GATEHOUSE
FINANCIAL GROUP

Annual Report & Financial Statements 2020

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GATEHOUSE
FINANCIAL GROUP

GATEHOUSE FINANCIAL GROUP LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2020

Registered number: 117951

COMPANY INFORMATION

Directors

Fahed Faisal Boodai
Abdulaziz AlBader
Mohamad Tawfik Al-Tahawy
Charles Haresnape

Secretary

Intertrust Corporate Services (Jersey) Limited

Auditor

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

Registered office

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

Registered number

117951

CHAIRMAN'S STATEMENT

In the name of Allah, the Most Gracious, the Most Merciful. On behalf of the Board of Directors of Gatehouse Financial Group Limited ("GFG", the "Group"), I am pleased to present the 2020 Annual Report and Financial Statements.

In a challenging year, with considerable headwinds and uncertainty created by the global coronavirus pandemic, I am delighted that both Gatehouse Capital ("GC") and Gatehouse Bank ("GHB") continued to make strong progress.

Gatehouse Capital reported a profit of £2.3m (KD0.9m) for the fiscal year ending 31 December 2020, despite the postponement of three main acquisitions to 2021, instead of completing them as scheduled in 2020. GC further bolstered its credentials in the US market during the year, embarking upon the first phase of its joint venture with VEREIT, one of the largest single tenant public real estate investment trusts (REITs) in the United States. This exclusive partnership resulted in the acquisition of three properties for the OAP aggregation platform, providing diversified office exposure and economies of scale for its clients.

Furthermore, in the first quarter of the year, the Executive Team's efforts to boost the IT infrastructure and move towards cloud-based solutions played a vital role in operating the business remotely during periods of quarantine and ensured smooth client communication.

The second half of the year saw the sale of three properties in the SIP industrial Portfolio which generated robust returns well above the performance target, whilst de-risking the portfolio by reducing significantly overall leverage. GC also completed the sale of DW Distribution, a property in the USIPA II Portfolio which was held for just under three years; the proceeds from the sale were used to reduce leverage.

Looking forward, Gatehouse Capital and its operating partners will continue its strategy of sourcing high quality investment transactions that cater to the demands of its client base, whilst maintaining an agile and innovative approach in facing any upcoming challenges.

Gatehouse Bank achieved strong progress in 2020 as it continued to evolve its digital-first retail focussed strategy. The Bank returned to profitability, reporting a Profit before tax for the year of £2.1m driven by continued growth in its financing portfolio, positive revaluation on investment properties and gains from the sale of a legacy office building.

As the UK entered a national lockdown, at the end of the first quarter, the Bank was able to swiftly switch to a work from home environment.

The Bank's Residential Property Finance offering for UK residents, UK expat and international landlords plus owner occupiers saw strong growth, with balances increasing 35% year on year to £546m. Supporting this financing, Gatehouse Bank's award-winning savings proposition also achieved considerable growth, with total deposits at the end of 2020 exceeding £700m (+24%).

Despite the economic impact of the coronavirus pandemic, the Build to Rent Funds managed by GHB performed robustly in 2020, with tenant occupancy high at 99% and lease renewal levels exceeding 70%. Gatehouse Bank's commissioned research, 'UK Build to Rent - Performance in a Pandemic', also demonstrated that institutional quality Build to Rent remained a sound defensive investment during exceptionally difficult times and work on the origination of a third fund continues.

I am confident that Gatehouse Bank is well positioned to maintain its growth trajectory with a focus on a diversified financing portfolio.

The Board continues to diligently monitor all regulatory requirements, including our Risk Appetite Statement. We are also keeping a close watch on the uncertainty that continues with regards to the coronavirus pandemic.

I would like to conclude by thanking our Shareholders, Directors, Shariah Supervisory Board and all our hard-working staff.

Fahed Faisal Boodai

Chairman

26 May 2021

SHARIAH SUPERVISORY BOARD REPORT

بسم الله الرحمن الرحيم

To the Shareholders of Gatehouse Financial Group Limited

Assalaam A'laikum Wa Rahmat Allah Wa Barakatuh

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

In connection with our mandate, we have reviewed all material transaction documents that were presented to us and we also relied on certification of Shariah compliance issued by the respective Shariah Supervisory Boards of the subsidiaries within the Group. These include transactional as well as agreements signed with third parties for the purpose of obtaining their services to facilitate the proper operation of the Group. This report relates to the year ended 31 December 2020.

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

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

Supervision

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

Group's Contracts

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

Shariah Audit

Regular Shariah audits have been carried out of the Group's business activities for the year ended 31 December 2020. The Shariah audit included a review of material transaction documents executed by the Group. In all material respects, the SSB found the business activities of the Group to be in compliance with the principles of Shariah and thanks the management of the Group for adhering to the principles of Shariah.

Balance Sheet

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

Zakaat

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

Conclusions

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

In our opinion, the contracts and agreements, transactions and dealings entered into by the Group for the year ended 31 December 2020 complies with the Islamic principles of Shariah.

Members of the Shariah Supervisory Board

Sheikh Nizam Yaquby
Chairman of the SSB

Sheikh Dr Esam Khalaf Al Enezi
Member of the SSB

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

26 May 2021

DIRECTORS' REPORT

The Directors present their report on the affairs of the Group, together with the financial statements and independent auditor's report, for the year ended 31 December 2020.

Principal Activities

Gatehouse Financial Group Limited ("GFG", the "Group") was incorporated in Jersey on 5 March 2015 to be the holding Company for Gatehouse Bank plc and Gatehouse Capital Economic and Financial Consultancy K.S.C.C ("Gatehouse Capital").

Gatehouse Bank plc is incorporated in the UK and is authorised by the Prudential Regulation Authority (PRA) and regulated by the Financial Conduct Authority (FCA) and the PRA to act as a deposit-taking institution.

Gatehouse Capital is a closed shareholding Company registered in Kuwait and is engaged in providing management consultancy to local and foreign companies.

Financial results

The financial statements for the year ended 31 December 2020 are shown on pages 19 to 23. The consolidated Group profit for the year after taxation amounts to £1,742,867 (2019: loss of £3,240,483). The consolidated Group comprehensive loss for the year amounts to £501,242 (2019: loss of £5,868,638).

Dividend

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

Directors and Directors' Interests in Shares

Below is a table of Directors appointments:

Fahed Boodai
Date of Appointment (18 March 2015)

Abdulaziz Al-Bader
Date of Appointment (15 February 2017)

Mohamad Tawfik Al-Tahawy
Date of Appointment (18 March 2015)

Charles Haresnape
Date of Appointment (15 June 2017)

Zakaat

The Group calculates the Zakaat on behalf of its shareholders according to the Shariah rules approved by the Shariah Supervisory Board. Zakaat calculated for the year ended 31 December 2020 is 0.0130 pence per ordinary share of 1 pence each (2019: 0.0154 pence per ordinary share of 1 pence each). The responsibility for payment of Zakaat lies with the shareholders of the Group.

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

Mohamad Tawfik Al-Tahawy

Director

26 May 2021

DIRECTORS' RESPONSIBILITIES

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

Jersey Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial statements are required by Jersey Company law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that year.

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

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

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

We confirm that to the best of our knowledge:

- The financial statements, prepared in accordance with relevant reporting framework, give a true and fair view of the assets, liabilities, financial results of the Group and the undertakings included in the consolidation taken as a whole;
- The Chairman's statement includes a fair review of the development and performance of the business and the position of the Group and the undertakings; and
- The annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's performance, business model and strategy.

By order of the Board:

Mohamad Tawfik Al-Tahawy

Director

26 May 2021

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

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Gatehouse Financial Group Limited (the 'parent company') and its subsidiaries (the 'group'):

- give a true and fair view of the state of the group's affairs as at 31 December 2020 and of the group's profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been properly prepared in accordance the Companies (Jersey) Law 1991.

We have audited the financial statements which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated statement of financial position;
- the consolidated statement of changes in equity;
- the consolidated statement of cash flows; and
- the related notes 1 to 41.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of directors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

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

We considered the nature of the group's industry and its control environment, and reviewed the group's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory framework that the group operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included Companies (Jersey) Law 1991 and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty. These included anti-money laundering and environmental regulations.

We discussed among the audit engagement team including significant component audit teams and relevant internal specialists such as tax, financial instrument valuation specialists, property valuation specialists, anti money laundering specialists and pricing specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following areas, and our specific procedures performed to address them are described below:

- The valuation of expected credit losses ('ECL') on financing assets involves significant management judgement around the determination of probabilities of default ('PDs'), the identification of significant increase in credit risk ('SICR'), the completeness and valuation of overlays and selection of multiple macroeconomic scenarios ("MES"). We involved our credit modelling specialist and economics specialist teams to assess the appropriateness of PDs, SICR, overlays and MES assumptions and other variables.
- The goodwill impairment assessment involves significant management judgement in particular in relation to the forecasting of the future cash flows and discount rates used. We involved our valuation specialist team to assess the discount rate used in the calculation of the recoverable value. We evaluated the reasonableness of business forecasts that were used by management in impairment assessment.
- The Going concern assumption in light of the Covid-19 pandemic involves significant management judgements and may be subject to potential management bias. We involved our prudential and regulatory specialists to challenge and assess management's assumptions used in the stress scenario and their evaluation of the Group's profitability, solvency, liquidity and funding forecast position.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

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

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

Report on other legal and regulatory requirements

Matters on which we are required to report by exception

Under the Companies (Jersey) Law 1991 we are required to report in respect of the following matters if, in our opinion:

