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## COMPANY INFORMATION

### Directors

Sameer Al-Gharaballi  
Mohamad Tawfik Al-Tahawy  
James Richard Bagshawe  
Fahed Faisal Boodai  
Matthew Hadrian Marshall Carrington  
Brandon James Davies  
Richard Gear Thomas

### Secretary

James Richard Bagshawe

### Auditors

Deloitte LLP  
2 New Street Square  
London  
EC4A 3BZ

### Registered office

125 Old Broad Street  
London  
EC2N 1AR

### Registered number

06260053





## CHAIRMAN'S STATEMENT

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

### To the shareholders of Gatehouse Bank plc



I am pleased to present to our shareholders the annual report and accounts for the year ended 31 December 2009.

In August 2009, a milestone event occurred in the history of Gatehouse Bank plc ("Gatehouse" or the "Bank") as The Securities House K.S.C.C ("The Securities House") took the decision to bring together its London-based companies Gatehouse Bank plc and Global Securities House UK Limited ("GSH UK") into one organisation under the Gatehouse Bank brand. The merger brought together Gatehouse's core strengths in capital markets and GSH UK's skills in asset and fund management to create an even stronger base with which to approach the growing opportunities in Shariah compliant financial markets in the UK and worldwide. It is following this merger that I write my first statement to you as the Chairman of the Board. I am also extremely pleased to present this statement with our CEO, Richard Thomas, who shares with me a renewed vision to secure the Bank's position as a strong market competitor.

Our core focus is and always will be with our investors and clients. With a formidable understanding of the financial markets and world class expertise in Shariah finance, we understand that investors will need to strike the right balance between risk and reward when undertaking important investment decisions. Gatehouse seeks to nurture the requirements of our clients and we are committed to developing an investor community built on trust and superior service. In the next year, we will also be placing greater emphasis on the optimal management and utilisation of the balance sheet to ensure a better return on shareholder capital whilst maintaining healthy liquidity ratios and a strong cash position. Gatehouse will continue to originate and distribute strong capital markets transactions and grow assets under management by originating asset classes suited to the needs and requirements of our investor base.

Disclosure and transparency are important issues that we incorporate into all our business dealings. The existence of regulatory controls and sound corporate governance aid the business processes ensuring protection exists to safeguard clients' investments. It was these factors that made London our first choice. When trading as an FSA registered entity, we are operating in a transparent and regulated environment that encourages a greater level of investor confidence. Investors are not locked into risky investment scenarios, but are protected by lower risk, longer term options that offer a measurable return on investment.

Gatehouse continues to take a proactive role contributing to the development of the UK Islamic finance industry through our close working relationship with stakeholders in the UK Government such as HM Treasury, FSA and UK Trade & Investment. We wish to express our gratitude and unwavering support to the City of London Corporation's Lord Mayor's office for giving us the opportunity to accompany him during his overseas visits to heads of state and industry, as lead advisers in Shariah finance.

Gatehouse also remains committed to deepening its relationship with leading regulatory bodies around the world.

On behalf of the Board of Gatehouse Bank, I would like to express our profound appreciation to the Board of Directors of The Securities House and its Chairman, Mr Ayman Boodai, for their enduring support during the year. I would also like to take this opportunity to thank the Gatehouse executive team and staff in London. Last but not least, my sincere thanks to the independent non-executive Directors for the experience and commitment they bring to the continuing development of the Bank.

**Fahed Faisal Boodai**  
Chairman



## CHIEF EXECUTIVE OFFICER'S STATEMENT

The progress of Gatehouse Bank during its second full year of operation has been dominated by the integration of GSH UK into the operations of the Bank in August 2009, and subsequent development of an enhanced business model to meet new economic conditions created as a result of the turmoil in financial markets in 2008.

I am pleased to report that, thanks to the continuing support of the principal shareholders and the Board of the Bank acting in close co-operation with the Executive Management, the new business plan has been integrated into the operations of the Bank with a minimum of disruption, and the positive effects started to appear in the financial results before year-end 2009.

## Gatehouse Bank strives to comply with the principles of Shariah in all its dealings and activities

In particular, resources have been more aligned to profitable business streams, which has resulted in a reduction in operating costs and an increase in pipeline business. Operating costs have been reduced by 14% in the period since August 2009. The increase in income related to business completed in 2009 was small but significant for its trend. Looking forward, the pipeline of business for 2010 is sufficiently encouraging to enable a forecast of operational profitability during the coming 12 months.

Gatehouse Bank strives to comply with the principles of Shariah in all its dealings and activities, internally and externally. I am pleased to report that with the active guidance of our internal Shariah Advisory and Compliance group, we were able to achieve a clean audit by our Shariah Supervisory Board for the year under review.

The 2008 CEO Statement anticipated continuing instability in market conditions in 2009, and this was borne out by events. By mid-year 2009, the impact of the global crisis on capital markets activity, and specifically the impact on the market for Sukuk issuance and secondary market activity, made it clear that a diversification of the Bank's primary focus would be advantageous. The decision was taken to broaden the remit to include restructuring and liability management services,

preservation and management of wealth for institutional and professional investors, and further development of Gatehouse Bank's ability to manage non paper assets. We have increased human resource to develop our business lines through the year-end and into 2010.

The integration of GSH UK into the operations of Gatehouse Bank has also allowed for a close direct working relationship with Global Securities House K.S.C.C. ("GSH"), leading to stronger ties with clients in the GCC and alignment of distribution capabilities in a more cost effective manner. We have brought in additional staff to support our ambitions to work more actively with new counterparties in Saudi Arabia and extended our reach into Asia via Malaysia and Indonesia, where Gatehouse Bank continues to seek partnerships and alliances. We also believe that there is a great deal of benefit to derive from further business development in our "backyard", UK and Europe, and we have organised resources to support that activity in 2010.

During 2009, despite the financial climate, the Bank concluded some notable new business transactions including the award winning Burgan Company for Well Drilling Trading & Maintenance Syndicated Ijarah Facility, completed in co-operation with Kuwait Finance House, Liquidity Management House and BNP Paribas, the launch of the SAM-Gatehouse Islamic Water Fund in July 2009, the groundbreaking Kuveyt Turk US\$115 million Syndicated Murabahah and the first cross border transaction across the new Bursa Malaysia Suq Al Sila, closing the year in December with the purchase of an attractive UK real estate asset for clients, the Procter and Gamble head office building, and a further Turkish mandate that will form part of the 2010 activity.

Whilst Gatehouse continued to avoid the worst effects of the financial turmoil, the Bank has not been immune to its effects. In particular the Bank recorded its first provision against a syndicated financing exposure, taken at 50% of its value on our books. The Bank is actively engaged with the syndicate to recover full value, believing that it is reasonable to expect this recovery through due process.

Notwithstanding the provision, and poor operating conditions of 2009, Gatehouse Bank closed the year with a very liquid position. We believe that we are well placed to bring this liquidity to bear upon the strong pipeline of business originated by the team in the final quarter of 2009, and onto the books during 2010.

During 2009, Gatehouse further extended its commitment to Corporate Social Responsibility through various initiatives, led by the Employee Consultation Group of the Bank, which is covered in more detail on page 9. I think it worthwhile to mention my particular appreciation to

the Islamic Development Bank (IDB), Islamic Research Training Institute (IRTI) and the Islamic Financial Services Board (IFSB) for their involvement in a series of thought leadership programmes in the UK in 2009 to further promote and communicate knowledge of the positive impact of the Islamic economic model on financial stability. I also draw special attention to the close ties that Gatehouse has developed with Chartered Institute for Securities & Investment for the provision of professional CPD for staff and with MOSAIC for the mentoring of students in local community schools.

### 2009 – Financial Results

Continuing market restrictions and the impact of a one-off provision during last year prevented the Bank from achieving its targeted volume of business. The full year loss of £12,073,650 was adverse to budget and was due to variances arising on all income lines, primarily Capital Markets, Institutional Wealth Management and Treasury and a deliberate strategy not to purchase assets in the secondary market at a time when price volatility was extreme and non-transparent. Overall expenses were below budget. The capital injected by The Securities House into the Bank has been invested primarily in building Gatehouse's world-class team of front and back office employees, as well as integrating regulatory developments into an operating system suitable for a market-leading Islamic bank undertaking business in a heavily regulated financial environment and audited in accordance with IFRS.

### Looking ahead

2009 continued on from 2008 to present the deepest and steepest challenges that a newly-formed bank could face, and there is evidence in our pipeline of business and the interest of our counterparties that 2010 offers a much brighter prospect. We have the best possible support from our shareholder, as well as a business strategy that is re-engineered to meet the opportunities being presented by an executive team that is re-aligned specifically to take best advantage.

Gatehouse continues to establish itself as a market leader in Islamic finance in the heart of the City of London and in helping London to cement its position as a pre-eminent centre for Islamic finance in the west.

**Richard Thomas**  
Chief Executive Officer



## CORPORATE GOVERNANCE

### Overview, basis of reporting and the Combined Code

The Bank was incorporated on 25 May 2007 and applies best practice in corporate governance, complying not only with all statutory requirements but also voluntarily with the Combined Code.

On 1 August 2009, The Securities House announced its decision to merge its London based subsidiary companies, Gatehouse Bank plc and GSH UK into one organisation under the Gatehouse brand. The merger was carried out by the acquisition of the assets and liabilities of GSH UK by Gatehouse Bank plc.

As a result of these changes, the Board appointed Fahed Faisal Boodai as Chairman of the Board and Richard Thomas as Chief Executive Officer, who relinquished his role as Managing Director of GSH UK and Non-Executive Chairman of Gatehouse. Richard Thomas replaced David Testa who left the Bank.

At the time of the announcement, 90.9% of GSH UK was owned by The Securities House and 9.1% by Richard Thomas.

### Board of Directors

The Board of Directors comprises a Non-Executive Chairman, two Non-Executive Directors, two Executive Directors and two Independent Non-Executive Directors ('Independent Directors').

