GATEHOUSE BANK

Annual Report & Financial Statements 2015

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CONTENTS

GATEHOUSE BANK PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year-ended 31 December 2015

Registered number: 06260053

GATEHOUSE

COMPANY INFORMATION

Directors
Matthew Hadrian Marshall Carrington
Oday Al-Ibrahim
Mohamad Tawfik Al-Tahawy
Craig Friedman
Gerald Gregory (Appointed 10 December 2015)
Stephen Smith
Jonathan Ottley Short
Fahed Faisal Boodai
Aboo Twalha Dhunnoo
Henry Thompson (Resigned 22 January 2016)

Secretary
Mohaimin Chowdhury (Appointed 1 October 2015)

Auditor
Deloitte LLP
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London
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Registered office
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Registered number
06260053


14
GATEHOUSE BANK

CHAIRMAN'S STATEMENT

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

To the shareholders and ultimate shareholders of Gatehouse Bank plc

I am very grateful to the Board of Gatehouse Bank plc ("Bank", "Company") for appointing me as Chairman of the Board on 4 March 2016. I would like to extend my appreciation to Mr Boodai for stepping down as Chairman and taking over as Interim CEO. Mr Boodai and I envisage that these interim arrangements will continue until a permanent CEO is identified.

While 2015 presented some unanticipated challenges, the Board guided the the Bank through the year to achieve some key targets. The first one being to create a better corporate structure and establish a more prudent foundation from which the Bank can continue to achieve in 2016.

I am encouraged to note that the Bank successfully executed the Group reorganisation and the acquisition of Gatehouse Capital KSCC that were detailed in the 2014 Chairman's Statement. The new corporate Group structure provides an alignment of the Group's overall business strategy with the respective capabilities and market reach that each entity offers, as well as streamlining regulatory compliance requirements. The new corporate structure ring-fences the Bank's business model in respect of its balance sheet composition and sources of funding.

Other significant achievements included the Bank's launch of its first Private Rented Sector (PRS) Fund, achieving a first close of £100m and simultaneously executing a joint venture with its key development partner, making initial site acquisitions and commencing construction works. The Real Estate Finance division continued to build the Bank's financing book by successfully completing several senior secured financing transactions. In addition, following the launch of the Bank's retail deposit offering, 2015 saw expansion of the Milestone Savings offering with fund raising currently exceeding £44 million.

The Bank's strategy looking forward to 2016 is to continue to build on the platform established in 2015 and further the advancement of the Bank's key business lines; Real Estate Investments, Wealth Management and Real Estate Finance, by facilitating the growth and development of the products introduced in 2015 as well as innovating new products.

The Bank's business goals were achieved concurrently to changes being implemented within the senior management team and, therefore, I note the value of recognising such achievements. Notably, the Board appreciated Mr. Fahed Boodai's acceptance to join the executive management team as the Chief Executive Officer following the departure of Mr. Henry Thompson. The Board gracefully welcomes Mr. Fahed Boodai with faith, and the confidence that he will continue to nurture the business and lead its future success in the same way he has done before.

The Board also welcomes the addition of Mr Gerald Gregory as an Independent Non-Executive Director and Chairman of the Audit, Risk and Compliance Committee. Mr Gregory brings a wealth of experience from his prior appointments at retail financial services companies.

With these senior appointments, the Board will achieve stability and progress in 2016 with a view to enhancing the Bank's financial performance following the results of 2015.

The Bank's fiscal performance in 2015 was not as expected with income levels and profit and loss results lower than the previous year. After careful consideration and reflection, the Board noted that certain conditions impacted the results. First, the Board notes the competitive market conditions and the challenges faced in respect of securing transactions that were aligned with the Bank's identified risk appetite and exposure limits and second, the increase to the cost base of implementing the reorganisation of the corporate Group structure. With this is in mind, the Board expects that 2016 will have a lower cost base and, with the new appointments, achieve improved performance. The Board anticipates better results in 2016.

The Board approaches the future with much optimism and in this regard recognises the value of key stakeholders that support the Gatehouse Group journey. Foremost, I would like to take this opportunity to thank you, our Shareholders, for your continued support and loyalty. It is with your gracious dedication to the Bank that we can continue to build on our potential to become a leading Shariah-compliant Bank. I extend much gratitude to the Company's Shariah Supervisory Board for their continued guidance and advice. I also take this opportunity to note the commitment and diligence of all of the Company's employees and their efforts in joining us to cultivate a successful and reputable future.

Lord Carrington of Fulham
Chairman

13 April 2016


14
GATEHOUSE BANK

CHIEF EXECUTIVE OFFICER'S STATEMENT

I would like to thank the Chairman, the Board and the Executive Management for their confidence in appointing me as the Chief Executive Officer of the Bank on 4 March 2016. I take on this role purely on an interim basis until such time we identify a long-term replacement. I value the support and guidance from my fellow board members as I take office to agree and implement the 2016 strategy and business plan.

Overview

The Board working with the senior management took a careful view of the Bank and its affiliated companies and, during 2015, agreed to re-establish itself through a new organisational and corporate structure that is most suited to deliver and implement on the strategy and business plans of the shareholders. The objective was to achieve a disciplined, ring-fenced corporate structure and an efficient execution and decision-making to a Group with diverse financial activities, market proximities, regulatory infrastructure and processes.

Following three years of continued profits and, while the Bank's total assets increased from £260m to more than £280m, 2015 has proved to be a more challenging year with the Bank incurring a loss of £0.85m. The performance was underpinned by a combination of limited real estate investment opportunities that matched our risk appetite and an increased cost base. The Bank values its reputation in its ability to successfully originate investments with a view to generate a positive return to investors. This prudent approach to investment origination became increasingly difficult in a very competitive environment in 2015. Nevertheless, the Bank has a commitment to meet the needs of its loyal customer base through increased innovation and was pleased to launch its second Private Rented Sector (PRS) initiative.

The Bank's core competitive advantage remains the continuous diversification of its products offering. 2015 has been favourable and we closed the year very positively with our ground-breaking and innovative residential PRS Fund investment, which I believe will position the Group as a provider of institutional-quality real estate for Shariah-compliant real estate investments. It also complements our existing offerings in the UK and the US to similar sectors such as single-family, industrial and hospitality. The PRS Fund will see assets under management grow by £325m over the next two years. The Bank has received important UK government endorsement, having met with Lord O'Neill, Commercial Secretary of the Treasury, at 10 Downing Street. The PRS Fund investment is a key milestone for the Bank and strides towards its objective to be innovative in meeting its client demands.

The Bank has also continued to build on its success in the student accommodation sector and successfully acquired the Fountainbridge asset, a modern purpose built student accommodation property, centrally located in Edinburgh. The Bank achieved this by leveraging from its experience in the student housing sector enabling the Bank to transact with the sellers in a timely and efficient manner.

Key to the Bank's growth is diversifying its revenue stream to ensure long term sustainability of the business through market cycles. With this in mind, the Bank has continued in its strategy to build its financing portfolio and establish its reputation as a senior secured financier within the commercial Real Estate Finance sector. During 2015, we concluded new financing transactions in excess of £50m.

The Wealth Management department has continued to develop, with the establishment of a residential property financing facility. This product is expected to achieve traction in 2016 with the department continuing to focus on understanding and serving increasingly sophisticated client demands and ensuring these are met with the right products and services.

Retail Deposits

On 5 March 2015, the Bank launched its Milestone Savings retail platform. The intention is to diversify the funding base by raising longer term deposits from the UK retail market. The products currently offered are fixed term deposits ranging from 1 year through to 5 years. I am pleased to confirm that retail deposits were in excess of £44m as at 31 March 2016 and comprised 29% of total funding.

2016 Strategic Framework

- Our framework for the strategy going forward in 2016 is sound and viable. In order to deliver this, I have set the following objectives:
- A capital position that is robust and a balance sheet that is well-managed. This is becoming increasingly important with the continued increase in regulatory capital requirements on the bank's business model and we will achieve this carefully and prudently.
- To continue to create better products through innovative financing solutions for commercial real estate in multiple asset classes across the UK and Europe, and to be able to respond quickly to market opportunities.
- To continue to build on our well established Real Estate Investment Advisory platform with investments that will deliver sustainable long-term returns for our clients.
- To operate seamlessly with our Group companies to maximise operating efficiencies including optimising the capabilities of our associate company, Gatehouse Capital, through its established relationship with our target investors.

Outlook

The Bank is well positioned in 2016 to take advantage of the market opportunities available to us and draw upon its experiences of 2015. There is a wealth of experience across the Bank's departments and we are confident in our ability to continue to build a Bank with sustainable returns for our shareholders.

Conclusion

I take this opportunity to express the Bank's appreciation of its shareholders support and strategic guidance. I further note the dedication and diligence of the Bank's staff for their continued dedication to providing high quality service to its clients.

Fahed Faisal Boodai
Interim Chief Executive Officer

13 April 2016

CORPORATE GOVERNANCE REPORT

THE BOARD OF DIRECTORS (the "Board")

Matthew, Lord Carrington of Fulham, Chairman of the Board, Chairman of the Remuneration and Nominations Committee and Senior Independent Director

Lord Carrington is an experienced Non-Executive Director, with a strong track record of providing leadership and strategic thinking in areas such as finance and pensions as well as public relations. 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. Lord Carrington holds a MSc Economics from the London Business School as well as a BSc in Physics from Imperial College London. In 2013, Lord Carrington was honoured with a Peerage in the House of Lords by Her Majesty The Queen.