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

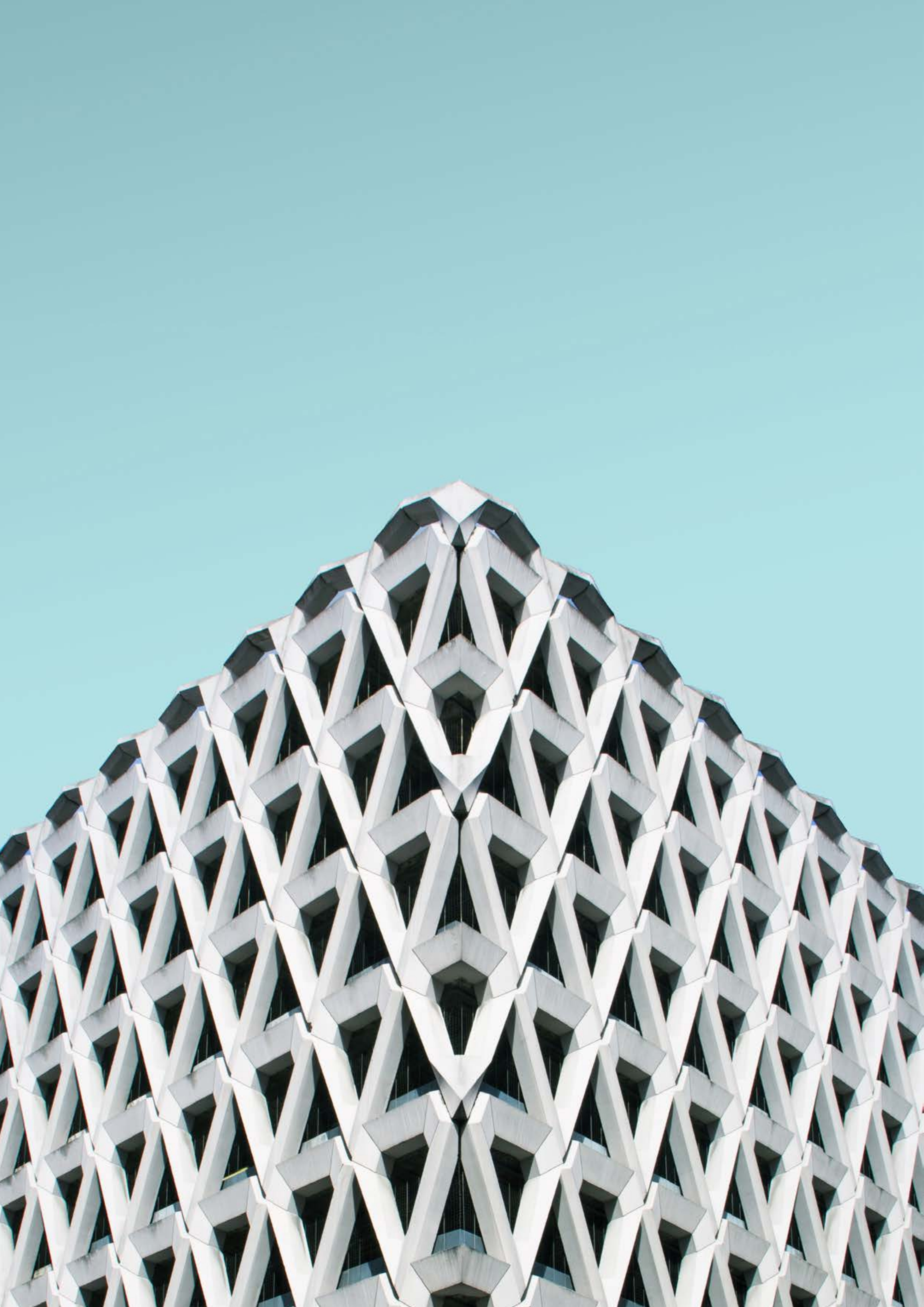
We have nothing to report in respect of these matters.

Use of our report

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

Atif Yusuf
for and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom

26 May 2021



CONSOLIDATED INCOME STATEMENT

	Notes	Year ended 31 Dec 2020 £	Year ended 31 Dec 2019 £
Income			
Income from financial assets held at amortised cost	4	25,587,819	17,973,471
Charges to financial institutions and customers		(15,989,291)	(12,402,866)
Fees and commission income	6	9,924,016	10,372,250
Fees and commission expense		(116,760)	(69,874)
Net gains from financial assets at fair value through income statement (FVTIS)	5	1,363,362	2,043,508
Net gains from financial assets at fair value through other comprehensive income (FVTOCI)		1,461,764	2,179,570
Gains/(losses) on investment properties	27	3,500,776	(111,373)
Gain on sale of property held for sale	26	1,580,912	-
Impairment (charge)/reversal on financial assets	9	(2,570,254)	85,972
Foreign exchange gains		1,164,627	2,211,479
Other income	13	2,542,402	79,987
Total operating income		**28,449,373**	**22,362,124**
Expenses			
Staff costs	7	(16,636,417)	(15,877,492)
Other operating expenses	8	(9,833,504)	(6,757,647)
Depreciation and amortisation	23 & 24	(1,381,918)	(1,409,194)
Total operating expenses		**(27,851,839)**	**(24,044,333)**
Operating profit/(loss)		**597,534**	**(1,682,209)**
Net share of profit of associate	21	1,145,761	881,152
Amortisation of intangibles of subsidiary	23	-	(1,028,012)
Other provisions	10	-	(1,250,000)
Profit/(loss) before tax		**1,743,295**	**(3,079,069)**
Tax	12	(428)	(161,414)
Profit/(loss) for the year from continuing operations		**1,742,867**	**(3,240,483)**
Attributable to:			
Profit/(loss) attributable to the Group's equity holders		1,736,979	(3,537,689)
Non-controlling interest		5,888	297,206
		1,742,867	**(3,240,483)**

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 Dec 2020 £	Year ended 31 Dec 2019 £
Profit/(Loss) for the year from continuing operations	**1,742,867**	**(3,240,483)**
Items that may be reclassified subsequently to income statement if specific conditions are met:		
Net movement on instruments at FVTOCI	268,759	(739,139)
Foreign currency translation losses from investment in associate	(1,480,611)	(1,488,784)
Items that will not be reclassified subsequently to income statement:		
Net movement on instruments at FVTOCI	(1,032,257)	(400,232)
Other comprehensive loss for the year	**(2,244,109)**	(2,628,155)
Comprehensive loss for the year	**(501,242)**	**(5,868,638)**
Attributable to:		
Loss attributable to the Group's equity holders	(507,130)	(6,165,844)
Non-controlling interest	5,888	297,206
	(501,242)	**(5,868,638)**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	31 Dec 2020	31 Dec 2019
		£	£
Assets			
Cash and balances with banks		15,598,224	15,026,363
Financing and advances at amortised cost	16	702,169,539	559,477,014
Financial assets held at fair value through the income statement	17	18,070,888	25,083,714
Financial assets at fair value through other comprehensive income	18	31,933,122	37,131,426
Investment in associate	21	9,249,656	9,410,579
Goodwill	28	11,747,259	12,049,865
Derivative financial instruments	22	15,351,126	6,571,752
Intangible assets	23	1,465,028	1,326,049
Investment Properties	27	25,358,451	1,124,899
Property, Plant and Equipment	24	2,105,370	1,929,287
Other assets	29	4,545,894	2,954,316
		837,594,557	672,085,264
Property held for sale	26	-	11,555,998
Total assets		**837,594,557**	**683,641,262**
Liabilities			
Financial liabilities measured at amortised cost	30	713,998,680	564,600,787
Financial liabilities held at fair value through the income statement	31	1,226,019	-
Derivative financial instruments	22	7,734,381	4,977,556
Other liabilities	32	9,065,309	8,259,240
Total liabilities		**732,024,389**	**577,837,583**
Net assets		**105,570,168**	**105,803,679**
Shareholders' equity			
Share capital	36	158,000,001	158,000,001
Own shares	37	(7,950,700)	(7,950,700)
Fair value through other comprehensive income reserve		(4,275,675)	(3,512,177)
Foreign currency translation reserve		1,725,871	3,206,482
Retained deficits		(42,772,665)	(44,777,375)
Equity attributable to the Group's equity holders		104,726,832	104,966,231
Non-controlling interest		843,336	837,448
Total Equity		**105,570,168**	**105,803,679**

Notes 1 to 41 form an integral part of the financial statements.
The financial statements were approved by the Board of Directors and authorised for issue on the 26 May 2021.

They were signed on its behalf by:

Fahed Faisal Boodai
Director

Mohamad Tawfik Al-Tahawy
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Own Shares	FVTOCI reserve	Foreign currency translation reserve	Retained deficit	Equity attributable to the Group's equity holders	Non-controlling interest	Total
	£	£	£	£	£	£	£	£
Balance at 1 January 2019	**158,000,001**	**(7,950,700)**	**(2,372,806)**	**4,695,266**	**(41,239,686)**	**111,132,075**	**540,242**	**111,672,317**
Other comprehensive losses for the year								
Net movement on instruments at FVTOCI	-	-	(1,139,371)	-	-	(1,139,371)	-	(1,139,371)
Foreign currency translation loss from associate investments	-	-	-	(1,488,784)	-	(1,488,784)	-	(1,488,784)
Total other comprehensive losses for the year	**-**	**-**	**(1,139,371)**	**(1,488,784)**	**-**	**(2,628,155)**	**-**	**(2,628,155)**
Loss for the year	-	-	-	-	(3,537,689)	(3,537,689)	297,206	(3,240,483)
Balance at 31 December 2019	**158,000,001**	**(7,950,700)**	**(3,512,177)**	**3,206,482**	**(44,777,375)**	**104,966,231**	**837,448**	**105,803,679**
Balance at 1 January 2020	**158,000,001**	**(7,950,700)**	**(3,512,177)**	**3,206,482**	**(44,777,375)**	**104,966,231**	**837,448**	**105,803,679**
Other comprehensive losses for the year								
Net movement on instruments at FVTOCI	-	-	(763,498)	-	-	(763,498)	-	(763,498)
Reserve on acquisition of subsidiary	-	-	-	-	267,731	267,731	-	267,731
Foreign currency translation loss from associate investments	-	-	-	(1,480,611)	-	(1,480,611)	-	(1,480,611)
Total other comprehensive losses for the year	**-**	**-**	**(763,498)**	**(1,480,611)**	**267,731**	**(1,976,378)**	**-**	**(1,976,378)**
Profit for the year	**-**	**-**	**-**	**-**	**1,736,979**	**1,736,979**	**5,888**	**1,742,867**
Balance at 31 December 2020	**158,000,001**	**(7,950,700)**	**(4,275,675)**	**1,725,871**	**(42,772,665)**	**104,726,832**	**843,336**	**105,570,168**

CONSOLIDATED STATEMENT OF CASH FLOWS

	Year ended 31 Dec 2020	Year ended 31 Dec 2019
Cash flows from operating activities	**£**	**£**
Operating profit/(loss) on ordinary activities after tax	1,742,867	(3,240,483)
Adjusted for:		
Impairment charge	2,570,254	(85,972)
Other provisions	-	1,250,000
(Positive)/negative revaluation of financial assets held at FVTIS	175,929	(920,835)
Gains/(losses) on financial instruments held at FVTIS	-	(1,122,673)
Attributable share in associates' results	(1,145,761)	(881,152)
Amortisation of intangibles of subsidiary	-	1,028,012
Fair value movement in derivative financial instruments	(96,153)	(1,505,162)
Depreciation and amortisation	1,381,918	1,409,194
(Gains)/losses on investment properties	(3,500,776)	111,373
Gains on property held for sale	(1,580,912)	-
Foreign exchange gains	(898,244)	(2,009,104)
Taxation	428	161,414
Net decrease/(increase) in operating assets:		
Coupons receivable for financial assets held at FVTOCI	-	67,359
Net investment in financial assets at FVTIS	(32,089,143)	2,837,559
Changes in financing and advances at amortised cost	(145,262,779)	(263,644,565)
Net (increase)/decrease in other assets	(1,323,944)	1,163,006
Net increase/(decrease) in operating liabilities:		
Changes in financial liabilities measured at amortised cost	149,397,894	245,754,096
Net increase/(decrease) in other liabilities	1,521,617	(220,339)
Net cash outflow from operating activities	**(29,106,805)**	**(19,848,272)**
Cash flow from investing activities		
Dividend received from associate	956,968	2,745,922
Purchases of financial assets held at FVTOCI	(9,151,552)	(4,114,227)
Proceeds from financial assets held at FVTOCI	13,064,554	-
Proceeds from sale of financial assets at FVTIS	14,258,523	20,889,138
Purchase of plant and equipment	(1,842,438)	(1,203,568)
Purchase of intangible assets	(501,221)	878,633
Net proceeds from disposal of property held for sale	13,779,085	-
Net cash inflow from investing activities	**30,563,919**	**19,195,898**
Cash outflow for lease liabilities	(715,955)	(703,968)
Net cash inflow from financing activities	**(715,955)**	**(703,968)**
Net outflow/inflow in cash and cash equivalents	**741,159**	**(1,356,342)**
Cash and cash equivalents at the beginning of the year	15,026,363	16,804,748
Effect of foreign exchange rate changes	(169,298)	(422,043)
Cash and cash equivalents at the end of the year	**15,598,224**	**15,026,363**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 December 2020

1. General Information

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

Under Article 105(11) of the Companies Jersey Law 1991, the Directors of a holding company need not prepare separate financial statements (i.e. Company only financial statements) if consolidated accounts for the Company are prepared, unless required to do so by the member of the Company by ordinary resolution. The members of the Company had not passed a resolution requiring separate financial statements and, in the Directors' opinion the Company meets the definition of a holding company. As permitted by law, the Company's Board of Directors have elected not to prepare separate financial statements for the Company.