### Non-Executive Directors

#### Fahed Faisal Boodai, Chairman

Fahed is the Chairman and Managing Director of GSH, a subsidiary of The Securities House. He was based in the United States for the period 1997-2002, where he oversaw all international investments pertaining to The Securities House, GSH and their clientele. Mr. Boodai has extensive experience in the global real-estate market and has been responsible for structuring and placing more than US\$1 billion worth of real estate assets in the US, France and the UK. Mr. Boodai is Vice Chairman of MENA Real-Estate Development Company K.S.C.C., a Board member of First Hotels Company K.S.C.C. and is a member/Director of several other reputable boards of Directors of international funds and US and European companies. He has extensive experience in Shariah principles, particularly as all investments of The Securities House and GSH have been and continue to be Shariah-compliant. Mr. Boodai holds a Masters degree in Business Administration with an emphasis on Finance.

#### Sameer Al-Gharaballi, Vice Chairman and Chairman of Strategy and Business Development Committee

Sameer is Vice Chairman of GSH. Prior to joining The Securities House in October 2008, Sameer was a founder and Executive Vice President of Global Investment House where he launched over 30 funds. Sameer has also held a number of senior posts in other companies such as the Kuwait Investment Company and Financial Group of Kuwait over his 25 year career.

#### Mohamad Tawfik Al-Tahawy

Mohamad is currently the Assistant Managing Director - Corporate Finance at The Securities House, where he has been working since 1998. During his employment with the company, he has served in various capacities, including financial control, internal audit and corporate finance, in addition to being an active member in all committees of the company, including the executive, investment and credit, information systems and human resources committees. He supervises the company's direct investments and assumes a key role in its strategic initiatives.

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

### Independent Non-Executive Directors

#### Brandon Davies – Chairman of Audit, Risk and Compliance Committee and Senior Independent Non-Executive Director

Brandon is an experienced banker with over thirty years experience, having worked for Barclays Bank in roles including Head of Financial Engineering at BZW and subsequently Managing Director and Head of Structured Products. Brandon subsequently became Corporate Banking Treasurer, Deputy Group Treasurer and Head of Retail Market Risk, reporting to the Deputy Group Chief Executive Officer. He has also served on a UK Treasury advisory group covering Solvency II and is a member of the Financial Markets Group at the London School of Economics.

Brandon was, formerly, the Managing Director for the Global Association of Risk Professionals ("GARP") Risk Academy and a member of the Board of Trustees and Executive Committee at GARP. He has written a number of books for the International Certificate in Banking Risk and Regulation, a programme that has been adopted by, amongst others, the Central Bank of Indonesia and the China Banking Association. He is currently writing a programme especially for senior bankers which covers Governance and Supervision, Enterprise Wide Risk Management & Economic Capital.

#### Matthew Carrington – Deputy Chairman and Chairman of Remuneration and Nominations Committee

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

### Executive Directors

#### Richard Thomas - Chief Executive Officer

Richard is a veteran in the field of Shariah-compliant finance, with over 28 years of experience in the sector. He was Managing Director of GSH UK and prior to joining The Securities House group of companies was Head of Islamic Financial Services at the Arab Banking Corporation in London ("ABCIB"), as well as CEO of ABCIB Islamic Asset Management Limited and Alburaq. He also held senior positions related to Islamic financial services at United Bank of Kuwait and Saudi International Bank in London. Richard is Chairman of the UK Trade and Investment's Financial Service Sector Advisory Board Islamic Group and a Fellow of the Chartered Institute for Securities & Investment.

#### James Bagshawe – Chief Operating Officer

James Bagshawe has over 25 years of experience having previously worked for Arab Bank Plc, JP Morgan, Robert Fleming, KPMG and Deloitte including international finance positions in London, Paris, Johannesburg and Dubai. James' professional training has focused on financial services and he also has a solid grounding in audit which aligns with a good understanding of controls and best practice. His academic background includes a BSc (Econ) from LSE and Fellow of the Institute of Chartered Accountants in England and Wales.

### Independence of Directors

The Board considers Brandon Davies and Matthew Carrington to be independent within the meaning of the Combined Code. Neither of them has any executive or other role or relationship with the Bank or management that would affect their objectivity and all have proven to be independent in character and judgement.

### Approved conflicts of interest policy

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

Gatehouse takes all reasonable steps to identify conflicts of interest between:

- Itself, its shareholders and its sister companies and/or other members of The Securities House group (covered by a Memorandum of Understanding);
- Itself, including its directors, managers, employees, or any person directly or indirectly linked to Gatehouse by control.

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

### Board performance evaluation

During 2009 the Board undertook a formal self-appraisal to review the quality, content and frequency of information being provided to it by the Bank. These processes focused on the roles and responsibilities of the Board and its committees, Board procedures and the information provided to the Board. The principal steps taken as a result included clarifying the respective authorities of the Board and Remuneration and Nominations Committee, strengthening company secretarial support, and numerous improvements in reports to the Board, including the introduction of new reports designed to monitor key performance indicators and progress against the business plan.

On an adhoc basis, the Remuneration and Nominations Committee engages a specialist firm to review its terms of reference, the information provided to it and its general effectiveness.

## CORPORATE GOVERNANCE (continued)

### Responsibilities and procedures

The Board is responsible for the leadership, strategic direction, prudential control and long-term performance of the Bank. It has adopted a schedule of matters reserved to the Board for decision. These include the adoption of strategic or business plans, major transactions, investment strategy, major treasury or financial decisions, significant borrowing, capital structure, issuance of equity or debt securities, approval of public financial statements, and the appointment of selected members of senior management.

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

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

The Board has delegated authority to the Remuneration and Nominations and Audit, Risk and Compliance Committees in accordance with corporate governance best practice. The level of delegation is defined in terms of reference and described in the reports that follow.

Management regularly provides to the Board information necessary to enable the Board to perform its duties; that information is to be provided principally in regular reports covering key performance indicators and in comprehensive meeting papers.

Further information is obtained by the Board from the Executive Directors and from other senior executives as the Board, particularly the Non-Executive Directors. The Board and its committees also have unrestricted access to the Bank's professional advisors and are authorised to take independent professional advice at the Bank's expense.

The Board is regularly updated on regulatory and compliance developments including Board governance matters. Additional briefing materials are available to any Director upon request. The Board is able to discuss the business with employees at all levels.

The Board has adopted a formal division of responsibilities between the Chairman, who is responsible for running the Board and related matters such as Board induction and evaluation, and the Chief Executive Officer, who is responsible for the day to day management of the business. Upon their appointments, new Directors receive a detailed induction programme, which may include written materials and presentations from executives responsible for key areas of the business.

### Relations with shareholders

The Bank is committed to ongoing dialogue with its shareholders. Presentations to shareholders are made by senior management, including the Executive Directors, following the full-year results announcements and at other times during the year. Other senior executives have also met and will continue to meet shareholders.

The Bank seeks feedback from shareholders following major presentations. This feedback is communicated to the Board. The Board is also available to meet major shareholders.

### Committee Structure

The committee structure for the Bank has been developed to encourage the efficient and transparent flow of information and decision making within the organisation.

The Board has ultimate responsibility for setting the Bank's strategy, risk appetite and control framework. It represents the interests of the Bank's customers, employees, shareholders and other stakeholders and pays due regard to the regulatory regimes in place in the countries in which the Bank will operate in the future and ensure that the culture of the Bank is one of compliance and transparency.

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

- Board Audit, Risk and Compliance Committee
- Board Remuneration and Nominations Committee
- Board Strategy and Business Development Committee
- Board Risk Policy Committee

## CORPORATE SOCIAL RESPONSIBILITY

### Overview

Gatehouse fulfils its corporate and social responsibility obligations through an ethical approach to investing and support of not-for-profit organisations. Corporate Social Responsibility is viewed as an integral component of the Bank's corporate governance framework and is a standing agenda item on the monthly Operating Committee.

### Ethical investing

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

Gatehouse actively originates transactions that support our goals of ethical investing and social responsibility. This is demonstrated in the 2009 launch of the SAM-Gatehouse Islamic Water Fund, a fund that invests in securities that are related to the water value chain and show an elevated degree of sustainability.

### Community-Based Initiatives

In addition to following a set of ethical guidelines in the fulfilment of its business objectives, Gatehouse believes in the importance of supporting a range of not-for-profit endeavours. Gatehouse aims to work with like-minded organisations in the local community with a focus on education and social welfare in order to create sustainable and long term value. In this regard and given our Shariah advisory capabilities, Gatehouse has a unique opportunity to provide training and guidance on Shariah principles and Islamic finance.

In 2009, Gatehouse worked in partnership with Mosaic, a charity founded by HRH The Prince of Wales in November 2007, to supply volunteer mentors to work with Year 10 and 11 pupils at a local school. The Bank is currently evaluating a number of additional initiatives in this area, including the provision of work placements, internships, specialised Shariah training as well as joint initiatives with providers of higher education institutions that offer Islamic qualifications.

In addition, Gatehouse co-hosted a number of high profile thought leadership events and seminars in co-operation with leading international Islamic membership institutions, The Islamic Development Bank Islamic Research and Training Institute, the Institute of Leadership and Management and the Islamic Finance Council. These events established both cooperative and cross-border ideological and working frameworks for practitioners to address issues and establish new learning opportunities to improve the status of and enhance growth of the industry.

An initiative with The City of London's City of Learning programme for education, training and qualifications in finance and related business services was also established with a view to invest in human capital that will shape the global growth of the industry and develop progressive understanding of Shariah for the next generation of industry leaders.

### Sustainability

Gatehouse encourages all staff to operate in a sustainable manner. This culture is supported via staff policies and procedures.

