ANNUAL REPORT | 2013

GATEHOUSE BANK

Contents

GATEHOUSE BANK PLC

Annual Report and Financial Statements
For the year-ended 31 December 2013
Registered number: 06260053


ANK

01 Company Information

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

Secretary
Aboo Twalha Dhunnoo

Auditor
Deloitte LLP
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Hill House
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London
EC4A 3TR

Registered office
125 Old Broad Street
London
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Registered number
06260053

02 Chairman's Statement

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

To the Shareholders of Gatehouse Bank plc ("the Bank")

It gives me great pleasure to write to you in presenting the Bank's annual report and accounts. For the year ended 31 December 2013, I am writing to you uniquely in a dual capacity: that of Executive Chairman in respect of the forward-looking message and that of Acting Chief Executive Officer in presenting you with an overview for the year ended 31 December 2013.

In April 2013, I informed you that the Board had commenced the search for a new Chief Executive Officer and that I was going to be the interim Chief Executive Officer ("CEO") from that date. Given the significance of this senior recruitment, it was critical that Gatehouse take the necessary time to identify and recruit the right person with the requisite skill set and experience. I am pleased to inform you that the search was successfully concluded in February 2014. As of 7th April 2014, the new Chief Executive Officer of Gatehouse Bank plc is Mr Henry Thompson, formerly General Counsel and senior member of the Executive Management team of Arcapita Group. Given my role as Acting CEO during the last 12 months, the CEO Statement that follows is signed by myself and highlights the structural changes and alignment of strategy and business model that I have implemented with the support and cooperation of the Board of Directors during that period. I have largely completed my handover of the day to day operations to Mr. Thompson and he will have my full support as he leverages his extensive experience to develop and grow the businesses that are key to the success of Gatehouse Bank plc.

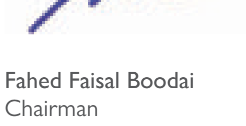
The addition of Mr. Thompson to the Board of Directors was complemented by the recruitment of three new non-executive directors, namely Mr. Jos Short in June 2013, Mr. Stephen Smith in August 2013 and Mr. Craig Friedman in December 2013. These individuals bring significant industry expertise from the strategic markets and regions that are vital to our growth and expansion plans. These recruitments represent the last of the fundamental transformations that I have previously outlined. Gatehouse Bank is now evolving out of the start-up phase and moving firmly and confidently forward as a mature bank. I share the belief of the Board that the Bank now has the requisite capabilities and business model to deliver the vision of the shareholders; to be globally recognised as the Shariah Bank that provides the best and most innovative real-estate investment opportunities and wealth management solutions to its distinguished clients.

I am also pleased to highlight that we have delivered a second consecutive full year of profitable financial performance. Whilst income remained stable at £12.8m, net profit increased from £2.4m in 2012 to £4m in 2013, an increase of 71%. This was achieved despite the difficult economic environment we continue to experience globally.

I remain confident that the business model and strategy of Gatehouse that I have discussed and agreed with the shareholders remains the most appropriate one and will deliver strong financial performance to you; focussing on profitability, shareholder value and growth. Delivering profitable returns to shareholders will not be achieved to the detriment of the Bank's highly valued customers, without whom the Bank would not exist. Excellence in customer service remains the main operational objective of the Bank, an initiative that I renew with my Board and Executive team continuously and rigorously and which will remain a cornerstone of my statement to you every year.

In concluding this Statement, I would like to thank my very supportive and dedicated Board of Directors for their loyalty, their flexibility and in particular for their advice and direction during this transformative year for the Bank. The experience and commitment that they bring to the table is invaluable. I especially thank Lord Carrington, the independent Deputy Chairman of the Bank, for acting as Chairperson for the Board meetings when I have attended in the capacity of Chief Executive Officer. This interim arrangement has ensured that we have continued to apply the principles of good corporate governance in segregating the role of the Chairperson of the Board from the Chief Executive Officer. I am also grateful to the Bank of England's Prudential Regulation Authority for their acceptance of these arrangements and for supporting the Bank throughout the CEO search process.

Finally, I extend my thanks to our family of shareholders, the Executive team and the employees of Gatehouse Bank plc, who work tirelessly to ensure the success of the Bank every day.



