GATEHOUSE
FINANCIAL GROUP

Annual Report & Financial Statements 2015

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CONTENTS

GATEHOUSE FINANCIAL GROUP LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2015

Registered number: 117951

GATEHOUSE
FINANCIAL GROUP

COMPANY INFORMATION

Directors
Abdulaziz AlDuweesh
Oday Al-Ibrahim
Osama M. Al Rasheed
Mohamad Tawfik Al-Tahawy
Fahed Faisal Boodai
Aboo Twalha Dhunnoo

Secretary
Elian Corporate Services (Jersey) Limited

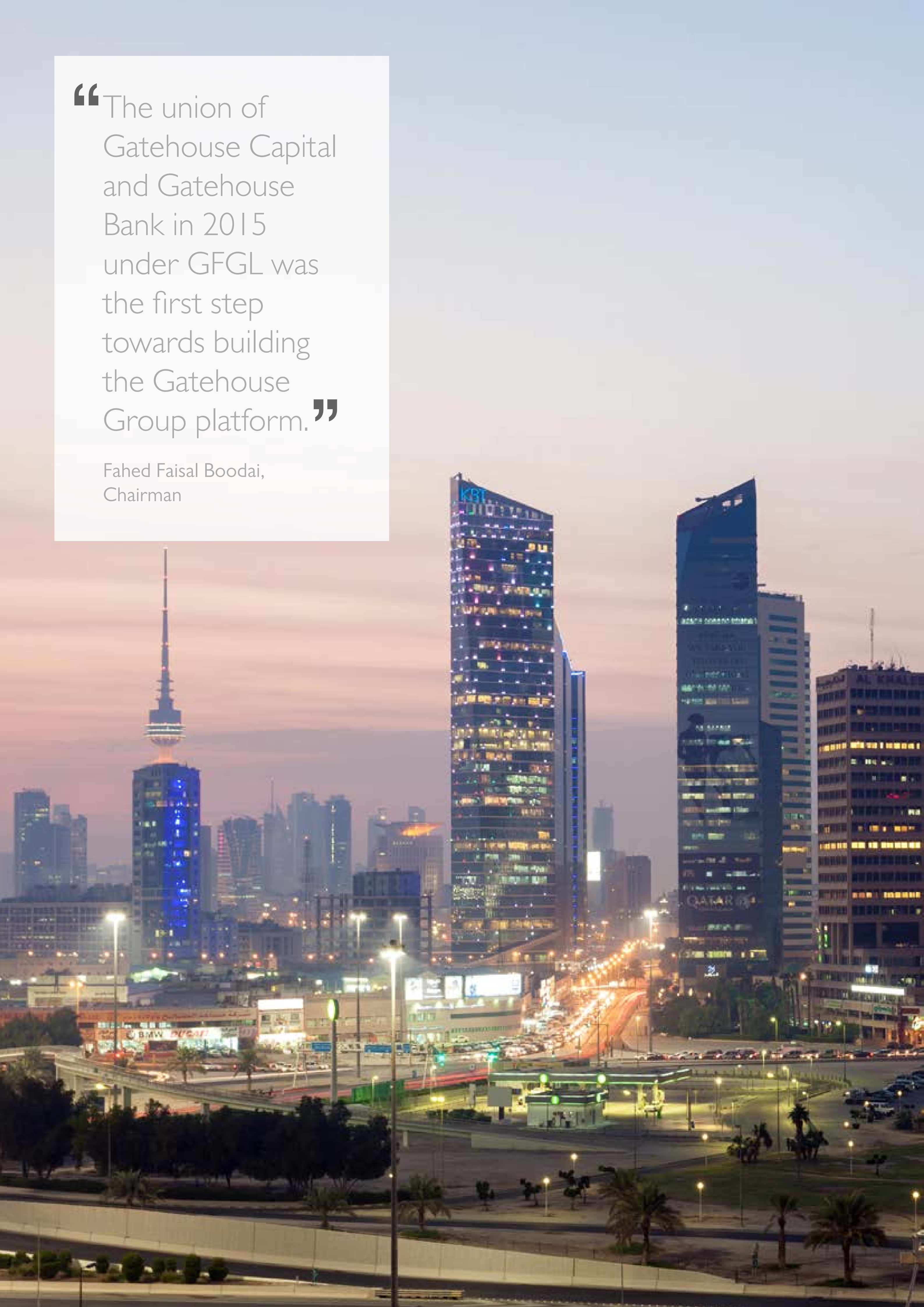
Auditor
Deloitte LLP
Hill House, 1 Little New Street, London
EC4A 3TR

Registered office
Gatehouse Financial Group Limited
44 Esplanade, St Helier
Jersey, JE4 9WG

Registered number
117951

> "The union of Gatehouse Capital and Gatehouse Bank in 2015 under GFGL was the first step towards building the Gatehouse Group platform."

Fahed Faisal Boodai,
Chairman



CHAIRMAN'S STATEMENT

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

To the shareholders of Gatehouse Financial Group Limited

It is with pleasure that I write to you in my capacity as the Chairman of Gatehouse Financial Group Limited ("GFGL" or "Company").

The Company was incorporated in 2015 as part of a corporate reorganisation in advance of exchanging your shares in Gatehouse Bank plc ("Gatehouse Bank" or "Bank") for shares in the Company.

The Company serves as the parent company overseeing the activities of its two main operating subsidiaries Gatehouse Capital – Economic and Financial Consultancy K.S.C. (Closed) ("Gatehouse Capital") and Gatehouse Bank plc (together the "Group"). This reorganisation creates a more optimal and streamlined structure to deliver the overall Group strategy by the companies in line with their respective capabilities and market reach. The Group will continue to benefit from each company's strengths and draw on the synergies between each of the entities.

The union of Gatehouse Capital and Gatehouse Bank in 2015 under GFGL was the first step towards building the Gatehouse Group platform. Gatehouse Capital and Gatehouse Bank have a longstanding and progressive track record of successfully executing transactions over the last seven years, and the Board is confident that the synergies between the companies will continue to flourish.

Gatehouse Capital had an overall positive year in 2015, two of its notable achievements included a joint venture in a prime residential development portfolio to build 12 single-family luxury residences in the Los Angeles area in the U.S.A. and additional acquisitions to its existing US industrial portfolio. Gatehouse Capital and Gatehouse Bank also continue to build on their mutual collaboration with the companies demonstrating the strength of their synergies during the successful acquisition of Fountainbridge, a student accommodation asset located in Edinburgh, Scotland.

Gatehouse Bank focuses on the Group's banking business in addition to its real estate investment advisory activities. The Bank has established a solid foundation upon which it is able to develop its financing book and establish Gatehouse Bank as a key market player offering Shariah-compliant real estate financing. In addition, its real estate investment advisory activity has continued to flourish. We closed the year positively with our ground-breaking and innovative residential Private Rented Sector ("PRS") Fund investment, which I believe will position the Group as a provider of institutional-quality real estate investments. It also complements our existing offerings in the UK and the U.S.A. to similar sectors such as single-family, industrial and hospitality. The PRS Fund aims to have assets under management of £325m over the next two years and I am thankful to the KIA for demonstrating its support as the anchor investor. The Bank has received important UK Government endorsement, having met with Lord O'Neill, Commercial Secretary to the Treasury, at 10 Downing Street. The PRS Fund investment is a key milestone for the Bank and strides towards its objective to be innovative in meeting its client demands.

The Group's financial performance in 2015 was impacted by the cost involved in establishing a new corporate structure resulting in a consolidated year-end result, recording a loss of £2,986,559.

The Board has carefully considered the circumstances that influenced its final results in addition to the corporate restructure, including the competitive market conditions and the challenges faced in securing investment opportunities aligning with the Group's identified appetite and exposure limits. The Board anticipates, however, that the new Group structure will be advantageous to Shareholders when seeking to realise value in the future. The Board remains focused on achieving progress and improved results in 2016.

