

	Avg. Yield	2014	Avg. Yield	2013
		£		£
Treasury placements	0.26%	**77,218,549**	0.81%	**79,627,205**

These assets are accounted for as Loans and Receivables in accordance with *IAS 39 Financial Instruments: Recognition and Measurement*.

13. Financing arrangements

Group

	Avg. Yield	2014	Avg. Yield	2013
		£		£
Finance receivables		70,382,789		41,881,353
Provision for impairment		(6,573,673)		(6,190,649)
	6.27%	**63,809,116**	5.01%	**35,690,704**

Company

	Avg. Yield	2014	Avg. Yield	2013
		£		£
Finance receivables		77,526,598		49,059,463
Provision for impairment		(6,573,673)		(6,190,649)
	6.09%	**70,952,925**	5.77%	**42,868,814**

All finance receivables are bilateral financial arrangements with corporate entities accounted for as Loans and Receivables in accordance with *IAS 39 Financial Instruments: Recognition and Measurement*.

Included within the Company finance receivables is an intercompany wakala of £7,036,110 with GHB Properties and an intercompany Murabaha of £107,699 with Milestone 002 PC.

Provision for impairment which was recognised fully in 2013 represents the full principal amount of a syndicated Murabaha facility of $10,250,000 that was made in accordance with the Bank's policy on impairment.

14. Investments securities

Group

	Avg. Yield	2014	Avg. Yield	2013
		£		£
Quoted sukuk		27,942,244		17,057,948
Quoted equity securities		8,054,737		12,991,588
Unquoted equity securities		21,674,770		26,333,832
Unquoted funds		470,980		1,398,258
	3.97%	**58,142,731**	3.44%	**57,781,626**

Company

	Avg. Yield	2014	Avg. Yield	2013
		£		£
Quoted sukuk		34,842,244		23,957,948
Quoted equity securities		8,054,737		12,991,588
Unquoted equity securities		21,674,770		26,333,832
Unquoted funds		470,980		1,398,258
	3.86%	**65,042,731**	3.44%	**64,681,626**

Investments in all equity securities and Sukuk are measured in line with the guidance in *IAS 39 Financial Instruments: Recognition and Measurement*.

Included within the company's investment securities is an intercompany sukuk of £6,900,000 with Milestone 002 PC.

Unquoted funds are stated net of £14,566 provision (2013: £nil). Unquoted equity securities are stated net of an impairment provision of £2,311,239 (2013: £1,495,537)

15. Investment in associate

The Bank has one associate, Gatehouse Capital Economic and Financial Consultancy KSCC ("Gatehouse Capital"), where the Bank has 49% ownership in the underlying legal and/or beneficial interests (the Bank acquired 35.6% of the equity shares in 2012 and a further beneficial interest of 13.4% on 31 December 2014).

Foreign currency gains from associate investments of £254,117 during the period have been recorded in reserves.

The consolidated statement of financial position reflects an investment in associate of £18,620,948, and a share of profit for the year ended 31 December 2014 of £1,918,604.

Associate

	2014 £
Aggregated amounts relating to associate	
Total assets	30,906,011
Total liabilities	(2,298,169)
Net assets	**28,607,842**
Group's share of net assets of associate	**14,017,843**
Total revenue	9,925,641
Profit	5,389,337
Share of profit of associate (35.6%)	**1,918,604**

Details of the Bank's associate at 31 December 2014 are as follows:

Name	Place of incorporation (or registration) and operation	Proportion of ownership interest %	Proportion of voting power held %
Gatehouse Capital	Kuwait	49%	49%

The investment in associate is stated at cost less impairment, if any.

16. Investment in subsidiaries

The Bank has four wholly-owned subsidiaries all incorporated in Jersey: Clementine Properties Limited, Milestone 002 PC, Gate Holdings Limited and GHB Properties Limited. All subsidiaries are included in the consolidated accounts.

On 25 July 2013, the Bank subscribed for 100% of the ordinary share capital in Gate Holdings Limited at par value of £5,338,200. Gate Holdings Limited in turn invested in GHB Properties Limited at par value of £5,338,200. The Bank also entered into a £6,900,000 senior financing agreement on the same date with GHB Properties Limited to enable the purchase of an owner-occupied property asset valued at £12,216,511.

Milestone 002 PC owns 100% of the ordinary share capital in Clementine Properties Limited which holds an Ijara Finance lease receivable and payable. In 2012, Milestone 002 PC issued a Sukuk listed on the Channel Island Stock exchange for a value of £6,900,000 collateralised against the Ijara Finance lease. On 25 September 2013, the Bank completed the purchase of the sukuk issuance from Milestone 002 PC which is presented within investment securities in the Company balance sheet.