Fahed Faisal Boodai
Chairman

8th April 2014

03 Chief Executive Officer's Statement

I set out below an overview of the important developments in the Bank from the date of the last annual report and accounts.

Overview

The Bank reported an overall net profit after all charges for the second consecutive year. This performance was achieved despite the increasingly competitive UK and US real estate markets. This noteworthy milestone in the lifecycle of the Bank confirms that the Bank has now developed a profitable and sustainable business model and more importantly, that the Bank is evolving out of the start-up phase and into a mature bank.

The full year net profit of £4million was achieved against a backdrop of continuing economic uncertainty, sharpening real estate prices in the markets that we operate and above-all, increasing cost of funding in equity. Whilst the total overall income has remained the same as the prior year, the Bank is reporting an increase of 30% in income from financing activities as well as an increase in excess of 600% from investment in listed instruments. These increases largely compensated for the reduction of nearly 70% in fees and commissions earnt from Real Estate investment activities. This is reflective of the new strategy of the Bank which is to generate more longer term recurring income from a financing or investment book and a lesser dependency on the cyclical transaction fees which are seasonal and market driven. The other important contribution to operating profit was the full year share of Gatehouse Capital K.S.C.C. compared to one quarter in the prior year, an increase of 134%.

All above increases were achieved with only a 4% increase in total operating expenses, further evidencing a more stable operational phase of growth and maturity of the Bank's lifecycle.

The balance sheet remains at a significantly low leverage reflecting the conservative attitude of the Board. We remain a net funder to the market and adhere firmly to liquidity and capital guidelines set by the regulators. The liquidity of the balance sheet means that the Bank can move competitively and quickly to underwrite transactions and financing, a feature of what we achieved in 2013.

This said, we are also forward-looking and continually addressing the funding needs and diversification of liabilities to meet our growth plans. I remain thankful to the shareholders for their continued support in the form of a USD150million line of credit we have available and to the many valued institutional clients for their trust in us. 2014 will continue to see further diversification of funding with the launch of our West-end suite, the deployment of our Wealth Management strategy and a strategy to offer a Shariah-compliant fixed-term savings product to the UK retail deposit market.

The credit quality of our assets remains high with 41% being investment grade rated, 59% non-rated and only 0.2% non investment grade. Non-performing assets remain low, the main one being a GCC exposure which was fully provided for as at end of 2013 in line with the Bank's policy. The Bank also recognised impairments on one US real-estate equity investment (20% of its original value) and one UK real-estate equity investment impaired to 46% of its original value; however both investments continue to yield monthly dividends. Exposure is geographically diverse with 42% exposure to the United Kingdom and the remaining 58% being split between the GCC, the US and Malaysia. Significant operating currencies remain pound Sterling and US dollars.

Real Estate

Investment in UK and US commercial real-estate will continue to be one of the principal activities of the Bank. 2013 witnessed a sharpening in net initial yields in the UK and US markets and the Bank, as part of its robust internal system of risk and stress testing analyses of investment models and exit assumptions, is of the view that current prices of commercial real-estate are excessive. The Bank completed one US Industrial Portfolio acquisition and exchanged contracts on one deal in the UK.

Furthermore and in ensuring the sustainability and financial viability of these business lines, the UK and the US origination pipelines now include income-producing residential-asset backed portfolios which diversify the Bank away from the credit-backed commercial real-estate. This is a strategic shift in the Bank's investment thesis to source asset classes below replacement costs and to exceed investor expectations though value creation. I am pleased to report the success achieved in the US in delivering a platform and an operating model, in joint venture with GTIS Partners, the US based real estate investment firm, for the acquisition, renovation, leasing and operation of single-family residential homes in five US cities. At the end of 2013, the portfolio had nearly 500 homes and has now reached 900 homes with a total size in excess of US90million. This investment is well set on delivering the returns to investors in line with the investment model. I am also pleased with the initiative in the UK in partnership with Sigma Capital Group plc, a residential and urban regeneration development specialist, to develop a Private Rented Sector portfolio.