I would like to take this opportunity to thank you, our Shareholders, for your continued support and loyalty. It is with your dedication to the Group that we can continue to build on our potential. I extend much gratitude to the Shariah Supervisory Board for their continued guidance and advice. I also take this opportunity to note the commitment and diligence of all of the Group companies' employees.

Fahed Faisal Boodai
Chairman

30 May 2016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SHARIAH SUPERVISORY BOARD REPORT

بسم الله الرحمن الرحيم

To the Shareholders of Gatehouse Financial Group Limited

Assalaam A'laikum Wa Rahmat Allah Wa Barakatuh

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

In connection with our mandate, we have reviewed all material transaction documents that were presented to us and we also relied on certification of Shariah compliance issued by the respective Shariah Supervisory Boards of the subsidiaries within the Group. These include transactional as well as agreements signed with third parties for the purpose of obtaining their services in order to facilitate the proper operation of the Group. This report relates to the period ending 31 December 2015.

We have conducted overall review of the Group and relied on the certification of Shariah compliance issued by the Shariah Supervisorys Boards of the subsidiaries within the Group to form an opinion as to whether the Group has complied with Shariah and with the specific pronouncements, rulings and guidelines issued by us.

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

Supervision

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

Group's Contracts

The Group has entered into contracts and financing agreements. These include obtaining services from third parties in order to efficiently manage the Group. The SSB has reviewed the contracts and agreements presented during the year and conveyed their pronouncements. The Group has followed the pronouncements and, where necessary, amended the relevant documents in order to comply with Shariah principles.

Shariah Audit

Regular Shariah audits have been carried out of the Group's business activities for the period ending 31 December 2015. The Shariah audit included a review of all transaction documents executed by the Group. In all material respects, the SSB found all matters of the Group to be in compliance with the principles of Shariah and thanks the Group for adhering to the principles of Shariah.

Balance Sheet

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

Zakaat

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

Conclusions

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

Members of the Shariah Supervisory Board

Sheikh Nizam Yaquby
Chairman of the SSB

30 May 2016

Sheikh Dr Esam Khalaf Al Enezi
Member of the SSB

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

DIRECTORS' REPORT

The Directors present their report on the affairs of the Group, together with the financial statements and independent auditor's report, for the period ended 31 December 2015.

Principal Activities

Gatehouse Financial Group Limited ("the Company") was incorporated in Jersey on 5 March 2015 to be the holding company for Gatehouse Bank plc and Gatehouse Capital. Gatehouse Bank plc is incorporated in the UK and is authorised by the Prudential Regulation Authority (PRA) and regulated by the Financial Conduct Authority (FCA) and the PRA to act as a deposit-taking institution. Gatehouse Capital is a closed shareholding company registered in Kuwait and is engaged in providing management consultancy to local and foreign companies.

Financial results

The financial statements for the period ended 31 December 2015 are shown on pages 19 to 52. The consolidated Group loss for the period after taxation amounts to £2,896,559.

Dividend

No dividends were paid during the period (2014: £nil). The Directors do not recommend a final dividend on ordinary shares to be paid in respect of the period (2014: £nil).

Principal changes in the Group

In line with the Group's strategy to reorganise its business to allow the Group to improve on its corporate and operational structure, a share for share exchange in Gatehouse Bank was completed on 14 March 2015 which enabled the shareholders of the Bank to become shareholders of GFGL. On the same date, GFGL owned the beneficial interest in the entire issued share capital of Gatehouse Bank plc. No business combination occurred under IFRS 3 because GFGL was established to effect a restructuring of the Group. Further details have been provided in note 14.

Directors and Directors' Interests in Shares

The date of appointment to the Board of the Company is set out overleaf:

Name	Date of Appointment	Date of Resignation
Abdulaziz AlDuweesh	18-Mar-15	
Oday Al-Ibrahim	18-Mar-15	
Osama M. Al Rasheed	17-Dec-15	
Mohamad Tawfik Al-Tahawy	18-Mar-15	
Fahed Faisal Boodai	18-Mar-15	
Aboo Twalha Dhunnoo	17-Dec-15	
Henry Thompson	20-Mar-15	17-Dec-15
Lian Gilley	05-Mar-15	18-Mar-15
Stephen Osmant	05-Mar-15	18-Mar-15

Zakaat

The Group calculates the Zakaat on behalf of its shareholders according to the Shariah rules approved by the Shariah Supervisory Board. Zakaat calculated for the year ended 31 December 2015 is 0.0156 pence per ordinary share of 1 pence each (2014: 0.0172 pence per ordinary share of 1 pence each). The responsibility for payment of Zakaat lies with the shareholders of the Group.

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

Aboo Twalha Dhunnoo
Chief Financial Officer

30 May 2016

DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the financial statements in accordance with applicable law and regulations.
Jersey company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board. The financial statements are required by Jersey company law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

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

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

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies (Jersey) Law 1991. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities and for compliance with the Financial Services (Jersey) Law 1998 and Codes of Practice.

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 results of the Group and the undertakings included in the consolidation taken as a whole; and
- The Chairman's statement includes a fair review of the development and performance of the business and the position of the Group and the undertakings; and
- The annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group and Company's performance, business model and strategy.

By order of the Board.

Aboo Twalha Dhunnoo
Chief Financial Officer

30 May 2016

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

We have audited the financial statements of Gatehouse Financial Group Limited for the year ended 31 December 2015 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Equity and the related notes 1 to 36. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB).

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

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 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

In our opinion the financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 December 2015 and of the Group's loss for the year then ended;
- have been properly prepared in accordance with IFRSs as issued by the IASB; and
- have been properly prepared in accordance with the Companies (Jersey) Law 1991.

Matters on which we are required to report by exception

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

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

Alastair Morley

for and on behalf of Deloitte LLP
Chartered Accountants
London, United Kingdom

30 May 2016

CONSOLIDATED INCOME STATEMENT

	Notes	Year ended 31 Dec 2015 £	Year ended 31 Dec 2014 £
Income			
Income from investment and financing activities	3	7,431,316	7,665,449
Charges to financial institutions and customers		(1,736,313)	(1,422,794)
Fees and commission income		3,238,896	4,678,797
Fees and commission expense		(117,408)	(890,106)
Foreign exchange gains/ (losses)	4	571,687	(215,541)
Realised gains on investments		2,472,042	5,182,749
Un-realised gains on investment properties		55,348	-
Net Ijara profit		345,132	365,777
Other income		301,826	90,727
Total operating income		**12,562,526**	**15,455,058**
Expenses			
Staff costs	5	(8,836,851)	(6,961,504)
Depreciation and amortisation	15,18,19,21	(1,424,524)	(596,867)
Other operating expenses	6	(6,495,786)	(4,835,909)
Total operating expenses		**(16,757,161)**	**(12,394,280)**
Operating (loss)/profit		**(4,194,635)**	**3,060,778**
Share of profit of associate	15	390,346	1,918,604
Gain on dispoal of associate	15	299,928	-
Impairment release/ (charge)	7	677,231	(847,627)
(Loss)/profit before tax	8	**(2,827,130)**	**4,131,755**
Tax	9	(69,429)	(52,223)
(Loss)/profit for the year from continuing operations		**(2,896,559)**	**4,079,532**

OTHER COMPREHENSIVE INCOME

OTHER COMPREHENSIVE INCOME		Year ended 31 Dec 2015 £	Year ended 31 Dec 2014 £
(Loss)/profit for the year from continuing operations		**(2,896,559)**	**4,079,532**
(Loss)/ gain on available-for-sale investments		(2,775,444)	1,016,707
Foreign currency (losses)/gains from investment in associate		(2,750,969)	254,117
Other comprehensive (loss)/profit for the year		**(5,526,413)**	**1,270,824**
Comprehensive (loss)/profit for the year		**(8,422,972)**	**5,350,356**
Earnings per share from continuing operations			
Basic	10	(0.05) pence	0.03 pence
Diluted	10	(0.01) pence	0.02 pence