17. Disclosure of interests in other entities

The Bank has investments in a number of UK property special purpose vehicles (SPVs). The Bank sponsors the SPVs and provides investment advisory services to them. The property 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 cannot be removed as investment advisor except by the board of the SPV which is controlled by the holders of the management shares. In most cases the Bank does not own a majority of the management shares.

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.

The Bank's total investment in property SPVs is £22 million which is included in investment securities. The Bank has also provided funding through fixed term Murabaha contracts as bridge financing to these SPVs totalling £1 million. 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.

18. Derivative financial instruments

	Assets	**Liabilities**	**Notional amount**
	£	**£**	**£**
2014			
Maturing in 0-3 months	155,920	-	35,560,293
Maturing greater than three months	-	24,086	8,200,000
2013			
Maturing in 0-3 months	41,898	-	11,429,536

The Bank uses foreign currency agreements for matching currency exposures.

19. Intangible assets

Group and Company

	2014	**2013**
Software costs and licence fees	**£**	**£**
Cost		
At 1 January	1,332,705	1,126,225
Additions	385,340	206,480
Disposals	-	-
At 31 December	1,718,045	1,332,705
Amortisation		
At 1 January	1,081,683	1,017,038
Charge for the period	79,652	64,645
On disposal	-	-
At 31 December	1,161,335	1,081,683
Net book value		
At 1 January	**251,022**	**109,187**
At 31 December	**556,710**	**251,022**

20. Property, plant and equipment

Group

	Property	Computer equipment	Fixtures and fittings	Leasehold improvement	Total
	£	£	£	£	£
Cost					
At 1 January 2014	12,216,511	546,092	45,381	2,357,606	15,165,590
Additions	-	178,617	162,412	195,783	536,812
Disposals	-	-	-	-	-
At 31 December 2014	12,216,511	724,709	207,793	2,553,389	15,702,402
Depreciation					
At 1 January 2014	-	409,103	38,037	514,567	961,707
Charge for the period	110,058	90,962	22,129	294,066	517,215
On disposal	-	-	-	-	-
At 31 December 2014	110,058	500,065	60,166	808,633	1,478,922
Net book value					
At 1 January 2014	**12,216,511**	**136,989**	**7,344**	**1,843,037**	**14,203,881**
At 31 December 2014	**12,106,453**	**224,644**	**147,627**	**1,744,756**	**14,223,480**

Group

	Property	Computer equipment	Fixtures and fittings	Leasehold improvement	Total
	£	£	£	£	£
Cost					
At 1 January 2013	-	405,939	39,095	1,019,674	1,464,708
Additions	12,216,511	140,153	6,286	1,337,930	17,700,880
Disposals	-	-	-	-	-
At 31 December 2013	12,216,511	546,092	45,381	2,357,604	15,165,588
Depreciation					
At 1 January 2013	-	404,388	36,767	326,908	768,063
Charge for the period	-	4,715	1,270	187,659	193,644
On disposal	-	-	-	-	-
At 31 December 2013	-	409,103	38,037	514,567	961,707
Net book value					
At 1 January 2013	**-**	**1,551**	**2,328**	**692,766**	**696,645**
At 31 December 2013	**12,216,511**	**136,989**	**7,344**	**1,843,037**	**14,203,881**

20. Property, plant and equipment (cont.)

Company

	Computer equipment	Fixtures and fittings	Leasehold improvement	Total
	£	£	£	£
Cost				
At 1 January 2014	546,092	45,381	2,357,606	2,949,079
Additions	178,617	162,412	195,783	536,812
Disposals	-	-	-	-
At 31 December 2014	724,709	207,793	2,553,389	3,485,891
Depreciation				
At 1 January 2014	409,103	38,037	514,567	961,707
Charge for the period	90,962	22,129	294,066	407,157
On disposal	-	-	-	-
At 31 December 2014	500,065	60,166	808,633	1,368,864
Net book value				
At 1 January 2014	**136,989**	**7,344**	**1,843,037**	**1,987,370**
At 31 December 2014	**224,644**	**147,627**	**1,744,756**	**2,117,027**

Company

	Computer equipment	Fixtures and fittings	Leasehold improvement	Total
	£	£	£	£
Cost				
At 1 January 2013	405,939	39,095	1,019,674	1,464,708
Additions	140,153	6,286	1,337,930	1,484,369
Disposals	-	-	-	-
At 31 December 2013	546,092	45,381	2,357,604	2,949,077
Depreciation				
At 1 January 2013	404,388	36,767	326,908	768,063
Charge for the period	4,715	1,270	187,659	193,644
On disposal	-	-	-	-
At 31 December 2013	409,103	38,037	514,567	961,707
Net book value				
At 1 January 2013	**1,551**	**2,328**	**692,766**	**696,645**
At 31 December 2013	**136,989**	**7,344**	**1,843,037**	**1,987,370**