2. Adoption of new and revised standards

New and revised IFRSs in issue but not yet effective

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

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

Amendments to IFRSs that are mandatorily effective for the current year

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

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

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

IFRS 3 – Optional 'Concentration' test – Asset Acquisition

Effective from 1 January 2020, IFRS 3 introduces an optional 'concentration test' to assess whether substantially all the fair value of the gross assets acquired is concentrated in a single identifiable asset or a group of similar identifiable assets. The purpose of the concentration test is to permit a simplified assessment of whether an acquired set of activities and assets may not be a business. The Group may elect to apply the concentration test on a transaction-by-transaction basis.

According to paragraph 2(b) of IFRS 3, an entity needs to do the following on acquisition of a group of assets:

(a) Identify and recognise the individual identifiable assets acquired and liabilities assumed; and

(b) Allocate the cost of the group to the individual identifiable assets and liabilities based on their relative FVs at the date of the acquisition.

According to the November 2017 The IFRS Interpretations Committee ("Committee") update, the Committee considered two possible ways of accounting for the acquisition of the group.

Applying the first approach, an entity accounts for the acquisition of a group of assets as follows:

a. it identifies the individual identifiable assets acquired and liabilities assumed that it recognises at the date of the acquisition;
b. it determines the individual transaction price for each identifiable asset and liability by allocating the cost of the group based on the relative fair values of those assets and liabilities at the date of the acquisition; and then
c. it applies the initial measurement requirements in applicable Standards to each identifiable asset acquired and liability assumed. The entity accounts for any difference between the amount at which the asset or liability is initially measured and its individual transaction price applying the relevant requirements.

Applying the second approach, for any identifiable asset or liability initially measured at an amount other than cost, an entity initially

2. Adoption of new and revised standards (continued)

measures that asset or liability at the amount specified in the applicable IFRS Standard. The entity deducts from the transaction price of the group of assets the amounts allocated to the assets and liabilities initially measured at an amount other than cost, and then allocates the residual transaction price to the remaining identifiable assets and liabilities based on their relative fair values at the date of the acquisition.

The Group may apply the first approach to account for the acquisition of an asset or a group of assets provided the criteria for asset acquisition is met using the optional concentration test in IFRS 3.

3. Basis of preparation and significant accounting policies

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance as well as the financial position of the Group, its cash flows and liquidity position are described in this annual report and accounts. In addition, note 40 to the financial statements includes the Group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and its exposures to credit and liquidity risk.

The Group 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 Group. 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 Group's forecasts and projections take account of possible changes in future conditions and performance and the maintenance of planned capital and liquidity resources above the regulatory base requirements for the foreseeable future. In light of the above, the Directors continue to adopt the going concern basis in preparing the annual report and financial statements.

The Group has made an assessment of going concern, taking into account both current performance of the Group as well as the impact of the Covid-19 pandemic, and including consideration of projections incorporating the impact of the Covid-19 pandemic for the Group's capital and funding position. Specifically, the Group considered:

- The adequacy and resilience of the Group's capital base throughout the pandemic including revised macro-economic scenarios;
- The impact of negative valuations on the Group's real estate and legacy assets;
- The adequacy of the Group's liquidity taking into account the hardship policy offered to customers in financial stress, the strength of its retail deposit offering and the support it continues to receive from the Kuwait Investment Authority ("KIA"); and
- The regulatory and legal environment and any potential conduct risks.

Basis of accounting

The financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the EU. The financial statements have been prepared under the historical cost accounting convention except for financial assets and liabilities stated at their fair value, comprising investment securities and derivative financial instruments.

Significant accounting judgements, estimates and assumptions

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect in the amounts recognised in the consolidated financial statements.

Structured entities

The Group uses judgement in determining which entities are structured entities. If the voting or similar rights are not the dominant factor in deciding who controls the entity and such voting rights relate to the administrative tasks only and the relevant activities are directed by means of contractual arrangements, the Group identifies such entities as structured entities. After determining whether an entity is a structured entity, the Company determines whether it needs to consolidate this entity based on the consolidation principles of IFRS 10. The management of the Company has determined that it does not have any controlling interest in consolidated structured entities as at the reporting date.

Key estimates

Level 3 fair value measurements

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data. Fair value is estimated on the basis of historic cost less impairment and by reference to the net asset value of the underlying investment, where the net asset value is not based on observable market data (see Note 40).

3. Basis of preparation and significant accounting policiess (continued)

Provisions

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

Credit losses

The calculation of expected credit losses involves a number of assumptions and assessments. The valuation of expected credit losses is inherently associated with a certain degree of uncertainty. Areas involving a high degree of assumptions include future-oriented information in macroeconomic scenarios and model-based calculations, additional overlays considering the credit risk for payment holiday customers due to the economic distress caused by COVID-19, assessment of significant increase in credit risk since initial recognition.

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

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

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

Basis of consolidation

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

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

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

Foreign currencies

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

Financial Instruments

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

Measurement categories of financial assets and liabilities

The Group classifies all financial assets into one of the following categories:

1. Amortised cost;
2. Fair value thorough other comprehensive income (FVOCI); and
3. Fair value though income statement (FVTIS):
    a. mandatory
    b. fair value option.

The starting point for classification of financial assets into respective measurement categories is the business model for managing the financial instruments, as well as whether the instrument's contractual cash flows only constitute solely payments of principal and profit.

Financial liabilities are classified as follows:

1. Amortised cost; and
2. Fair value through income statement (FVTIS):
    a. mandatory
    b. fair value option.

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

As a general rule, financial liabilities are recognised at amortised cost. The exceptions are the financial liabilities required to be measured at fair value through income statement, such as derivatives and liabilities which, upon initial recognition, are irrevocably identified as being measured at fair value (fair value option).

Upon initial recognition, all financial assets and liabilities are measured at fair value. Directly attributable transaction costs are included in the acquisition cost.

All purchases and sales of financial assets are recognised using settlement date accounting. Changes in fair value between the trade date and settlement date are recognised in the consolidated statement of income or in the consolidated statement of comprehensive income in accordance with the policy applicable to the related instrument. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the timeframe generally established by regulations or conventions in the marketplace.

Business model assessment

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel; and
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed.

The expected frequency, value and timing of sales are also important aspects of the Group's assessment.

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

As a second step of its classification process the Group assesses the contractual terms of financial assets to identify whether they meet the SPPP test.

Principal is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset. The most significant elements of the profit from a financing arrangement are typically the consideration for the time value of money and credit risk. To make the SPPP assessment, the Group applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the profit rate is set.

Financing and advances at amortised cost

Financing and advances at amortised cost include financial assets that are held to collect contractual cash flows that are SPPP. They are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost less impairment losses.

Financial assets held at fair value through the income statement

Financial assets held at value through income statement include financing advanced to corporate customers and unquoted equity securities. Financing advanced to corporate customer has been classified in this caption as it has failed to meet all the requirements set out in the SPPP test indicating that its cash flows are not solely payments of principal and profit, irrespective of the business model. Unquoted equity securities are not held for trading and therefore the Group has the irrevocable election at initial recognition to classify the instruments as FVTOCI, which has not been taken. This election is available for each separate investment.

Financial assets classified under this caption are carried in the statement of financial position at fair value with net changes in fair value recognised in the income statement.

Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income include quoted funds, unquoted equity securities which the Group has elected to hold under FVTOCI and quoted Sukuk.

The Group may irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination, in other comprehensive income. Gains and losses arising from changes in the fair value of these financial instruments are never recycled to the income statement. Dividends on such investments are recognised in the income statement unless the dividend represents a recovery of part of the cost of the investment.

For debt instruments, gains and losses arising from changes in the fair value are recognised in FVTOCI reserve of equity. Upon disposal, the cumulative gain or loss previously recognised in other comprehensive income are recycled to the income statement.

Reclassification of financial instruments

As a general rule, financial assets are not reclassified after initial recognition. Reclassification is permitted in the rare case that the Group changes the business model it applies for the management of financial asset. The reclassification of financial liabilities is not permitted after initial recognition.

No reclassifications have been made during the period covered in the financial statements.

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

Offsetting financial assets and liabilities

Financial assets and liabilities are set off on the balance sheet if the Group has a contractual right to offset, in its operating activities and in the event of bankruptcy, and if the intention is to settle the items on a net basis or to simultaneously liquidate the asset and settle the liability.

Fair Value Hedge Accounting

IFRS 9 includes an accounting policy choice to remain with IAS 39 hedge accounting, which the Group has exercised. The Group applies fair value hedge accounting to hedge Profit Rate Swaps ("PRS") which hedge the exposure in fixed rate mortgages in the residential and commercial financing books. At the inception of a hedging relationship, the Group documents the relationship between the hedging instruments and the hedged items, its risk management objective and its strategy for undertaking the hedge. The Group also requires a documented assessment, both at hedge inception and on an ongoing basis, of whether or not the hedging instruments that are used in hedging transactions are highly effective in offsetting the changes attributable to the hedged risks in the fair values of the hedged items.

To qualify for hedge accounting, IAS 39 requires that at the inception of the hedge and throughout its life, each hedge must be expected to be highly effective (prospective effectiveness), and demonstrate actual effectiveness (retrospective effectiveness) on an on-going basis; GHB assesses this at inception (prospective effectiveness) and on a monthly basis (retrospective effectiveness). The documentation of each hedging relationship sets out how the effectiveness of the hedge is assessed.

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

Derivative Financial Instruments

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

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

ECL measurement

The Group's portfolio is split into three asset classes Treasury (placements and Liquid Asset Buffer ("LAB") Sukuk), Real Estate Finance ("REF") and Residential Finance Book (Home Purchase Plans ('HPPs') and Buy To Let).

ECL is based on a separate estimation of probability of defaults ('PDs'), loss given defaults ('LGDs') and exposures at defaults ('EADs') for each exposure and which are determined based on a combination of internal and external data.

The assets to be tested for impairment are divided into the following three stages:

- Stage 1 comprises financial assets with no significant increase in credit risk since initial recognition;
- Stage 2 comprises financial assets with a significant increase in credit risk since initial recognition, but for which there is no objective evidence that the claim is credit-impaired at the time of reporting; and
- Stage 3 comprises financial assets for which objective circumstances have been identified indicating that the claim is impaired.

In Stage 1, provisions are to be recognised which correspond to the loss expected to occur within 12 months as a result of default. In Stage 2 and Stage 3, provisions are to be recognised corresponding to the loss expected to occur at some time during the whole of the remaining maturity of the asset as a result of default.