Whilst acquisition is significant in terms of the contribution to income and our assets under management, most important for investors is when the Bank completes the full realisation of its investments. To this effect, I am pleased to highlight the considerable achievements of the team in achieving three realisations during 2013 and a further one in January 2014 bringing the total number of realised investments to seven. Overall returns to investors were significantly positive and in line with expectations. Further realisations in the UK and the US are scheduled for 2014.

03 Chief Executive Officer's Statement cont.

Wealth Management and Placement

The Wealth Management and the Placement departments are the customer facing areas of the Bank and as such are pivotal to the successful franchise of the Bank as well as the ability to secure client and investment mandates.

The objective of the two departments remains to provide a superior client care service in all aspects. The departments also monitor the increasingly sophisticated demands of the Bank's customers and work with other departments of the Bank to ensure that these demands are continually met.

The Bank continued on its initiatives launched in 2012 in improving the scope of client service and offerings whilst ensuring the expectations of customers are met with the highest level of standards. The online IT platform has been further enhanced with a mobile application and there is a pipeline of similar solutions to enhance client confidence, reporting transparency and excellence in the care we provide to our customers. We will use social media, online apps, automation and other technology enablers to remind ourselves and our stakeholders that Gatehouse Bank remains the leader in innovations.

In addition to the continual improvement of the existing platform and systems to ensure a state of the art customer service and reporting, Wealth Management and Placement are considering potential further products including a current account and a debit card offering to ensure the entire spectrum of the customer demands are met.

Central to the Wealth Management and Placement offering will be the launch of the Bank's flagship presence in the very prestigious Mayfair area of London on 9 April 2014. Designed to ensure physical proximity with the customers of the Bank, the Client Investment Suite is the clearest indication of the Bank's dedication and commitment of the Bank in ensuring that the customer experience is of the most superior standards.

South East Asia

In the previous report I reported that the Bank was in the process of opening a Representative Office in Kuala Lumpur, Malaysia. I am pleased to report that in May 2013, the Representative Office, authorised by the Bank Negara, was successfully launched and is the only Representative Office in Malaysia for a western Bank. The presence of Gatehouse Bank in the South East Asia market goes to show the expansion plans of the Bank and our intention to become closer to the Financial and Institutional Investors in this region, to understand their investment appetite and horizon and to offer a complete and unique service that is not currently available to institutional investors. The Bank successfully completed a second acquisition on behalf of Lembaga Tabung Haji in January 2014 and is intent on building on this track record to become a trusted investment advisor to this very important anchor client. The Bank will also use the Representative Office presence to build other strong Treasury and Wealth Management relationships.

Real Estate Financing and Structured Finance

As part of the Bank's organic expansion plans, 2013 witnessed the creation of the Real Estate Financing and Structured Financing departments under the authority of the new Chief Investment Officer of the Bank, Mr Abdulaziz Al Duweesh. The creation of these two departments again evidence the maturing of the Bank out of the start-up phase and reflects upon the conscientious effort of the Bank to build more longer term, secure and recurring income from a financing book that the Bank will actively manage. The deployment of the balance sheet into more longer term lending will protect the Bank against fluctuations from market volatility.

Risk and Compliance

The Bank and its executive management remain increasingly alert to the continuous need to meet the Bank's regulatory obligations. In addition to a well capitalised and liquid balance sheet that allows the Bank to meet and exceed the higher capital and liquidity requirements of new regulatory regimes, the Board also operates an internal corporate governance and risk management framework that ensures the sound running and management of the Bank's businesses. In 2013, the Bank updated its Recovery and Resolution Pack. The Board recognises that ensuring the highest level of compliance with all regulatory requirements and best practices for a UK regulated entity will translate into the best execution for the Bank's shareholders, customers and employees. The Bank has also invested in new software which will enhance our internal monitoring and stress testing for liquidity. In addition to the liquidity requirements set by the UK regulators, the Bank is monitoring the Basel III LCR and NSFR ratios, with the former due to be implemented in January 2015.