21. Other assets

Group

	2014	2013
	£	£
Other debtors	619,804	1,653,695
Prepayments	1,032,207	972,647
Accrued income receivable	1,112,205	320,217
	2,764,216	**2,946,559**

Company

	2014	2013
	£	£
Other debtors	452,829	1,437,281
Prepayments	1,016,794	932,047
Accrued income receivable	1,110,305	340,656
	2,579,928	**2,709,984**

22. Due to financial institutions

Group

	Avg. Yield	2014	Avg. Yield	2013
		£		£
Treasury liabilities	1.16%	129,504,983	1.26%	96,536,391

Company

	Avg. Yield	2014	Avg. Yield	2013
		£		£
Treasury liabilities	1.16%	129,490,728	1.26%	96,529,237

These assets are accounted for as Loans and Receivables in accordance with *IAS 39 Financial Instruments: Recognition and Measurement*.

23. Due to customers

Group

	Avg. Yield	2014	Avg. Yield	2013
		£		£
Treasury liabilities		2,636,732		2,760,388
	1.12%	**2,636,732**	0.69%	**2,760,388**

Company

	Avg. Yield	2014	Avg. Yield	2013
		£		£
Treasury liabilities	1.12%	**2,636,732**	1.16%	**2,760,388**

These assets are accounted for as Loans and Receivables in accordance with *IAS 39 Financial Instruments: Recognition and Measurement*.

24. Other liabilities

Group

	2014	2013
	£	£
Trade creditors	301,232	563,600
Other taxes and social security costs	294,986	249,370
Deferred income	178,225	380,267
Other creditors	2,096,511	1,535,486
	2,870,954	**2,728,723**

Company

	2014	2013
	£	£
Trade creditors	301,232	563,599
Other taxes and social security costs	283,864	214,329
Deferred income	178,225	243,239
Other creditors	2,018,352	1,658,310
	2,781,673	**2,679,477**

25. Maturity analysis of financial assets and liabilities

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

Group

2014	Less than 12 months	More than 12 months	Total
	£	£	£
Assets			
Cash and balances with banks	18,181,711	-	18,181,711
Due from financial institutions	77,218,549	-	77,218,549
Financing arrangements	23,991,503	39,817,613	63,809,116
Investment securities	-	58,142,731	58,142,731
Ijara receivable	14,657	9,853,302	9,867,959
Investment in associate	-	18,620,948	18,620,948
Derivative financial instruments	155,920	-	155,920
Total financial assets	**119,562,340**	**126,434,594**	**245,996,934**
Liabilities			
Derivative financial instruments	-	24,086	24,086
Due to financial institutions	121,792,745	7,712,238	129,504,983
Ijara payable	-	3,006,546	3,006,546
Due to customers	2,636,732	-	2,636,732
Total financial liabilities	**124,429,477**	**10,742,870**	**135,172,347**

25. Maturity analysis of financial assets and liabilities (cont.)

Company

2014	Less than 12 months	More than 12 months	Total
	£	£	£
Assets			
Cash and balances with banks	17,850,825	-	17,850,825
Due from financial institutions	77,218,549	-	77,218,549
Financing arrangements	31,027,613	39,925,312	70,952,925
Investment securities	-	65,042,731	65,042,731
Investment in subsidiaries	-	5,338,200	5,338,200
Investment in associate	-	16,752,100	16,752,100
Derivative financial instruments	155,920	-	155,920
Total financial assets	**126,252,907**	**127,058,343**	**253,311,250**
Liabilities			
Derivative financial instruments	-	24,086	24,086
Due to financial institutions	121,778,490	7,712,238	129,490,728
Due to customers	2,636,732	-	2,636,732
Total financial liabilities	**124,415,222**	**7,736,324**	**132,151,546**

Group

2013	Less than 12 months	More than 12 months	Total
	£	£	£
Assets			
Cash and balances with banks	13,082,623	-	13,082,623
Due from financial institutions	79,627,205	-	79,627,205
Financing arrangements	15,578,834	20,111,870	35,690,704
Investment securities	1,269,774	56,511,852	57,781,626
Ijara receivable	143,481	9,613,198	9,756,679
Investment in associate	-	10,756,207	10,756,207
Derivative financial instruments	41,898	-	41,898
Total financial assets	**109,743,815**	**96,993,127**	**206,736,942**
Liabilities			
Due to financial institutions	88,277,911	8,258,480	96,536,391
Ijara payable	43,481	2,913,198	2,956,679
Due to customers	2,760,388	-	2,760,388
Total financial liabilities	**91,081,780**	**11,171,678**	**102,253,458**