The significant increase in credit risk reflects the risk of default and is a measurement by which the agreement's relative change in credit risk is measured. The assessment is made up of three elements: quantitative, qualitative and the 30 days past due 'backstop' indicator whereby clients would move from Stage 1 to Stage 2 for RPF. The qualitative triggers for significant increase in credit risk differ between products:

- REF - commonly breach of covenants Finance To Value (FTV), Finance Service Cover Ratio (FSCR) or non-payment;
- RPF - non-payment or significant increase in FTV based on quarterly Home Price Index (HPI); and
- Treasury – non-payment.

Quantitative modelling is used in conjunction with internal and external credit grades and ratings in assessing whether credit risk has significantly increased. The Group monitors the effectiveness of the criteria used to identify significant increase through regular reviews. For each financial asset the Group also compares the lifetime probability of default (PD) at the reporting date with the lifetime PD that was expected at the reporting date at initial recognition (PD thresholds) in order to identify whether the risk of default has increased significantly.

REF and residential financing portfolios under IFRS 9 consider a financial asset to be in default when either the customer is unlikely to pay its credit obligation, or the customer is more than 90 days past due. Treasury assets are considered to be in default immediately if they are not settled on the due date or when there is evidence that the counterparty is unlikely to pay its credit obligations on the contractual due date.

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

To supplement the IFRS 9 models, the Group uses post model adjustments (PMA's) where there are known model limitations or the sensitivity is not as expected. The PMA's take into account risk factors and related credit impacts that have not been captured in the model. All PMA's are approved by the CRO and CFO and agreed at the Group's risk committee with a plan for remediation.

Forward-looking information

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

Financial Assets and Liabilities

Recognition/de-recognition

A financial asset or a financial liability is recognised when the Group becomes a party to the contractual provisions of the instrument. A financial asset (in whole or in part) is derecognised when the contractual rights to receive cash flows from the financial asset has expired or the Group has transferred substantially all risks and rewards of ownership and has not retained control. If the Group has retained control, it continues to recognise the financial asset to the extent of its continuing involvement in the financial asset.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same financier on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and recognition of a new liability.

All purchase and sale of financial assets are recognised using settlement date accounting. Changes in fair value between the trade date and settlement date are recognised in the consolidated statement of income or in the consolidated statement of comprehensive income in accordance with the policy applicable to the related instrument. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulations or conventions in the marketplace.

Investment in associate

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

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

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

Investment Property

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

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

Financial liabilities held at fair value through income statement

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

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:

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

Leasehold Property	Over life of lease
Leasehold Improvements	Minimum of life of lease or 10 years
Leasehold Vehicles	Over life of lease
Property	Over life of lease
Computer Equipment	3 years
Fixtures and Fittings	5 years

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

An item of property, plant or equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Intangible assets

Intangible assets other than goodwill are accounted for in accordance with IAS 38 Intangible Assets. Intangible assets are initially recognised when they are separable or arise from contractual or other legal rights, the cost can be measured reliably and, in the case of intangible assets not acquired in a business combination, where it is probable that future economic benefits attributable to the assets will flow from their use. Intangible assets are stated at cost (which is, in the case of assets acquired in a business combination, the acquisition date fair value) less accumulated amortisation and provisions for impairment, if any, and are amortised over their useful lives in a manner that reflects the pattern to which they contribute to future cash flows, generally using the amortisation periods set out below:

- Goodwill – not amortised;
- Software development costs – 5 years;
- Licence fees – 5 years; and
- Customer lists – 15 years.

Intangible assets are reviewed for impairment when there are indications that impairment may have occurred.

Property held for sale

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

Goodwill

Goodwill arises on the acquisition of subsidiary and associated entities and represents the excess of the fair value of the acquisition over the identifiable net assets acquired. Goodwill is capitalised and reviewed annually for impairment, or more frequently when there are indications impairment has occurred. Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. At the acquisition date the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date. Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously-held equity interest (if any) in the acquiree over the fair value of the identifiable net assets recognised. Goodwill is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. The recoverable amount is the higher of fair value less cost to sell and value in use. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. Any impairment loss is recognised immediately in profit or loss and is not subsequently reversed.

Impairment of non-financial assets

The Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered permanent diminution in value. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects a current market assessment of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than the carrying amount, the asset is written down to its recoverable amount. An impairment loss is recognised as an expense in the income statement.

Income and expenses

Income from financial assets held at amortised cost

"Income from financial assets held at amortised cost" consists of profit derived from Shariah-compliant financing and advances under Diminishing Musharaka agreements and Murabaha placements. A Murabaha arrangement represents an agreement whereby the Group purchases a commodity and then sells it to a customer on a deferred settlement basis with an agreed mark-up. A Musharaka contract

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

represents an agreement between the Group and the customer entering into a partnership in the ownership of a specific asset on ongoing basis or for a limited time, during which the Group enters in particular arrangements with the customer to sell to them its share in this partnership until they become the sole owner of the specific asset (diminishing musharaka).

The calculation of profit on financial assets that are not impaired (Stage 1, Stage 2) is performed by applying the effective profit rate to the gross outstanding amount of asset. Once asset is impaired or classified as Stage 3, the effective profit rate is applied to amortised cost of the asset (i.e. gross amount less the expected credit losses).

Profit receivable on Murabaha placements and Diminishing Musharaka is recognised as income on a time-apportionment basis over the period of the contract, based on applying the effective profit rate to the principal amounts outstanding.

Revenue from contracts with customers

The standard for revenue from contracts with customers, IFRS 15, is applied for different types of services which are mainly recognised under Fees and commission income in the income statement.

The income is recognised at the point in time when the performance obligation is satisfied, which corresponds to the transfer of control over the service to the customer. The total income is divided between each service and recognition in income depends on whether the services are fulfilled at a specific point in time, or over time.

The following principles apply to the time at which income is recognised:

- Income earned gradually as the services are performed, is recognised at the rate these services are delivered, i.e. on a straight-line basis over time. This is due to the fact that the customer receives and consumes the service simultaneously, meaning that the Group's obligation is fulfilled in line with the rendering of the service; and
- Income attributable to a specific service or action is recognised when the service has been performed, i.e. at a specific point in time. Examples of such income are brokerage and payment commissions.

The income recognised must reflect the anticipated income. When the income includes variable reimbursement, such as refund, bonus or performance-based element, the income is recognised when it is highly probable there that no repayment of the amount will take place. Payments are made on a regular basis as the services are performed and advance payments refer to a maximum of 12 months into the future. Accrued income is recognised for services that have been performed but have not been paid for. Deferred income is recognised for payments received for services which have not been performed. Income from contracts with customers constitutes an immaterial portion of the items including in Other income. Additional expenditure required to obtain a contract with a customer is not recognised as an asset (prepaid expense), and instead is recognised as an expense during the accounting period in which it arises.

Fees and commissions

Fees and commissions are recognised in line with the satisfaction of performance obligations. This can be either at a point in time or over time, in line of the provision of the service to the customer. Fees and commissions arising from transactions for third parties, such as the acquisition of securities or the purchase or sale of other assets, are recognised when right to receive the income has been established. Management advisory and service fees are recognised based on applicable service contracts or over the period the service is provided.

Charges to financial institutions and customers

"Charges to financial institutions and customers" consists of profit payable from Shariah-compliant deposits including Murabaha deposits and Wakala arrangements. A Wakala arrangement represents an agreement whereby the Group 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.

Contracted Revenue

Contracted Revenue of a subsidiary refers to specific intangible assets that were obtained on acquisition of Gatehouse Capital Economic and Financial Consultancy K.S.C.C ("Gatehouse Capital")

pertaining to fee agreements existed until 2019. This asset is amortised on a proportionate basis of the contracted revenue, from 2015 to 2019.

Share-based payments

The Group accounts for its share-option scheme in accordance with IFRS 2. At each balance sheet date, the Group revises its estimate of the number of equity options expected to vest.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non-market-based vesting conditions.

Taxation

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

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

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

Deferred tax is provided in full using the liability method on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised.

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

IFRS 16 – Leases

Effective from 1 January 2019, the Group adopted the accounting standard IFRS 16 Leases. IFRS 16 modified the set of international accounting principles and interpretations on leases, in particular, IAS 17. IFRS 16 introduced a new definition for leases and confirmed the distinction between two types of leases (operating and finance) with reference to the accounting treatment to be applied by the lessor.

With reference to the accounting treatment to be applied by the lessee, the new accounting standard sets, for all the leasing typologies, the recognition of right-of-use assets and lease liabilities in the statement of financial position, initially measured at the present value of the future lease payments.

At the initial recognition such asset is measured on the basis of the lease contract cash flows. After the initial recognition the right of use is measured on the basis of the rules set for the assets by IAS 16, IAS 38 or by IAS 40 and therefore applying the cost model, less any accumulated depreciation and any accumulated impairment losses.

The Group decided, as allowed by the standard, not to apply IFRS 16 provisions to:

- Leases of intangible assets;
- Short-term leases, lower than 12 months; and
- Low value assets leases.

In order to calculate the lease liability and the related right-of-use asset, the Group proceeds with discounting the future lease payments at a proper discount rate. In this respect, future lease payments to discount are determined based on contractual provisions.

The lease payments are discounted at the interest rate implicit in the contract or, if it is not available, at the incremental borrowing rate. The latter is determined on the basis of the cost funding for liabilities of similar duration and similar security of those implicit in the lease contract.

In determining the lease term, the Group takes into consideration the non-cancellable period, established in the contract, in which the lessee is entitled to use the underlying asset also taking into account potential renewal options if the lessee is reasonably certain to renew. In particular, with regards to those contracts that allow the lessee to tacitly renew the lease contract after a first set of years, the lease term is determined taking into account factors such as the length of the first period, the existence of dismissal plans for the asset leased and any other circumstance indicating the reasonably certainty of the renewal.

Right-of-use assets are disclosed within property, plant and equipment in the consolidated statement of financial position, lease liabilities are disclosed within other liabilities in the consolidated statement of financial position. Finance cost is disclosed within other operating expenses and similar changes in the consolidated income statement, depreciation of right-of-use assets is disclosed within depreciation and amortisation in the consolidated income statement. Cash outflow for lease liabilities is disclosed within cash flows from financing activities in the consolidated statement of cash flows.

Operating leases

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

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

Pension costs

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

4. Income from financial assets held at amortised cost

	2020	2019
	£	£
Income from financing arrangements	25,406,236	15,031,483
Income from financial institutions	181,583	2,941,989
	25,587,819	**17,973,472**

5. Net gains from financial assets at fair value through income statement

	2020	2019
	£	£
Positive revaluation on financing asset	-	816,591
Profit income of financing assets	-	(1,080)
Profit Rate Swap Loss	(96,153)	(235,327)
Positive/(negative) revaluation on unquoted equity securities	364,672	(248,746)
Dividend income	1,094,843	1,712,070
	1,363,362	**2,043,508**

6. Fees and commission income

	2020	2019
	£	£
Management fees	8,251,071	8,239,943
Structuring fees	1,319,486	1,639,003
Placement fees	230,761	493,304
Incentive fees	122,698	-
	9,924,016	**10,372,250**

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

	2020	2019
	£	£
Staff costs		
Directors' salaries and fees	1,107,482	1,400,380
Directors' pensions	54,249	54,063
	1,161,731	1,454,443
Staff salaries	11,689,985	10,007,737
Staff pension contributions	452,012	452,964
Social security costs	1,040,929	1,262,790
Other staff costs	2,291,760	2,699,558
	16,636,417	**15,877,492**

	2020	2019
	£	£
Highest paid Director		
Emoluments	445,001	628,701
	445,001	**628,701**

	2020 No.	2019 No.
Number of employees at year end	284	245
Average number of employees	281	214

The Group was able to make use of the UK Government Coronavirus Job Retention Scheme and furloughed staff. In 2020 the Group received funds of £463,686 from the scheme.