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	31 Dec 2015 £	31 Dec 2014 £
Assets			
Cash and balances with banks		14,163,843	18,181,711
Due from financial institutions	12	15,451,680	77,218,549
Financing arrangements	13	109,143,402	63,809,116
Investment securities	14	85,755,962	58,142,731
Investment in associate	15	9,170,305	18,620,948
Ijara receivable		9,853,302	9,867,959
Derivative financial instruments	17	1,175,244	155,920
Intangible assets	18	553,750	556,710
Property, Plant and Equipment	19	13,934,993	14,223,480
Investment Properties	20	1,531,192	-
Goodwill	21	10,989,364	-
Other assets	22	6,245,325	2,764,216
Total assets		**277,968,362**	**263,541,340**
Liabilities			
Due to financial institutions	23	141,584,500	129,504,983
Due to customers	24	11,513,973	2,636,732
Ijara payable		3,009,453	3,006,546
Other liabilities	25	4,785,369	2,870,954
Derivative financial instruments	17	-	24,086
Total liabilities		**160,893,295**	**138,043,301**
Net assets		**117,075,067**	**125,498,039**
Shareholders' equity			
Share capital	31	158,000,001	158,000,001
Own shares	32	(7,950,700)	(7,950,700)
Foreign currency translation reserve		(2,782,019)	(31,050)
Available-for-sale reserve		(3,154,177)	(378,733)
Retained deficits		(27,038,038)	(24,141,479)
Equity attributable to the Group's equity holders and total equity		**117,075,067**	**125,498,039**

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

The financial statements were approved by the Board of Directors and authorised for issue on the 30 May 2016. They were signed on its behalf by:

Fahed Faisal Boodai
Chairman

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 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**
Balance at 1 January 2015	158,000,001	(7,950,700)	(378,733)	(31,050)	(24,141,479)	**125,498,039**
Unrealised loss gain on available-for-sale investments	-	-	(2,775,444)	-	-	**(2,775,444)**
Foreign currency loss from associate investments	-	-	-	(2,750,969)	-	**(2,750,969)**
Loss for the year	-	-	-	-	(2,896,559)	**(2,896,559)**
Balance at 31 December 2015	**158,000,001**	**(7,950,700)**	**(3,154,177)**	**(2,782,019)**	**(27,038,038)**	**117,075,067**

CONSOLIDATED STATEMENT OF CASH FLOWS

	Year ended 31 Dec 2015 £	Year ended 31 Dec 2014 £
Cash flows from operating activities		
Operating (loss)/profit on ordinary activities after tax	(2,896,559)	4,079,532
Adjusted for:		
Impairment of investments	333,118	847,627
Share of operating profit of associate	(390,346)	(1,918,604)
Fair value movement in derivative financial instruments	(1,043,410)	(89,936)
Depreciation and amortisation	1,424,524	596,867
Taxation	7,820	52,223
Realised gains on investments	(2,472,042)	(5,182,749)
Income from investment and financing activities	(8,934,088)	(7,440,219)
Returns to financial institutions	1,674,157	1,396,868
Returns to customers	62,156	25,926
Net decrease in other assets	474,420	164,660
Net increase in other liabilities	695,992	144,019
Net cash outflow from operating activities	**(11,064,258)**	**(7,323,786)**
Cash flow from investing and financing activities		
Net (increase)/decrease in financial assets:		
Investment securities	(21,665,470)	4,990,723
Investment in associate	-	(5,732,572)
Financing arrangements	(37,813,189)	(27,775,662)
Acquisition of interests in subsidiaries, net of cash acquired	(12,582,818)	-
Due from financial institutions	51,271,534	2,263,350
Ijara	(17,564)	59,306
Income from investment and financing activities	6,945,410	5,709,780
Dividends received	1,870,441	2,415,060
Dividends received from associate	1,757,100	-
Purchase of property, plant and equipment	(2,186,380)	(536,812)
Purchase of intangible assets	(193,185)	(385,340)
Proceeds from sale of investment properties	431,367	-
Net cash outflow from investing activities	**(12,182,754)**	**(18,992,167)**
Cash flows from funding activities		
Proceeds from financial institutions	11,984,185	32,800,912
Proceeds from customers	8,846,181	(125,998)
Profit paid in respect of financing arrangements	(1,601,222)	(1,259,873)
Net cash inflow from funding activities	**19,229,144**	**31,415,041**
Net (outflow)/inflow in cash and cash equivalents	**(4,017,868)**	**5,099,088**
Cash and cash equivalents at the beginning of the year	18,181,711	13,082,623
Cash and cash equivalents at the end of the year	**14,163,843**	**18,181,711**

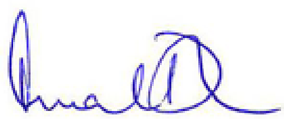
COMPANY STATEMENT OF FINANCIAL POSITION

	Notes	31 Dec 2015	31 Dec 2014
		£	£
Assets			
Amounts due from group undertakings	26	26,635,368	-
Investment in subsidiaries	14,16	121,490,273	-
Total assets		**148,125,641**	-
Liabilities			
Amounts due to group undertakings	26	28,963,878	-
Total liabilities		**28,963,878**	-
Net Assets		**119,161,763**	**-**
Shareholders' Equity			
Share capital	31	158,000,001	-
Own shares	32	(7,950,700)	-
Other reserve	33	(28,559,028)	-
Retained deficits		(2,328,510)	-
Equity attributable to the Group's equity holders and total equity		**119,161,763**	**-**

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

The financial statements were approved by the Board of Directors and authorised for issue on the 30 May 2016. They were signed on its behalf by:

Fahed Faisal Boodai
Chairman



Aboo Twalha Dhunnoo
Chief Financial Officer

COMPANY STATEMENT OF CHANGES IN EQUITY

	Share capital	Own Shares	Other Reserve	Retained deficit	Total
	£	£	£	£	£
Balance at Incorporation	-	-	-	-	**-**
Share for share exchange	158,000,001	(7,950,700)	(28,559,028)	-	**(121,490,273)**
Loss for the year	-	-	-	(2,328,510)	**(2,328,510)**
Balance at 31 December 2015	**158,000,001**	**(7,950,700)**	**(28,559,028)**	**(2,328,510)**	**119,196,763**

COMPANY STATEMENT OF CASH FLOWS

	Year ended 31 Dec 2015	Year ended 31 Dec 2014
Cash flows from operating activities	**£**	**£**
Operating loss on ordinary activities after tax	(2,328,510)	-
Adjusted for:		
Amounts due to group undertakings	2,328,510	-
Net cash flow from operating activities	-	-
Cash flow from investing activities	-	-
Net increase in financial assets:		
Due from group undertakings	(21,191,205)	-
Net cash flow from investing activities	**(21,191,205)**	**-**
Cash flows from funding activities		
Proceeds from group undertakings	21,191,205	-
Net cash inflow from funding activities	**21,191,205**	-
Net flow in cash and cash equivalents	-	-
Cash and cash equivalents at the beginning of the year	-	-
Cash and cash equivalents at the end of the year	**-**	**-**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

1. General Information

Gatehouse Financial Group Limited ('the Group') was incorporated as a private company in Jersey on 5 March 2015 under the Companies (Jersey) Law 1991. The address of the registered office is given on page 7.

The adoption of Standards and Interpretations issued by the International Accounting Standards Board (IASB), as issued by IASB, 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 Group. The Group 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 Group's financial instruments.