Non-Executive Directors

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

Mohamad Tawfik Al-Tahawy
Mr Al-Tahawy is Chief Operating Officer at The Securities House K.S.C.C, Kuwait ("TSH"). Prior to this he held the position of Advisor to TSH where he was responsible for overseeing the investment and finance functions. Mr Al-Tahawy joined TSH in 1998 and has served in various capacities, including financial control, internal audit and corporate finance, in addition to being an active member in all Committees, including executive, investment, information systems and human resources. He supervised TSH's direct investments and assumed a key role in its strategic initiatives. Prior to joining TSH, Mr Al-Tahawy worked for KPMG and Ernst & Young and has extensive accounting knowledge of a diversified set of activities including investment, finance, trading, contracting and manufacturing. Mr Al-Tahawy holds a Masters degree in Business Administration in addition to designations for Certified Public Accountant, Certified Valuation Analyst, Certified Internal Auditor, Certified Management Accountant and Certified Financial Manager.

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

Independent Non-Executive Directors ("Independent Directors")

Gerald Gregory, Chairman of the Audit, Risk and Compliance Committee
Mr Gregory was appointed as an Independent Non-Executive Director and Chairman of the Audit, Risk and Compliance Committee on 10 December 2015. Mr Gregory is a former Managing Director of a diverse portfolio of businesses and has significant strategic and operational experience in large (equivalent FTSE top 100) mutual retail financial services companies. Mr Gregory has extensive experience in strategy development and implementation, risk management, treasury and structured finance operations, marketing and sales. He retired from his executive career in March 2008 and since then has worked in a variety of non-executive Director roles mainly, but not exclusively, in financial services and is very familiar with the UK regulatory liquidity and capital regimes.

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

Executive Directors

Fahed Faisal Boodai, Interim Chief Executive Officer

Mr Boodai has more than 19 years of extensive experience and realised track record within the global real-estate market, he has presided over US $3.5 billion real estate acquisitions and exits in asset classes ranging from core real estate holdings to student accommodation and medical facilities, including the UK headquarters for Procter & Gamble, Rolls Royce and Intercontinental Hotels. Mr Boodai was listed in the "40 under 40" feature for US magazine "Real Estate Forum", a list of globally recognised real estate investors. Mr Boodai is also the founder and Chairman of Gatehouse Capital and is CEO and Vice Chairman of TSH. Mr Boodai received his M.B.A from Loyola Marymount University in Los Angeles, California and a BS in International Business from the University of San Diego and holds a number of board member positions across a range of global funds and US/European companies.

Twalha Dhunnoo - Chief Financial Officer

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

Compliance with the UK Corporate Governance Code

The Bank has complied in all material respects with the principles set out in the 2015 UK Corporate Governance Code for the whole of the financial year ended 31 December 2015, except as noted.

Further explanation of how the principles have been applied is set out below:

LEADERSHIP

Role of the Board

At the start of each year the Board approves a meeting schedule for the remainder of that year. At least four quarterly regular meetings are scheduled. The Board has a schedule of matters reserved for its decision which are captured in the Board's terms of reference and reviewed on an annual basis, most recently in December 2015. The matters include the approval of the annual business plan, delegation of authority to approve credit and market risk limits, changes to capital structure, raising of external finance and approval of the annual report and financial statements. The Board's agenda is determined against a pre-planned template to ensure that all relevant issues come to the Board for review at appropriate intervals. In 2015, there were four regular and seven ad hoc Board meetings.

Division of Responsibilities

Following the resignation of Mr Henry Thompson as Chief Executive Officer, the Board approved a set of interim arrangements to ensure the principle of "four-eyes" was in place at all times. Mr Abdulaziz AlDuweesh was appointed as Acting Chief Executive Officer for an initial period in addition to his existing duties as Chief Investment Officer and held this position until 4 March 2016. At this point Mr Boodai received the necessary approvals from the Prudential Regulation Authority and was appointed Chief Executive Officer.

In order to ensure a clear divide between the responsibilities of running the Board and that of running the business, Lord Carrington, the independent Deputy Chairman, was appointed as Chairman of the Board, replacing Mr Boodai. This arrangement echoes the structure put in place in 2013 . It is envisaged that the current arrangements, including Lord Carrington chairing the Remuneration and Nominations Committee and acting as the Senior Independent Director, will remain in place until such time that a permanent Chief Executive Officer is appointed.

The Board have a formal division of responsibilities matrix which identifies the individual responsibilities of the Chairman in running the board and the Chief Executive Officer in running the Bank's business.

The Chairman

As referenced above, the responsibilities of the Chairman are identified and documented in the division of responsibilities matrix. These responsibilities include setting meeting agenda, ensuring there is adequate time for each agenda item to be fully considered and encouraging questions and debate in the Board meetings. At the end of 2014, the Chairman in conjunction with the CEO agreed to implement a new secretarial structure which saw the Company Secretary take on the role of secretary to both the Board and all Board Committees. This has been developed through 2015 and resulted in a much more streamlined and coordinated approach with respect to the various meetings, and has also improved the level of support being provided to the Directors.

Non-Executive Directors

The Non-Executive Directors are actively involved with setting the Bank's strategy. In the final quarter of each financial year, strategy and business plan proposals are made by the Executive which are then considered by the Board. Once approved, the performance of management is measured against the approved business plans and budget.

Until his appointment as Chairman, Lord Carrington acted the senior independent Director and the Board has now appointed Steve Smith to hold this position.

EFFECTIVENESS

Composition of the Board

The Board comprises nine Directors; four Independent Non-Executive Directors, three Non-Executive Directors and two Executive Directors. The Board is sufficient in size and diversity to reflect a broad range of views, whilst allowing all Directors to participate effectively.

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

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

Appointments to the Board

The appointment of Directors is considered by the Remuneration and Nominations Committee and approved by the Board. In 2015 the Board identified the need for a Director with significant risk management experience and, with the assistance of an external recruitment firm (which has no other connection with the Bank), carried out an extensive search. Following this process and assessment of interviews with a number of candidates by members of the Committee and other Directors, Mr Gregory was appointed to the fill the role.

Time Commitment

The time commitment expected of the Non-Executive Directors is stated in their individual letters of appointment. The Chairman's time commitment as a member of the House of Lords has been disclosed to the Board.

Development

Upon appointment to the Board, new Directors receive a detailed induction. This includes an introduction to and overview of the Bank; its strategy and risks; operational structure and individual meetings and presentations from senior executives responsible for key areas of the business. If required, follow up sessions are also arranged.

The Directors receive ongoing training via online, group and one on one sessions throughout the year to address current business or emerging issues which in 2015 included sessions on the Senior Managers and Certification Regimes (provided in-house) and Regulatory Developments (provided by an external consultant). The newly implemented Skills Matrix (as referred to in "Evaluation" section below) will also be used to identify learning and development needs of the individual Directors and for the Board as a whole.

Information and Support

The Chairman is responsible for ensuring the Board receives information in a form and of a sufficient quality to enable it to discharge its duties. Under the direction of the Chairman, the Company Secretary's responsibilities include ensuring good information flows within the Board and its Committees and between senior management and the non-executive Directors. Senior management provide the Board with the information necessary to enable the Board to perform its duties; this is provided principally in daily dashboard reports, monthly summaries of Executive Committee meetings and in comprehensive quarterly meeting papers. All Directors have access to the services of the Company Secretary.

At the end of 2015, the Board discussed the methods available to improve the flow of communication between itself and its Committees. After this discussion, the Board agreed, in consideration of the size of the Bank, that all Directors be given the opportunity to attend each of the individual Committees as invitees on a regular basis. This has now been implemented and, in due course, its effectiveness will be subject to review.

In addition, the Bank provides access, at its expense, to the services of independent professional advisers in order to assist the Directors in their role, whenever this is deemed necessary. The Bank also provides insurance cover and indemnities for all Directors and Officers.

Evaluation

The newly formalised Annual Board Evaluation process was approved in December 2015 and was completed in Q1 2016. The process includes completion by the Directors of a Self-Assessment Questionnaire, a Skills Matrix and Attendance Chart. The Board acts on the results of the evaluation by addressing any weaknesses of the Board and considering, where appropriate, memberships of the Board and its Committees. This is intended to be rolled out on an annual basis going forward.

Re-Election of Directors

Following the provisions in the Articles of Association, all Directors who have been appointed by the Board must stand for election at the first Annual General Meeting following their appointment and, then for re-election every subsequent three years. All Directors proposed for election or re-election at the 2015 Annual General Meeting were approved.

DELEGATION OF AUTHORITY

Management Committees

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

Board Committees

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

Audit, Risk and Compliance Committee ("ARCC") – The ARCC's responsibilities include monitoring financial reporting, reviewing internal controls, risk management systems, whistleblowing arrangements, monitoring internal and external audit. One of its key responsibilities is aiding managing relationships with external parties, including the Prudential Regulation Authority, the Financial Conduct Authority and the external auditors. The ARCC comprises three Independent Directors and one Non-Executive Director. The ARCC met 3 times during 2015.