8. Other operating expenses

	2020	2019
	£	£
Legal and professional fees	1,828,868	1,601,191
Rent and other occupancy costs	857,705	1,622,969
Travel and accommodation	285,233	528,697
Other tax payable	669,535	226,847
Other operating charges	2,417,923	955,621
IT and communication costs	929,006	1,160,255
Recruitment costs	-	90,280
Consultancy	29,143	244,610
Shariah Supervisory Board fees	55,250	67,399
Advertising and marketing	450,029	259,778
Other operating cost relating to investment properties	2,310,812	-
	9,833,504	**6,757,647**

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

9. Impairment reversal /(charge)

	2020	2019
	£	£
Expected credit losses	(2,570,254)	85,972
	(2,570,254)	**85,972**

10. Other provisions

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

11. Profit/(Loss) before tax

	2020	2019
Profit/(Loss) before tax is stated after charging:	£	£
Net foreign exchange gains	959,061	(2,211,479)
Auditor's remuneration	361,000	313,360
Rentals paid under operating leases: premises	359,057	703,968
Depreciation and amortisation	1,381,918	1,409,194

	2020	2019
Auditor's remuneration can be analysed as follows:	£	£
Audit of the Group's accounts	299,000	256,933
Other services:		
Other audit-related services including audit of subsidiaries	62,000	56,427
	361,000	**313,360**

12. Taxation

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

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

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

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

	2020	2019
	£	£
Profit/(loss) before tax from continuing operations	1,743,295	(3,079,069)
Adjusting items subject to UK corporation tax	342,212	1,319,345
Profit/(loss) before tax subject to UK corporation tax	**2,085,507**	**(1,759,724)**
Tax at the UK corporation tax rate of 19% (2019: 19%)	396,246	(334,348)
Effects of:		
Results from associates and subsidiaries	(210,305)	(344,655)
Expenses not deductible for tax purposes	42,180	284,336
Tax relief on disposal of fixed assets	122,013	-
Unrecognised current year losses and other temporary differences	764,372	395,426
Fixed asset differences	1,273	12,024
Income tax not taxable for tax purposes	(1,116,930)	(12,916)
Other permanent differences	1,151	133
Other corporation tax charge-GHB Properties limited	428	6,874
Other corporation tax – Ascend Estates Limited	-	154,540
Tax charge in the consolidated income statement	**428**	**161,414**

13. Other income

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

14. Profit Rate Swap

The Group participates in Shariah compliant derivatives, profit rate swaps ("PRS") to hedge the exposure in fixed rate mortgages in the residential and commercial financing books.

At the inception of the hedge there is formal designation and documentation of the hedging relationship and the entity's risk management objective and strategy for undertaking the hedge. The hedge is expected to be highly effective in achieving offsetting changes in fair value attributable to the hedged risk, consistently with the originally documented risk management strategy for that particular hedging relationship. The effectiveness of the hedge can be reliably measured, i.e. the fair value of the hedged item that is attributable to the hedged risk and the fair value of the hedging instrument can be reliably measured. The hedge is assessed on an ongoing basis and determined

14. Profit Rate Swap (continued)

actually to have been highly effective throughout the financial reporting periods for which the hedge was designated.

Hedge ineffectiveness for the Group's PRS can be explained by:

- Floating leg of the PRS will have a value on any day other than the reset date. The floating leg only exists in the hedging instrument and not the hedged item so ineffectiveness will result;
- Prepayments of the hedged items will cause an over-hedged position and ineffectiveness will result; and
- Maturity dates of the hedged items and the hedging instruments differ so ineffectiveness will result.

The table below show the fair values of financial instruments designated for hedging, recorded as assets or liabilities, together with their notional amounts:

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

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

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

15. Company profit/ loss attributable to equity shareholders

£1,802,298 of the company profit for the financial year (2019: £3,519,322 loss) has been dealt with in the accounts of the Group.

16. Financing and advances at amortised cost

Financing and advances to customers, corporates and financial institutions are held at amortised cost.

That is, the initial fair value (which is normally the amount advanced or financed) is adjusted for repayments and fees to represent the effective finance rate of the asset.

	Avg. Yield	2020	*Avg. Yield*	2019
		£		£
Gross financing and advances at amortised cost		705,101,889		559,643,758
Less: allowances for impairment		(2,932,350)		(166,744)
Financing and advances at amortised cost	3.92%	**702,169,539**	3.92%	**559,477,014**

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

16. Financing and advances at amortised cost (continued)

	Stage 1	Stage 2	Stage 3	2019 Total
	12m ECL	Lifetime ECL	Lifetime ECL	
	£	£	£	£
Gross carrying value	537,865,970	18,663,432	3,114,356	559,643,758
Loss allowance	(83,260)	(59,181)	(24,303)	(166,744)
Carrying value under IFRS 9	**537,782,710**	**18,604,251**	**3,090,053**	**559,477,014**

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

	Stage 1	Stage 2	Stage 3	Total
	12m ECL	Lifetime ECL	Lifetime ECL	
	£	£	£	£
Loss allowance as at 1 January 2020	(83,260)	(59,181)	(24,303)	(166,744)
New financial assets originated or purchased	(89,350)	-	-	(89,350)
Transfers				
Transfer from stage 1 to stage 2	16,808	(16,808)	-	-
Transfer from stage 1 to stage 3	5,723	-	(5,723)	-
Transfer from stage 2 to stage 1	(11,889)	11,889	-	-
Transfer from stage 2 to stage 3	-	55,796	(55,796)	-
Changes in PD's/ LGD's / EAD's	(102,827)	(2,484,171)	(89,258)	(2,676,256)
Loss allowance as at 31 December 2020	**(264,795)**	**(2,492,475)**	**(175,080)**	**(2,932,350)**

	Stage 1	Stage 2	Stage 3	Total
	12m ECL	Lifetime ECL	Lifetime ECL	
	£	£	£	£
Loss allowance as at 1 January 2019	(11,312)	(1,082,554)	-	(1,093,866)
New financial assets originated or purchased	(111,618)	-	-	(111,618)
Transfers				
Transfer from stage 1 to stage 2	49,505	(49,505)	-	-
Transfer from stage 1 to stage 3	24,303	-	(24,303)	-
Transfer from stage 2 to stage 1	351	(351)	-	-
Changes in PD's/ LGD's / EAD's	(34,599)	1,073,229	-	1,038,630
FX and other movements	110	-	-	110
Loss allowance as at 31 December 2019	**(83,260)**	**(59,181)**	**(24,303)**	**(166,744)**

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

	Financing and advances at amortised cost 2020			
	Stage 1	Stage 2	Stage 3	Total
	£	£	£	£
Gross carrying amount as at 1 January 2020	537,865,970	18,663,432	3,114,356	**559,643,758**
Transfers				
Transfer from stage 1 to stage 2	(48,647,330)	48,647,330	-	-
Transfer from stage 1 to stage 3	(4,882,215)	-	4,882,215	-
Transfer from stage 2 to stage 1	4,690,931	(4,690,931)	-	-
Transfer from stage 2 to stage 3	-	(951,410)	951,410	-
Net new financing/payments	154,586,724	(6,378,073)	(2,750,520)	145,458,131
Gross carrying amount as at 31 December 2020	**643,614,080**	**55,290,348**	**6,197,461**	**705,101,889**

16. Financing and advances at amortised cost (continued)

	Financing and advances at amortised cost			
	2019			
	Stage 1	Stage 2	Stage 3	Total
	£	£	£	£
Gross carrying amount as at 1 January 2019	293,384,888	2,446,351	-	295,831,239
Transfers				
Transfer from stage 1 to stage 2	(18,663,418)	18,663,418	-	-
Transfer from stage 1 to stage 3	(3,114,356)	-	3,114,356	-
Transfer from stage 2 to stage 1	637,851	(637,851)	-	-
Net new financing/payments	265,621,005	(1,808,486)	-	263,812,519
Gross carrying amount as at 31 December 2019	**537,865,970**	**18,663,432**	**3,114,356**	**559,643,758**

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

	Avg. Yield	2020	*Avg. Yield*	2019
		£		£
Gross financing and advances		-		9,534,340
Positive /(Negative) revaluations		-		816,591
Total financing and advances		-		10,350,931
Unquoted equity securities		18,070,888		14,732,783
	6.10%	**18,070,888**	4.81%	**25,083,714**

All finance receivables are bilateral financial arrangements with corporate entities accounted for as Loans and Receivables in accordance with IFRS 9 Financial Instruments: Recognition and Measurement.

18. Financial assets at fair value through other comprehensive income

	Avg. Yield	2020	*Avg. Yield*	2019
		£		£
Quoted sukuk		17,942,048		16,576,477
Unquoted equity securities		13,991,074		15,266,634
Unquoted funds		-		-
Quoted funds		-		5,288,315
	4.23%	**31,933,122**	1.64%	**37,131,426**

	Financial assets at fair value through other comprehensive income – Debt assets				
	2020				
	Stage 1 12m ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased Credit impaired	Total
	£	£	£	£	£
Gross carrying value	17,943,965	-	-	-	17,943,965
Loss allowance	(1,917)	-	-	-	(1,917)
Carrying value under IFRS 9	**17,942,048**	**-**	**-**	**-**	**17,942,048**

18. Financial assets at fair value through other comprehensive income (continued)

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

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

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

19. Investment in subsidiaries

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

Subsidiaries	Principal Activity	Place of business & Country of incorporation	GFG consolidated interest
Directly held:			
Gatehouse Bank plc	Banking and Investment Advisory	England & Wales	100.0%
Gatehouse Capital Economic and Financial Consultancy K.S.C.C	Investment and Real Estate Investment Advisory	Kuwait	100.0%
Gatehouse UK PRS Manager Limited	Investment and real estate activities	Cayman Islands	100.0%
Indirectly held:			
Held through Gatehouse Bank plc			
Ascend Estates Limited	Management of real estate	England & Wales	50.1%
Silver Noisy Sarl	Letting of office space	France	100%

19. Investment in subsidiaries (continued)

Held through Gatehouse Capital Economic and Financial Consultancy K.S.C			
Dhow Holdings Corporation ("DHC")	Investment and real estate activities	Cayman Islands	100.0%
Blue Pillar Advisory Ltd	Investment and real estate activities	Cayman Islands	100.0%
Held through DHC			
Global Securities House USA, Inc.("GSH")	Investment and real estate activities	USA	100.0%

All subsidiaries are included in the consolidated accounts. During the year the Group dissolved Gate Holdings Limited and GHB Properties Limited which were used to acquire the Bank's office building which was sold in March 2020. Please see Note 26 for more details.