25. Maturity analysis of financial assets and liabilities (cont.)

Company

2013	Less than 12 months	More than 12 months	Total
	£	£	£
Assets			
Cash and balances with banks	12,929,014	-	12,929,014
Due from financial institutions	79,627,205	-	79,627,205
Financing arrangements	22,613,344	20,255,470	42,868,814
Investment securities	1,269,774	63,411,852	64,681,626
Ijara receivable	-	5,338,200	5,338,200
Investment in associate	-	11,307,937	11,307,937
Derivative financial instruments	41,898	-	41,898
Total financial assets	**116,481,236**	**100,313,459**	**216,794,694**
Liabilities			
Due to financial institutions	88,270,757	8,258,480	96,529,237
Due to customers	2,760,388	-	2,760,388
Total financial liabilities	**91,031,145**	**8,258,480**	**99,289,625**

26. 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

	2014	2013
Assets	£	£
Denominated in Sterling	133,201,611	110,155,915
Denominated in other currencies	130,339,729	113,982,489
	263,541,340	**224,138,404**
Liabilities		
Denominated in Sterling	13,289,555	14,665,289
Denominated in other currencies	124,753,746	90,316,892
	138,043,301	**104,982,181**

Company

	2014	2013
Assets	£	£
Denominated in Sterling	128,225,186	107,760,581
Denominated in other currencies	130,339,729	113,982,489
	258,564,915	**221,743,070**
Liabilities		
Denominated in Sterling	10,179,473	11,652,209
Denominated in other currencies	124,753,746	90,316,893
	134,933,219	**101,969,102**

27. 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 £466,544 were charged to the income statement (2013: £343,383). The pension creditor outstanding at the balance sheet date amounted to £nil (2013: £nil).

28. Commitments under operating leases

Operating lease commitments

At the balance sheet date, the Bank has outstanding commitments for future minimum lease payments under non-cancellable operating leases as follows:

	2014	2013
	£	£
Within one year	597,077	608,124
One to five years	2,234,756	2,274,573
	2,831,833	**2,882,697**

Loan commitments

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

	2014	2013
	£	£
Within one year	5,821,452	2,415,742
One to five years	994,548	-
	6,816,000	**2,415,742**

29. Share capital

	2014	2013
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**

30. Own shares

The Own Shares reserve represents the shares issued as part of the Bank's Employee Incentive Plan, held by the Employee Benefit Trust on behalf of participating employees and the Trustee. 800,000,000 ordinary shares of £0.01 each (2013: 800,000,000 ordinary shares) were held by the Employee Benefit Trust at 31 December 2013 of which 493,000,000 were partly paid up to £0.0001 per share (2013: 493,000,000) by former beneficiaries of the Bank's Employee Incentive Plan during their employment.

31. Off balance sheet items

As at the year-end, the Bank reported £nil (2013: £40,755) of cash as an off balance sheet item. This cash balance relates to client money contractually held on behalf of third parties.

32. Related party transactions

During the reporting year, the Bank entered into separate transactions with related counterparties. The table below discloses the average daily exposure (2013: total aggregate volume) of separately identifiable transactions that took place at different times during the year.

	2014	2013
	£	£
The Securities House K.S.C.C.		
Finance receivables	-	21,354,398
Treasury liabilities	1,249,325	118,050,896
Gatehouse Capital		
Finance receivables	962,001	-
Treasury liabilities	2,886,310	25,336,767
Foreign exchange agreements	-	500,000
Kuwait Investment Authority		
Finance liabilities	82,870,698	298,648,578

During 2014, Gatehouse Capital was a subsidiary of The Securities House K.S.C.C (the largest shareholder of the Bank) and Gatehouse Capital and the Bank have common directors. The Bank received £743,603 dividends declared on 26 May 2014 from Gatehouse Capital. In addition to the above transactions, during the year, Gatehouse Capital provided management services to the Bank of £251,000 (2013: £296,706).

During 2014, Rubicon Securities (where Stephen Smith is a Director) provided consultancy services to the Bank, of £60,000.

Kuwait Investment Authority is a shareholder of the Bank.

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

Included within:	2014	2013
Assets	£	£
The Securities House K.S.C.C.	4,927,458	12,398,461
Gatehouse Capital	-	631,721
Treasury liabilities		
The Securities House K.S.C.C.	651,002	1,708,148
Gatehouse Capital	4,444,671	1,543,561
Kuwait Investment Authority	94,712,018	48,294,597
Other liabilities		
Gatehouse Capital	2,769	9,440
D.risk.Biz.ltd/Rubicon Securities	-	18,562

The disclosure requirement in respect of remuneration to key management personnel has been met by providing Directors' emoluments details in note 5.

33. Risk management

Gatehouse's Risk Management function is divided into three key areas: credit risk, market risk and operational risk. These three areas are delegated responsibility for the day-to-day monitoring of individual risks by the Chief Finance Officer. The purpose of each area is to ensure that credit, market and operational risk of the Bank is maintained within the risk appetite parameters set by the Board.