Remuneration and Nominations Committee ("RNC") – The RNC's responsibilities include determining the remuneration of the CEO, CFO and Chairman, approving the design of any performance related pay or share incentive scheme operated by the Bank, and ensuring the Bank has remuneration policies that are consistent with sound risk management and do not expose the Bank to excessive risk. No Director is involved in deciding their own remuneration. The Committee's responsibilities also include reviewing the structure, size and composition of the Board and making recommendations to the Board, succession planning, identifying and nominating candidates to fill Board vacancies, and reviewing results of the Board evaluation process. The Committee comprises three Independent Directors and three Non-Executive Directors. The RNC met two times during 2015.

Business Strategy and Investment Committee ("BSIC") – The BSIC's responsibilities include oversight of execution of the Bank's strategic plan; approving transactions beyond authorities delegated to management Committees, and making recommendations to the Board on long term development strategies. The Committee comprises two Independent Directors, 3 Non-Independent

Directors and 2 Executive Directors. The BSIC met 11 times during 2015.

ACCOUNTABILITY

Financial and Business Reporting

The Board ensure the maintenance of proper accounting records which disclose with reasonable accuracy the financial position of the Bank and that the financial statements present a fair view for each financial period.

Risk Management and Internal Control

The Board regularly reviews the effectiveness of the Group's risk management and internal control systems. The Bank is committed to the ongoing sustainability of its business lines and has a comprehensive risk management framework to ensure that the risks faced by the Bank to achieve its strategic objectives are identified and managed prudently.

Audit Committee and Auditors

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

The Board has delegated this role to the ARCC to ensure independent oversight. The ARCC's role and responsibilities are set out in its terms of reference, which include:

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

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

REMUNERATION

Level and Components of Remuneration

Executive Directors' remuneration is designed to promote the long-term success of the Bank and benchmarked to industry pay guides.

Procedure

The RNC is responsible for determining and agreeing with the Board the framework or broad policy for the remuneration of the Chief Executive Officer, Chief Financial Officer and Chairman. The remuneration of the Non-Executive Directors are a matter for the Chairman and Executive Directors of the Board.

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

RELATIONS WITH SHAREHOLDERS

Dialogue with Shareholders

Pursuant to the completion of a reorganisationon 14 August 2015, the Bank became a wholly owned subsidiary of Gatehouse Financial Group Limited ("GFGL"). The Bank is committed to ongoing dialogue with its immediate shareholder, and ultimate shareholders through GFGL, and the Chief Financial Officer is responsible for coordinating the communication of financial result announcements. The membership of Mr Boodai, Mr Al-Tahawy, Mr Al-Ibrahim and Mr Dhunnoo on the Bank's Board, who are also Directors of GFGL, ensures the view of the immediate shareholder and of the ultimate shareholders is shared with the Board of the Bank.

Constructive use of Annual General Meeting

In addition to the Bank and GFGL having some common Directors, the Annual General Meeting provides an opportunity for the shareholder to communicate with the Bank and encourage its participation in the Bank.

STRATEGIC REPORT

Cautionary statement

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

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

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

This strategic report which incorporates the Chairman's statement and Chief Executive Officer's statement has been prepared for Gatehouse Bank plc as a whole and therefore gives greater emphasis to those matters which are significant to the Bank when viewed as a whole.

The strategic report discusses the following areas:

- The business model
- Financial results
- Principal changes in the group
- Strategy and objectives
- Principal risks and uncertainties
- Corporate social responsibility
- Going concern

The Business Model

Gatehouse Bank plc is a wholesale Shariah-compliant Investment bank based in the City of London and Mayfair, authorised by the Prudential Regulation Authority (PRA) and regulated by the Financial Conduct Authority (FCA) and the PRA. As at 31 December 2015, the Bank had an interest of 35.6% in Gatehouse Capital, an advisory firm incorporated in Kuwait.

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

Financial Results

The financial statements for the year ended 31 December 2015 are shown on pages 23 to 58. The loss before tax for the year amounted to £775,111 (2014; profit of £4,131,755). The Chief Executive Officer's and Chairman's statements provide a review of business over the reporting period and highlight all relevant key performance indicators of the Bank.

Principal changes in the Group

In line with the Group's strategy to reorganise its business to allow the Group to improve on its corporate and operational structure, a new holding company, Gatehouse Financial Group Limited ("GFGL"), was incorporated on 5 March 2015 and a share for share exchange with the Bank was completed on 14 March 2015 which enabled the shareholders of the Bank to become shareholders of GFGL. No business combination occurred under IFRS 3 because the holding company was established to affect a restructuring of the Bank.

The Directors believe that this organisation substantially improves the corporate and operational structure of the Group allowing it to execute its business strategy and benefit its shareholders and other stakeholders.

Strategy and Objectives

The Bank business lines can be described as follows:

Real Estate Investment Advisory

The Real Estate Investments team specialises in sourcing, structuring, advising on and delivering high quality, real estate investment opportunities sourced from the UK. The Bank works very closely with its associate company in the US to allow the Group access to US Real Estate origination capabilities.

Real Estate Finance

The Real Estate Finance team originate and participate in secured and first-ranking Shariah-compliant financing for real estate assets in the UK and Europe.

Wealth Management

The Wealth Management team is responsible for supporting the core business activities of the Bank by offering products and services to High Net Worth Individuals (HNWIs) and Family Office clients.

Treasury

The Treasury team's primary function is to ensure that the Bank's balance sheet remains robust and profitable through prudent and efficient management of liquidity by using the short and medium term money markets, retail deposit products and FX. They also ensure that the bank maintains liquidity in accordance with its internal and regulatory requirements. They manage investments in fixed income sukuk and listed equities.

MileStone Savings

Milestone Savings is an online retail provider of fixed term deposit accounts that provides a diversification of existing funding sources with prodicts with up to five year terms to spread out balance sheet maturity. Milestone Savings customer interfacing infracture is managed by a specialised outsourced provider.

Principal Risks and Uncertainties

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

Corporate Social Responsibility

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

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

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

During 2015, the Bank continued to work in partnership with Mosaic, a charity founded by HRH The Prince of Wales, to supply mentors on a voluntary basis to work with pupils at local schools. The Bank's employees are encouraged to invest time to support children from local communities. The Bank also participated in a donation to the Durham

University which was used to establish scholarships to support postgraduate study at Masters and/or PhD level in Islamic Finance.

Sustainability

Gatehouse encourages all staff to operate in a sustainable manner and we aim to minimise any harmful effects on the environment. This culture is supported via staff policies and procedures and the Bank's offices feature motion sensitive lighting to reduce the amount of excess power.

Going Concern

As at the date of signing this report and after making all reasonable and appropriate enquiries and taking into account the Bank's regulatory capital and liquidity, its forecasts and stress tests and scenario analyses, the Directors have a reasonable expectation that the Bank has adequate financial resources to continue in operational existence for the foreseeable future. The Directors are satisfied that the going concern basis remains appropriate in preparing these financial statements of the Bank. Further disclosures on the going concern basis can be found in Note 2 to the financial statements.

Approval

This strategic report was approved by the board of Directors and signed on its behalf by:

Aboo Twalha Dhunnoo

Director

13 April 2016

SHARIAH SUPERVISORY BOARD REPORT

بسم الله الرحمن الرحيم

To the Shareholders of Gatehouse Bank plc

Assalaam A'laikum Wa Rahmat Allah Wa Barakatuh

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

We have reviewed all material transaction documents that the Bank has entered into. These include agreements signed with third parties for the purpose of obtaining their services in order to facilitate the proper operation of the Bank. This report relates to the period from 1 January 2015 to 31 December 2015.

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

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

Supervision

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

Bank's Contracts

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

Shariah Audit

The SSB has carried out regular Shariah Audit of the Bank's business activities for the period from 1 January 2015 to 31 December 2015. 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's parent company, GFGL, 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 Zakaat payable for GFGL's paid up capital is the responsibility of its shareholders.

Conclusions

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

In our opinion, the contracts and agreements, transactions and dealings entered into by the Bank during the year ended 31 December 2015 are in compliance with the Islamic principles of Shariah.

Members of the Shariah Supervisory Board

Sheikh Nizam Yaquby
Chairman of the SSB

13 April 2016

Sheikh Dr Esam Khalaf Al Enezi
Member of the SSB

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

DIRECTORS' REPORT

The Directors present their annual report on the affairs of the Group, together with the financial statements and auditor's report, for the year ended 31 December 2015. The Corporate Governance Statement set out on pages 13 to 16 forms part of this report.

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

Dividend

No dividends were paid during the year (2014: £nil). The Directors do not recommend a final dividend on ordinary shares to be paid in respect of the year (2014: £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. None of the Directors who held office at the end of the financial year has any interest in the shares of the Bank. All the Directors served for the entire year with the exception of Gerald Gregory who joined on 10 December 2015.

Directors' Indemnities

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

Employee Consultation

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

Policy on Payment of Creditors

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

Auditor

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

Political Contributions and Charitable Donations

The Bank made no political contributions (2014: £nil) and £11,194 (2014: £nil) of charitable donations during the year. The Board has agreed to purify an additional £2,301 through charitable donations in 2016.