2. Basis of preparation and significant accounting policies

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance as well as the financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in this annual report and accounts. In addition, note 36 to the financial statements includes the Group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and its exposures to credit and liquidity risk.

The entities in the Group ensure they meets capital and liquidity limits and relevant regulatory thresholds on a regular basis by actively managing 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 liquidity of the entities. Senior management monitor the likelihood of such a stress event or combination of events happening on a forward looking basis regularly and take such preventive and detective actions as appropriate to ensure any stress event or events and their impact is mitigated on a timely basis. The Group's forecasts and projections take account of possible changes in future conditions and performance and the maintenance of planned capital and liquidity resources above the regulatory base requirements for the foreseeable future. All through 2015, the Companies within the Group operated within their applicable 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.

Basis of accounting

The financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRSs) as issued by IASB.

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

Foreign currencies

The Group's financial statements are presented in sterling, which is it'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.

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

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 financing transactions and equity holdings. A Murabaha arrangement represents an agreement whereby a Company purchases a commodity and then sells it to a customer on a deferred settlement basis with an agreed mark-up.

Profit receivable on Murabaha placements and participation in sukuk or 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 the right to receive payment has been established.

Charges to financial institutions and customers

Charges to financial institutions and customers consists of profit payable from Shariah-compliant deposits including Murabaha deposits and Wakala arrangments. A Wakala arrangement represents an agreement whereby the Group accepts a deposit of funds on behalf of a customer to perform an investment or financing 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 Group 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 Group 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 Group 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 Group 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 Group 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.

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

Fair Value Hedge Accounting

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

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 Group 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 Groups

The caption Cash and Balances with Groups represents cash and current account balances with Groups, 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
Vehicles	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

Computer software and licenses

Computer software and licenses acquired by the Group are stated at cost, less amortisation and provisions for impairment, if any. 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. Capitalised computer software and licenses is amortised on a straight-line basis over a useful economic life of five years from the date they are brought into full operational use.

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

Goodwill

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

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. At the acquisition date the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date. Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously-held equity interest (if any) in the acquiree over the fair value of the identifiable net assets recognised.

Goodwill is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. The recoverable amount is the higher of fair value less cost to sell and value in use. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. Any impairment loss is recognised immediately in profit or loss and is not subsequently reversed.

Investment Properties

Investment properties are measured initially at cost, including transaction cost, being the fair value of the consideration given and including acquisition charges associated with the property. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses from changes in the fair values of investment properties are recognised in the consolidated statement of income in the period in which they arise. Fair values are evaluated annually by an accredited external independent valuer, applying a valuation method consistent with the nature and usage of the investment properties.

Investment properties are derecognised when either they have been disposed of or when the investment properties are permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the consolidated statement of income in the period of derecognition.

Impairment of non-financial assets

The Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered permanent diminution in value. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects a current market assessment of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset is estimated to be less than the carrying amount, the asset is written down to its recoverable amount. An impairment loss is recognised as an expense in the income statement.

Investment in subsidiary undertaking

The investment in subsidiary undertaking in the Company's financial statements is stated at the IFRS net asset value of the Company at the effective date of ownership less impairment. The investment in subsidiary undertaking is assessed for impairment where there is an indication of impairment. Where impairment exists, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss recognised in the statement of comprehensive income.

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.

Merger Accounting and Comparatives

The Group underwent a corporate reorganisation and on 14 March 2015, a share for share exchange was completed whereby the shareholders of the Group became the shareholders of a newly formed holding company, Gatehouse Financial Group Limited. The business combination was outside the scope of IFRS3 as the new holding company was established after the Group restructuring. Under the reorganisation, as the relative rights of the shareholders have been preserved and since GFGL was not previously a wholly-owned subsidiary, it is appropriate to use merger accounting to present the consolidated information for the Group as if the new legal structure had always existed, therefore comparatives are present for the notes.

3. Income from investment and financing activities

	2015	2014
	£	£
Income from amounts due from financial institutions	1,535,447	1,628,966
Income from financing arrangements	3,055,266	2,509,084
Income from Sukuk investments	1,158,908	1,112,339
Income from other investment securities	1,681,695	2,415,060
	7,431,316	**7,665,449**

4. Foreign exchange gains/ (losses)

	2015	2014
	£	£
Net losses on translation of balances denominated in foreign currency	(603,557)	(371,461)
Net gains on translation of forward foreign exchange agreements	1,175,244	155,920
Net gains/(losses) in foreign exchange	**571,687**	**(215,541)**

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

	2015	2014
	£	£
Staff costs		
Directors' salaries and fees	1,323,284	1,144,849
Directors' pensions	59,193	47,781
Staff salaries	4,924,548	3,788,692
Staff pension contributions	440,960	418,763
Social security costs	697,407	535,706
Other staff costs	1,391,459	1,025,713
	8,836,851	**6,961,504**

	2015	2014
	£	£
Highest paid Director		
Emoluments	375,000	395,690
Pension contribution	37,500	28,125
	412,500	**423,815**

	2015 No.	2014 No.
Number of employees at year end	91	54
Average number of employees	94	51

Included in 2015 are the staff numbers for Gatehouse Capital Economic and Financial Consultancy KSCC.

6. Other operating expenses

	2015	2014
	£	£
Rent and other occupancy costs	1,039,756	1,243,373
Consultancy	864,665	573,172
Legal and professional fees	2,344,375	778,270
Recruitment costs	280,021	358,079
IT and communication costs	578,764	560,925
Advertising and marketing	143,355	331,837
Shariah Supervisory Board fees and expenses	85,874	77,402
Other operating charges	1,158,976	912,851
	6,495,786	**4,835,909**

7. Impairment (releases)/losses

	2015	2014
	£	£
Investment securities	333,119	949,610
Reversal of impairment in previous periods	(1,010,350)	(101,983)
	(677,231)	**847,627**

The Group released £108,106 in respect of two of its US unquoted equity investments during the year ended 31 December 2015 and impaired two UK unquoted equity investments and one US equity investments by £441,225. An impairment of £1,010,350 was reversed in the year due to the sale of previously written off financing asset.

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

8. (Loss)/profit before tax

	2015	2014
(Loss)/profit before tax is stated after charging:	£	£
Net foreign exchange (gains)/losses	(571,687)	215,541
Auditor's remuneration	214,634	173,333
Rentals paid under operating leases: premises	579,052	340,278
Depreciation and amortisation	1,424,524	596,867

	2015	2014
Auditor's remuneration can be analysed as follows:	£	£
Audit of the Group's accounts	167,923	87,200
Other services:		
Tax advisory services	38,754	7,800
Other services	7,957	78,333
	214,634	**173,333**

9. Taxation

The tax expense in the income statement for the period was £69,429 (2014: £52,223). The tax expense can be reconciled to the loss per the income statement as follows:

	2015	2014
	£	£
(Loss)/profit before tax from continuing operations	(2,827,130)	4,131,755
Adjusting items not subject to UK corporation tax	2,052,019	-
(Loss)/profit before tax subject to UK corporation tax	(775,111)	4,131,755
Tax at the UK corporation tax rate of 20.25% (2014: 21.5%)	(156,960)	888,327
Effects of:		
Effect of results from associates and subsidiaries	(81,341)	(267,305)
Expenses not deductible for tax purposes	47,119	51,515
Tax losses utilised but previously not recognised	-	(672,537)
Deferred Tax Asset not recognised	191,182	-
Withholding tax on profit from associate	61,473	47,456
Other	7,956	4,767
Tax charge in the consolidated income statement	69,429	52,223

£69,429 tax payable consists of £61,473 withholding tax liability relating to provision for local Kuwait tax on profit received from associate and £7,956 relating to tax on GHB Properties Limited.