The Chief Finance Officer is responsible for providing an oversight function that considers all risks on a consolidated basis and, in this respect, sits on the main risk committees. The Credit, Market and Operational Risk functions are the responsibility of the Head of Real Estate Risk, the Head of Credit and Market Risk, and Head of Compliance and Operational Risk. All three Heads report to the Audit Risk and Compliance Committee.

Credit Risk

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

Gatehouse's Credit and Market Risk function covers three key areas:

- 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 investment and financing activities via the provision of comprehensive credit risk assessments and recommendations for appropriate decision making forums. This includes monitoring of portfolio composition; and
- The monitoring of exposures to ensure compliance with approved limits and to ensure 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.

A comprehensive control framework is in place. This incorporates:

- maximum exposure guidelines relating to exposure to an individual counterparty or transaction;
- country specific limits to avoid excessive concentration of credit risk in individual countries; and
- Industry specific limits to avoid excessive concentration of credit risk in individual economic sectors.

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

Note 2 refers to the basis by which the Bank reviews for impairment of its financial assets. Note 7 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 2014:

Group	**2014**	**2013**
	£	**£**
Cash and balances with banks	18,181,711	13,082,623
Due from financial institutions	77,218,549	79,627,205
Financing arrangements	63,809,116	35,690,704
Investment securities	58,142,731	57,781,626
Ijara receivable	9,867,959	9,756,679
Investments in Associates	18,620,948	10,756,207
Derivative financial instruments	155,920	41,898
	245,996,934	**206,736,942**

33. Risk Management (cont.)

Company

	2014	2013
	£	£
Cash and balances with banks	17,850,825	12,929,014
Due from financial institutions	77,218,549	79,627,205
Financing arrangements	70,952,925	42,868,814
Investment securities	65,042,731	64,681,626
Investment in subsidiary	5,338,200	5,338,200
Investments in Associates	16,752,100	11,307,937
Derivative financial instruments	155,920	41,898
	253,311,250	**216,794,694**

As at 31 December 2014, a facility with a GCC based corporate has been fully impaired. There are no past due but not impaired exposures as at 31 December 2014.

Geographical region

The Bank's credit exposure can be analysed into the following geographical regions:

Group

	2014	2013
	£	£
GCC countries	61,933,516	75,861,835
Bahrain	4,493,052	12,887,888
Kuwait	30,497,372	53,340,723
Saudi Arabia	7,436,364	-
UAE	17,567,334	5,000,438
Qatar	1,939,394	4,632,786
Jersey	47,552,755	38,209,225
Europe	113,735,154	61,551,922
USA	22,720,186	28,179,980
Asia	55,323	-
Australia	-	2,933,980
	245,996,934	**206,736,942**

Company

	2014	2013
	£	£
GCC countries	60,064,668	76,413,566
Bahrain	4,493,052	12,887,888
Kuwait	28,628,524	53,892,453
Saudi Arabia	7,436,364	-
UAE	17,567,334	5,000,438
Qatar	1,939,394	4,632,786
Jersey	56,735,919	47,716,245
Europe	113,735,154	61,551,922
USA	22,720,186	28,179,980
Asia	55,323	-
Australia	-	2,933,980
	253,311,250	**216,794,694**

Gatehouse has no exposure to Euro zone sovereign debt.

33. Risk Management (cont.)

Credit quality

The table below shows the credit quality of financial assets on the balance sheet at 31 December 2014, based on the Bank's credit rating system:

Group

2014	Investment grade	Non-investment grade	Non-rated	Total
	£	£	£	£
Assets				
Cash and balances with banks	17,813,902	-	367,809	18,181,711
Due from financial institutions	64,002,887	-	13,215,662	77,218,549
Financing arrangements	-	-	63,809,116	63,809,116
Investment securities	27,932,794	683,048	29,526,889	58,142,731
Ijara receivable	-	-	9,867,959	9,867,959
Investment in associate	-	-	18,620,948	18,620,948
Derivative financial instruments	155,920	-	-	155,920
Total assets	**109,909,503**	**683,048**	**135,408,383**	**245,996,934**

Company

2014	Investment grade	Non-investment grade	Non-rated	Total
	£	£	£	£
Assets				
Cash and balances with banks	17,483,016	-	367,809	17,850,825
Due from financial institutions	64,002,887	-	13,215,662	77,218,549
Financing arrangements	-	-	70,952,925	70,952,925
Investment securities	27,932,794	683,048	36,426,889	65,042,731
Investment in subsidiary	-	-	5,338,200	5,338,200
Investment in associate	-	-	16,752,100	16,752,100
Derivative financial instruments	155,920	-	-	155,920
Total assets	**109,574,617**	**683,048**	**143,053,585**	**253,311,250**