Directors' Statement as to Disclosure of Information to Auditor

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

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

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

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

Aboo Twalha Dhunnoo

Director

13 April 2016

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 Group and Parent company and of their profit or loss for that period. In preparing these financial statements, International Accounting Standard 1 requires that Directors:

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

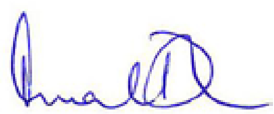
The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies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

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

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with relevant reporting framework, give a true and fair view of the assets, liabilities, financial loss of the Bank and the undertakings included in the consolidation taken as a whole; and
- the Strategic Report together with the Chairman and CEO statements include a fair review of the development and performance of the business and the position of the Bank and the undertakings included, together with a description of the principal risks and uncertainties that they face; and
- the annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the company's performance, business model and strategy.

By order of the Board



Aboo Twalha Dhunnoo

Director

13 April 2016

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GATEHOUSE BANK PLC

We have audited the financial statements of Gatehouse Bank plc ("the company") for the year ended 31 December 2015 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Financial Position, the Consolidated and Company Statements of Cash Flows, the Consolidated and Company Statements of Changes in Equity and the related notes 1 to 33. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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

Respective responsibilities of Directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion:

- give a true and fair view of the state of the company's affairs as at 31 December 2015 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

As explained in Note 1 to the financial statements, the bank in addition to applying IFRSs as adopted by the European Union, has also applied IFRSs as issued by the International Accounting Standards Board (IASB).

Opinion on other matter prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

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

- Adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- The 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.

Alastair Morley
For and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
13 April 2016

CONSOLIDATED INCOME STATEMENT

	Notes	Year ended 31 Dec 2015 £	Year ended 31 Dec 2014 £
Income			
Income from investment and financing activities	3	8,408,942	7,665,449
Charges to financial institutions and customers		(1,736,313)	(1,422,794)
Fees and commission income		1,874,379	4,678,797
Fees and commission expense		(117,408)	(890,106)
Foreign exchange gains/(losses)	4	260,384	(215,541)
Realised gains on investments		2,270,884	5,182,749
Net Ijara profit		345,132	365,777
Other income		268,771	90,727
Total operating income		**11,574,771**	**15,455,058**
Expenses			
Staff costs	5	(7,775,619)	(6,961,504)
Depreciation and amortisation	19 & 20	(755,587)	(596,867)
Other operating expenses	6	(4,977,878)	(4,835,909)
Total operating expenses		**(13,509,084)**	**(12,394,280)**
Operating (loss)/profit		**(1,934,313)**	**3,060,778**
Share of profit of associate	15	399,994	1,918,604
Impairment release/(charge)	7	759,208	(847,627)
(Loss)/profit before tax	8	**(775,111)**	**4,131,755**
Tax	9	(69,429)	(52,223)
(Loss)/profit for the year from continuing operations		**(844,540)**	**4,079,532**

OTHER COMPREHENSIVE INCOME

		Year ended 31 Dec 2015 £	Year ended 31 Dec 2015 £
(Loss)/profit for the year from continuing operations		**(844,540)**	**4,079,532**
(Loss)/gain on available-for-sale investments		(2,775,444)	1,016,707
Foreign currency gains from investment in associate		309,937	254,117
Other comprehensive (loss)/profit for the year		**(2,465,507)**	**1,270,824**
Comprehensive (loss)/profit for the year		**(3,310,047)**	**5,350,356**
Earnings per share from continuing operations			
Basic	10	(0.02) pence	0.03 pence
Diluted	10	0.00 pence	0.02 pence

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Company No. 06260053

	Notes	31 Dec 2015 £	31 Dec 2014 £
Assets			
Cash and balances with banks		6,721,162	18,181,711
Due from financial institutions	12	47,134,641	77,218,549
Financing arrangements	13	105,966,130	63,809,116
Investment securities	14	78,878,335	58,142,731
Investment in associate	15	13,886,815	18,620,948
Ijara receivable	16	9,853,302	9,867,959
Derivative financial instruments	18	1,175,244	155,920
Intangible assets	19	553,750	556,710
Property, Plant and Equipment	20	13,869,750	14,223,480
Other assets	21	3,735,495	2,764,216
Total assets		**281,774,624**	**263,541,340**
Liabilities			
Due to financial institutions	22	141,584,500	129,504,983
Due to customers	23	11,513,973	2,636,732
Ijara payable	16	3,009,453	3,006,546
Other liabilities	24	3,478,706	2,870,954
Derivative financial instruments	18	-	24,086
Total liabilities		**159,586,632**	**138,043,301**
Net assets		**122,187,992**	**125,498,039**
Shareholders' equity			
Share capital	29	158,000,001	158,000,001
Own shares	30	(7,950,700)	(7,950,700)
Foreign currency translation reserve		278,887	(31,050)
Available-for-sale reserve		(3,154,177)	(378,733)
Retained deficits		(24,986,019)	(24,141,479)
Equity attributable to the Bank's equity holders and total equity		**122,187,992**	**125,498,039**

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

The financial statements were approved by the Board of Directors and authorised for issue on 13 April 2016. They were signed on its behalf by:

Fahed Faisal Boodai
Interim Chief Executive Officer

Aboo Twalha Dhunnoo
Chief Financial Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Own Shares	Available-for-Sale reserve	Foreign currency translation reserve	Retained deficit	Total
	£	£	£	£	£	£
Balance at 1 January 2014	158,000,001	(8,942,160)	(1,395,440)	(285,167)	(28,221,011)	**119,156,223**
Movement during the year	-	991,460	-	-	-	**991,460**
Unrealised gain on available-for-sale investments	-	-	1,016,707	-	-	**1,016,707**
Foreign currency gain from associate investments	-	-	-	254,117	-	**254,117**
Profit for the year	-	-	-	-	4,079,532	**4,079,532**
Balance at 31 December 2014	**158,000,001**	**(7,950,700)**	**(378,733)**	**(31,050)**	**(24,141,479)**	**125,498,039**
Balance at 1 January 2015	158,000,001	(7,950,700)	(378,733)	(31,050)	(24,141,479)	125,498,039
Movement during the year	-	-	-	-	-	**-**
Unrealised loss on available-for-sale investments	-	-	(2,775,444)	-	-	**(2,775,444)**
Foreign currency gain from associate investments	-	-	-	309,937	-	**309,937**
Loss for the year	-	-	-	-	(844,540)	**(844,540)**
Balance at 31 December 2015	**158,000,001**	**(7,950,700)**	**(3,154,177)**	**278,887**	**(24,986,019)**	**122,187,992**

CONSOLIDATED STATEMENT OF CASH FLOWS

	Year ended 31 Dec 2015 £	Year ended 31 Dec 2014 £
Cash flows from operating activities		
Operating (loss)/profit on ordinary activities after tax	(844,540)	4,079,532
Adjusted for:		
Impairment of investments	251,141	847,627
Share of operating profit of associate	(399,994)	(1,918,604)
Fair value movement in derivative financial instruments	(1,043,410)	(89,936)
Depreciation and amortisation	755,587	596,867
Taxation	7,820	52,223
Realised gains on investments	(2,270,884)	(5,182,749)
Income from investment and financing activities	(8,934,088)	(7,440,219)
Returns to financial institutions	1,674,157	1,396,868
Returns to customers	62,156	25,926
Net (increase)/ decrease in other assets	(876,461)	164,660
Net increase in other liabilities	695,992	144,019
Net cash outflow from operating activities	**(10,922,524)**	**(7,323,786)**
Cash flow from investing activities		
Net (increase)/decrease in financial assets:		
Investment securities	(20,480,955)	4,990,723
Investment in associate	-	(5,732,572)
Financing arrangements	(37,577,187)	(27,775,662)
Due from financial institutions	30,080,329	2,263,350
Ijara	(17,564)	59,306
Income from investment and financing activities	6,945,410	5,709,780
Dividends received	1,681,695	2,415,060
Purchase of property, plant and equipment	(205,712)	(536,812)
Purchase of intangible assets	(193,185)	(385,340)
Net cash outflow from investing activities	**(19,767,169)**	**(18,992,167)**
Cash flows from financing activities		
Proceeds from financial institutions	11,984,185	32,800,912
Proceeds from customers	8,846,181	(125,998)
Profit paid in respect of financing arrangements	(1,601,222)	(1,259,873)
Net cash inflow from financing activities	**19,229,144**	**31,415,041**
Net (outflow)/ inflow in cash and cash equivalents	**(11,460,549)**	**5,099,088**
Cash and cash equivalents at the beginning of the year	18,181,711	13,082,623
Cash and cash equivalents at the end of the year	**6,721,162**	**18,181,711**

COMPANY STATEMENT OF FINANCIAL POSITION

	Notes	31 Dec 2015 £	31 Dec 2014 £
Assets			
Cash and balances with banks		6,435,022	17,850,825
Due from financial institutions	12	47,134,641	77,218,549
Financing arrangements	13	113,083,105	70,952,925
Investment securities	14	85,778,335	65,042,731
Investment in associate	15	11,307,937	16,752,100
Investment in subsidiaries	16	5,338,200	5,338,200
Derivative financial instruments	18	1,175,244	155,920
Intangible assets	19	553,750	556,710
Plant and equipment	20	1,873,362	2,117,027
Other assets	21	3,508,247	2,579,928
Total assets		**276,187,843**	**258,564,915**
Liabilities			
Due to financial institutions	22	141,578,945	129,490,728
Due to customers	23	11,513,973	2,636,732
Other liabilities	24	3,476,939	2,781,673
Derivative financial instruments	18	-	24,086
Total liabilities		**156,569,857**	**134,933,219**
Net Assets		**119,617,986**	**123,631,696**
Shareholders' Equity			
Share capital	29	158,000,001	158,000,001
Own shares	30	(7,950,700)	(7,950,700)
Available-for-sale reserve		(3,154,177)	(378,733)
Retained deficits		(27,277,138)	(26,038,872)
Equity attributable to the Bank's equity holders and total equity		**119,617,986**	**123,631,696**