Fahed Faisal Boodai
Acting Chief Executive Officer
8th April 2014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04 Corporate Governance

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

Board of Directors

Fahed Faisal Boodai, Chairman
Mr Boodai is co-founder and Executive Chairman of Gatehouse Bank plc, London UK. He is also the founder, Chairman and Managing Director of Gatehouse Capital, formally known as GSH Kuwait. With more than 17 years of extensive experience and realised track record within the global real-estate market, he has presided over US $3 billion worth of diverse real estate acquisitions and exits in a number of asset classes from core RE holdings to student accommodation and medical facilities, including the UK headquarters for Procter & Gamble, Rolls Royce and Intercontinental Hotels. Fahed was profiled in the "40 under 40" feature for the US magazine "Real Estate Forum", a list of globally recognised real estate investors.

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

Non-Executive Directors

Oday Al Ibrahim, Vice Chairman
Mr Al Ibrahim joins Gatehouse Bank as a Non-Executive Board Member. Mr Al-Ibrahim has acquired 30 years' experience in the Middle East and European financial markets. He currently holds the position of Director, Head of European Equity at the Kuwait Investment Authority. Over the years he has acted in senior level positions managing KIA French equity chief responsibilities, as well as investment activity on behalf of the Kuwait Investment Office in London. Mr Al Ibrahim also holds several Board Director positions in Kuwait, Switzerland and London.

Mohamad Tawfik Al-Tahawy
Mr Al-Tahawy has previously worked as Assistant Managing Director - Corporate Finance, at The Securities House. During his employment with the company, he served in various capacities, including financial control, internal audit and corporate finance, in addition to being an active member in all committees of the company, including the executive, investment and credit, information systems, and human resources committees. He also supervised the company's direct investments and plays a key role in its strategic initiatives.

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

Craig Friedman
Mr Friedman was appointed as a Non-Executive Director on 31st December 2013. Mr Friedman joins the Board after more than 20 years of investment banking and investing experience within the U.S. commercial real estate market. Mr. Friedman is the founder of Arch Street Capital Advisors, LLC, a full-service real estate advisory firm based in Greenwich, CT, USA. Since 2003, Arch Street Capital Advisors has advised clients on more than $4 billion of acquisitions, dispositions and financings in the industrial, office, multifamily, residential condominium, student housing, single-family rental and health care sectors of the U.S. real estate market. Prior to founding Arch Street Capital Advisors, Mr. Friedman was an investment banker with Deutsche Bank's real estate investment banking group, based in NewYork.


Fahed Faisal Boodai


Mohamad Tawfik Al-Tahawy


Oday Al Ibrahim


Craig Friedman

Independent Non-Executive Directors

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

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

Jos Short, Chairman of Audit, Risk and Compliance Committee
Mr Short joins Gatehouse Bank as a Non-Executive Board Member, with 30 years experience in European investment banking and real-estate investment management businesses. Mr Short is currently Non-Executive Director at Great Portland Estates, and has previously held the same position at Big Yellow. In 2008 Mr Short founded company INTERNOS Global Investors, a Pan European property investment management business which now has €4 billion under management across several asset classes and countries within Europe.

Executive Director

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

Compliance with the UK Corporate Governance Code

Except as noted below, the Board considers that Gatehouse Bank plc has complied in all material respects with the principles set out in the 2012 UK Corporate Governance Code for the whole of the financial year ended 31st December 2013.

Lord Matthew Carrington

Stephen Smith

Jos Short

Aboo Twalha Dhunnoo

LEADERSHIP

Role of the Board

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

The Board has a schedule of matters reserved to the Board for decision. These include the adoption of strategic or business plans, major transactions, investment strategy, major treasury or financial decisions, significant borrowing, capital structure, issuance of equity or debt securities and approval of the annual report and financial statements.

The Board's agenda is determined against a pre-planned template to ensure than in addition to day-to-day matters, all relevant issues come to the Board for review at appropriate intervals.

Division of Responsibilities

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

Mr Boodai agreed to become the Acting Chief Executive Officer for the interim period, and Lord Carrington, agreed to take on the role of Chairperson of all Board meetings. This ensured the Bank continued to have a clear divide between the responsibilities of running of the board, and that of running the Bank's business.

The permanent Chief Executive Officer was appointed on 7th April 2014 and the Board reaffirmed the formal division of responsibilities between the Chairman and the Chief Executive Officer.