Group

2013	Investment grade	Non-investment grade	Non-rated	Total
	£	£	£	£
Assets				
Cash and balances with banks	12,559,677	-	522,946	13,082,623
Due from financial institutions	42,234,806	12,752,921	24,639,478	79,627,205
Financing arrangements	-	-	35,690,704	35,690,704
Investment securities	16,882,934	2,929,762	37,968,930	57,781,626
Ijara receivable	-	-	9,756,679	9,756,679
Investment in associate	-	-	10,756,207	10,756,207
Derivative financial instruments	-	-	41,898	41,898
Total assets	**71,677,417**	**15,682,683**	**119,376,842**	**206,736,942**

33. Risk Management (cont.)

Company

2013	Investment grade	Non-investment grade	Non-rated	Total
	£	£	£	£
Assets				
Cash and balances with banks	12,406,068	-	522,946	12,929,014
Due from financial institutions	42,234,806	12,752,921	24,639,478	79,627,205
Financing arrangements	-	-	42,868,814	42,868,814
Investment securities	16,882,934	2,929,762	50,207,130	70,019,826
Investment in associate	-	-	11,307,937	11,307,937
Derivative financial instruments	-	-	41,898	41,898
Total assets	**71,523,808**	**15,682,683**	**129,588,203**	**216,794,694**

Liquidity risk

Liquidity risk is the risk that the Bank will be unable to meet its payment obligations when they fall due. Liquidity risk management is the responsibility of 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 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 liquidity regime (detailed in BIPRU 12.3 and 12.4) which came into effect from 1 December 2009.

Liquidity and rate profile

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

Group

	Less than 1 month	1-3 months	3-6 months	6-12 months	1-5 years	5+ years	Total
	£	£	£	£	£	£	£
2014							
Assets							
Fixed rate items	67,783,754	28,654,761	-	4,927,456	67,759,856	-	169,125,827
Variable rate items	-	-	-	-	-	-	-
Non-rate sensitive	18,181,711	3,604	3,644	7,409	48,893,715	9,781,024	76,871,107
Total assets	**85,965,465**	**28,658,365**	**3,644**	**4,934,865**	**116,653,571**	**9,781,024**	**245,996,934**
Liabilities							
Fixed rate items	23,965,672	37,713,132	22,672,859	29,546,177	9,952,484	-	123,850,324
Variable rate items	8,315,477	-	-	-	-	-	8,315,477
Non-rate sensitive	-	-	-	-	-	3,006,546	3,006,546
Total liabilities	**32,281,149**	**37,713,132**	**22,672,859**	**29,546,177**	**9,952,484**	**3,006,546**	**135,172,347**
Net Assets	**53,684,316**	**(9,054,767)**	**(22,669,215)**	**(24,611,312)**	**106,701,087**	**6,774,478**	**110,824,587**

33. Risk Management (cont.)

Company

	Less than 1 month	1-3 months	3-6 months	6-12 months	1-5 years	5+ years	Total
	£	£	£	£	£	£	£
2014							
Assets							
Fixed rate items	67,783,754	28,654,761	-	11,963,568	74,767,555	-	183,169,638
Variable rate items	-	-	-	-	-	-	-
Non-rate sensitive	17,850,825	-	-	-	52,290,787	-	70,141,612
Total assets	**85,634,580**	**28,654,761**	**-**	**11,963,568**	**127,058,342**	**-**	**253,311,250**
Liabilities							
Fixed rate items	23,965,672	37,713,132	22,672,859	29,531,922	9,952,484	-	123,836,069
Variable rate items	8,315,477	-	-	-	-	-	8,315,477
Non-rate sensitive	-	-	-	-	-	-	
Total liabilities	**32,281,149**	**37,713,132**	**22,672,859**	**29,531,922**	**9,952,484**	**-**	**132,151,546**
Net Assets	**53,353,430**	**(9,058,371)**	**(22,672,859)**	**(17,568,354)**	**117,105,858**	**-**	**121,159,704**

Group

	Less than 1 month	1-3 months	3-6 months	6-12 months	1-5 years	5+ years	Total
	£	£	£	£	£	£	£
2013							
Assets							
Fixed rate items	74,762,318	8,690,498	41,898	11,772,579	37,304,072	-	132,571,365
Variable rate items	-	-	-	-	-	-	-
Non-rate sensitive	12,929,013	-	-	111,280	51,413,217	9,712,067	74,165,577
Total assets	**87,691,331**	**8,690,498**	**41,898**	**11,883,859**	**88,717,289**	**9,712,067**	**206,736,942**
Liabilities							
Fixed rate items	43,951,668	39,140,008	4,477,294	26,515		8,258,473	95,853,958
Variable rate items	3,442,821	-	-	-	-	-	3,442,821
Non-rate sensitive	-	-	-	49,867	8,441	2,898,371	2,956,679
Total liabilities	**47,394,489**	**39,140,008**	**4,477,294**	**76,382**	**8,441**	**11,156,844**	**102,253,458**
Net Assets	**40,296,842**	**(30,449,510)**	**(4,435,396)**	**11,807,477**	**88,708,848**	**(1,444,777)**	**104,483,484**