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

The financial statements were approved by the Board of Directors and authorised for issue on the 13 April 2016. They were signed on its behalf by:

Fahed Faisal Boodai
Interim Chief Executive Officer

Aboo Twalha Dhunnoo
Chief Financial Officer

COMPANY STATEMENT OF CHANGES IN EQUITY

	Share capital	Own Shares	Available-for- Sale Reserve	Retained deficit	Total
	£	£	£	£	£
Balance at 1 January 2014	158,000,001	(7,950,700)	(1,395,440)	(28,879,894)	**119,773,967**
Unrealised gain on available-for-sale securities	-	-	1,016,707	-	**1,016,707**
(Profit for the year (Note 11	-	-	-	2,841,022	**2,841,022**
Balance at 31 December 2014	**158,000,001**	**(7,950,700)**	**(378,733)**	**(26,038,872)**	**123,631,696**
Balance at 1 January 2015	158,000,001	(7,950,700)	(378,733)	(26,038,872)	**123,631,696**
Unrealised loss on available-for-sale investments	-	-	(2,775,444)	-	**(2,775,444)**
(Loss for the year (Note 11	-	-	-	(1,238,266)	**(1,238,266)**
Balance at 31 December 2015	**158,000,001**	**(7,950,700)**	**(3,154,177)**	**(27,277,138)**	**119,617,986**

COMPANY STATEMENT OF CASH FLOWS

	Year ended 31 Dec 2015	Year ended 31 Dec 2014
Cash flows from operating activities	**£**	**£**
Operating (loss)/ profit on ordinary activities after tax	(1,238,266)	2,841,022
Adjusted for:		
Impairment of investments	251,141	847,627
Fair value movement in derivative financial instruments	(1,043,410)	(89,936)
Depreciation and amortisation	645,523	486,809
Taxation	(136)	47,456
Realised gains on investments	(2,270,884)	(5,182,749)
Dividends receivable	(1,936,991)	(2,463,439)
Income from investment and financing activities	(6,997,097)	(5,720,383)
Returns to financial institutions and corporates	1,674,157	1,396,868
Returns to customers	62,156	25,926
Net (increase)/ decrease in other assets	(889,448)	183,693
Net increase in other liabilities	695,402	54,739
Net cash outflow from operating activities	**(11,047,853)**	**(7,572,367)**
Cash flow from investing activities		
Net (increase)/decrease in financial assets:		
Investment securities	(20,480,955)	4,990,723
Investment in associate	-	(5,444,163)
Financing arrangements	(37,424,676)	(27,933,461)
Due from financial institutions	30,080,329	2,263,350
Income from investment and financing activities	6,945,410	5,709,780
Dividends received	1,681,695	2,415,060
Purchase of plant and equipment	(205,712)	(536,812)
Purchase of intangible assets	(193,185)	(385,340)
Net cash outflow from investing activities	**(19,597,094)**	**(18,920,863)**
Cash flows from financing activities		
Proceeds from Financial Institutions	11,984,185	32,800,912
Proceeds from Customers	8,846,181	(125,998)
Profit paid in respect of financing arrangements	(1,601,222)	(1,259,873)
Net cash inflow from financing activities	19,229,144	31,415,041
Net (outflow)/inflow in cash and cash equivalents	**(11,415,803)**	**4,921,811**
Cash and cash equivalents at the beginning of the year	17,850,825	12,929,014
Cash and cash equivalents at the end of the year	**6,435,022**	**17,850,825**

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

1. General Information

The Bank was incorporated as a public limited company in the United Kingdom on 25 May 2007 under the Companies Act 1985 and received authorisation from the FSA on 21 April 2008 to carry out regulated activities as a deposit-taking institution. The address of the registered office is given on page 1.

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

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

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

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 as well as the financial position of the Bank, its cash flows, liquidity position and borrowing facilities are described in this annual report and accounts. In addition, note 33 to the financial statements includes the Bank's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and its exposures to credit and liquidity risk.

The Bank ensures it meets its capital and liquidity prudential limits and regulatory thresholds on a day to day basis by actively managing its cash, short-term treasury placements and longer dated exposures. This also includes stress testing the impact of one or more events that may adversely affect the amount of regulatory capital and positive liquidity of the Bank. The Directors monitor the likelihood of such a stress event or combination of events happening on a forward looking basis regularly and take such preventive and detective actions as appropriate to ensure any stress event or events and their impact is mitigated on a timely basis. The Bank's forecasts and projections take account of possible changes in future conditions and performance and the maintenance of planned capital and liquidity resources above the regulatory base requirements for the foreseeable future. All through 2015, the Bank operated within its regulatory capital and liquidity requirements.

In light of the above, the Directors continue to adopt the going concern basis in preparing the annual report and financial statements.

Basis of accounting

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

The financial statements have been prepared under the historical cost accounting convention except for financial assets and liabilities stated at their fair value, comprising investment securities and derivative financial instruments.

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

Basis of consolidation

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

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

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

Foreign currencies

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

Income from investment and financing activities

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

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

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

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

Charges to financial institutions and customers

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

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

Fees and commissions

Fees and commissions are recognised on an accruals basis as the service is provided. Fees and commissions arising from transactions for third parties, such as the acquisition of securities or the purchase or sale of other assets, are recognised when right to receive the income has been established. Management advisory and service fees are recognised based on applicable service contracts or over the period the service is provided.

Financial Assets and Liabilities

Investment in associate

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

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

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

Ijara

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

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

Investment Securities

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

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

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

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

Fair Value Hedge Accounting

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

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

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

Derivative Financial Instruments

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

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

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

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

Provision for impairment of financial assets

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

Cash and balances with banks

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

Property, Plant and Equipment

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

Leasehold Property	Over life of lease
Leasehold Improvements	10 years
Computer and Office Equipment	3 years
Furniture and Fixtures	5 years

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

Intangible assets

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

Impairment of non-financial assets

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

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

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

Taxation

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

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

Operating leases

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

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

Pension costs

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

Segmental reporting

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

3. Income from investment and financing activities

	2015	2014
	£	£
Income from amounts due from financial institutions	1,276,009	1,628,966
Income from financing arrangements	4,292,330	2,509,084
Income from Sukuk investments	1,158,908	1,112,339
Income from other investment securities	1,681,695	2,415,060
	8,408,942	**7,665,449**

4. Foreign exchange gains/(losses)

	2015	2014
	£	£
Net losses on translation of balances denominated in foreign currency	(914,860)	(371,461)
Net gains on translation of forward foreign exchange agreements	1,175,244	155,920
Net gains/(losses) in foreign exchange	**260,384**	**(215,541)**

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

	2015	2014
	£	£
Staff costs		
Directors' salaries and fees	1,134,264	1,144,849
Directors' pensions	59,193	47,781
Staff salaries	4,183,023	3,788,692
Staff pension contributions	440,960	418,763
Social security costs	659,395	535,706
Other staff costs	1,298,784	1,025,713
	7,775,619	**6,961,504**
Highest paid Director		
Emoluments	375,000	395,690
Pension contribution	37,500	28,125
	412,500	**423,815**

	2015 No.	2014 No.
Number of employees at year end	56	54
Average number of employees	59	51

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

Employee incentive plan

The Bank operates an equity-based Employee Incentive Plan, jointly with the Employee Benefit Trust (EBT). Under the rules of the Plan, the Bank can, from time to time, grant nil-paid issued shares to employees of the Bank on a joint ownership basis with the Trustee of the Employee Benefit Trust. A nominal amount is paid on each grant date to ensure consideration passed for the legal contract with the remaining consideration deferred until the shares are sold at a future date. During 2015, no ordinary shares (2014: nil) were granted. The shares issued to employees are treated as equity-settled share-based payment in compliance with *IFRS 2 Share-based Payment*.

6. Other operating expenses

	2015	2014
	£	£
Rent and other occupancy costs	909,364	1,243,373
Consultancy	927,084	573,172
Legal and professional fees	965,693	778,270
Recruitment costs	280,021	358,079
IT and communication costs	560,292	560,925
Advertising and marketing	126,163	331,837
Shariah Supervisory Board fees and expenses	75,565	77,402
Other operating charges	1,133,696	912,851
	4,977,878	**4,835,909**

7. Impairment (releases)/losses

	2015	2014
	£	£
Investment securities	251,142	949,610
Reversal of impairment in previous periods	(1,010,350)	(101,983)
	(759,208)	**847,627**

The Bank released £108,106 in respect of two of its US unquoted equity investments during the year ended 31 December 2015 and impaired two UK unquoted equity investments and one US equity investments by £359,248. An impairment of £1,010,350 was reversed in the year due to the sale of previously written off financing asset.