The management of Gatehouse's offices at 125 Old Broad Street is committed to sustainability. This is evidenced by the achievement of a "Very Good" Environmental Assessment Award rating from BREEAM in 2005 and the purchase of 18.2GWh of renewable energy in 2008. The sustainable ethos is implemented in daily operations via, for example, a whole building recycling policy. In December 2009, 49.3% of waste collected by the management of 125 Old Broad Street was mixed dry recyclables with the majority of the remainder being residuals for incineration.

### Employee Consultation Group

Gatehouse believes that all employees have a contribution to make to the running and future planning of this organisation. Gatehouse has established an Employee Consultation Group ("ECG") made up of five employee representatives, meeting once a month. The Group is responsible for gathering, discussing and delivering the thoughts of all employees to the Executive. It provides a forum for discussing how best we can achieve our targets whilst continuing to make the Bank an exciting and rewarding place to work.

The ECG discusses a wide range of topics, including:

- Gatehouse's activities and economic situation;
- Ways to improve business performance;
- Office operations and the working environment;
- Company policies and procedures, training and development, and equal opportunities;
- Social events; and
- Corporate social responsibility.

## SHARIAH SUPERVISORY BOARD REPORT

## بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

Assalaam A'laikum Wa Rahmat Allah Wa Barakatuh

To the shareholders of Gatehouse Bank plc

In compliance with our terms of appointment with Gatehouse Bank plc, we, the Shariah Supervisory Board (the "SSB"), are required to submit the following report of Shariah compliance to you.

We have reviewed the transaction documents that the Bank has entered into including agreements signed with third parties for the purpose of obtaining their services in order to facilitate the proper operation of the Bank. This report relates to the period from 1 January 2009 to 31 December 2009.

We have conducted our review to form an opinion as to whether the Bank has complied with Shariah rules and principles and also with the specific pronouncements, rulings and guidelines issued by us.

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

## Supervision

The SSB has supervised the Bank's activities and audited the transactions it has entered into during the period under review and carried out its role in directing the Bank to comply with Islamic Shariah principles and the SSB's Shariah pronouncements.

## Bank's Contracts

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

## Shariah Audit

The SSB has carried out a full and comprehensive Shariah Audit of the Bank's business activities for the period from 1 January 2009 to 31 December 2009. The Shariah audit included (i) a review of all transaction documents executed by various departments of the Bank; and (ii) an audit of all business related expenses incurred by employees of the Bank. The SSB identified some minor discrepancies in its findings in relation to business expenses, which the Bank has addressed through further internal controls

and systems. In all material respects, the SSB found all matters of the Bank to be in compliance with the principles of Shariah and thanks the management of the Bank for adhering to the principles of Shariah.

## Balance Sheet

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

## Zakaat

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

## Conclusion

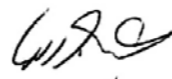
We performed our review so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give assurance that the Bank has not breached the rules and principles of Islamic Shariah.

In our opinion, the contracts and agreements, transactions and dealings entered into by the Bank during the year ended 31 December 2009 are in compliance with the Islamic principles of Shariah.

## Members of the Shariah Supervisory Board




**SHEIKH NIZAM YAQUBY**  
Chairman of the SSB



**DR. ABDUL AZIZ  
AL-QASSAR**  
Member of the SSB



**SHAYKH HAYTHAM  
TAMIM**  
Member of the SSB



**MUFTI MUHAMMAD  
NURULLAH SHIKDER**  
Executive Member  
of the SSB

## DIRECTORS' REPORT

The directors of Gatehouse have pleasure in presenting the annual report, together with the audited financial statements, for the year ended 31 December 2009.

## Principal Activities

The Company was incorporated in the United Kingdom on 25 May 2007 to operate as a Shariah-based and fully Shariah-compliant wholesale investment bank based in London focusing on the Islamic capital markets, Islamic treasury business and institutional wealth management.

On 1 August 2009, following an announcement by The Securities House, the Bank acquired the assets and liabilities of GSH UK for £7,051. As the acquisition was not material, the Directors do not believe it is necessary to adopt the full requirements of IFRS 3 Business Combinations to account for this acquisition.

On 10 August 2009, the Bank changed its registered office to 125 Old Broad Street, London, EC2N 1AR.

## Financial Results

The financial statements for the year ended 31 December 2009 are shown on pages 15 to 47. The loss before tax for the year amounted to £12,073,650 (year ended 31 December 2008: loss of £8,495,526).

## Dividend

No dividends were paid during the year (year ended 31 December 2008: £nil). The Directors do not recommend a final dividend on ordinary shares to be paid in respect of the year (year ended 31 December 2008: £nil).

## Directors and Directors' Interests in Shares

The names of the directors and Company Secretary at the date of this report are shown on page 1. Sameer Al-Gharaballi was appointed on 18 March 2009, and David Testa and Stella Cox resigned on 31 August 2009 and 30 December 2009 respectively. The remaining directors served for the entire year.

Of the directors who held office at the end of the financial year, Fahed Boodai has a beneficial interest in one ordinary share of the Bank.



## DIRECTORS' REPORT (continued)

### Directors' Indemnities

The Bank has made qualifying third party indemnity provisions for the benefit of its Directors that were made during the year and remain in force at the date of this report.

### Going Concern

As at the year end, the Directors have a reasonable expectation that the Bank has adequate resources to continue in operational existence in the foreseeable future and have adopted the going concern basis in preparing the first financial statements of the Bank. Further disclosures around going concern can be found in note 2 to the financial statements.

### Policy on Payment of Creditors

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

### Employee Consultation

The Bank places considerable value on the involvement of its employees and keeps them informed on matters affecting them as employees and on the various factors affecting the performance of the Bank. Further details are provided in the Corporate Social Responsibility section on page 9.

### Capital Structure and Capital Management

During the year, as part of the Bank's Employee Incentive Plan, 957,000 ordinary shares of £1 each were issued on a nil paid basis to bring the total EIP shares issued to 12,000,000. At the year-end, the issued share capital was 62,000,001 ordinary shares of £1 each, of which 50,000,001 were fully paid and 12,000,000 unpaid. This is further disclosed in notes 25 and 26 to these financial statements.

The Bank manages its capital to ensure that it will be able to continue as a going concern while maximising return to shareholders through optimally managing its credit, market and operational risk. Further information on how the Bank intends to carry out its risk management is provided in note 29 to these financial statements.

### Auditors

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

Political Contributions and Charitable Donations  
The Bank made no political contributions or charitable donations during the year.

### Zakaat

The Bank calculates the Zakaat on behalf of its shareholders according to the Shariah rules approved by the parent company's Fatwa and Shariah Supervisory Board. Zakaat calculated for the year ended 31 December 2009 is 0.91 pence per share (2008: 1.84 pence per share). The responsibility for payment of Zakaat lies with the shareholders of the Bank and not the Bank itself.

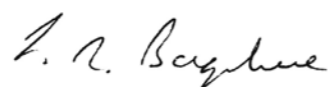
### Directors' Statement as to Disclosure of Information to Auditors

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

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

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

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



17 March 2010

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

### Directors' responsibility statement

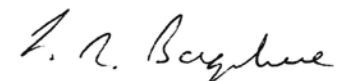
We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with relevant reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Bank and the undertakings included in the consolidation taken as a whole; and
- the management report, which is incorporated into the Directors' Report, includes a fair review of the development and performance of the business and the position of the Bank and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

By order of the Board



**Richard Thomas**  
Chief Executive Officer



**James Bagshawe**  
Chief Operating Officer



## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF GATEHOUSE BANK PLC

We have audited the financial statements of Gatehouse Bank plc for the year ended 31 December 2009 which comprise the Group Income Statement, the Group and Parent Company Balance Sheets, the Group and Parent Company Statements of Changes in Equity, the Group and Parent Company Cash Flow Statements and the related notes 1 to 30. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and as applied in accordance with the provisions of Companies Act 2006.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' 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 auditors

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 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 (APB's) Ethical Standards for Auditors.

### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

### Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2009 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

### Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### Matters on which we are required to report by exception

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

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

### Stuart Barnett (Senior Statutory Auditor) For and on behalf of Deloitte LLP

Chartered Accountants and Statutory Auditors  
London, United Kingdom  
17 March 2010

## CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2009

	Notes	Year ended 31 December 2009 £	Year ended 31 December 2008 £
<b>Income</b>			
Income from investment activities	3	1,041,266	1,869,931
Returns to financial institutions and customers		(161,007)	(201,779)
Realised gains on investments		363,691	-
Unrealised gains on revaluation of investments designated at fair value through profit and loss		293,652	-
<b>Net margin</b>		<b>1,537,602</b>	<b>1,668,152</b>
<b>Expenses</b>			
Fees and commission		556,854	86,282
Foreign exchange gains and losses	4	232,242	(33,957)
Other income		-	337
<b>Total operating income</b>		<b>2,326,698</b>	<b>1,720,814</b>
<b>Expenses</b>			
Staff costs	5	(6,307,231)	(5,684,078)
Depreciation and amortisation	13 & 14	(365,789)	(261,097)
Other operating expenses	6	(4,523,903)	(4,271,165)
<b>Total operating expenses</b>		<b>(11,196,923)</b>	<b>(10,216,340)</b>
<b>Operating loss before impairment provision and tax</b>		<b>(8,870,225)</b>	<b>(8,495,526)</b>
Provision for impairment of financing arrangements	10	(3,203,425)	-
<b>Loss before tax</b>	7	<b>(12,073,650)</b>	<b>(8,495,526)</b>
Tax	8	-	-
<b>Loss for the year</b>		<b>(12,073,650)</b>	<b>(8,495,526)</b>
Attributable to equity holders of the Bank		(12,073,650)	(8,495,526)
Earnings per share – basic		(0.24)	(0.17)
Earnings per share – diluted		(0.19)	(0.14)

The loss for the year is derived entirely from continuing activities. Notes 1 to 30 form an integral part of the financial statements.

A separate Consolidated Statement of Other Comprehensive Income has not been produced as there are no items of other comprehensive income other than those disclosed in the Consolidated Income Statement.

## CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2009

	Notes	31 December 2009 £	31 December 2008 £
<b>Assets</b>			
Cash and balances with banks		1,208,055	1,476,663
Due from financial institutions	9	30,944,220	42,887,219
Financing arrangements	10	9,867,275	-
Investments designated at fair value through profit and loss	11	2,515,454	-
Available for sale investments	12	803,933	4,286,409
Held to maturity investments	13	-	3,457,861
Intangible assets	14	670,553	856,887
Plant and equipment	15	1,092,213	205,841
Other assets	16	1,316,851	773,721
<b>Total assets</b>		<b>48,418,554</b>	<b>53,944,601</b>
<b>Liabilities</b>			
Due to financial institutions	17	20,570,522	12,788,267
Due to customers	18	1,240,884	1,371,946
Fair value of foreign exchange agreements	19	61,030	2,435
Other liabilities	20	1,393,873	2,612,932
<b>Total liabilities</b>		<b>23,266,309</b>	<b>16,775,580</b>
<b>Net Assets</b>		<b>25,152,245</b>	<b>37,169,021</b>
<b>Equity</b>			
Share capital	25	62,000,001	61,043,001
Own Shares	26	(12,000,000)	(11,043,000)
Retained deficits		(24,847,756)	(12,830,980)
<b>Equity attributable to the Bank's equity holders and total equity</b>		<b>25,152,245</b>	<b>37,169,021</b>

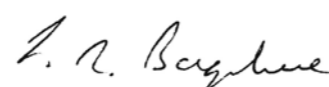
Notes 1 to 30 form an integral part of the financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on the 17 March 2010.

They were signed on its behalf by



**Richard Thomas**  
Chief Executive Officer



**James Bagshaw**  
Chief Operating Officer

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2009

	Share capital £	Own Shares £	Retained deficit £	Total £
Balance at 1 January 2008	10,000,001	-	(4,365,943)	<b>5,634,058</b>
Share issue	51,043,000	(11,043,000)	-	<b>40,000,000</b>
Charges for share awards	-	-	30,489	<b>30,489</b>
Loss for the year	-	-	(8,495,526)	<b>(8,495,526)</b>
<b>Balance at 31 December 2008</b>	<b>61,043,001</b>	<b>(11,043,000)</b>	<b>(12,830,980)</b>	<b>37,169,021</b>
Balance at 1 January 2009	61,043,001	(11,043,000)	(12,830,980)	<b>37,169,021</b>
Share issue	957,000	(957,000)	-	-
Charges for share awards	-	-	56,874	<b>56,874</b>
Loss for the year	-	-	(12,073,650)	<b>(12,073,650)</b>
<b>Balance at 31 December 2009</b>	<b>62,000,001</b>	<b>(12,000,000)</b>	<b>(24,847,756)</b>	<b>25,152,245</b>

## CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2009

	Year ended 31 December 2009 £	Year ended 31 December 2008 £
<b>Cash flows from operating activities</b>		
Loss on ordinary activities before tax	(12,073,650)	(8,495,526)
Adjusted for:		
Provision for impairment of investments	3,203,425	-
Fair value of foreign exchange agreements	58,595	2,435
Depreciation and amortisation	365,789	261,097
Charges for share awards	56,874	30,489
Profit on disposal of plant and equipment	-	(337)
Income from investment activities	(1,698,609)	(1,869,931)
Returns to financial institutions and customers	161,007	201,779
Net increase in other assets	(537,939)	(195,808)
Net (decrease) / increase in other liabilities	(1,239,445)	1,008,104
<b>Net cash outflow from operating activities</b>	<b>(11,703,953)</b>	<b>(9,057,698)</b>
<b>Cash flow from investing activities</b>		
Net (increase) / decrease in financial assets:		
Financial assets designated at fair value through profit and loss	(2,221,802)	-
Available for sale investments	515,242	(4,247,978)
Held to maturity investments	-	(3,421,260)
Financing arrangements	(6,668,759)	-
Treasury placements	11,828,289	(38,771,260)
Income from investment activities	1,447,242	1,649,706
Dividends received	90,388	20,133
Proceeds on disposal of plant and equipment	-	1,666
Purchase of plant and equipment	(1,004,653)	(98,249)
Purchase of intangible assets	(40,788)	(460,279)
<b>Net cash inflow / (outflow) from investing activities</b>	<b>3,945,159</b>	<b>(45,327,521)</b>
<b>Cash flows from financing activities</b>		
Proceeds from financing arrangements	7,672,069	14,135,706
Profit paid	(181,883)	(177,272)
Net proceeds from issue of share capital	-	40,000,000
<b>Net cash inflows from financing activities</b>	<b>7,490,186</b>	<b>53,958,434</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(268,608)</b>	<b>(426,785)</b>
Cash and cash equivalents at the beginning of the year	1,476,663	1,903,448
<b>Cash and cash equivalents at the end of the year</b>	<b>1,208,055</b>	<b>1,476,663</b>

## COMPANY BALANCE SHEET

AS AT 31 DECEMBER 2009

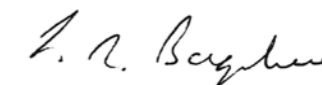
	Notes	31 December 2009 £	31 December 2008 £
<b>Assets</b>			
Cash and balances with banks		1,041,313	1,476,663
Due from financial institutions	9	30,944,220	42,887,219
Financing arrangements	10	9,867,275	-
Available for sale investments	12	3,440,665	4,286,409
Held to maturity investments	13	-	3,457,861
Intangible assets	14	670,553	856,887
Plant and equipment	15	1,092,213	205,841
Other assets	16	1,312,295	773,721
<b>Total assets</b>		<b>48,368,534</b>	<b>53,944,601</b>
<b>Liabilities</b>			
Due to financial institutions	17	20,570,522	12,788,267
Due to customers	18	1,240,884	1,371,946
Fair value of foreign exchange agreements	19	61,030	2,435
Other liabilities	20	1,343,853	2,612,932
<b>Total liabilities</b>		<b>23,216,289</b>	<b>16,775,580</b>
<b>Net Assets</b>		<b>25,152,245</b>	<b>37,169,021</b>
<b>Equity</b>			
Share capital	25	62,000,001	61,043,001
Own Shares	26	(12,000,000)	(11,043,000)
Fair value reserve		163,092	-
Retained deficits		(25,010,848)	(12,830,980)
<b>Equity attributable to the Bank's equity holders and total equity</b>		<b>25,152,245</b>	<b>37,169,021</b>

Notes 1 to 30 form an integral part of the financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on the 17 March 2010.  
They were signed on its behalf by



**Richard Thomas**  
Chief Executive Officer



**James Bagshawe**  
Chief Operating Officer

## COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2009

	Share capital £	Own Shares £	Fair value reserve £	Retained deficit £	Total £
Balance at 1 January 2008	10,000,001	-	-	(4,365,943)	<b>5,634,058</b>
Share issue	51,043,000	(11,043,000)	-	-	<b>40,000,000</b>
Charges for share awards	-	-	-	30,489	<b>30,489</b>
Loss for the year	-	-	-	(8,495,526)	<b>(8,495,526)</b>
<b>Balance at 31 December 2008</b>	<b>61,043,001</b>	<b>(11,043,000)</b>	<b>-</b>	<b>(12,830,980)</b>	<b>37,169,021</b>
Balance at 1 January 2009	61,043,001	(11,043,000)	-	(12,830,980)	<b>37,169,021</b>
Share issue	957,000	(957,000)	-	-	-
Net unrealised gains on available for sale investments	-	-	163,092	-	<b>163,092</b>
Charges for share awards	-	-	-	56,874	<b>56,874</b>
Loss for the year	-	-	-	(12,236,742)	<b>(12,236,742)</b>
<b>Balance at 31 December 2009</b>	<b>62,000,001</b>	<b>(12,000,000)</b>	<b>163,092</b>	<b>(25,010,848)</b>	<b>25,152,245</b>

## COMPANY CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2009

	Year ended 31 December 2009 £	Year ended 31 December 2008 £
<b>Cash flows from operating activities</b>		
Operating loss on ordinary activities before tax	(12,236,742)	(8,495,526)
Adjusted for:		
Provision for impairment of investments	3,203,425	-
Fair value of foreign exchange agreements	58,595	2,435
Depreciation and amortisation	365,789	261,097
Charges for share awards	56,874	30,489
Profit on disposal of plant and equipment	-	(337)
Trading income	(155,327)	-
Income from investment activities	(1,012,318)	(1,869,931)
Returns to financial institutions and customers	161,007	201,779
Net increase in other assets	(540,286)	(195,808)
Net (decrease) / increase in other liabilities	(1,289,465)	1,008,104
<b>Net cash outflow from operating activities</b>	<b>(11,388,448)</b>	<b>(9,057,698)</b>
<b>Cash flow from investing activities</b>		
Net (increase) / decrease in financial assets:		
Available for sale investments	(1,803,071)	(4,247,978)
Held to maturity investments	-	(3,421,260)
Financing arrangements	(6,668,759)	-
Treasury placements	11,828,289	(38,771,260)
Income from investment activities	1,083,551	1,649,706
Dividends received	68,343	20,133
Proceeds on disposal of plant and equipment	-	1,666
Purchase of plant and equipment	(1,004,653)	(98,249)
Purchase of intangible assets	(40,788)	(460,279)
<b>Net cash inflow / (outflow) from investing activities</b>	<b>3,462,912</b>	<b>(45,327,521)</b>
<b>Cash flows from financing activities</b>		
Proceeds from financing arrangements	7,672,069	14,135,706
Profit paid	(181,883)	(177,272)
Net proceeds from issue of share capital	-	40,000,000
<b>Net cash inflows from financing activities</b>	<b>7,490,186</b>	<b>53,958,434</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(435,350)</b>	<b>(426,785)</b>
Cash and cash equivalents at the beginning of the year	1,476,663	1,903,448
<b>Cash and cash equivalents at the end of the year</b>	<b>1,041,313</b>	<b>1,476,663</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

### 1. General Information

The Bank was incorporated in the United Kingdom on 25 May 2007 under the Companies Act 1985. The address of the registered office is given on page 1. The parent and ultimate parent undertaking is The Securities House K.S.C.C. The Bank was incorporated as a Public Limited Company on 25 May 2007 and received authorisation from the FSA on 21 April 2008 to carry out regulated activities as a deposit-taking institution.