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed for Ascend Estates Limited as at acquisition date are as set out below.

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

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

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

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

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

20. Disclosure of interests in other entities

The Group has investments in a number of special purpose vehicles (SPVs) that have an interest in UK property. The Group provides investment advisory services in relation to the investments. The investment SPVs have two classes of equity: management shares which carry voting rights; and participating shares which represent economic interests in the SPVs. None of the SPVs are consolidated by the Group as the Group holds only a small percentage of the participating shares and acts as agent in its capacity as investment advisor for the SPVs. Typically the Group 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 Group also has investments in a number of US property special purpose vehicles (SPVs) which are included in financial assets at FVOCI and FVTIS. Gatehouse Capital is the sponsor of these SPVs and provides investment advisory services to them. None of the SPVs are consolidated by the Group as the Group holds only a small percentage of the participating shares and has no involvement in the management or control of the SPVs.

The Group's gross investment in property SPVs is £30,564,629 (2019: £39,491,779) which is included in financial assets held at fair value through the income statement and financial assets held at fair value through other comprehensive income. The Group has also provided funding through fixed term Murabaha contracts as bridge financing to these SPVs. The Group's maximum loss relating to these SPVs is equal to the exposure in the SPVs. The primary risk to which the Group is exposed is the risk of changes in the valuation of the Group'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.

21. Investment in Associate

This represents the Group's 65% share of investment in Weaver Point Capital Advisors, LLC ("Weaver Point"), incorporated in the United States and has Real Estate advisory as principal activities. The Group accounts for the investment in Weaver Point as an associate in accordance with IAS 28: Investment in Associates and Joint Ventures, as the Group does not have power over Weaver Point and the ability to use its power over Weaver Point to affect its returns and hence does not have control over Weaver Point under IFRS 10.

Movement on the investment in associate is shown below:

	2020	2019
	£	£
At the beginning of the year	9,410,579	11,631,081
Share of profit	1,145,761	881,152
Foreign currency translation adjustment	(349,716)	(355,732)
Dividends received	(956,968)	(2,745,922)
At the end of the year	**9,249,656**	**9,410,579**

The following table illustrates summarised financial information of investment in associates:

	2020	2019
	£	£
Aggregated amounts relating to associate		
Total assets	2,725,598	2,322,780
Total liabilities	(761,275)	(569,834)
Net assets	1,964,323	1,752,946
Total revenue	4,943,614	4,766,203
Profit	**1,762,707**	**1,374,283**

	2020	2019
	£	£
Group's share of net assets of associate	1,221,376	1,081,911
Goodwill and intangibles	8,028,280	8,328,668
Carrying amount of interest in associates	**9,249,656**	**9,410,579**

22. Derivative financial instruments

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

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

23. Intangible assets

Intangible assets:	**2020**	**2019**
	£	**£**
Software costs and licence fees	1,040,559	868,928
Customer List	424,469	457,121
Contracted Revenue of a subsidiary	-	-
Total Balance at 31 December	**1,465,028**	**1,326,049**

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

Customer lists	**2020 £**	**2019 £**
Cost		
At 1 January	489,773	489,773
Additions	-	-
Disposals	-	-
At 31 December	**489,773**	**489,773**
Amortisation		
At 1 January	32,652	-
Charge for the year	32,652	32,652
On disposal	-	-
At 31 December	**65,304**	**32,652**
Net book value		
At 1 January	**457,121**	**489,773**
At 31 December	**424,469**	**457,121**

Contracted Revenue of a subsidiary	**2020**	**2019**
	£	**£**
Balance as at 1 January	-	1,034,929
Amortisation	-	(1,028,012)
FX retranslation	-	(6,917)
Balance as at 31 December	**-**	**-**

24. Property, plant and equipment

Group	Property	Leasehold property	Leasehold vehicles	Computer equipment	Fixtures and fittings	Leasehold improvements	Vehicles	Total
	£	£	£	£	£	£	£	£
Cost								
At 1 January 2020	-	1,363,897	108,490	1,590,512	862,301	1,653,606	39,685	5,618,491
Additions	-	1,346,043	96,880	218,565	40,328	138,010	-	1,839,826
Reclassification to property held for sale	-	-	-	-	-	-	-	-
Disposals	-	-	-	(268,252)	(133,578)	(1,547,416)	-	(1,949,246)
FX retranslation	-	(29,348)	-	(16,913)	(22,445)	-	(1,456)	(70,162)
At 31 December 2020	**-**	**2,680,592**	**205,370**	**1,523,912**	**746,606**	**244,200**	**38,229**	**5,438,909**
Depreciation								
At 1 January 2020	-	490,394	48,847	1,366,256	775,634	968,388	39,685	3,689,204
Charge for the period	-	748,664	55,809	149,713	18,648	46,842		1,019,676
Write-off on disposals	-	-	-	(248,554)	(133,527)	(924,939)		(1,307,020)
FX Retranslation	-	(34,273)	-	(10,147)	(22,445)	-	(1,456)	(68,320)
At 31 December 2020	**-**	**1,204,785**	**104,656**	**1,257,268**	**638,310**	**90,291**	**38,229**	**3,333,539**
Net book value								
At 1 January 2020	-	873,503	59,643	224,256	86,667	685,218	-	1,929,287
At 31 December 2020	**-**	**1,475,807**	**100,714**	**266,644**	**108,296**	**153,909**	**-**	**2,105,370**

Group	Property	Leasehold property	Leasehold vehicles	Computer equipment	Fixtures and fittings	Leasehold improvements	Vehicles	Total
	£	£	£	£	£	£	£	£
Cost								
At 1 January 2019	12,216,511	-	-	1,537,785	949,998	2,999,867	41,097	17,745,258
Additions	-	-	-	114,597	19,883	-	-	134,480
Leases (IFRS 16 implementation adjustment)	-	1,363,897	108,490	14,061	-	-	-	1,486,448
Reclassification to property held for sale	(12,216,511)	-	-	-	-	-	-	(12,216,511)
Disposals	-	-	-	(60,633)	(85,824)	(1,346,261)	-	(1,492,718)
FX retranslation	-	-	-	(15,298)	(21,756)	-	(1,412)	(38,466)
At 31 December 2019	**-**	**1,363,897**	**108,490**	**1,590,512**	**862,301**	**1,653,606**	**39,685**	**5,618,491**
Depreciation								
At 1 January 2019	550,314	-	-	1,347,391	855,702	2,029,390	41,097	4,823,894
Charge for the period	110,064	490,394	48,847	88,880	27,512	285,259		1,050,956
Write-off on disposals	(660,378)	-	-	(55,005)	(85,824)	(1,346,261)		(2,147,468)
FX Retranslation	-	-	-	(15,010)	(21,756)	-	(1,412)	(38,178)
At 31 December 2019	**-**	**490,394**	**48,847**	**1,366,256**	**775,634**	**968,388**	**39,685**	**3,689,204**
Net book value								
At 1 January 2019	11,666,197	-	-	190,394	94,296	970,477	-	12,921,364
At 31 December 2019	**-**	**873,503**	**59,643**	**224,256**	**86,667**	**685,218**	**-**	**1,929,287**

25. Leases

Right of use assets

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

	Leasehold property	Leasehold vehicles	Computer equipment	Total
	£	£	£	£
Cost				
At 1 January 2020	873,503	59,643	10,738	943,884
Additions	1,346,043	96,880	-	1,442,923
Depreciation charge for the year	(748,664)	(55,809)	(4,695)	(809,168)
FX retranslation	4,925	-	-	4,925
At 31 December 2020	**1,475,807**	**100,714**	**6,043**	**1,582,564**

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

	Leasehold property	**Leasehold vehicles**	**Computer equipment**	**Total**
	£	**£**	**£**	**£**
Cost				
At 1 January 2019	1,363,897	108,490	14,061	1,486,448
Depreciation charge for the year	(490,394)	(48,847)	(3,323)	(542,564)
At 31 December 2019	**873,503**	**59,643**	**10,738**	**943,884**

Lease liabilities

Contractual undiscounted cash flows:

	2020
	£
Less than one year	643,543
One to five years	1,166,621
More than five years	29,348
	1,839,512

	2019
	£
Less than one year	367,366
One to five years	510,962
More than five years	75,470
	953,798

Amounts recognised in the income statement:

	2020
	£
Profit on lease liabilities	97,494
Expenses relating to short-term leases	-
Expenses relating to leases of low value assets, excluding short-term leases of low value items	-
	97,494

25. Leases (continued)

	2019
	£
Profit on lease liabilities	68,602
Expenses relating to short-term leases	71,955
Expenses relating to leases of low value assets, excluding short-term leases of low value items	20,942
	161,499

Amounts recognised in the statement of cash flows:

	2020
	£
Total cash outflow for leases	(715,955)
	(715,955)

	2019
	£
Total cash outflow for leases	(703,968)
	(703,968)

The Group as a Lessor

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

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

Maturity analysis of operating lease payments:

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

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

26. Property held for sale

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

27. Investment properties

	2020 £	2019 £
Cost		
At 1 January	1,124,899	2,114,905
Additions	19,169,862	-
Unrealised gain on revaluation	3,500,776	-
Disposal	-	(916,425)
FX retranslation	1,562,914	(73,581)
At 31 December	25,358,451	1,124,899
Net book value		
At 1 January	1,124,899	2,114,905
At 31 December	**25,358,451**	**1,124,899**

27. Investment properties (continued)

The Group acquired further investment properties during the year which are held at fair value – please refer to Note 19 for more information.

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

28. Goodwill

On 29 June 2015, the Group completed the step-up acquisition of Gatehouse Capital to be the 100% owner. On 31 October 2018 the Group also purchased a 50.1% controlling interest on a subsidiary incorporated in England and Wales: Ascend Estates Limited. The reconciliation of Goodwill balances at 31 December 2020 are provided below:

	2020	2019
	£	£
Balance as at 1 January	12,049,865	12,343,183
FX re-measurement	(302,606)	(293,318)
Balance as at 31 December	**11,747,259**	**12,049,865**

29. Other Assets

	2020	2019
	£	£
Other debtors	3,075,087	1,171,498
Prepayments	855,828	618,735
Accrued income receivable	614,979	1,164,083
	4,545,894	**2,954,316**

30. Financial liabilities measured at amortised cost

	Avg. Yield	
		£
Financial liabilities measured at amortised cost at 1 January 2020	2.19%	564,600,787
Net proceeds from financial institutions and customers		149,253,994
Net increase in profit payable		797,823
FX Movement		(653,924)
Financial liabilities measured at amortised cost at 31 December 2020	1.74%	**713,998,680**

	Avg. Yield	
		£
Financial liabilities measured at amortised cost at 1 January 2019	2.55%	318,846,691
Net proceeds from financial institutions and customers		244,089,129
Net increase in profit payable		2,648,162
FX Movement		(983,195)
Financial liabilities measured at amortised cost at 31 December 2019	2.19%	**564,600,787**

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

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

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

32. Other liabilities

	2020	2019
	£	£
Payable to subsidiary shareholders	-	1,738,560
Other provisions	1,250,000	1,250,000
Lease liabilities	1,839,512	953,797
Other taxes and social security costs	390,554	324,442
Other creditors	5,585,243	3,992,441
	9,065,309	**8,259,240**