The unrecognised deferred tax asset is calculated at 20% (2014: 20%) and can be analysed as follows:

	2015	2014
	£	£
Tax losses not utilised	(5,694,321)	(5,098,987)
Deccelerated tax depreciation	(75,609)	(74,313)
Unrecognised deferred tax asset	**(5,769,930)**	**(5,173,300)**

10. Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to ordinary shareholders of the Group 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:

	Number of shares	
	2015	2014
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 loss attributable to equity shareholders of the Group

£2,328,510 of the company loss for the financial period (2014: nil) has been dealt with in the accounts of the Group.

As permitted by Jersey company law, a separate profit and loss account of the Bank has not been presented.

12. Due from financial institutions

Group

	Avg. Yield	2015	Avg. Yield	2014
		£		£
Treasury placements	0.36%	**15,451,680**	0.26%	**77,218,549**

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	2015	Avg. Yield	2014
		£		£
Finance receivables		**109,143,402**		**70,382,789**
Provision for impairment		-		(6,573,673)
	6.28%	**109,143,402**	6.27%	**63,809,116**

Company

	Avg. Yield	2015	Avg. Yield	2014
		£		£
Finance receivables		-		-
	0.00%	**-**	0.00%	**-**

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.*

14. Investments securities

Group

	Avg. Yield	2015	Avg. Yield	2014
		£		£
Quoted sukuk		37,871,461		27,942,244
Quoted equity securities		14,069,789		8,054,737
Unquoted equity securities		33,363,154		21,674,770
Unquoted funds		451,558		470,980
	1.68%	**85,755,962**	3.97%	**58,142,731**

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

Company

	2015	2014
	£	£
Investment in Subsidiary		
Gatehouse Bank plc	121,490,273	-
	121,490,273	-

On 14 March 2015, stock transfer forms were completed which effected the share for share exchange by which the shareholders of Gatehouse Bank plc became shareholders of Gatehouse FInancial Group Limited. On the same date, GFGL owned the beneficial interest in the entire issued share capital of Gatehouse Bank plc.

Group restructuring and reorganisation are excluded from the scope of IFRS 3 Business Combinations as the combining entities are controlled by the same party. This is on the basis that GFGL satisfies the following conditions [IAS 27(2011):13]

14. Investments securities (continued)

- The new parent obtains control of the original parent by issuing equity instruments in exchange for existing equity instruments of the original parent;
- The assets and liabilities of the new Group and the original Group are the same immediately before and after the reorganisation; and
- The owners of the original parent before the reorganisation have the same absolute and relative interests in the net assets of the original Group and the new Group immediately before and after the reorganisation

Under the reorganisation, as the relative rights of the shareholders have been preserved and since GFGL was not previously a wholly-owned subsidiary, it is appropriate to use merger accounting to present the consolidated information for the Group as if the new legal structure had always existed.

The Company investment in subsidiary represents the equity value of Gatehouse Bank plc as at the 30 June 2015 which was the subsequent point where an external review was conducted on the Gatehouse Bank plc financials.

15. Investment in Associate

This represents the Group's 65% share of investments in Weaver Point Capital Advisors, LLC, accounted for using equity method. The Group has accounted for the investment in Weaver Point as an associate in accordance with IAS 28: Investment in Associates and Joint Ventures, as the Group does not have power over Weaver Point and the ability to use its power over Weaver Point to affect its returns and hence does not have control over Weaver Point under IFRS 10.

In the prior year, the Group's investment in associate related to the Group's ownership of Gatehouse Capital Economic and Financial Consultancy KSCC ("Gatehouse Capital"), whereby Gatehouse Bank owned 49% ownership in the underlying legal and/or beneficial interests. On 29 June 2015, the Group increased its ownership in Gatehouse Capital to 100% and thereby becoming a wholly owned subsidiary. In accordance with IFRS 3, the Group treated the increase in ownership as a step acquisition and the Group re-measured its previously held equity interest of 49% to the acquisition date fair value. This resulted in a gain of £299,928 and has been presented within other income in the consolidated income statement.

The consolidated statement of financial position reflects an investment in associate of £9,170,305 (2014: £18,620,948). The consolidated income statement includes share of profit of associate of £390,346, which includes an amount of £88,191 being the share of Gatehouse Capital as an associate of the Group up to 29 June 2015 and an amount of £302,155 being the share of Weaver Point Capital Advisors, LLC.

Associate

	2015 **£**	**2014** **£**
Aggregated amounts relating to associate		
Total assets	1,620,825	30,906,011
Total liabilities	(90,230)	(2,298,169)
Net assets	**1,530,595**	**28,607,842**
Group's share of net assets of associates	**845,344**	**14,017,843**
Total revenue	2,571,207	9,925,641
Profit	884,662	5,389,337
Share of profit of associate	**390,346**	**1,918,604**

The carrying value of investment in associate includes goodwill of £8,324,961 in relation to the Group's 65% share of investments in Weaver Point Capital Advisors at 31 December 2015 and amortisation charged for the period of £56,691.

16. Investment in subsidiaries

The Group consists of a parent company, Gatehouse Financial Group Limited, incorporated in Jersey and a number of subsidiaries and accociate held directly and indirectly by Gatehouse Financial Group Limited, which operate and are incorporated around the world. Information about the composition of the Group at the end of the reporting period is as follows.

Subsidiaries	Principal Activity	Place of business & Country of incorporation	GFGL consolidated interest
Directly held:			
Gatehouse Bank plc	Banking and Investment Advisory	England & Wales	100.0%
Gatehouse Capital Economic and Financial Consultancy K.S.C	Investment and real estate activities	Kuwait	100.0%
Indirectly held:			
Held through Gatehouse Bank plc			
Clementine Properties Limited	Investment holding company	Jersey	100.0%
Milestone 002 PC	Investment holding company	Jersey	100.0%
Gate Holdings Limited	Investment holding company	Jersey	100.0%
GHB Properties Limited	Investment holding company	Jersey	100.0%
Held through Gatehouse Capital Economic and Financial Consultancy K.S.C			
Global Securities House France S.A.S.	Investment advisory services	France	100.0%
Dhow Holdings Corporation ("DHC")	Investment and real estate activities	Cayman Islands	100.0%
Held through DHC			
Global Securities House USA, Inc.("GSH")	Investment and real estate activities	USA	100.0%

All subsidiaries are included in the consolidated accounts.

17. Derivative financial instruments

	Assets	Liabilities	Notional amount
	£	£	£
2015			
Maturing in 0-3 months	1,177,439	-	57,778,998
Maturing greater than three months	(2,195)	-	12,639,155
2014			
Maturing in 0-3 months	155,920	-	35,560,293
Maturing greater than three months	-	24,086	8,200,000

The Group uses foreign currency agreements for matching currency exposures.