33. Risk Management (cont.)

Company

	Less than 1 month	1-3 months	3-6 months	6-12 months	1-5 years	5+ years	Total
	£	£	£	£	£	£	£
2013							
Assets							
Fixed rate items	74,752,309	8,690,498	41,898	18,807,090	44,204,071	-	146,495,866
Variable rate items	-	-	-	-	-	-	-
Non-rate sensitive	12,929,013	-	-	-	57,369,815	-	70,298,828
Total assets	**87,681,322**	**8,690,498**	**41,898**	**18,807,090**	**101,573,886**	**-**	**216,794,694**
Liabilities							
Fixed rate items	43,944,514	39,140,008	4,477,294	26,515	8,258,473	-	95,846,804
Variable rate items	3,442,821	-	-	-	-	-	3,442,821
Non-rate sensitive	-	-	-	-	-	-	-
Total liabilities	**47,387,335**	**39,140,008**	**4,477,294**	**26,515**	**8,258,473**	**-**	**99,289,625**
Net Assets	**40,293,987**	**(30,449,510)**	**(4,435,396)**	**18,780,575**	**93,315,413**	**-**	**117,505,069**

Market risk

Market risk is a measure of potential change in the value of a portfolio of instruments as a result of changes in market factors (such as interest rates, equity indices, bond prices, commodity markets and exchange rates) during a specified time horizon. Gatehouse is exposed to market risk in the management of the balance sheet (i.e. banking book). The role of the Credit and Market Risk function is to identify, quantify and manage the potential effects of those potential changes on the value of the portfolio.

The Board approves the market risk appetite for all types of market risk. The Credit and Market Risk function implements a 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 Chief Executive Officer, Chief Financial Officer, Chief Investment Officer, Treasurer and Head of Finance for review.

Day-to-day responsibility for market risk lies with the Head of Credit and Market Risk. A detailed market risk presentation is produced monthly and discussed at the Asset and Liability Committee.

Gatehouse Treasury manages treasury market risk.

Market risk measurement

The techniques used to measure and control market risk include:

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

Although the 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 2014 would decrease/increase by £2,466,114 (2013: £2,238,000).

In order to meet internal and client demand, Gatehouse 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 FX forwards and Profit Rate Swaps or a combination of these instruments.

33. Risk Management (cont.)

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 exposures due to the imperfect matching of margins and maturity differences between assets and liabilities.

The Bank manages profit rate risk by matching as far as possible the maturity profile of assets and liabilities. As at 31 December 2014, the Bank has not to date used derivatives to hedge profit rate 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 2014, the market value of nominal positions generating profit rate VaR was £55,451,148 which generated profit rate VaR and maximum loss estimates of:

	95% VaR (£)	Maximum loss (£)
One day	(15,328)	(120,506)
One week	(42,732)	(147,435)

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 2014, the net market value of nominal foreign exchange exposure was £(205,069) which generated Foreign Exchange VaR maximum loss estimates of:

	95% VaR	Maximum Loss (£)
One day	(2,215)	(5,693)
One week	(10,006)	(19,634)

Sukuk portfolio risk

As part of liquidity management, Gatehouse Treasury invests in selected Sukuk. As at 31 December 2014, 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 2014, the market value of nominal AFS Sukuk investment exposure was £13,014,085 which generated Price Risk VaR and maximum loss of:

	95% VaR	Maximum Loss (£)
One day	(26,586)	(140,822)
One week	(44,726)	(194,578)

Equity portfolio risk

As part of liquidity management, Gatehouse Treasury invests in selected Listed Equities. As at 31 December 2014, the Bank has not used derivatives to hedge Listed Equity investments.

VaR is used to monitor the risk arising from the Listed Equities portfolio. The Group's Pillar 1 minimum capital requirement allows for investment risk through the equity position risk requirement.

As at 31 December 2014, the market value of Listed Equities investment exposure was £8,054,737 which generated Price Risk VaR and maximum loss of:

	95% VaR	Maximum Loss (£)
One day	(89,912)	(247,291)
One week	(247,544)	(440,341)

33. Risk Management (cont.)

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 2014, Level 1 financial instruments are primarily investments in equity securities and Sukuk that are quoted in active markets and market bid prices have been applied to fair value these at year end;
- Level 2: Fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); As at 31 December 2014, Level 2 financial instruments are investments in sukuk securities that are quoted in inactive markets and indicative bid prices have been applied to fair value these at year end; 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 2014, Level 3 financial instruments are investments in unquoted equity securities and funds. 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.