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

8. (Loss)/profit before tax

	2015	2014
(Loss)/profit before tax is stated after charging:	£	£
Net foreign exchange losses/(gains)	(260,384)	215,541
Auditor's remuneration	154,070	173,333
Rentals paid under operating leases: premises	448,565	340,278
Depreciation and amortisation	755,587	596,867

	2015	2014
Auditor's remuneration can be analysed as follows:	£	£
Audit of the Bank's accounts	110,000	87,200
Other services:		
Tax advisory services	38,320	7,800
Other services	5,750	78,333
	154,070	**173,333**

9. Taxation

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

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

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

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

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

10. Earnings per share

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

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

	Number of shares	
	2015	2014
Weighted average number of ordinary shares outstanding	15,000,000,100	15,000,000,100
Weighted average number of dilutive potential ordinary shares	800,000,000	800,000,000
Weighted average number of ordinary shares assuming dilution	**15,800,000,100**	**15,800,000,100**

11. Company (loss)/profit attributable to equity shareholders of the Bank

£1,238,266 of the company loss for the financial year (2014: £2,841,022 profit) has been dealt with in the accounts of the Bank.

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

12. Due from financial institutions

Group and Company

	Avg. Yield	2015	Avg. Yield	2014
		£		£
Treasury placements	0.36%	**47,134,641**	0.26%	**77,218,549**

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

13. Financing arrangements

Group

	Avg. Yield	2015	Avg. Yield	2014
		£		£
Finance receivables		105,966,130		70,382,789
Provision for impairment		-		(6,573,673)
	5.32%	**105,966,130**	6.27%	**63,809,116**

Company

	Avg. Yield	2015	Avg. Yield	2014
		£		£
Finance receivables		113,083,105		77,526,598
Provision for impairment		-		(6,573,673)
	5.28%	**113,083,105**	6.09%	**70,952,925**

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

Included within the Company finance receivables is an intercompany wakala of £7,035,737 with GHB Properties and an intercompany Murabaha of £81,234 with Milestone 002 PC.

Included within the Company finance receivables is an intercompany wakala of £27,612,994 with Gatehouse Financial Group Limited.

14. Investments securities

Group

	Avg. Yield	2015	Avg. Yield	2014
		£		£
Quoted sukuk		37,871,461		27,942,244
Quoted equity securities		14,069,789		8,054,737
Unquoted equity securities		26,485,527		21,674,770
Unquoted funds		451,558		470,980
	1.68%	**78,878,335**	3.97%	**58,142,731**

Company

	Avg. Yield	2015	Avg. Yield	2014
		£		£
Quoted sukuk		44,771,461		34,842,244
Quoted equity securities		14,069,789		8,054,737
Unquoted equity securities		26,485,527		21,674,770
Unquoted funds		451,558		470,980
	1.55%	**85,778,335**	3.86%	**65,042,731**

14. Investments securities (cont.)

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

Included within the company's investment securities is a sukuk of £6,900,000 with Milestone 002 PC. This is fully consolidated in the group accounts. Unquoted funds are stated net of £19,422 provision (2014: £14,566). Unquoted equity securities are stated net of an impairment provision of £2,362,032 (2014: £2,311,239)

15. Investment in associate

The Bank has one associate, Gatehouse Capital Economic and Financial Consultancy KSCC ("Gatehouse Capital"), where the Bank has 35.6% (2014: 49%) ownership in the underlying legal and/or beneficial interests. On 29 June 2015, the bank transferred 13.4% ownership to its parent company Gatehouse Financial Group Limited.

Foreign currency gains from associate investments of £309,937 during the period have been recorded in reserves.

The consolidated statement of financial position reflects an investment in associate of £13,886,815 (2014: £18,620,948), and a share of profit for the year ended 31 December 2015 of £399,994.

Associate

	2015	2014
	£	£
Aggregated amounts relating to associate		
Total assets	32,215,026	30,906,011
Total liabilities	*(1,397,176)*	*(2,298,169)*
Net assets	**30,817,850**	**28,607,842**
Group's share of net assets of associates	**10,971,155**	**14,017,843**
Total revenue	4,326,320	9,925,641
Profit	1,058,265	5,389,337
Share of profit of associate (49% from 1 January 2015 to 29 June 2015 and 35.6% post 29 June 15)	**399,994**	**1,918,604**

Details of the Bank's associate at 31 December 2015 are as follows:

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

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

16. Investment in subsidiaries

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

On 25 July 2014, the Bank subscribed for 100% of the ordinary share capital in Gate Holdings Limited at par value of £5,338,200. Gate Holdings Limited in turn invested in GHB Properties Limited at par value of £5,338,200. The Bank also entered into a £6,900,000 senior financing agreement on the same date with GHB Properties Limited to enable the purchase of an owner-occupied property asset valued at £12,216,511.

Milestone 002 PC owns 100% of the ordinary share capital in Clementine Properties Limited which holds an Ijara Finance lease receivable and payable. In 2012, Milestone 002 PC issued a Sukuk listed on the Channel Island Stock exchange for a value of £6,900,000 collateralised against the Ijara Finance lease. On 25 September 2014, the Bank completed the purchase of the sukuk issuance from Milestone 002 PC which is presented within investment securities in the Company balance sheet. As at 31 December 2015, there was a net ijara receivable of £6,843,849 presented in the consolidated balance sheet.

17. Disclosure of interests in other entities

The Bank has investments in a number of UK property special purpose vehicles (SPVs). The Bank sponsors the SPVs and provides investment advisory services to them. The property SPVs have two classes of equity: management shares which carry voting rights; and participating shares which represent economic interests in the SPVs. None of the SPVs are consolidated by the Bank as the Bank holds only a small percentage of the participating shares and acts as agent in its capacity as investment advisor for the SPVs. Typically the Bank receives a fixed annual advisory fee for its services which is not linked to the performance of the SPV and a performance fee of 20% of profits achieved over a specified rate of return. The Bank cannot be removed as investment advisor except by the board of the SPV which is controlled by the holders of the management shares. In most cases the Bank does not own a majority of the management shares.

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

The Bank's gross investment in property SPVs is £29,393,308 which is included in investment securities. The Bank has also provided funding through fixed term Murabaha contracts as bridge financing to these SPVs totalling £101,767. The Bank's maximum loss relating to these SPVs is equal to the exposure in the SPVs. The primary risk to which the Bank is exposed is the risk of changes in the valuation of the Bank's investment in the SPV due to changes in the valuation of the property held by each SPV or changes in the cash flows generated by the property.

18. Derivative financial instruments

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

The Bank uses foreign currency agreements for matching currency exposures.

19. Intangible assets

Group and Company

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

20. Property, plant and equipment

Group	Property	Computer equipment	Fixtures and fittings	Leasehold improvement	Total
	£	£	£	£	£
Cost					
At 1 January 2015	12,216,511	724,709	207,793	2,553,389	15,702,402
Additions	-	91,248	11,557	102,907	205,712
Disposals	-	-	-	-	-
At 31 December 2015	12,216,511	815,957	219,350	2,656,296	15,908,114
Depreciation					
At 1 January 2015	110,058	500,065	60,166	808,633	1,478,922
Charge for the period	110,065	108,773	36,190	304,414	559,442
On disposal	-	-	-	-	-
At 31 December 2015	220,123	608,838	96,356	1,113,047	2,038,364
Net book value					
At 1 January 2015	12,106,453	224,644	147,627	1,744,756	14,223,480
At 31 December 2015	**11,996,388**	**207,119**	**122,994**	**1,543,249**	**13,869,750**

20. Property, plant and equipment (cont.)

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

20. Property, plant and equipment

Company	Computer equipment	Fixtures and fittings	Leasehold improvement	Total
	£	£	£	£
Cost				
At 1 January 2015	724,709	207,793	2,553,389	3,485,891
Additions	91,248	11,557	102,907	205,712
Disposals	-	-	-	-
At 31 December 2015	815,957	219,350	2,656,296	3,691,603
Depreciation				
At 1 January 2015	500,065	60,166	808,633	1,368,864
Charge for the period	108,773	36,190	304,414	449,377
On disposal	-	-	-	-
At 31 December 2015	608,838	96,356	1,113,047	1,818,241
Net book value				
At 1 January 2015	224,644	147,627	1,744,756	2,117,027
At 31 December 2015	**207,119**	**122,994**	**1,543,249**	**1,873,362**

20. Property, plant and equipment (cont.)

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

21. Other assets

Group	2015	2014
	£	£
Other debtors	821,845	619,804
Prepayments	837,218	1,032,207
Accrued income receivable	725,548	*1,112,205*
Intercompany receivable	1,350,884	-
	3,735,495	**2,764,216**

21. Other assets

Company	2015	2014
	£	£
Other debtors	626,602	452,829
Prepayments	805,213	1,016,794
Accrued income receivable	725,548	*1,110,305*
Intercompany receivable	1,350,884	-
	3,508,247	**2,579,928**

22. Due to financial institutions

Group	*Avg. Yield*	2015	*Avg. Yield*	2014
		£		£
Amounts due to Financial institutions	*1.39%*	141,584,500	*1.16%*	129,504,983

Company	*Avg. Yield*	2015	*Avg. Yield*	2014
		£		£
Amounts due to Financial institutions	*1.39%*	141,578,945	*1.16%*	129,490,728

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

23. Due to customers

Group and Company

	Avg. Yield	**2015**	*Avg. Yield*	**2014**
		£		**£**
Amounts due to Customers		11,513,973		2,636,732
	1.97%	**11,513,973**	*1.12%*	**2,636,732**

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

24. Other liabilities

Group	**2015**	**2014**
	£	**£**
Trade creditors	26,023	301,232
Other taxes and social security costs	392,052	294,986
Deferred income	844,830	178,225
Other creditors	2,215,801	2,096,511
	3,478,706	**2,870,954**