18. Intangible assets

Group

Software costs and licence fees

	2015 £	2014 £
Cost		
At 1 January	1,718,045	1,332,705
Additions	193,185	385,340
Disposals	-	-
At 31 December	1,911,230	1,718,045
Amortisation		
At 1 January	1,161,335	1,081,683
Charge for the period	196,145	79,652
On disposal	-	-
At 31 December	1,357,480	1,161,335
Net book value		
At 1 January	**556,710**	**251,022**
At 31 December	**553,750**	**556,710**

19. Property, plant and equipment

Group	Property £	Computer equipment £	Fixtures and fittings £	Leasehold improvement £	Vechicles £	Total £
Cost						
At 1 January 2015	12,216,511	724,709	207,793	2,553,389	-	15,702,402
Additions	-	98,822	18,233	102,907	-	219,962
Additions on acquisition of subsidiary	-	410,423	539,555	-	56,222	1,006,199
Disposals	-	(8,864)	-	-	-	(8,864)
At 31 December 2015	12,216,511	1,225,090	765,581	2,656,296	56,222	16,919,699
Depreciation						
At 1 January 2015	110,058	500,065	60,166	808,633	-	1,478,922
Accumulated depreciation on acquisition of subsidiary	-	345,312	537,020	-	48,113	930,445
Charge for the period	110,065	128,559	37,614	304,414	3,551	584,203
On disposal	-	(8,864)	-	-	-	(8,864)
At 31 December 2015	220,123	965,072	634,800	1,113,047	51,664	2,984,706
Net book value						
At 1 January 2015	12,106,453	224,644	147,627	1,744,756	1,744,756	14,223,480
At 31 December 2015	**11,996,388**	**260,018**	**130,781**	**1,543,249**	**4,558**	**13,934,993**

19. Property, plant and equipment (continued)

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**

20. Investment Properties

Group

	2015 £	2014 £
Cost		
At 1 January	-	-
Additions on acquisition of subsidiary	1,890,664	-
Disposals	(359,472)	-
At 31 December	1,531,192	-
Net book value		
At 1 January	-	-
At 31 December	**1,531,192**	**-**

Investment properties are located at the Sultanate of Oman and are stated at fair value. The fair value of the property is based on lower of two external valuations carried out by accredited independent valuators using market comparable approach which is further discounted by the management by £411,301 (2014: Nil).

21. Acquisition of Subsidiary

On 29 June 2015, the group completed the step up acquisition of Gatehouse Capital to be the 100% owner.

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are as set out below:

	2015
	£
Cash and Balances with banks	7,772,999
Financial Assets	2,687,807
Investment Securities	7,091,436

21. Acquisition of Subsidiary (continued)

Investment in associate	11,491,682
Property, Plant and Equipment	74,288
Other Assets	942,887
Financial Liabilities	(2,080,265)
Total identifiable assets on acquisition	**27,980,834**
Goodwill	10,876,548
Total Consideration	**38,857,382**

Reconciliation of Goodwill balances at 31 December 2015 are provided below:

	2015
	£
Recognition of Goodwill on acquisition	10,876,548
Amortisation of Goodwill	(587,485)
FX remeasurement	700,301
Balance as at 31 December 2015	**10,989,364**

22. Other Assets

Group	**2015**	**2014**
	£	**£**
Other debtors	1,555,957	619,804
Prepayments	3,462,425	1,032,207
Accrued income receivable	1,192,040	1,112,205
Intercompany receivable	34,903	-
	6,245,325	**2,764,216**

23. Due to financial institutions

Group	Avg. Yield	**2015**	Avg. Yield	**2014**
		£		**£**
Treasury liabilities	1.64%	141,584,500	1.16%	129,504,983

Company	Avg. Yield	**2015**	Avg. Yield	**2014**
		£		**£**
Treasury liabilities	0.00%	-	0.00%	-

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

24. Due to customers

Group	Avg. Yield	**2015**	Avg. Yield	**2014**
		£		**£**
Treasury liabilities		11,513,973		2,636,732
	2.17%	**11,513,973**	1.12%	**2,636,732**

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

25. Other liabilities

Group	2015	2014
	£	£
Trade creditors	96,052	301,232
Other taxes and social security costs	392,052	294,986
Deferred income	844,830	178,225
Other creditors	3,452,435	2,096,511
	4,785,369	**2,870,954**

Company	2015	2014
	£	£
Trade creditors	-	-
Other taxes and social security costs	-	-
Deferred income	-	-
Other creditors	-	-
	-	**-**

26. Amounts due from/to group undertakings

In order to finance the 64.4% acquisition of the remaining interest in Gatehouse Capital, GFGL entered into an intra-Group financing with GC Holdings (DIFC) Limited and Gatehouse Bank plc.

Included within "Amounts due from Group Undertakings" is an intercompany wakala of £26,635,368 with GC Holdings (DIFC) Limited. GC Holdings (DIFC) Limited is a special purpose company, registered in the DIFC free zone in the United Arab Emirates and was incorporated on 23 March 2015.

Included within "Amounts due to Group Undertakings" is an intercompany wakala of £27,612,994 with Gatehouse Bank plc.

The professional service fees due to group undertakings are amounts payable to Gatehouse Bank plc on behalf of GFGL.

Company	2015	2014
	£	£
Amounts due from group undertakings	26,635,368	-
	26,635,368	**-**

Company	2015	2014
	£	£
Professional service fees due to group undertakings	1,350,884	
Amounts due to group undertakings	27,612,994	-
	28,963,878	**-**

27. 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

2015	Less than 12 months	More than 12 months	Total
	£	£	£
Assets			
Cash and balances with Groups	14,163,843	-	14,163,843
Due from financial institutions	14,435,156	1,016,524	15,451,680
Financing arrangements	21,122,741	88,020,661	109,143,402
Investment securities	8,872,977	76,882,985	85,755,962
Ijara receivable	15,312	9,837,990	9,853,302
Investment in associate	-	9,170,305	9,170,30
Derivative financial instruments	1,175,244	-	1,175,244
Total financial assets	**59,785,273**	**184,928,465**	**244,713,738**
Liabilities			
Due to financial institutions	141,584,500	-	141,584,500
Ijara payable	-	3,009,453	3,009,453
Due to customers	7,113,978	4,399,995	11,513,973
Total financial liabilities	**148,698,478**	**7,409,448**	**156,107,926**

Company

2015	Less than 12 months	More than 12 months	Total
	£	£	£
Assets			
Cash and balances with Groups	-	-	-
Due from group undertakings	-	26,635,368	26,635,368
Financing arrangements	-	-	-
Investment securities	-	-	-
Investment in subsidiaries	-	121,490,273	121,490,273
Investment in associate	-	-	-
Derivative financial instruments	-	-	-
Total financial assets	-	**148,125,641**	**148,125,641**
Liabilities			
Due to group undertakings	-	27,612,994	27,612,994
Due to customers	-	-	-
Total financial liabilities	-	**27,612,994**	**27,612,994**

27. Maturity analysis of financial assets and liabilities (continued)

Group

2014	Less than 12 months	More than 12 months	Total
	£	£	£
Assets			
Cash and balances with Groups	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**

Company

2014	Less than 12 months	More than 12 months	Total
	£	£	£
Assets			
Cash and balances with Groups	-	-	-
Due from group undertakings	-	-	-
Financing arrangements	-	-	-
Investment securities	-	-	-
Investment in subsidiaries	-	-	-
Investment in associate	-	-	-
Derivative financial instruments	-	-	-
Total financial assets	-	-	-
Liabilities			
Due to group undertakings	-	-	-
Due to customers	-	-	-
Total financial liabilities	-	-	-

28. Assets and liabilities in foreign currency

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

Group

	2015	2014
Assets	**£**	**£**
Denominated in Sterling	130,630,682	133,201,611
Denominated in other currencies	147,337,680	130,339,729
	277,968,362	**263,541,340**

Liabilities		
Denominated in Sterling	47,692,654	13,289,555
Denominated in other currencies	113,200,641	124,753,746
	160,893,295	**138,043,301**

Company

	2015	2014
Assets	**£**	**£**
Denominated in Sterling	148,125,641	-
Denominated in other currencies	-	-
	148,125,641	**-**

Liabilities		
Denominated in Sterling	28,963,878	-
Denominated in other currencies	-	-
	28,963,878	**-**

29. Pension Commitments

Within the Group, only Gatehouse Bank plc provides a defined contribution pension scheme for all staff. The assets of the scheme are held separately from those of the Bank in independently administered funds. During the period, pension costs of £500,153 were charged to the income statement (2014: £466,544). The pension creditor outstanding at the balance sheet date amounted to £nil (2014: £nil).