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

33. Maturity analysis of financial assets and liabilities

The table shows an analysis of assets and liabilities analysed between those expected to be recovered or settled within more or less than 12 months of the balance sheet date:

2020	**Less than 12 months**	**More than 12 months**	**Total**
	£	£	£
Assets			
Cash and balances with banks	15,598,224	-	15,598,224
Financing and advances at amortised cost	65,741,397	636,428,142	702,169,539
Financial assets held at FVTIS	14,967,088	3,103,800	18,070,888
Financial assets held FVTOCI	3,663,148	28,269,974	31,933,122
Investment in Associates	-	9,249,656	9,249,656
Derivative financial instruments	15,351,126	-	15,351,126
Total financial assets	**115,320,983**	**677,051,572**	**792,372,555**
Liabilities			
Financial liabilities measured at amortised cost	486,094,851	227,903,829	713,998,680
Financial liabilities held at FVTOCI	1,226,019	-	1,226,019
Derivative financial instruments	7,734,381	-	7,734,381
Other liabilities	643,542	1,195,970	1,839,512
Total financial liabilities	**495,698,793**	**229,099,799**	**724,798,592**

2019	**Less than 12 months**	**More than 12 months**	**Total**
	£	£	£
Assets			
Cash and balances with banks	15,026,363	-	15,026,363
Financing and advances at amortised cost	60,314,764	499,162,250	559,477,014
Financial assets held at FVTIS	-	25,083,714	25,083,714
Financial assets held at FVTOCI	3,785,152	33,346,274	37,131,426
Investment in Associates	-	9,410,579	9,410,579
Derivative financial instruments	6,571,752	-	6,571,752
Total financial assets	**85,698,031**	**567,002,817**	**652,700,848**
Liabilities			
Financial liabilities measured at amortised cost	363,238,976	201,361,811	564,600,787
Derivative financial instruments	4,977,556	-	4,977,556
Other liabilities	2,590,904	586,433	3,177,337
Total financial liabilities	**370,807,436**	**201,948,244**	**572,755,680**

34. Assets and liabilities in foreign currency

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

	2020	2019
	£	£
Assets		
Denominated in Sterling	753,948,291	606,939,876
Denominated in other currencies	83,646,266	76,701,385
	837,594,557	**683,641,261**

	2020	2019
	£	£
Liabilities		
Denominated in Sterling	705,466,883	512,184,472
Denominated in other currencies	26,557,506	65,653,111
	732,024,389	**577,837,583**

35. Pension Commitments

Within the Group, only Gatehouse Bank plc provides a defined contribution pension scheme for all staff. The assets of the scheme are held separately from those of the Bank in independently administered funds. During the year, pension costs of £452,012 were charged to the income statement (2019: £452,964). The pension creditor outstanding at the balance sheet date amounted to £59,391 (2019: £56,062).

36. Share Capital

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

37. Own shares

The Own Shares reserve represents the shares issued as part of the Group's Employee Incentive Plan, held by the Employee Benefit Trust on behalf of participating employees and the Trustee. 800,000,000 ordinary shares of £0.01 each (2019: 800,000,000 ordinary shares) were held by the Employee Benefit Trust at 31 December 2020 of which 493,000,000 were partly paid up to £0.0001 per share (2019: 493,000,000).

38. Off balance sheet items

Financing commitments

At the balance sheet date, the Group has outstanding financing commitments related to Gatehouse Bank as follows:

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

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

39. Related party transactions

During the reporting year, the Group entered into separate transactions with related counterparties.

On 28 September 2020, the Group received £15,000,000 non-cash convertible Murabaha financing with a contractual maturity of three years from the following two shareholders:

- £8,000,000 from Kuwait Investment Authority (KIA); and
- £7,000,000 from The Securities House

This financing can be exchanged with ordinary shares of the Gatehouse Financial Group Limited prior to maturity date and subject to meeting certain performance criteria. The value of the option as at 31 December 2020 is deemed as nil and £15,000,000 is recognised and measured as a financial liability at amortised cost.

As at 31 December 2020 the Group had a credit facility in place with the KIA for $250,000,000 (£183,009,407) that could be drawn when required. The Group has £127,680,841 remaining facility amount with £55,328,566 drawn down as at 31 December 2020.

Amounts outstanding with related parties as at 31 December 2020 were as follows:

2020	**Shareholder**	**Shareholder**
	Kuwait Investment Authority	**The Securities House K.S.C.C.**
	£	**£**
Profit income	-	-
Profit expense	2,007,649	107,103
Assets	-	-
Financial liabilities measured at amortised cost	63,301,192	6,977,010
Undrawn credit facility	127,680,841	-

2019	**Shareholder**	**Shareholder**
	Kuwait Investment Authority	**The Securities House K.S.C.C.**
	£	**£**
Profit income	-	-
Profit expense	4,021,159	-
Assets	-	-
Financial liabilities measured at amortised cost	101,772,279	28

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

40. Risk Management

The Risk Management function is primarily at the Bank level and forms an integral part of the Bank's three lines of defence governance model. Its role, as the second line of defence, is to provide the control functions (Risk and Compliance) for the Board that are robust and commensurate to scale and nature of the business activities that the Bank undertakes. It discharges these responsibilities through monitoring performance against set limits and tolerances to risk exposures, through various validation and exception reports, through the composition of prudential reports and through stress testing and sensitivity analysis. The Internal Audit function, performed by Grant Thornton, a professional services firm, performs regular reviews of different activities of the Bank represents the third line of defence.

The Risk Management Function provides the day-to-day monitoring of risk exposures to ensure that the Bank's activities remain within the risk appetite parameters set by the Board.

The Chief Risk Officer is responsible for the risk management and compliance function, which considers all material risks on a consolidated basis and, in this respect, chairs the Executive Risk Committee.

40. Risk Management (continued)

Credit Risk

Credit risk is the risk of suffering financial loss in the event that one of the Group'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 an investment in that entity's financial instruments to fall. The credit risk that the Group faces arises mainly from Treasury activities, real estate equity investment and senior and mezzanine real estate financing.

The Group's Risk function covers several areas in respect of assessing credit related exposures:

- The overall management and implementation of the risk appetite framework as determined by the Board; determining mandate and scale limits and implementing the risk appetite as set by the Board;
- Assessment of existing and potential Treasury counterparties and Sukuk by undertaking comprehensive credit risk assessments and making recommendations to the appropriate decision making forums. This includes monitoring of portfolio composition; and
- The monitoring of exposures to ensure compliance with approved limits and that the credit quality of the counterparty has not deteriorated or circumstances changed. Monitoring provides a picture of the portfolio as a whole and its inherent risks, including concentrations and capital allocation.

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

- Assessment of real estate equity investments and senior and mezzanine financing activities via the provision of comprehensive credit risk assessments making recommendations to appropriate decision-making forums. This includes monitoring of portfolio composition; and
- The ongoing monitoring and review of credit risk for real estate equity investment and finance exposures to ensure compliance with covenants and early identification of changes to the credit risk profile and composition of the portfolio.
- Enhanced analysis of potentially deteriorating credit exposures through a 'watch list' process.

A comprehensive control framework is in place. This incorporates:

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

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

The Group has in place processes for estimating the impairment provision on loans and advances associated with credit risk in accordance with IFRS 9 Financial instruments (IFRS 9). IFRS 9 requires use of expected credit loss ("ECL") models for the purposes of calculating impairment loss.

The ECL models require the Group to exercise judgement using subjective assumptions when determining both the timing and the amounts of ECL for loans and advances subject to credit risk.

Note 3 refers to the basis by which the Group reviews for impairments of its financial assets. Note 9 details the impairment provisions taken in the year to the income statement.

Exposure

The table below shows the maximum exposure to credit risk for financial assets on the balance sheet at 31 December 2020:

	2020	2019
	£	£
Cash and balances with banks	15,598,224	15,026,363
Financing and advances at amortised cost	702,169,539	559,477,014
Financial assets held at fair value through the income statement (debt assets)	-	7,257,731
Financial assets held at fair value through other comprehensive income (debt assets)	17,942,048	21,864,792
Derivative financial instruments	15,351,126	6,571,752
	751,060,937	**610,197,652**

40. Risk Management (continued)

Geographical region

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

	2020	2019
	£	£
GCC countries	91,955,931	56,818,870
Kuwait	8,354,314	6,743,060
Saudi Arabia	22,002,679	17,116,447
UAE	41,773,692	24,602,789
Qatar	16,410,621	4,417,694
Oman	1,716,745	1,895,955
Bahrain	1,697,880	2,042,925
Europe	510,305,435	405,570,450
North America	21,392,949	25,927,536
South America	959,986	230,003
Asia	94,431,503	98,210,281
Africa	16,978,199	11,564,118
Australasia	15,036,934	11,876,394
	751,060,937	**610,197,652**

Credit quality

The table below shows the credit quality of financial assets on the balance sheet at 31 December 2020, based on the Group's credit rating system:

2020	Investment grade	Non-investment grade	Non-rated	Total
	£	£	£	£
Assets				
Cash and balances with banks	13,524,201	-	2,074,023	15,598,224
Financing and advances at amortised cost	16,463,232	-	685,706,307	702,169,539
Financial assets held at fair value through the income statement (debt assets)	-	-	-	-
Financial assets held at fair value through other comprehensive income (debt assets)	17,942,048	-	-	17,942,048
Derivative financial instruments	15,351,126	-	-	15,351,126
Total assets	**63,280,607**	**-**	**687,780,330**	**751,060,937**

2019	Investment grade	Non-investment grade	Non-rated	Total
	£	£	£	£
Assets				
Cash and balances with banks	15,024,514	-	1,849	15,026,363
Financing and advances at amortised cost	10,004,623	-	549,472,391	559,477,014
Financial assets held at fair value through the income statement (debt assets)	-	-	7,257,731	7,257,731
Financial assets held at fair value through other comprehensive income (debt assets)	16,576,477	-	5,288,315	21,864,792
Derivative financial instruments	6,571,752	-	-	6,571,752
Total assets	**48,177,366**	**-**	**562,020,286**	**610,197,652**

40. Risk Management (continued)

Liquidity risk

Liquidity risk is the risk that the Group 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 Group maintains an adequate portfolio of liquid assets which consists of cash and short-term bank deposits by monitoring forecast and actual cash flows and matching the maturity profiles of assets and liabilities. Within the Group, Gatehouse Bank plc is subject to and complies with the systems and control requirements of the PRA and CRD IV liquidity regime.