Company	**2015**	**2014**
	£	**£**
Trade creditors	26,023	301,232
Other taxes and social security costs	392,052	283,864
Deferred income	844,830	178,225
Other creditors	2,214,034	2,018,352
	3,476,939	**2,781,673**

25. Maturity analysis of financial assets and liabilities

The table shows an analysis of assets and liabilities analysed between those expected to be recovered or settled from the balance sheet date:

Group

2015	Less than 12 months	More than 12 months	Total
	£	£	£
Assets			
Cash and balances with banks	6,721,162	-	6,721,162
Due from financial institutions	19,482,745	27,651,896	47,134,641
Financing arrangements	17,945,473	88,020,657	105,966,130
Investment securities	8,872,977	70,005,358	78,878,335
Ijara receivable	15,312	9,837,990	9,853,302
Investment in associate	-	13,886,815	13,886,815
Derivative financial instruments	1,175,244	-	1,175,244
Total financial assets	**54,212,913**	**209,402,716**	**263,615,629**
Liabilities			
Due to financial institutions	141,584,500	-	141,584,500
Ijara payable	-	3,009,453	3,009,453
Due to customers	7,113,978	4,399,995	11,513,973
Total financial liabilities	**148,698,478**	**7,409,448**	**156,107,926**

Company

2015	Less than 12 months	More than 12 months	Total
	£	£	£
Assets			
Cash and balances with banks	6,435,022	-	6,435,022
Due from financial institutions	19,482,749	27,651,892	47,134,641
Financing arrangements	25,062,444	88,020,661	113,083,105
Investment securities	8,872,977	76,905,358	85,778,335
Investment in subsidiaries	-	5,338,200	5,338,200
Investment in associate	-	11,307,937	11,307,937
Derivative financial instruments	1,175,244	-	1,175,244
Total financial assets	**61,028,436**	**209,224,048**	**270,252,484**
Liabilities			
Due to financial institutions	141,578,945	-	141,578,945
Due to customers	7,113,978	4,399,995	11,513,973
Total financial liabilities	**148,692,923**	**4,399,995**	**153,092,918**

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

Group

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

Company

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

26. Assets and liabilities in foreign currency

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

Group

	2015	2014
Assets	**£**	**£**
Denominated in Sterling	166,651,970	133,201,611
Denominated in other currencies	115,122,654	130,339,729
	281,774,624	**263,541,340**

Liabilities		
Denominated in Sterling	47,783,167	13,289,555
Denominated in other currencies	111,803,465	124,753,746
	159,586,632	**138,043,301**

Company

	2015	2014
Assets	**£**	**£**
Denominated in Sterling	163,644,068	128,225,186
Denominated in other currencies	112,543,775	130,339,729
	276,187,843	**258,564,915**

Liabilities		
Denominated in Sterling	44,786,972	10,179,473
Denominated in other currencies	111,782,885	124,753,746
	156,569,857	**134,933,219**

27. Pension commitments

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

28. Commitments under operating leases

Operating lease commitments

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

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

29. Share capital

	2015	2014
Authorised:	£	£
22,500,000,000 ordinary shares of 1 pence each	225,000,000	225,000,000
Issued and paid :		
15,000,000,100 ordinary shares of 1 pence each	150,000,001	150,000,001
Issued and partly paid :		
Ordinary shares of 1 pence each paid up by 0.01 pence per share	4,930,000	4,930,000
Issued but not paid :		
Ordinary shares of 1 pence each	3,070,000	3,070,000
Total issued share capital	**158,000,001**	**158,000,001**

30. Own shares

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

31. Off balance sheet items

As at the year end, the Bank reported £nil (2014: £nil) of cash as an off balance sheet item.

Financing commitments

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

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

Other **commitments**

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

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

32. Related party transactions

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

	2015	2014
	£	£
The Securities House K.S.C.C.		
Finance receivables	4,940,135	-
Treasury liabilities	14,442,991	1,249,325
Gatehouse Capital		
Finance receivables	-	962,001
Treasury liabilities	3,645,254	2,886,310
Foreign exchange agreements	-	-
Kuwait Investment Authority		
Finance liabilities	96,912,383	82,870,698
Gatehouse Financial Group Limited		
Finance receivables	25,624,309	-
Other receivables	1,350,884	-

Gatehouse Capital, an associate of the Bank, provided management services to the Bank of £250,000 (2014: £251,000).

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

As noted on the Strategic resport, the Bank underwent a corporate reorganisation and on 14 March 2015, a share for share exchange was completed whereby the shareholders of the Bank became the shareholders of a newly formed holding company, Gatehouse Financial Group Limited. The business combination was outside the scope of IFRS3 as the new holding company was established after the group restructuring.

The Bank is now a wholly owned subsidiary of Gatehouse Financial Group Limited ("GFGL"). During 2015 the bank entered into a financing agreement with GFGL which had a year end balance of £27,612,994 which was used to purchase the remaining 64.4% share in Gatehouse Capital. The bank also entered into £1,350,884 of rechargeable expenses for professional fees incurred on behalf of GFGL.

The Kuwait Investment Authority is a shareholder of Gatehouse Financial Group Limited.

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

Included within:	2015	2014
Assets	£	£
The Securities House K.S.C.C.	-	4,927,458
Gatehouse Financial Group Limited	28,963,878	-
Treasury liabilities		
The Securities House K.S.C.C.	9,213,903	651,002
Gatehouse Capital	3,500,868	4,444,671
Kuwait Investment Authority	100,126,921	94,712,018
Other liabilities		
Gatehouse Capital	155,713	2,769

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

33. Risk Management

The Risk Management function forms and integral part of Gatehouse's 3 lines of defence and is divided into the key areas: credit risk, market risk and operational risk. The Chief Financial Officer delegates responsibility for the day-to-day monitoring of these risks to ensure that the Bank is maintained within the risk appetite parameters set by the Board.

The Chief Financial Officer is responsible for providing an oversight function that considers all risks on a consolidated basis and, in this respect, sits on the main risk committees. The bank initiated a review of the risk management structure. This has resulted in a reorganised Risk Department bringing together the credit and investment, market and operational risk functions and led by a new Head of Risk role. Accordingly, all risk functions of the Bank are now centralised in one unit. This is a significant enhancement to the Bank's risk management structure, with a more robust second line of defence, that will provide a better control environment and ease transaction approval, monitoring and reporting.

Credit Risk

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

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

- The overall management and implementation of the risk appetite framework as determined by the Board; determining mandate and scale limits and implementing the risk appetite as set by the Board;
- Assessment of existing and potential Treasury counterparties, and Sukuk and listed equities issuers by undertaking comprehensive credit risk assessments and making recommendations to the appropriate decision making forums. This includes monitoring of portfolio composition; and
- The monitoring of exposures to ensure compliance with approved limits and that the credit quality of the counterparty has not deteriorated or circumstances changed. Monitoring provides a picture of the portfolio as a whole and its inherent risks, including concentrations and capital allocation.
- In view of Gatehouse's strategic focus on real estate business, the Risk function also covers the following:
- Assessment of real estate equity investments and senior and mezzanine financing activities via the provision of comprehensive credit risk assessments making recommendations to appropriate decision making forums. This includes monitoring of portfolio composition; and
- The ongoing monitoring and review of credit risk for real estate equity investment and finance exposures to ensure compliance with covenants and early identification of changes to the credit risk profile and composition of the portfolio.

A comprehensive control framework is in place. This incorporates:

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

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

Note 2 refers to the basis by which the Bank reviews for impairment of its financial assets. Note 7 details the impairment provisions taken in the year to the income statement.

33. Risk Management (cont.)

Credit risk (cont.)

Exposure

The table below shows the maximum exposure to credit risk for financial assets on the balance sheet at 31 December 2015:

Group	2015	2014
	£	£
Cash and balances with banks	6,721,162	18,181,711
Due from financial institutions	47,134,641	77,218,549
Financing arrangements	105,966,130	63,809,116
Investment securities	78,878,335	58,142,731
Ijara receivable	9,853,302	9,867,959
Investments in Associate	13,886,815	18,620,948
Derivative financial instruments	1,175,244	155,920
	263,615,629	**245,996,934**

Company	2015	2014
	£	£
Cash and balances with banks	6,435,022	17,850,825
Due from financial institutions	47,134,641	77,218,549
Financing arrangements	113,083,105	70,952,925
Investment securities	85,778,335	65,042,731
Investment in subsidiary	5,338,200	5,338,200
Investments in Associate	11,307,937	16,752,100
Derivative financial instruments	1,175,244	155,920
	270,252,484	**253,311,250**

Geographical region

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

Group

	2015	2014
	£	£
GCC countries	71,938,808	61,933,516
Bahrain	*5,429,729*	*4,493,052*
Kuwait	*42,875,018*	*30,497,372*
Saudi Arabia	*11,211,378*	*7,436,364*
UAE	*10,367,247*	*17,567,334*
Qatar	*2,055,436*	*1,939,394*
Jersey	66,111,862	47,552,755
Europe	85,265,901	113,735,154
USA	36,911,632	22,720,186
Asia	3,387,426	55,323
	263,615,629	**245,996,934**

33. Risk Management (cont.)

Credit risk (cont.)