30. Commitments under Operating Leases

Operating lease commitments

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

	2015	2014
	£	**£**
Within one year	557,260	597,077
One to five years	1,300,273	2,234,756
	1,857,533	**2,831,833**

31. Share Capital

	2015	2014
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**

32. Own shares

The Own Shares reserve represents the shares issued as part of the Group's Employee Incentive Plan, held by the Employee Benefit Trust on behalf of participating employees and the Trustee. 800,000,000 ordinary shares of £0.01 each (2014: 800,000,000 ordinary shares) were held by the Employee Benefit Trust at 31 December 2015 of which 493,000,000 were partly paid up to £0.0001 per share (2014: 493,000,000) by former beneficiaries of the Group's Employee Incentive Plan during their employment.

33. Other Reserve

	2015	2014
	£	£
Net Asset Value of Gatehouse Bank plc	121,490,273	-
Issue of share capital	(150,049,301)	-
	(28,559,028)	**-**

A reserve of £121,490,273 was created upon the completion of the share for share exchange. The reserve closing balance represents the difference between the net asset value of Gatehouse Bank plc and the nominal value of the shares as at 30 June 2015 detailed in note 14.

34. Off balance sheet items

Loan commitments

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

	2015	2014
	£	£
Within one year	2,365,714	5,821,452
One to five years	-	994,548
	2,365,714	**6,816,000**

Other commitments

At the balance sheet date, the Group has outstanding other commitments as follows:

	2015	2014
	£	£
Within one year	5,966,250	-
One to five years	6,285,925	-
	12,252,175	**-**

35. Related party transactions

During the reporting year, the Group entered into separate transactions with related counterparties. The table below discloses the average daily exposure (2014: average daily exposure) of separately identifiable transactions that took place at different times during the year.

	2015	2014
	£	£
The Securities House K.S.C.C.		
Finance receivables	4,940,135	-
Treasury liabilities	14,442,991	1,249,325
Kuwait Investment Authority		
Finance liabilities	96,912,383	82,870,698

During 2015, Rubicon Securities (where Stephen Smith is a Director) provided consultancy services to the Gatehouse Bank plc, of £48,000.

Kuwait Investment Authority is a shareholder of the Group.

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

Included within:	2015	2014
Assets	£	£
The Securities House K.S.C.C.	-	4,927,458
Treasury liabilities		
The Securities House K.S.C.C.	9,213,903	651,002
Kuwait Investment Authority	100,126,921	94,712,018

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

36. Risk Management

The Risk Management function is primarily at the Bank level and forms an integral part of the Bank's three lines of defence and is divided into the key areas: credit risk, market risk and operational risk. The Chief Financial Officer delegates responsibility for the day-to-day monitoring of these risks to ensure that the Bank is maintained within the risk appetite parameters set by the Board.

The Chief Financial Officer is responsible for providing an oversight function that considers all risks on a consolidated basis at the Bank level and, in this respect, sits on the main risk committees.

Credit Risk

Credit risk is the risk of suffering financial loss in the event that one of the Bank'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 the Bank faces arises mainly from Treasury activities, real estate equity investment and senior real estate financing.

The Bank'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 existing and potential Treasury counterparties, and Sukuk and listed equities issuers by undertaking comprehensive credit risk assessments and making recommendations to the appropriate decision making forums. This includes monitoring of portfolio composition; and
- The monitoring of exposures to ensure compliance with approved limits and that the credit quality of the counterparty has not deteriorated or circumstances changed. Monitoring provides a picture of the portfolio as a whole and its inherent risks, including concentrations and capital allocation.

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

- Assessment of real estate equity investments and senior and mezzanine financing activities via the provision of comprehensive credit risk assessments making recommendations to appropriate decision making forums. This includes monitoring of portfolio composition; and

- The ongoing monitoring and review of credit risk for real estate equity investment and finance exposures to ensure compliance with covenants and early identification of changes to the credit risk profile and composition of the portfolio.

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 Bank plc adopting the Standardised approach.

Note 2 refers to the basis by which the Group 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 2015:

Group	**2015**	**2014**
	£	**£**
Cash and balances with Groups	14,163,843	18,181,711
Due from financial institutions	15,451,680	77,218,549
Financing arrangements	109,143,402	63,809,116
Investment securities	85,755,962	58,142,731
Ijara receivable	9,853,302	9,867,959
Investments in Associates	9,170,305	18,620,948
Derivative financial instruments	1,175,244	155,920
	244,713,738	**245,996,934**

Company	**2015**	**2014**
	£	**£**
Due from group undertakings	26,635,368	-
Investments in Associates	121,490,273	-
	148,125,641	**-**

Geographical region

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

Group

	2015	**2014**
	£	**£**
GCC countries	30,905,299	61,933,516
Bahrain	5,429,729	4,493,052
Kuwait	1,841,509	30,497,372
Saudi Arabia	11,211,378	7,436,364
UAE	10,367,247	17,567,334
Qatar	2,055,436	1,939,394
Jersey	66,111,862	47,552,755
Europe	88,445,928	113,735,154
USA	55,863,223	22,720,186
Asia	3,387,426	55,323
	244,713,738	**245,996,934**

36. Risk Management (continued)

Credit Risk (continued)

Company

	2015	2014
	£	£
GCC countries	26,635,368	-
UAE	26,635,368	-
Europe	121,490,273	-
	148,125,641	**-**

Credit quality

The table below shows the credit quality of financial assets on the balance sheet at 31 December 2015, based on the Group's credit rating system:

Group

2015	Investment grade	Non-investment grade	Non-rated	Total
	£	£	£	£
Assets				
Cash and balances with Groups	13,967,535	-	196,308	14,163,843
Due from financial institutions	15,451,680	-	-	15,451,680
Financing arrangements	-	-	109,143,402	109,143,402
Investment securities	36,653,785	368,337	48,733,840	85,755,962
Ijara receivable	-	-	9,853,302	9,853,302
Investment in associate	-	-	9,170,305	9,170,305
Derivative financial instruments	1,175,244	-	-	1,175,244
Total assets	**67,248,244**	**368,337**	**177,097,157**	**244,713,738**

Company

2015	Investment grade	Non-investment grade	Non-rated	Total
	£	£	£	£
Assets				
Due from group undertakings	-	-	26,635,368	26,635,368
Investment in subsidiary	-	-	121,490,273	121,490,273
Total assets	**-**	**-**	**148,125,641**	**148,125,641**

Group

2014	Investment grade	Non-investment grade	Non-rated	Total
	£	£	£	£
Assets				
Cash and balances with Groups	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	**109,905,503**	**683,048**	**135,408,383**	**245,996,934**

36. Risk Management (continued)

Credit Risk (continued)

Company

2014	Investment grade	Non-investment grade	Non-rated	Total
	£	£	£	£
Assets				
Due from group undertakings	-	-	-	-
Investment in subsidiary	-	-	-	-
Total assets	-	-	-	-

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. Within the Group, Gatehouse Bank plc is subject to and complies with the systems and control requirements of the PRA and CRD IV liquidity regime.