In the current year, the following new and revised Standards and Interpretations have been adopted:

IAS 1 (revised 2007) Presentation of Financial Statements  
IFRS 7 (amended) Improved disclosures about Financial Instruments

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective:

IFRS 2 (amended) Group cash-settled share based payment transactions  
IFRS 3 (revised) Business Combinations  
IFRS 9 Financial Instruments: Classification and Measurement  
IAS 1 Related Party Disclosures  
IAS 24 (revised) Related Party Disclosures  
IAS 32 (amended) Financial Instruments: Presentation  
IFRIC 17 Distributions of Non-cash Assets to Owners  
IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

The Directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Bank.

### 2. Basis of preparation and significant accounting policies

#### Going concern

The Bank's business activities, together with the factors likely to affect its future development, performance and position as well as the financial position of the Bank, its cash flows, liquidity position and borrowing facilities are described in this annual report and accounts. In addition, note 29 to the financial statements includes the Bank's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and its exposures to credit and liquidity risk.

The Bank meets its day to day working capital requirements by actively managing its cash and short-term treasury placements. The current economic conditions create uncertainty particularly over availability of sufficient long-term liquidity from banking lines, the level of capital market and institutional wealth management transactions and volatility in profit margins from transactions. Such uncertainties coupled with the start-up nature of the Bank's operations explain the loss before tax of £12,073,650 (year ended 31 December 2008: £8,495,526) reported for the year.

The Bank's forecasts and projections, taking account of reasonably possible changes in future conditions and performance, show that the Bank should be able to operate within the level of its current and planned capital resources. The Bank also has the support of its parent company, The Securities House K.S.C.C.

After making enquiries, the Directors have a reasonable expectation that the Bank has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they 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 adopted by the EU.

The financial statements have been prepared under the historical cost accounting convention except for financial assets and liabilities stated at their fair value comprising available for sale securities and fair value of foreign exchange agreements.

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

#### Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Bank and entities controlled by the Bank. Control is achieved where the Bank has the power to govern the financial and operating policies of the investee entity so as to obtain the benefits from its activities. Controlled entities are consolidated from the date on which control is transferred to the Bank and deconsolidated from the date control ceases. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

#### Income statement of the parent company

As permitted by section 408 of the Companies Act 2006, the income statement of the parent company is not presented as part of the financial statements. The parent company's loss for the year ended 31 December 2009 was £12,236,742 (2008: loss £8,495,526).

#### Foreign currencies

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

#### Income from investment activities and income recognition

"Income from investment activities" consists of profit derived from Shariah-compliant investments including Murabaha placements, participation in sukuk or syndicated financing transactions and equity holdings. A Murabaha arrangement represents an agreement whereby the Bank purchases a commodity and then sells it to a customer on a deferred settlement basis with an agreed mark-up.

Profit receivable on Murabaha placements and participation in sukuk or syndicated financing transactions is recognised as income on a time-apportionment basis over the period of the contract, based on the principal amounts outstanding. Income received from equity holdings as distribution or dividends is recognised when Gatehouse's right to receive payment has been established.

#### Financial Assets and Liabilities

##### Investments designated at fair value through profit and loss

All investments of the SAM Gatehouse Islamic Water Fund (the "Fund") are designated into the financial assets at fair value through profit or loss category. The investments are purchased mainly for their capital growth and the portfolio is managed, and performance evaluated, on a fair value basis in accordance with the Fund's documented investment strategy. Therefore the Directors consider that this is the most appropriate classification.

Regular purchases and sales of investments are recognised on the trade date – the date on which the Fund commits to purchase or sell the investment. Financial assets and financial liabilities at fair value through profit or loss are initially recognised at fair value. Transaction costs are expensed as incurred in the income statement.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or the Fund has transferred substantially all the risks and rewards of ownership.

Subsequent to initial recognition on trade date, all instruments classified as fair value through profit or loss are measured at fair value with changes in their fair value recognised in the income statement.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

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

#### Held to maturity investments

Participation by the Bank in sukuk or syndicated financing transactions where the Bank has a positive intention and ability to hold the asset to maturity are classed as held-to-maturity (HTM) investments. These are represented by financial instruments with fixed or determinable payments and fixed maturity. HTM investments are initially recognised at fair value plus any directly related transaction costs and are subsequently measured at amortised cost less any impairment losses.

#### Available for sale investments

Participation in sukuk or syndicated financing transactions or equity investments where the Bank has an intention to sell-down so as to rebalance the portfolio of assets, reduce exposures to concentration risk or where it believes market conditions would merit a sale are best classed as available for sale (AFS) investments. AFS investments 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.

#### Due from financial institutions, Financing arrangements, Due from financial institutions and Due from customers

These balance sheet captions comprise of 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 subsequently measured at amortised cost less any impairment losses.

#### Provision for impairment of financial assets

At each reporting date, the Bank reviews the carrying value of its financial assets. A financial asset is said to be impaired if there is objective evidence of events since initial recognition of the asset that will adversely affect the amount and the timing of future cash flows from the asset. The amount of the impairment losses is the difference between the carrying value of the financial asset and 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.

#### Foreign exchange agreements

The valuation of foreign exchange agreements held at fair value through the income statement is recognised in the balance sheet under Fair Value of Foreign Exchange agreements on either the asset or liability side of the balance sheet dependant on whether the valuation is positive or negative respectively. Revaluation gains and losses are included in the income statement under foreign exchange gains and losses.

#### Cash and balances with banks

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

#### Plant and Equipment

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

Computer and Office Equipment	3 years
Furniture and Fixtures	5 years

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

#### Intangible assets

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

#### Impairment of non-financial assets

The Bank reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. 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 current market assessments 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.

#### Taxation

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

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

Deferred tax is recognised on temporary differences between the carrying amount of assets and liabilities in the balance sheet and the amount attributed to such assets and liabilities for tax purposes. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent it is probable that future taxable profits will be available against which deductible temporary differences can be utilised.

#### Operating leases

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

#### Pension costs

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

#### Share-based payments

The Bank issues equity-settled share-based payments to employees. These are measured at fair value at the date of the grant and expensed on a straight line basis over the vesting period, based on the Bank's estimate of when the shares that will eventually vest. The fair value is determined using the Black Scholes model.

### 3. Income from investment activities

Group	2009 £	2008 £
Due from financial institutions	475,094	1,701,249
Financing arrangements	366,939	-
Investments designated at fair value through profit and loss	28,948	-
Available for sale investments	119,722	104,898
Held to maturity investments	50,563	63,784
	<b>1,041,266</b>	<b>1,869,931</b>

## NOTES TO THE FINANCIAL STATEMENTS (continued)

## 4. Foreign exchange gains and losses

Group	2009 £	2008 £
Net gains / (losses) on retranslation of balances denominated in foreign currency	86,599	(391,215)
Net gains on foreign exchange trades	145,643	357,258
	<b>232,242</b>	<b>(33,957)</b>

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

	2009 £	2008 £
<b>Staff Costs</b>		
Directors' salaries and fees	1,204,525	1,102,069
Directors' pensions	60,250	69,000
Staff salaries	3,518,237	3,228,696
Staff pension contributions	361,176	204,246
Social security costs	543,534	521,908
Other staff costs	619,509	558,159
	<b>6,307,231</b>	<b>5,684,078</b>
<b>Directors' salaries and fees</b>		
Emoluments	576,250	719,000
Compensation for loss of office	213,600	-
Pension contributions	60,250	69,000
Non-executive Directors' fees	414,675	383,069
	<b>1,264,775</b>	<b>1,171,069</b>

Emoluments and pension contribution in respect of the highest paid Director amounted to £294,061 (2008: £425,000) and £26,889 (2008: £39,000) respectively.

	2009 No	2008 No
Number of employees at period end	36	35
Average number of employees	40	23

**Employee incentive plan**

During 2009, 1,420,000 (2008: 11,043,000) ordinary shares of £1.00 were issued to selected employees, jointly with the Trustee of the Bank's Employee Benefit Trust. A nominal amount was paid on each grant date to ensure consideration passed for the legal contract with the remaining consideration deferred until the shares are sold at a future date. The shares are restricted from being sold until the earlier of one year post listing of the Bank or 31 December 2012. The shares issued to employees are treated as equity-settled share based payment in compliance with IFRS 2 Share-based Payment. The fair value of the shares granted measured at the date of the grant using the Black Scholes model is being amortised over the 36-month vesting period on a straight line basis.

This gave rise to a fair value charge in the income statement of £56,874 (2008: £30,489). At 31 December 2009, shares granted under the Employee Incentive Plan and allocated to employees amounted to 4,338,000 (2008: 10,313,000) ordinary shares of £1.00 each.