Group

2014	Level 1 £	Level 2 £	Level 3 £	Total £
Derivative financial instruments	155,920	-	(24,086)	131,834
Investment securities				
Quoted equity securities	8,054,737	-	-	8,054,737
Sukuk portfolio	21,828,159	6,114,085	-	27,942,244
Unquoted equity securities	-	-	21,674,770	21,674,770
Unquoted funds	-	-	470,980	470,980
Total	**30,038,816**	**6,114,085**	**22,121,664**	**58,274,565**

Company

2014	Level 1 £	Level 2 £	Level 3 £	Total £
Derivative financial instruments	155,920	-	(24,086)	131,834
Investment securities				
Quoted equity securities	8,054,737	-	-	8,054,737
Sukuk portfolio	21,828,159	13,014,085	-	34,842,244
Unquoted equity securities	-	-	21,674,770	21,674,770
Unquoted funds	-	-	470,980	470,980
Total	**30,038,816**	**13,014,085**	**22,121,664**	**65,174,565**

33. Risk Management (cont.)

Group

2013	Level 1 £	Level 2 £	Level 3 £	Total £
Derivative financial instruments	41,898	-	-	41,898
Investment securities				
Quoted equity securities	12,991,588	-	-	12,991,588
Sukuk portfolio	-	17,057,948	-	17,057,948
Unquoted equity securities	-	-	26,333,832	26,333,832
Unquoted funds	-	-	1,398,258	1,398,258
Total	**13,033,486**	**17,057,948**	**27,732,090**	**57,823,524**

Company

2013	Level 1 £	Level 2 £	Level 3 £	Total £
Derivative financial instruments	41,898	-	-	41,898
Investment securities				
Quoted equity securities	12,991,588	-	-	12,991,588
Sukuk portfolio	-	23,957,948	-	23,957,948
Unquoted equity securities	-	-	26,333,832	26,333,832
Unquoted funds	-	-	1,398,258	1,398,258
Total	**13,033,486**	**23,957,948**	**27,732,090**	**64,723,524**

There were no transfers between Level 1 and Level 2 during the year.

Reconciliation of Level 3 fair value measurements of financial assets

	Available-for-sale **Unquoted equities and funds**
Balance at 1 January 2014	27,732,090
Total gains or losses:	
In profit or loss	(847,627)
Purchases, sales, issuances and net settlements	(4,738,713)
Balance at 31 December 2014	**22,145,750**

2013	**Available-for-sale** **Unquoted equities and funds**
Balance at 1 January 2013	28,205,665
Total gains or losses:	
In profit or loss	(274,419)
Purchases, sales, issuances and net settlements	(199,156)
Balance at 31 December 2013	**27,732,090**

33. Risk Management (cont.)

Operational risk

Operational risk is the risk of direct or indirect losses 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, error, customer service quality, regulatory compliance, recruitment, training retention of staff and social and environmental impacts.

Operational risk is the responsibility of the Head of Compliance and Operational Risk, who reports directly to the Chief Financial Officer, as well as being a member of Operating Committee and secretary of the Audit Risk and Compliance Committee.

The role of the Head of Compliance and Operational Risk in this capacity is to analyse the operational risks faced by the bank. Ongoing assessment of operational risks are recorded in a dashboard that is prepared and presented monthly to the Executive Committee, and quarterly to the Audit, Risk and Compliance Committee. The dashboard captures and rates key operational risks, along with an analysis of mitigating controls in place. The role also involves input into outsourcing arrangements and reviewing of any new products.

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

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 years ended 31 December 2013 and 2014 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 Bank's capital resources consist entirely of Tier 1 Capital.

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 solely of Tier 1 capital, which includes ordinary share capital and retained earnings less intangible assets.

The Bank's regulatory capital position was as follows:

	2014	2013
Core Tier 1 Capital	**£**	**£**
Share capital	150,049,301	150,049,301
Retained losses	(26,038,872)	(28,879,894)
Other Reserves - AFS	(378,733)	(1,395,440)
Total CET 1 Capital	123,631,696	119,773,968
Deductions from CET1 due to Prudential Filters		
Intangible assets	(556,710)	(251,022)
Goodwill	(2,864,940)	-
Subtotal	120,210,046	119,522,946
Deductions from CET1 Capital		
Significant Investments (Associate Investment in GC)	(1,866,155)	(11,307,937)
Total regulatory capital	**118,343,891**	**108,215,008**

Capital requirements have been complied with throughout the year.

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