Liquidity and rate profile

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

Group

	Less than 1 month	1-3 months	3-6 months	6-12 months	1-5 years	5+ years	Total
	£	£	£	£	£	£	£
2015							
Assets							
Fixed rate items	19,482,749	4,352,512	8,787,110	18,112,573	116,937,907	-	**167,672,851**
Variable rate items	-	-	-	-	-	-	-
Non-rate sensitive	14,163,843	3,766	3,807	7,740	53,101,881	9,759,850	**77,040,887**
Total assets	**33,646,592**	**4,356,278**	**8,790,917**	**18,120,313**	**170,039,788**	**9,759,850**	**244,713,738**
Liabilities							
Fixed rate items	9,549,680	45,994,874	38,582,028	45,495,310	6,352,682	-	**145,974,574**
Variable rate items	7,123,899	-	-	-	-	-	**7,123,899**
Non-rate sensitive	-	-	-	-	-	3,009,453	**3,009,453**
Total liabilities	**16,673,579**	**45,994,874**	**38,582,028**	**45,495,310**	**6,352,682**	**3,009,453**	**156,107,926**
Net	**16,973,013**	**(41,638,596)**	**(29,791,111)**	**(27,374,997)**	**163,687,106**	**6,750,397**	**88,605,812**

Company

	Less than 1 month	1-3 months	3-6 months	6-12 months	1-5 years	5+ years	Total
	£	£	£	£	£	£	£
2015							
Assets							
Non-rate sensitive	-	-	-	-	26,635,368	121,490,273	**148,125,641**
Total assets	**-**	**-**	**-**	**-**	**26,635,368**	**121,490,273**	**148,125,641**
Liabilities							
Non-rate sensitive	-	-	-	-	27,612,994	-	**27,612,994**
Total liabilities	**-**	**-**	**-**	**-**	**27,612,994**	**-**	**27,612,994**
Net	**-**	**-**	**-**	**-**	**(977,626)**	**121,490,273**	**120,512,647**

36. Risk Management (continued)

Liquidity Risk (continued)

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	**53,684,316**	**(9,054,767)**	**(22,669,215)**	**(24,611,312)**	**106,701,087**	**6,774,478**	**110,824,587**

Company

	Less than 1 month	1-3 months	3-6 months	6-12 months	1-5 years	5+ years	Total
	£	£	£	£	£	£	£
2014							
Assets							
Non-rate sensitive	-	-	-	-	-	-	-
Total assets	-	-	-	-	-	-	-
Liabilities							
Non-rate sensitive	-	-	-	-	-	-	-
Total liabilities	-	-	-	-	-	-	-
Net	-	-	-	-	-	-	-

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. The Bank 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.

Gatehouse Bank plc Treasury manages treasury market risk.

36. Risk Management (continued)

Market risk (continued)

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 Group's portfolio due to changes in market risk factors;
- Maximum loss: an estimate of the potential loss the Group 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 the Group across a range of market conditions.

Although the Group only trades in Shariah-compliant products, the carrying value of financial instruments held by the Group is sensitive to movement in interest rates. If interest rates had been 200 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2015 would decrease/increase by £7,346,883 (2014: £2,466,114).

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

Value at risk

Profit rate risk (equivalent to interest rate risk)

The varying profit share features and maturities of products, together with the use of Treasury products create profit rate risk 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 2015, 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. Gatehouse Bank plc's Pillar 1 minimum capital requirement allows for profit rate risk through the profit rate risk requirement.

As at 31 December 2015, the market value of nominal positions generating profit rate VaR was £42,220,503 which generated profit rate VaR and maximum loss estimates of:

	95% VaR (£)	Maximum loss (£)
One day	**(3,021)**	**(123,754)**
One week	(29,142)	(173,045)

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.

Gatehouse Bank plc uses VaR to monitor the risk arising from open foreign currency positions. Gatehouse Bank plc's Pillar 1 minimum capital requirement allows for foreign exchange risk through the foreign exchange risk requirement.

As at 31 December 2015, the net market value of nominal foreign exchange exposure was £593,427 which generated Foreign Exchange VaR maximum loss estimates of:

	95% VaR	Maximum Loss (£)
One day	**(5,734)**	**(31,593)**
One week	(37,844)	(123,850)

Gatehouse Capital uses sensitivity analysis to monitor the risk arising from open foreign currency positions. A 3% strengthening or weakening of the net foreign currency positions against Kuwaiti Dinars at the statement of financial position date would result in a Gatehouse Capital FX revaluation gain or loss of £395,108 for USD currency and £10,230 for Euro currency.

Sukuk portfolio risk

As part of liquidity management, Gatehouse Treasury invests in selected Sukuk. As at 31 December 2015, the Bank has not used derivatives to hedge Sukuk investments.

36. Risk Management (continued)

VaR is used to monitor the risk arising from the available-for-sale Sukuk investment portfolio. Gatehouse Bank plc's Pillar 1 minimum capital requirement allows for investment risk through the equity position risk requirement.

As at 31 December 2015, the market value of nominal AFS Sukuk investment exposure was £44,771,461 which generated Price Risk VaR and maximum loss of:

	95% VaR	Maximum Loss (£)
One day	**(14,200)**	**(59,819)**
One week	(40,888)	(159,691)

Equity portfolio risk

As part of liquidity management, Gatehouse Treasury invests in selected Listed Equities. As at 31 December 2015, the Group has not used derivatives to hedge Listed Equity investments.

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

As at 31 December 2015, the market value of Listed Equities investment exposure was £14,069,789 which generated Price Risk VaR and maximum loss of:

	95% VaR	Maximum Loss (£)
One day	**(105,400)**	**(507,911)**
One week	(267,485)	(1,219,870)

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 2015, 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 2015, 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 2015, 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 **2015**	**Level 1** **£**	**Level 2** **£**	**Level 3** **£**	**Total** **£**
Derivative financial instruments	1,175,244	-	-	1,175,244
Investment securities				
Quoted equity securities	14,069,789	-	-	14,069,789
Sukuk portfolio	23,865,366	14,006,095	-	37,871,461
Unquoted equity securities	-	-	33,363,154	33,363,154
Unquoted funds	-	-	451,558	451,558
Total	**39,110,399**	**14,006,095**	**33,814,712**	**86,931,206**

Company **2015**	**Level 1** **£**	**Level 2** **£**	**Level 3** **£**	**Total** **£**
Derivative financial instruments	-	-	-	-
Investment securities				
Quoted equity securities	-	-	-	-
Sukuk portfolio	-	-	-	-
Unquoted equity securities	-	-	-	-
Unquoted funds	-	-	-	-
Total	**-**	**-**	**-**	**-**

36. Risk Management (continued)

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	-	-	-	-
Investment securities				
Quoted equity securities	-	-	-	-
Sukuk portfolio	-	-	-	-
Unquoted equity securities	-	-	-	-
Unquoted funds	-	-	-	-
Total	**-**	**-**	**-**	**-**

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	22,145,750
Total gains or losses:	
In profit or loss	677,231
Purchases, sales, issuances and net settlements	10,991,731
Balance at 31 December 2015	**33,814,712**

2014	**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**

36. Risk Management (continued)

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.

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

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

Capital risk management

Within the group Gatehouse Bank plc's capital requirements are set and monitored by the regulator. The Bank's policy in respect of capital adequacy is to maintain a strong capital base so as to retain investor, creditor and market confidence. During the year, capital has been maintained at a level above minimum regulatory requirements. Such levels have been established by reference to an Internal Capital Adequacy Assessment Process (''ICAAP'') assessment.

The Bank's regulatory capital consists solely of Tier 1 capital, which includes ordinary share capital and retained earnings less intangible assets.

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

	2015	2014
Core Tier 1 Capital	**£**	**£**
Share capital	150,049,301	150,049,301
Retained losses	(27,277,138)	(26,038,872)
Other Reserves - AFS	(3,154,177)	(378,733)
Total CET 1 Capital	**119,617,986**	**123,631,696**
Deductions from CET1 due to Prudential Filters		
Intangible assets	(553,750)	(556,710)
Goodwill	(8,198,419)	(2,864,940)
Subtotal	**110,865,817**	**120,210,046**
Deductions from CET1 Capital		
Significant Investments	(18,658,303)	(1,866,155)
Total regulatory capital	**92,207,514**	**118,343,891**

The goodwill relates to Gatehouse Bank plc's direct equity interest of 35.6% in Gatehouse Capital, and financing to Gatehouse Financial Group Limited which is considered a connected funding of capital nature ("CFCN") for the remaining 64.4% of Gatehouse Capital.

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