## 6. Other operating expenses

Group	2009 £	2008 £
Rent and other occupancy costs	1,194,757	971,803
Consultancy	379,698	783,975
Legal and professional fees	1,103,982	689,496
Recruitment costs	179,446	408,853
IT and communication costs	593,206	339,174
Advertising and marketing	207,047	273,563
Shariah Supervisory Board fees	164,037	185,359
Other operating charges	701,730	618,942
	<b>4,523,903</b>	<b>4,271,165</b>

## 7. Loss before tax

	2009 £	2008 £
<b>Loss before tax is stated after charging:</b>		
Net foreign exchange (gains)/losses	(232,242)	33,957
Auditors' remuneration	117,268	198,770
Rentals paid under operating leases: premises	1,005,284	907,786
Depreciation and amortisation	365,789	261,097

	2009 £	2008 £
Auditors' remuneration can be analysed as follows:		
Audit of the Bank's accounts	76,478	50,000
Other services:		
Tax services	40,790	148,770
	<b>117,268</b>	<b>198,770</b>

## NOTES TO THE FINANCIAL STATEMENTS (continued)

## 8. Taxation

The tax expense in the income statement for the period was £nil (2008: £nil). The tax expense can be reconciled to the loss per the income statement as follows:

	2009 £	2008 £
<b>Loss before tax</b>	<b>12,073,650</b>	<b>8,495,526</b>
Tax at the UK corporation tax rate of 28% (2008: 28.5%)	(3,380,622)	(2,421,225)
Effects of:		
Expenses not deductible for tax purposes	20,553	12,959
Income not subject to UK taxation	(45,666)	-
Deferred tax asset not recognised	3,405,735	2,408,266
<b>Tax expense in the income statement</b>	<b>-</b>	<b>-</b>

The unrecognised deferred tax asset calculated at 28% (2008: 28%) can be analysed as follows:

	2009 £	2008 £
<b>Group and Company</b>		
Tax losses not utilised	(6,684,323)	(3,335,002)
Accelerated tax depreciation	(35,473)	(26,352)
Unrealised gains on investments	45,666	-
Other timing differences	-	(8,738)
<b>Unrecognised deferred tax asset</b>	<b>(6,674,130)</b>	<b>(3,370,092)</b>

## 9. Due from financial institutions

	Avg. Yield	2009 £	Avg. Yield	2008 £
<b>Group and Company</b>				
Treasury placements	0.43%	<b>30,944,220</b>	3.54%	<b>42,887,219</b>

## 10. Financing arrangements

	Avg. Yield	2009 £	Avg. Yield	2008 £
<b>Group and Company</b>				
Finance receivables		13,070,700		-
Provision for impairment		(3,203,425)		-
	4.26%	<b>9,867,275</b>	-	-

Finance receivables are syndicated financing arrangements for corporates.

On 5 June 2009, \$5,250,000 and \$5,000,000 were reclassified to finance receivables from available for sale assets and held to maturity assets respectively, after an accelerated repayment notice on a specific financing facility to a GCC corporate was served (see note 12). An impairment provision of 50% of the principal amount of the facility has been made in accordance with the Bank's policy on impairment and charged to the income statement during the year.

## 11. Investments designated at fair value

	2009 £	2008 £
<b>Group</b>		
Listed equity securities	<b>2,515,454</b>	-

Investment in listed equity securities are designated at fair value through profit or loss upon initial recognition and accounted for in line with the guidance in IAS 39 Financial Instruments: Recognition and Measurement. This represents investments in listed equity securities made by the SAM Gatehouse Islamic Water Fund.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

## 12. Available for sale investments

Group	Avg. Yield	2009 £	Avg. Yield	2008 £
Unquoted Equity securities	8.00%	803,933	8.00%	655,655
Murabaha agreements	-	-	5.87%	3,630,754
		<b>803,933</b>		<b>4,286,409</b>

Company	Avg. Yield	2009 £	Avg. Yield	2008 £
Unquoted Funds	-	2,636,732	-	-
Unquoted Equity securities	8.00%	803,933	8.00%	655,655
Murabaha agreements	-	-	5.87%	3,630,754
		<b>3,440,665</b>		<b>4,286,409</b>

Unquoted equity securities are recognised at historic cost and unquoted funds are recognised at fair value and accounted for in line with the guidance in IAS 39 Financial Instruments: Recognition and Measurement.

On 31 July 2009, the Bank subscribed for 800 units of non-voting shares in the SAM Gatehouse Islamic Water Fund for the amount of \$8,000,000. The investment was recognised as available for sale and reported on the Bank's balance sheet as Unquoted Funds. During the year, the Bank redeemed 400 units of the Fund and at 31 December 2009, the Bank held the majority of the non-voting shares in the Fund. In line with the requirements of SIC 12, the Bank consolidated the financial statements of the Fund to present consolidated financial statements.

On 5 August 2008, the Bank entered into a syndicated Murabaha agreement with a GCC corporate and provided a facility of \$10,250,000. At the time of entering the transaction, it was the intention of the Bank to sell down an amount of \$5,250,000, and hold the balance of \$5,000,000 to maturity. The Bank recognised these amounts as available for sale and held to maturity assets respectively. On 5 June 2009, the syndicate gave notice to the borrower of an Event of Default and consequently requested immediate repayment of the outstanding Murabaha facility. Accordingly the entire amount of \$10,250,000 was reclassified as finance receivable.

## 13. Held to maturity investments

Group and Company	Avg. Yield	2009 £	Avg. Yield	2008 £
Murabaha agreements	-	-	5.87%	<b>3,457,861</b>

Murabaha agreements recognised as held to maturity assets are participations by the Bank in a syndicated financing transaction for a GCC corporate where the Bank had a positive intention and ability to hold the asset to maturity. See note 10 and 12 for disclosure of activity during the year in respect of this asset.

## 14. Intangible assets

Group and Company	£
<b>Cost</b>	
At 1 January 2009	1,026,244
Additions	22,047
<b>At 31 December 2009</b>	<b>1,048,291</b>
<b>Amortisation</b>	
At 1 January 2009	169,357
Provided during the period	208,381
<b>At 31 December 2009</b>	<b>377,738</b>
<b>Net book value</b>	
<b>At 31 December 2009</b>	<b>670,553</b>
At 31 December 2008	856,887

## NOTES TO THE FINANCIAL STATEMENTS (continued)

## 15. Plant and equipment

	Computer equipment £	Fixtures and fittings £	Leasehold improvement £	Total £
<b>Group and Company</b>				
<b>Cost</b>				
At 1 January 2009	280,905	35,598	-	316,503
Additions	121,865	912	921,003	1,043,780
<b>At 31 December 2009</b>	<b>402,770</b>	<b>36,510</b>	<b>921,003</b>	<b>1,360,283</b>
<b>Depreciation</b>				
At 1 January 2009	104,059	6,603	-	110,662
Charge for the period	111,787	7,246	38,375	157,408
<b>At 31 December 2009</b>	<b>215,846</b>	<b>13,849</b>	<b>38,375</b>	<b>268,070</b>
<b>Net book value</b>				
<b>At 31 December 2009</b>	<b>186,924</b>	<b>22,661</b>	<b>882,628</b>	<b>1,092,213</b>
At 31 December 2008	176,846	28,996	-	205,841

## 16. Other Assets

	2009 £	2008 £
<b>Group</b>		
Other debtors	454,199	127,200
Prepayments	839,670	628,730
Accrued income receivable	22,982	17,791
	<b>1,316,851</b>	<b>773,721</b>

	2009 £	2008 £
<b>Company</b>		
Other debtors	454,199	127,200
Prepayments	835,110	628,730
Accrued income receivable	22,986	17,791
	<b>1,312,295</b>	<b>773,721</b>

## 17. Due to financial institutions

	Avg. Yield	2008 £	Avg. Yield	2008 £
<b>Group and Company</b>				
Treasury liabilities	1.24%	<b>20,570,522</b>	2.73%	<b>12,788,267</b>

## 18. Due to customers

	Avg. Yield	2009 £	Avg. Yield	2008 £
<b>Group and Company</b>				
Treasury liabilities	0.40%	<b>1,240,884</b>	0.50%	<b>1,371,946</b>

## 19. Fair value of foreign exchange agreements

	Assets £	Liabilities £	Notional Amount £
<b>Group and Company</b>			
<b>2009</b>			
Maturing in 0-3 months	-	61,030	3,230,381
<b>2008</b>			
Maturing in 0-3 months	-	2,435	365,000

The Bank uses foreign currency agreements for matching currency exposures.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

## 20. Other Liabilities

Group	2009 £	2008 £
Trade creditors	282,996	409,792
Other taxes and social security costs	127,999	127,992
Deferred income	83,427	-
Other creditors	899,451	2,075,148
	<b>1,393,873</b>	<b>2,612,932</b>

Company	2009 £	2008 £
Trade creditors	282,996	409,792
Other taxes and social security costs	127,999	127,992
Deferred income	83,427	-
Other creditors	849,431	2,075,148
	<b>1,343,853</b>	<b>2,612,932</b>

## 21. Maturity analysis of asset 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 2009	Less than 12 months £	More than 12 months £	Total £
<b>Assets</b>			
Cash and balances with banks	1,208,055	-	1,208,055
Due from financial institutions	30,944,220	-	30,944,220
Financing arrangements	3,080,224	6,787,051	9,867,275
Investments designated at fair value through profit and loss	2,515,454	-	2,515,454
Available for sale investments	803,933	-	803,933
Intangible assets	209,658	460,895	670,553
Plant and equipment	237,366	854,847	1,092,213
Other assets	1,316,851	-	1,316,851
<b>Total assets</b>	<b>40,315,761</b>	<b>8,102,793</b>	<b>48,418,554</b>
<b>Liabilities</b>			
Due to financial institutions	20,570,522	-	20,570,522
Due to customers	1,240,884	-	1,240,884
Fair value of foreign exchange contracts	61,030	-	61,030
Other liabilities	1,393,873	-	1,393,873
<b>Total liabilities</b>	<b>23,266,309</b>	<b>-</b>	<b>23,266,309</b>

Company 2009	Less than 12 months £	More than 12 months £	Total £
<b>Assets</b>			
Cash and balances with banks	1,041,313	-	1,041,313
Due from financial institutions	30,944,220	-	30,944,220
Financing arrangements	3,080,224	6,787,051	9,867,275
Available for sale investments	3,440,665	-	3,440,665
Intangible assets	209,658	460,895	670,553
Plant and equipment	237,366	854,847	1,092,213
Other assets	1,312,295	-	1,312,295
<b>Total assets</b>	<b>40,265,741</b>	<b>8,102,793</b>	<b>48,368,534</b>
<b>Liabilities</b>			
Due to financial institutions	20,570,522	-	20,570,522
Due to customers	1,240,884	-	1,240,884
Fair value of foreign exchange contracts	61,030	-	61,030
Other liabilities	1,343,853	-	1,343,853
<b>Total liabilities</b>	<b>23,216,289</b>	<b>-</b>	<b>23,216,289</b>