Company

	2015	2014
	£	£
GCC countries	69,359,929	60,064,668
Bahrain	*5,429,729*	*4,493,052*
Kuwait	*40,296,139*	*28,628,524*
Saudi Arabia	*11,211,378*	*7,436,364*
UAE	*10,367,247*	*17,567,334*
Qatar	*2,055,436*	*1,939,394*
Jersey	75,327,596	56,735,919
Europe	85,265,901	113,735,154
USA	36,911,632	22,720,186
Asia	3,387,426	55,323
	270,252,484	**253,311,250**

Credit quality

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

Group

2015	Investment grade	Non-investment grade	Non-rated	Total
	£	£	£	£
Assets				
Cash and balances with banks	6,524,854	-	196,308	6,721,162
Due from financial institutions	19,482,749	-	27,651,892	47,134,641
Financing arrangements	-	-	105,966,130	105,966,130
Investment securities	36,653,785	368,337	41,856,213	78,878,335
Ijara receivable	-	-	9,853,302	9,853,302
Investment in associate	-	-	13,886,815	13,886,815
Derivative financial instruments	1,175,244	-	-	1,175,244
Total assets	**63,836,632**	**368,337**	**199,410,660**	**263,615,629**

Company

2015	Investment grade	Non-investment grade	Non-rated	Total
	£	£	£	£
Assets				
Cash and balances with banks	6,238,714	-	196,308	6,435,022
Due from financial institutions	19,482,749	-	27,651,892	47,134,641
Financing arrangements	-	-	113,083,105	113,083,105
Investment securities	36,653,785	368,337	48,756,231	85,778,335
Investment in subsidiary	-	-	5,338,200	5,338,200
Investment in associate	-	-	11,307,937	11,307,937
Derivative financial instruments	1,175,244	-	-	1,175,244
Total assets	**63,550,492**	**368,337**	**205,333,655**	**270,252,484**

33. Risk Management (cont.)

Credit risk (cont.)

Credit Quality

Group

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

Company

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

33. Risk Management (cont.)

Liquidity risk

Liquidity risk is the risk that the Bank will be unable to meet its payment obligations when they fall due. Liquidity risk management is the responsibility of the Asset and Liability Committee. To manage this risk, the Bank maintains an adequate portfolio of liquid assets which consists of cash and short-term bank deposits and sukuks by monitoring forecast and actual cash flows and matching the maturity profiles of assets and liabilities. The Bank is subject to and complies with the systems and control requirements of the PRA and CRD IV liquidity regime.

Liquidity and rate profile

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

Group

	Less than 1 month	1-3 months	3-6 months	6-12 months	1-5 years	5+ years	Total
	£	£	£	£	£	£	£
2015							
Assets							
Fixed rate items	19,482,749	1,175,244	8,787,110	18,112,573	116,937,907	-	**164,495,583**
Variable rate items	-	-	-	-	-	-	**-**
Non-rate sensitive	6,721,162	3,766	3,807	7,740	82,623,721	9,759,850	**99,120,046**
Total assets	**26,203,911**	**1,179,010**	**8,790,917**	**18,120,313**	**199,561,632**	**9,759,850**	**263,615,629**
Liabilities							
Fixed rate items	9,549,680	45,994,874	38,582,028	45,495,310	6,352,682	-	**145,974,574**
Variable rate items	7,123,899	-	-	-	-	-	**7,123,899**
Non-rate sensitive	-	-	-	-	-	3,009,453	**3,009,453**
Total liabilities	**16,673,579**	**45,994,875**	**38,582,028**	**45,495,310**	**6,352,682**	**3,009,453**	**156,122,926**
Net	**9,530,332**	**(44,815,864)**	**(29,791,111)**	**(27,374,997)**	**193,223,945**	**6,750,397**	**107,492,703**

Company

	Less than 1 month	1-3 months	3-6 months	6-12 months	1-5 years	5+ years	Total
	£	£	£	£	£	£	£
2015							
Assets							
Fixed rate items	19,482,749	1,175,244	8,787,110	25,148,310	123,919,145	-	**178,512,558**
Variable rate items	-	-	-	-	-	-	**-**
Non-rate sensitive	6,435,022	-	-	-	85,304,904	-	**91,739,926**
Total assets	**25,917,771**	**1,175,244**	**8,787,110**	**25,148,310**	**209,224,049**	**-**	**270,252,484**
Liabilities							
Fixed rate items	9,549,681	45,994,874	38,582,028	45,489,754	6,352,682	-	**145,969,019**
Variable rate items	7,123,899	-	-	-	-	-	**7,123,899**
Non-rate sensitive	-	-	-	-	-	-	**-**
Total liabilities	**16,673,580**	**45,994,874**	**38,582,028**	**45,489,754**	**6,352,682**	**-**	**153,092,918**
Net	**9,244,191**	**(44,819,630)**	**(29,749,918)**	**(20,341,444)**	**202,871,367**	**-**	**117,159,566**

33. Risk Management (cont.)

Liquidity risk (cont.)

Group

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

Company

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

33. Risk Management (cont.)

Market risk

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

The Board approves the market risk appetite for all types of market risk. The Credit and Market Risk function implements a limit framework within the context of the approved market risk appetite. A daily market risk report summarises market risk exposures against agreed limits. This daily report is circulated to the Chief Executive Officer, Chief Financial Officer, Chief Investment Officer, Treasurer and Head of Finance for review.

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

Gatehouse Treasury manages treasury market risk.

Market risk measurement

The techniques used to measure and control market risk include:

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

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

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

Value at risk

Profit rate risk (equivalent to interest rate risk)

The varying profit share features and maturities of products, together with the use of Treasury products create profit rate risk exposures due to the imperfect matching of margins and maturity differences between assets and liabilities.

The Bank manages profit rate risk by matching as far as possible the maturity profile of assets and liabilities. As at 31 December 2015, the Bank has not to date used derivatives to hedge profit rate risk.

VaR is used to monitor the risk arising from open profit rate positions. The Bank's Pillar 1 minimum capital requirement allows for profit rate risk through the profit rate risk requirement.

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

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

33. Risk Management (cont.)

Foreign exchange risk

A proportion of treasury funding and investment activity is undertaken in foreign currencies, mainly US dollars, Euros and Kuwaiti dinar. Foreign currency exposure is hedged on the balance sheet to reduce currency exposures to acceptable levels.

VaR is used to monitor the risk arising from open foreign currency positions. The Group's Pillar 1 minimum capital requirement allows for foreign exchange risk through the foreign exchange risk requirement.

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

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

Sukuk portfolio risk

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

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

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

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

Equity portfolio risk

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

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

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

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

Fair value measurements recognised in the balance sheet

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

- Level 1: Fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets and liabilities. As at 31 December 2015, Level 1 financial instruments are primarily investments in equity securities and Sukuk that are quoted in active markets and market bid prices have been applied to fair value these at year end;
- Level 2: Fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); As at 31 December 2015, Level 2 financial instruments are investments in sukuk securities that are quoted in inactive markets and indicative bid prices have been applied to fair value these at year end; and
- Level 3: Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data. As at 31 December 2015, Level 3 financial instruments are investments in unquoted equity securities and funds. Fair value is estimated on the basis of historic cost less impairment and by reference to the net asset value of the underlying investment, where the net asset value is not based on observable market data.

33. Risk Management (cont.)

Group

2015	Level 1	Level 2	Level 3	Total
	£	£	£	£
Derivative financial instruments	1,175,244	-	-	1,175,244
Investment securities				
Quoted equity securities	14,069,789	-	-	14,069,789
Sukuk portfolio	23,865,366	14,006,095	-	37,871,461
Unquoted equity securities	-	-	26,485,527	26,485,527
Unquoted funds	-	-	451,558	451,558
Total	**39,110,399**	**14,006,095**	**26,937,085**	**80,053,579**

Company

2015	Level 1	Level 2	Level 3	Total
	£	£	£	£
Derivative financial instruments	1,175,244	-	-	1,175,244
Investment securities				
Quoted equity securities	14,069,789	-	-	14,069,789
Sukuk portfolio	23,865,366	20,906,095	-	44,771,461
Unquoted equity securities	-	-	26,485,527	26,485,527
Unquoted funds	-	-	451,558	451,558
Total	**39,110,399**	**20,906,095**	**26,937,085**	**86,953,579**

Group

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

Company

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

33. Risk Management (cont.)

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

Reconciliation of Level 3 fair value measurements of financial assets

	Available-for-sale
	Unquoted equities and funds
Balance at 1 January 2015	22,145,750
Total gains or losses:	
- In profit or loss	759,208
Purchases, sales, issuances and net settlements	4,032,127
Balance at 31 December 2015	**26,937,085**

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

Operational risk

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

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

Pillar 3 Disclosures

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

Capital risk management

The Bank policy in respect of capital adequacy is to maintain a strong capital base so as to retain investor, creditor and market confidence. During the year, capital has been maintained at a level above minimum regulatory requirements. Such levels have been established by reference to an Internal Capital Adequacy Assessment Process (''ICAAP'') assessment. The Bank's capital resources consist entirely of Tier 1 Capital.

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

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

33. Risk Management (cont.)

The Bank's regulatory capital position was as follows:

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

The goodwill relates to the Bank's direct equity interest of 35.6% in Gatehouse Capital and accounted in conjuction with a financing to GFGL. The latter is treated as a connected funding of capital nature ("CFCN") for the purpose of owning the entire 100% of Gatehouse Capital.

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