Composition of the Board

Since last reporting, there have been the following changes:

4th April 2013	Resignation of Mr Richard Thomas as Executive Director
9th May 2013	Resignation of Mr Brandon Davies as Independent Non-Executive Director
29th May 2013	Appointment of Mr Jonathan Ottley Short as Independent Non-Executive Director and Chairperson of Audit, Risk and Compliance Committee
13th June 2013	Appointment of Mr Stephen Smith as Independent Non-Executive Director and Chairperson of Business Strategy and Investment Committee.
31st Dec 2013	Appointment of Mr Craig Friedman as Non-Executive Director.

As at 31 December 2013, the Board compromised eight Directors; three Independent Non-Executive Directors ('Independent Directors'), three Non-Executive Directors and two Executive Directors (one Acting).

The appointments of Mr Short, Mr Smith and Mr Friedman arose after the Board identified a need for a number of new Directors to supplement the real estate, strategy and risk experience on the Board. The three Board additions bring further industry expertise across the strategic regions and are a part of the fundamental transformations in the evolution of Gatehouse Bank plc into a mature bank.

The Board does not anticipate further substantial changes in size in the foreseeable future although the exact number of Directors may rise or fall slightly in line with the normal process of Board development and succession planning. The Board is sufficient in size to reflect a broad range of views, whilst allowing all Directors to participate effectively.

Independence of Directors

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

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

Approved conflicts of interest policy

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

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

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

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

Training and Professional Development

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

The Board receives regular refresher training and information sessions throughout the year to address current business or emerging issues. In 2013, this training included Dignity at Work and Regulatory Requirements Update.

Information and Support

The Company Secretary is responsible for ensuring the Directors receive information for Board meetings at least seven days in advance and for facilitating communication flow between the Board and senior management.

Management regularly provides to the Board information necessary to enable the Board to perform its duties; that information is provided principally in regular reports covering key performance indicators and in comprehensive meeting papers. Further information is obtained by the Board from the Executive Directors and from other senior executives of the Bank.

Chairman Office Meetings are held monthly where the senior management report to the Directors on key business developments. In addition, senior management are invited to present to the Board at the Business Strategy and Investment Committee on a quarterly basis.

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

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

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

Evaluation

The Board regularly undertakes an evaluation of its own performance and that of its committees. This includes a self-appraisal of the terms of references of the Board and its committees and a review of the quality, content and frequency of information being provided to the Board and Board committees by the Bank. These processes focus on the roles and responsibilities of the Board and its committees, Board procedures and the information provided to the Board.

Appointment,

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

The time commitment expected of the Non-Executive Directors is clearly stated in the Job Specification and individual Letters of Appointment.

Election and Re-Election of Directors

Following the provisions in the Articles of Association, all directors who have been appointed by the Board, rather than at a General Meeting, must stand for re-election at the first Annual General Meeting following their appointment and, subsequently every three years.

AUTHORITY AND DELEGATION

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

Board Authority

The Board is responsible for the leadership, strategic direction, prudential control and long-term performance of the Bank.

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

Delegated Executive Authority

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

The Executive Committee meets monthly to scrutinise items of key business and has established a number of sub-committees which assist it in its work.

Role of the Board Committees

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

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

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

The Committees Chairpersons report to the Board on the activities of the Committee at each board meeting.

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

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

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

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

REMUNERATION

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

RELATIONS WITH SHAREHOLDERS

The Bank is committed to ongoing dialogue with its shareholders. The Company Secretary is responsible for the communication of quarterly and full year results to the shareholders.

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

Constructive use of AGM

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


14
GATEHOUSE BANK

05 Strategic Report

Cautionary Statement

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

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

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

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

The Strategic Report discusses the following areas:

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

The Business Model

Gatehouse Bank plc is a Wholesale Shariah Compliant Investment bank based in the city of London, authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. The Bank has a significant interest in Gatehouse Capital, an investment advisory firm incorporated in Kuwait and regulated by the Capital Markets Authority. The Bank has a presence in the South East Asia region through a Representative Office in Malaysia.