## NOTES TO THE FINANCIAL STATEMENTS (continued)

## 21. Maturity analysis of asset and liabilities (continued)

Group and Company 2008	Less than 12 months £	More than 12 months £	Total £
<b>Assets</b>			
Cash and balances with banks	1,476,663	-	1,476,663
Due from financial institutions	42,887,219	-	42,887,219
Available for sale investments	4,286,409	-	4,286,409
Held to maturity investments	3,457,861	-	3,457,861
Intangible assets	205,249	651,638	856,887
Plant and equipment	105,501	100,340	205,841
Other assets	773,721	-	773,721
<b>Total assets</b>	<b>53,192,623</b>	<b>751,978</b>	<b>53,944,601</b>
<b>Liabilities</b>			
Due to financial institutions	12,788,267	-	12,788,267
Due to customers	1,371,946	-	1,371,946
Fair value of foreign exchange contracts	2,435	-	2,435
Other liabilities	2,612,932	-	2,612,932
<b>Total liabilities</b>	<b>16,775,580</b>	<b>-</b>	<b>16,775,580</b>

## 22. Assets and liabilities in foreign currency

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

Group	2009 £	2008 £
<b>Assets</b>		
Denominated in sterling	28,811,108	41,726,358
Denominated in currencies other than sterling	19,607,446	12,218,243
	<b>48,418,554</b>	<b>53,944,601</b>
<b>Liabilities</b>		
Denominated in sterling	1,406,494	4,950,217
Denominated in currencies other than sterling	21,859,815	11,825,363
	<b>23,266,309</b>	<b>16,775,580</b>
<b>Company</b>		
<b>Assets</b>		
Denominated in sterling	28,677,287	41,726,358
Denominated in currencies other than sterling	19,691,247	12,218,243
	<b>48,368,534</b>	<b>53,944,601</b>
<b>Liabilities</b>		
Denominated in sterling	1,363,382	4,950,217
Denominated in currencies other than sterling	21,852,907	11,825,363
	<b>23,216,289</b>	<b>16,775,580</b>

## 23. Pension commitments

The Bank provides a defined pension contribution 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 £421,426 were charged to the income statement (2008: £273,246). Pension creditor outstanding at the balance sheet date amounted to £nil (2008: £31,209).

## 24. Commitments under operating lease

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

	2009 £	2008 £
Within one year	-	585,058
One to five years	2,043,287	-
	<b>2,043,287</b>	<b>585,058</b>

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 25. Share capital

	2009 £	2008 £
<b>Authorised:</b>		
225,000,000 ordinary shares of £1 each (2008: 225,000,000 ordinary shares of £1 each)	225,000,000	225,000,000
<b>Issued and paid:</b>		
50,000,001 ordinary shares of £1 each (2008: 50,000,001 ordinary shares of £1 each)	50,000,001	50,000,001
<b>Issued but not paid:</b>		
12,000,000 ordinary shares of £1 each (2008: 11,043,000 ordinary shares of £1 each)	12,000,000	11,043,000
<b>Total issued share capital</b>	<b>62,000,001</b>	<b>61,043,001</b>

During the year, as part of the Bank's Employee Incentive Plan, a further 957,000 ordinary shares of £1 each were issued but not paid.

### 26. Own Shares

The own shares reserve represents the cost of shares issued as part of the Bank's Employee Incentive Plan, held by the Bank Employee Benefit Trust on behalf of participating employees and the Trustee (see note 5). 12,000,000 ordinary shares of £1 each were held by the Employee Benefit Trust at 31 December 2009 (2008: 11,043,000).

### 27. Related party transactions

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

During 2009 the Bank entered into nine reverse commodity Murabaha agreements at arm's length with DD&Co Limited, a wholly owned subsidiary of DDCAP Limited. DDCAP Limited, where Stella Cox is a Managing Director, was a related party up to the date of resignation of Stella Cox from the Board of Gatehouse. At 31 December 2009, there were no balances with DD&Co Limited.

During 2008 the Bank entered into six reverse commodity Murabaha agreements at arm's length with DD&Co Limited, a wholly owned subsidiary of DDCAP Limited. At 31 December 2008, an amount of £1,371,946 was due to DD&Co Limited, reported in liabilities "Due to customers".

### 28. Ultimate parent company and controlling party

The Bank's immediate and ultimate parent and controlling party is The Securities House K.S.C.C., a company incorporated in Kuwait. Group accounts for The Securities House K.S.C.C. are available from P O Box 26972, Safat 13130, Kuwait.

### 29. Risk Management

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

The Chief Executive Officer is responsible for providing an oversight function that considers all risks on a consolidated basis and, in this respect, sits on the main risk committees. The Credit, Market and Operational Risk functions are the responsibility of the Chief Risk Officer who reports directly to the Audit Risk and Compliance Committee.

In relation to Basel II, the initial Internal Capital Adequacy Assessment Process (ICAAP) assumed that Gatehouse adopted the Standardised approach. In addition, the early design, development and implementation of an internal credit grading methodology enabled Gatehouse to collect the required information to determine capital requirements using an Internal Ratings-Based (IRB) approach. Once sufficient evidence has been collated, a decision will be made as to the most appropriate long term approach for the Bank.

#### Credit Risk

Credit risk is the risk of suffering financial loss in the event that one of Gatehouse's clients or market counterparties fails to fulfil their contractual obligations. Credit risk may also arise where the downgrading of an entity's credit rating causes the fair value of the Bank's investment in that entity's financial instruments to fall. The credit risk that Gatehouse faces arises mainly from financings, advances and sale of products with a credit risk dimension.

The Credit and Market Risk function encompasses both strategic and operational roles. Strategic in the sense that it continues to work closely with Gatehouse's executive to define the risk appetite, researching target markets and clients, reviewing the credit risk dimension of products and having overall responsibility for portfolio credit quality, monitoring and control. Operational in the sense that it works closely with the transaction origination and distribution teams, supporting the analysis of credit risk for business written, handling the overall risk assessment for transactions and approving or otherwise the writing of credit exposures.

A comprehensive control framework is in place. This incorporates:

- Maximum exposure guidelines relating to exposure to an individual customer or counterparty;
- Country risk policy specifying risk appetite by country and avoiding excessive concentration of credit risk in individual countries; and
- Industry specific limits to avoid excessive concentration 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 and for wholesale assets, market information such as credit spreads.

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

- The overall management and implementation of the risk appetite framework as determined by the Board; determining mandate and scale limits and aligning the risk appetite with the Bank's business and risk strategy;
- Support of origination and distribution activities via the provision of comprehensive credit risk assessments and recommendations for the appropriate credit decision making forums. This includes recommendations on portfolio strategy;
- The monitoring of exposures to ensure compliance with approved limits and to ensure that the credit quality of the counterparty has not deteriorated or circumstances changed. Monitoring provides a picture of the portfolio as a whole and its inherent risks, including concentrations and cost of capital employed.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

## 29. Risk Management (continued)

## Credit Risk (continued)

## Exposure

The table below shows the maximum exposure to credit risk for financial assets on the balance sheet at 31 December 2009:

Group	2009 £	2008 £
Cash and balances with banks	1,207,083	1,476,663
Due from financial institutions	30,944,220	42,887,219
Financing arrangements	9,867,275	-
Investments designated at fair value through profit and loss	2,515,454	-
Available for sale investments	803,933	4,286,409
Held to maturity investments	-	3,457,861
	<b>45,337,965</b>	<b>52,108,152</b>

Company	2009 £	2008 £
Cash and balances with banks	1,040,341	1,476,663
Due from financial institutions	30,944,220	42,887,219
Financing arrangements	9,867,275	-
Available for sale investments	3,440,665	4,286,409
Held to maturity investments	-	3,457,861
	<b>45,292,501</b>	<b>52,108,152</b>

As at 31 December 2009, a provision of £3,169,352 (50%) was made in relation to a facility for a GCC corporate. The Bank is actively engaged with the relevant parties to recover amounts due, however, it is unclear at this time whether the full amount of this exposure will ultimately be recovered.

## Geographical region

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

Group	2009 £	2008 £
GCC countries	31,692,114	37,458,292
<i>Bahrain</i>	22,834,154	26,762,319
<i>Kuwait</i>	5,687,230	6,934
<i>Saudi Arabia</i>	3,169,352	7,088,615
<i>UAE</i>	1,378	-
<i>Qatar</i>	-	3,600,424
Europe	10,373,223	12,983,740
North America	1,872,162	1,010,465
South America	120,714	-
Asia	1,278,115	655,655
Australia	1,637	-
	<b>45,337,965</b>	<b>52,108,152</b>

Company	2009 £	2008 £
GCC countries	31,692,114	37,458,292
<i>Bahrain</i>	22,834,154	26,762,319
<i>Kuwait</i>	5,687,230	6,934
<i>Saudi Arabia</i>	3,169,352	7,088,615
<i>UAE</i>	1,378	-
<i>Qatar</i>	-	3,600,424
Europe	12,380,295	12,983,740
USA	414,170	1,010,465
Asia	804,285	655,655
Australia	1,637	-
	<b>45,292,501</b>	<b>52,108,152</b>

## NOTES TO THE FINANCIAL STATEMENTS (continued)

## 29. Risk Management (continued)

## Credit Risk (continued)

## Credit quality

The table below shows the credit quality of financial assets on the balance sheet at 31 December 2009, based on the Bank's credit rating system:

Group 2009	Investment Grade £	Non-Investment Grade £	Total £
<b>Assets</b>			
Cash and balances with banks	1,130,338	76,745	1,207,083
Due from financial institutions	22,088,475	8,855,745	30,944,220
Financing arrangements	-	9,867,275	9,867,275
Investments designated at fair value through profit and loss	390,783	2,124,671	2,515,454
Available for sale investments	-	803,933	803,933
<b>Total assets</b>	<b>23,609,596</b>	<b>21,728,369</b>	<b>45,337,965</b>

Company 2009	Investment Grade £	Non-Investment Grade £	Total £
<b>Assets</b>			
Cash and balances with banks	963,596	76,745	1,040,341
Due from financial institutions	22,088,475	8,855,745	30,944,220
Financing arrangements	-	9,867,275	9,867,275
Available for sale investments	-	3,440,665	3,440,665
<b>Total assets</b>	<b>23,052,071</b>	<b>22,240,430</b>	<b>45,292,501</b>

Group and Company 2008	Investment Grade £	Non-Investment Grade £	Total £
<b>Assets</b>			
Cash and balances with banks	1,434,852	41,811	1,476,663
Due from financial institutions	29,854,209	13,033,010	42,887,219
Available for sale investments	-	4,286,409	4,286,409
Held to maturity investments	-	3,457,861	3,457,861
<b>Total assets</b>	<b>31,289,061</b>	<b>20,819,091</b>	<b>52,108,152</b>

## 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 Asset and Liability Committee. To limit this risk the Bank maintains an adequate portfolio of liquid assets which consists of cash and short-term bank deposits by monitoring forecast and actual cash flows and matching the maturity profiles of assets and liabilities. The Bank is subject to the updated systems and control requirements of the FSA liquidity regime (detailed in BIPRU 12.3 and 12.4) that came into effect from 1 December 2009.

## Liquidity and Profit Rate profile

The following table details the Bank's remaining contractual maturity for its financial assets and financial liabilities based on undiscounted cash flows. The table includes both profit and principal cashflows.

Group 2009	Less than 1 month £	1-3 months £	3-6 months £	6-12 months £	1-2 years £	2-3 years £
<b>Assets</b>						
Fixed rate items	30,948,393	1,050,000	-	-	-	-
Variable rate items	-	515,342	515,342	1,020,377	2,319,038	1,298,661
Non-rate sensitive	4,527,442	-	-	-	-	-
<b>Total assets</b>	<b>35,475,835</b>	<b>1,565,342</b>	<b>515,342</b>	<b>1,020,377</b>	<b>2,319,038</b>	<b>1,298,661</b>

<b>Liabilities</b>						
Fixed rate items	20,575,178	1,243,257	-	-	-	-
Variable rate items	-	-	-	-	-	-
Non-rate sensitive	400,952	-	-	-	-	-
<b>Total liabilities</b>	<b>20,976,130</b>	<b>1,243,257</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net</b>	<b>14,499,705</b>	<b>322,085</b>	<b>515,342</b>	<b>1,020,377</b>	<b>2,319,038</b>	<b>1,298,661</b>

Company  
2009

<b>Assets</b>						
Fixed rate items	30,948,393	1,050,000	-	-	-	-
Variable rate items	-	515,342	515,342	1,020,377	2,319,038	1,298,661
Non-rate sensitive	4,481,978	-	-	-	-	-
<b>Total assets</b>	<b>35,430,371</b>	<b>1,565,342</b>	<b>515,342</b>	<b>1,020,377</b>	<b>2,319,038</b>	<b>1,298,661</b>

<b>Liabilities</b>						
Fixed rate items	20,575,178	1,243,257	-	-	-	-
Variable rate items	-	-	-	-	-	-
Non-rate sensitive	344,026	-	-	-	-	-
<b>Total liabilities</b>	<b>20,919,204</b>	<b>1,243,257</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net</b>	<b>14,511,167</b>	<b>322,085</b>	<b>515,342</b>	<b>1,020,377</b>	<b>2,319,038</b>	<b>1,298,661</b>

## NOTES TO THE FINANCIAL STATEMENTS (continued)

## 29. Risk Management (continued)

## Liquidity Risk (continued)

Group and Company 2008	Less than 1 month £	1-3 months £	3-6 months £	6-12 months £	1-2 years £	2-3 years £
<b>Assets</b>						
Fixed rate items	36,628,289	6,335,702	-	-	-	-
Variable rate items	-	174,468	-	7,136,320	-	-
Non-rate sensitive	2,132,318	-	-	-	-	-
<b>Total assets</b>	<b>38,760,607</b>	<b>6,510,170</b>	<b>-</b>	<b>7,136,320</b>	<b>-</b>	<b>-</b>
<b>Liabilities</b>						
Fixed rate items	14,171,895	-	-	-	-	-
Variable rate items	-	-	-	-	-	-
Non-rate sensitive	409,792	-	-	-	-	-
<b>Total liabilities</b>	<b>14,581,687</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net</b>	<b>24,178,920</b>	<b>6,510,170</b>	<b>-</b>	<b>7,136,320</b>	<b>-</b>	<b>-</b>

## 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, exchange rates and volatilities) during a specified time horizon. Gatehouse is exposed to market risk in both the management of the balance sheet (i.e. banking book) and via trading operations (i.e. trading book). The role of Credit & Market Risk is to identify, quantify and manage the potential effects of those potential changes on the value of the portfolio.

## Categorisation of market risk

To facilitate the management, control, measurement and reporting of market risk, Gatehouse has grouped market risk into two categories:

1. Trading book risk - the market risk associated to all financial instrument and commodities held either with trading intent or in order to hedge other elements of the trading book. Trading book exposures are free of any restrictive covenants on their tradability or ability to be hedged.
2. Banking book risk - market risk arising from non-trading positions such as assets and liabilities held to maturity and capital balances. This includes, amongst others, investment securities and Islamic money market instruments such as Commodity Murabaha and Wakala.

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 Operating Officer, Treasurer and Head of Finance for review.

Day to day responsibility for market risk lies with the Chief Risk Officer, supported by the Credit and Market Risk function. A detailed market risk presentation is produced monthly and discussed at the Asset and Liability Committee. Gatehouse Treasury manages treasury market risk.

## Market Risk Measurement

The techniques used to measure and control market risk include:

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

Although the Bank does not hold or trade in interest rate based products, the carrying value of financial instruments held by the Bank is sensitive to movement in interest rates. If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Bank's profit for the year ended 31 December 2009 would increase/decrease by £28,344 (2008: £35,068).

## Trading market risk

Trading risk occurs in both the trading book and the banking book as defined for regulatory purposes.

In order to meet internal and client demand, Gatehouse maintains access to market liquidity by using all reasonable endeavours 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, Mudaraba, Islamic FX forwards, Exchange of Deposits and Profit Rate swaps or a combination of these instruments. The management of risk in the SAM Gatehouse Islamic Water Fund (the "Fund") is delegated to the Board of Directors of the Fund. This board reviews and agrees policies for managing market risk exposure of its investments. SAM Sustainable Asset Management AG, the investment manager, assesses the exposure to market risk when making each investment decision and monitors the overall level of market risk on the whole of the investment portfolio on an ongoing basis.

All of the Fund's investments are publicly traded. The Fund's policy requires that the overall market position is monitored on a daily basis by the Fund's investment manager and is reviewed on a quarterly basis by the Fund's Board of Directors. Compliance with the Fund's investment policies are reported to the Board on a quarterly basis.

At 31 December 2009, the fair value of investments exposed to price risk was as follows:

	2009 £	2008 £
Equity securities designated at fair value through profit or loss	2,515,454	-

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 29. Risk Management (continued)

#### 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;
- 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); 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.

Group	Level 1 £	Level 2 £	Level 3 £	Total £
Financial assets at FVTPL				
Listed equity securities	2,515,454	-	-	2,515,454
Available for sale financial assets				
Unquoted equity securities	-	-	803,933	803,933
<b>Total</b>	<b>2,515,454</b>	<b>-</b>	<b>803,933</b>	<b>3,319,387</b>

#### Company

Available for sale financial assets				
Unquoted funds	-	2,636,732	-	2,636,732
Unquoted equity securities	-	-	803,933	803,933
<b>Total</b>	<b>-</b>	<b>2,636,723</b>	<b>803,933</b>	<b>3,440,665</b>

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

#### Reconciliation of Level 3 fair value measurements of financial assets

Group and Company	Available for sale Unquoted equities	Total £
Balance at 1 January 2009	655,655	655,655
Total gains or losses:		
- In profit or loss	148,278	148,278
- In other comprehensive income	-	-
<b>Balance at 31 December 2009</b>	<b>803,933</b>	<b>803,933</b>

#### Operational Risk

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

Operational risk is the responsibility of the Head of Compliance, who reports directly to the CFO, as well as being a member of Operating Committee and secretary of the ARCC. The role of the Head of Compliance in this capacity is to analyse the operational risks facing the Bank through periodic assessments and ongoing monitoring of operational losses and develop appropriate controls to mitigate significant risks. He also has a key input in monitoring outsourcing arrangements, analysing the effect of new products and monitoring and controlling operational risks.

#### Pillar 3 Disclosures

Pillar 3 disclosures are presented in the "Pillar 3 Disclosures" document available on the Bank's website, [www.gatehousebank.com](http://www.gatehousebank.com). The disclosures are made annually and are published as soon as practicable after the publication of the annual report and accounts of the Bank.

### 30. Post Balance Sheet Events

At a general meeting of the Company duly convened and held on 25 February 2010, a special resolution was passed to approve a reduction of share capital of the Company by cancelling 4,000,000 issued but not paid ordinary shares registered in the name of Ogier Nominees (Jersey) Limited the Trustee of the Bank's Employee Benefit Trust as part of the Bank's Employee Incentive Plan (see note 25). If, by Order of the High Court of Justice (Chancery Division) the reduction of share capital and statement of capital in respect of the reduction are confirmed and registered with the Registrar of Companies, there will be no impact on the current paid-up share capital of the Bank.