Liquidity and rate profile

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

	Less than 1 month	1-3 months	3-6 months	6-12 months	1-5 years	Total
	£	£	£	£	£	£
2020						
Assets						
Fixed rate items	47,900,212	3,310,898	4,156,067	26,672,450	638,084,036	720,123,663
Non-rate sensitive	30,937,274					30,937,274
Total assets	**78,837,486**	**3,310,898**	**4,156,067**	**26,672,450**	**638,084,036**	**751,060,937**
Liabilities						
Fixed rate items	151,812,737	75,868,312	113,038,843	154,360,239	227,903,713	722,983,844
Non-rate sensitive	-	-	-	-	-	-
Total liabilities	**151,812,737**	**75,868,312**	**113,038,843**	**154,360,239**	**227,903,713**	**722,983,844**
Net	**(72,975,251)**	**(72,557,414)**	**(108,882,776)**	**(127,687,789)**	**410,180,323**	**28,077,093**

	Less than 1 month	1-3 months	3-6 months	6-12 months	1-5 years	Total
	£	£	£	£	£	£
2019						
Assets						
Fixed rate items	29,221,338	3,053,893	13,612,596	14,630,769	506,419,980	566,938,576
Non-rate sensitive	21,394,284		-	3,785,152	18,079,640	43,259,076
Total assets	**50,615,622**	**3,053,893**	**13,612,596**	**18,415,921**	**524,499,620**	**610,197,652**
Liabilities						
Fixed rate items	103,788,459	63,964,133	122,156,058	77,945,409	201,724,284	569,578,343
Non-rate sensitive	-	-	-	-	-	-
Total liabilities	**103,788,459**	**63,964,133**	**122,156,058**	**77,945,409**	**201,724,284**	**569,578,343**
Net	**(53,172,837)**	**(60,910,240)**	**(108,543,462)**	**(59,529,488)**	**322,775,336**	**40,619,309**

Market risk

Market risk is the risk of loss arising from a potential change in the value of an instrument or portfolio of instruments as a result of changes in market parameters (such as interest rates, equity indices, bond prices, commodity markets and exchange rates) during a specified time horizon. The Group is exposed to market risk in the management of its balance sheet. The role of the Risk function is to identify, quantify, manage and monitor the potential effects of those potential changes on the value of the portfolio, and broader balance sheet.

40. Risk Management (continued)

The Board sets and approves the market risk appetite for the Group's activities. The Group's Treasury department generally manages market risk. The Risk function implements a quantitative and qualitative limit framework within the context of the approved market risk appetite. A daily market risk report summarises market risk exposures against agreed limits. This daily report is circulated to the Treasurer for review.

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

Market risk measurement

- The techniques used to measure and control market risk include:
- Nominal exposure limits: overnight and intraday limits;
- Value at Risk: an estimate of potential changes in the fair value or market value of the Bank's portfolio due to changes in market risk factors;
- Maximum loss: an estimate of the potential loss the Bank would have made on its portfolio had it held the same portfolio every day for the last 12 months;
- Sensitivity Analysis: an estimate of the potential loss incurred due to a specified change in a specified market risk factor; and
- 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 Group only trades in Shariah-compliant products, the carrying value of financial instruments held by the Group is sensitive to movement in interest rates. If interest rates had been 200 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2020 would decrease/increase by £10,461,000 (2019: £5,423,000).

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

Value at Risk

Profit Rate Risk (equivalent to Interest Rate Risk)

The varying profit share features and maturities of products, together with the use of Treasury products create Profit Rate Risk ('PRR') exposures due to the imperfect matching of margins and maturity differences between assets and liabilities.

The Group uses derivatives to prudently manage its PRR. In 2020 the Group undertook profit rate derivatives (swaps) totalling £281,700,000 (2019: £281,700,000) in the form of fixed for floating rate, which allowed the Group to tactically hedge against risks arising from deposits of certain short-term maturities and longer-term financing.

Overarching PRR limits are set by the Board and articulated accordingly within the Risk Management Framework (RMF). The Board have further delegated oversight of PRR to the Bank's Executive Committee who mandate the Bank's Asset and Liability Committee (ALCO) to monitor and assess PRR. Basis Point Value (BPV) and Value at Risk (VaR) is used to monitor the risk arising from open profit rate positions. The Bank's Pillar 1 minimum capital requirement allows for profit rate risk through the profit rate risk requirement.

As at 31 December 2020, the market value of nominal positions generating profit rate VaR was £91,933,674 (2019: £100,135,505) which generated profit rate VaR of:

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

40. Risk Management (continued)

LIBOR and other Interest Rate Benchmark Reform (IBOR)

The Group is exposed to the GBP LIBOR interest rate benchmark for assets in the Banking book and for profit rate swaps used to hedge the profit rate risk. The Group's products are exposed to 3M LIBOR, 12M LIBOR and SONIA.

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

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

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

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

Foreign Exchange Risk

A proportion of treasury funding and investment activity is undertaken in foreign currencies, mainly US dollars, Euros and Kuwaiti Dinar. Foreign currency exposure is hedged on the balance sheet to reduce currency exposures to acceptable levels. VaR is used to monitor the risk arising from open foreign currency positions. The Group's Pillar 1 minimum capital requirement allows for foreign exchange risk through the foreign exchange risk requirement.

As at 31 December 2020, the net market value of nominal foreign exchange exposure was £693,958 (2019: £390,695) which generated Foreign Exchange VaR of:

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

Financial assets at fair value through other comprehensive income - Sukuk Portfolio Risk

As part of liquidity management, the Bank's Treasury department invests in selected sukuk. As at 31 December 2020, the Bank has not used derivatives to hedge sukuk investments. VaR is used to monitor the risk arising from the FVTOCI sukuk investment portfolio. The Group's Pillar 1 minimum capital requirement allows for investment risk through the equity position risk requirement.

As at 31 December 2020, the market value of nominal FVTOCI sukuk investment exposure was £17,942,048 (2019: £16,577,898) which generated Price Risk VaR of:

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

Fair value measurements recognised in the balance sheet

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

Level 1: Fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets and liabilities. As at 31 December 2020, Level 1 financial instruments are primarily investments in sukuk that are quoted in active markets and market bid prices have been applied to fair value these at year end;

40. Risk Management (continued)

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 2020, Level 2 financial instruments were primarily legacy financing assets; and

Level 3: Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data. As at 31 December 2020, Level 3 financial instruments are investments in unquoted equity securities. 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. The group splits its level 3 unquoted equity securities between US and UK assets. US assets are valued using the audited accounts of the underlying SPV's in order to arrive at a net asset value. UK assets are valued using confirmations of debt and cash balances held via the SPV and third party appraisal reports.

2020	**Level 1 £**	**Level 2 £**	**Level 3 £**	**Total £**
Derivative financial instruments				
Derivative financial instruments	15,351,126	-	-	15,351,126
Financial assets held at fair value through the income statement				
Unquoted equity securities	-	-	18,070,888	18,070,888
Financing arrangements	-	-	-	-
Financial assets at fair value through other comprehensive income				
Quoted sukuk	17,942,048	-	-	17,942,048
Quoted funds		-	-	
Unquoted equity securities	-	-	13,991,074	13,991,074
Total	**33,293,174**	**-**	**32,061,962**	**65,355,136**

2019	**Level 1 £**	**Level 2 £**	**Level 3 £**	**Total £**
Derivative financial instruments				
Derivative financial instruments	6,571,752	-	-	6,571,752
Financial assets held at fair value through the income statement				
Unquoted equity securities	-	-	17,825,983	17,825,983
Financing arrangements	-	7,257,731	-	7,257,731
Financial assets at fair value through other comprehensive income				
Quoted sukuk	16,576,477	-	-	16,576,477
Quoted funds	5,288,315	-	-	5,288,315
Unquoted equity securities	-	-	15,266,634	15,266,634
Total	**28,436,544**	**7,257,731**	**33,092,617**	**68,786,892**

There were no transfers between Level 1 and Level 2 during the year and no transfers between Level 2 and Level 3.

Level 3 asset	**2020 Carrying value £**	**2019 Carrying value £**	**Valuation Technique**	**Significant unobservable inputs**
UK Unquoted equity securities	18,206,516	18,726,160	Measurement of net assets as a proportion of participating shares in issue	Third party appraisal reports, cash and debt balances
US Unquoted equity securities	13,855,446	14,366,457	Measurement of net assets as a proportion of participating shares in issue	Third party appraisal reports, audited financial statements
Total	**32,061,962**	**33,092,617**		

40. Risk Management (continued)

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

Reconciliation of Level 3 fair value measurements of financial assets:

2020	**Fair Value Through Other Comprehensive Income**		
	Unquoted equities	**Unquoted funds**	**Total**
	£	**£**	**£**
Balance at 1 January 2020	15,266,634	-	15,266,634
Total gains or losses:			
In income statement	-	-	-
In FVTOCI	(1,387,630)	-	(1,387,630)
Purchases	632,065	-	632,065
Issues	-	-	-
Settlements	-	-	-
FX retranslation	(519,995)	-	(519,995)
Transfers out of Level 3	-	-	-
Transfers into Level 3	-	-	-
Balance at 31 December 2020	**13,991,074**	**-**	**13,991,074**

2019	**Fair Value Through Other Comprehensive Income**		
	Unquoted equities	**Unquoted funds**	**Total**
	£	**£**	**£**
Balance at 1 January 2019	29,350,880	228,207	29,579,087
Total gains or losses:			
In income statement	-	-	-
In FVTOCI	(2,448,706)	-	(2,448,706)
Purchases	(10,709,512)	-	(10,709,512)
Issues	-	-	-
Settlements	-	(228,207)	(228,207)
FX retranslation	(926,028)	-	(926,028)
Transfers out of Level 3	-	-	-
Transfers into Level 3	-	-	-
Balance at 31 December 2019	**15,266,634**	**-**	**15,266,634**

The line item in the Consolidated Statement of Comprehensive Income that includes change in unrealised gains/ (losses) on financial assets through other comprehensive income is 'Net movement on instruments at FVTOCI'.

2020	**Financial assets held at fair value through the income statement**		
	Financing arrangements	**Unquoted equities**	**Total**
Balance at 1 January 2020	-	**17,825,983**	**17,825,983**
Negative revaluations	-	113,976	**113,976**
Fair value uplifts	-	234,304	**234,304**
Net settlements	-	-	**-**
FX retranslation	-	(103,375)	**(103,375)**
Balance at 31 December 2020	**-**	**18,070,888**	**18,070,888**

40. Risk Management (continued)

A 20% decrease in property prices would reduce the fair value of financial assets held at FVTIS by £4.9m as at 31 December 2020.

2019	**Financial assets held at fair value through the income statement**		
	Financing arrangements	**Unquoted equities**	**Total**
Balance at 1 January 2019	-	18,195,084	18,195,084
Negative revaluations	-	(251,734)	(251,734)
Fair value uplifts	-	-	-
Net settlements FX retranslation	-	(117,367)	(117,367)
Balance at 31 December 2019	-	**17,825,983**	**17,825,983**

Operational risk

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

Ongoing assessment of operational risks occurs through the analysis of risk events, audit findings, external events and key operational risk indictors. Key functions across Gatehouse Bank periodically perform self-assessments of the risks and associated controls in operating their respective processes. Relevant operational risk management information is recorded in a dashboard that is prepared and presented monthly to the Executive Risk Committee, and quarterly to the Board Risk & Compliance Committee. The dashboard captures and ranks key inherent operational risks, along with an analysis of mitigating controls in place. The role also involves input into outsourcing arrangements and reviewing of any new products.

Pillar 3 Disclosures

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

Capital Risk Management (Unaudited)

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

The Bank's regulatory capital consists of Tier 1 capital, which includes ordinary share capital and retained earnings less intangible assets, and Tier 2 capital, where the Bank was able to raise £9,000,000 in the first quarter 2020. The financing was provided by private and institutional investors.

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

41. Subsequent events

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

GATEHOUSE FINANCIAL GROUP LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2020

Registered number: 117951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