The Bank aims to be a leader in the Islamic Finance Sector by striving to secure the long terms preservation of wealth for the shareholders and for the institutional and high net-worth clients by providing Real Estate investment and financing solutions, Fixed Income products, Treasury products and services and superior customer service.

Financial Results

The financial statements for the year ended 31 December 2013 are shown on pages 34 to 69. The consolidated profit before tax for the year amounted to £4,032,479 (2012; £2,444,461) and the company only profit before tax for the year amounted to £3,699,970 (2012: profit of £2,165,257). The Chief Executive Officer's and Chairman's statement provides a review of business over the reporting period and highlights certain key performance indicators of the Bank.

Future Developments

Launch of West End Office

With the aim of creating a premier wealth management business and an enhanced client experience, the Bank will be launching a Client Investment Office in the prestigious Mayfair area of London. The Client Investment Office will meet the expectations of the client by allowing them to engage with the Bank to set out their investment strategy and to increase their allotment of investments in Gatehouse Bank products & services.

The prestigious location of this flagship office, as well as its close proximity to areas occupied throughout the year by investors from the GCC and South East Asia will attract a new client base.

UK Retail Deposit Initiative

As part of the Bank's plans to grow the balance sheet and to diversify funding sources, the Bank will be looking to launch an internet based UK retail deposit product which will be outsourced via a reputable provider. The initiative will allow the Bank to tap in to the lucrative deposit market allowing the Bank greater access to different maturities to ensure matched funding of assets with more competitive rates compared to other potential funding.

Strategy and Objectives

The Banks business lines can be further analysed as follows:

Wealth Management

The Wealth Management team is responsible for delivery of customer service excellence. The Wealth Management professionals provide thoughtful and customised wealth management solutions to clients with the objective of securing long-term partnership to maximise growth for the Bank and the client. The goal of Wealth Management is to provide existing and new client base tactical asset allocation in sukuk portfolios, deposits, and real-estate and deliver outstanding customer service.

Structured Finance

The Structured Finance team is responsible for providing innovative solutions and structuring for real estate financing needs by providing tailor made Shariah compliant solutions. Structured Finance is a new addition to the Bank's business activities responsible for the origination, structuring, securitisation and execution of Sukuk, secured primarily against income producing real estate assets

05 Strategic Report Cont.

Real Estate Investments

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

Real Estate Finance

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

Treasury

The Treasury team's primary function is to ensure that the balance sheet remains robust and profitable through prudent and efficient management of liquidity by using the short and medium term money markets and FX. They also manage investments in fixed income Sukuk and listed equities.

Shariah Advisory

Shariah Advisory assists in the review and structuring process on each transaction to ensure full Shariah compliance. The team also provides external advisory consultancy services.

Principal Risks and Uncertainties

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

Corporate Social Responsibility

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

Ethical investing

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

Sometimes Gatehouse Bank receives an element of non-permissible income under Shariah principles during the normal course of business. The Bank is not entitled to this income and as such this is purified and distributed to various charities that work on humanitarian, social and educational sectors under the supervision of the Shariah Supervisory Board of the Bank.

Community-based Initiatives

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

During 2014, Gatehouse Bank continued to work in partnership with Mosaic, a charity founded by HRH The Prince of Wales, to supply volunteer mentors to work with secondary education pupils at local schools. Gatehouse Bank's employees are encouraged to invest time to support children from under-privileged and ethnic-minority communities.

Sustainability

Gatehouse encourages all staff to minimise any harmful effects on the environment.

This culture is supported via staff policies and procedures.

Gatehouse Bank strives to be sustainable through our recycling policy, plus the Bank aims to become a 'paperless' bank, reducing the amount of paper required.

In addition, the Bank's offices feature motion sensitive lighting to reduce power consumption.

We endeavour to do our bit for the environment in any way we can.

Going Concern

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

Approval

This report was approved by the board of Directors on 8th April 2014 and signed on its behalf by:

Aboo Twalha Dhunoo

Company Secretary

06 Shariah Supervisory Board Report

بسم الله الرحمن الرحيم

To the Shareholders of Gatehouse Bank plc

Assalaam A'laikum Wa Rahmat Allah Wa Barakatuh

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

We have reviewed the transaction documents that the Bank has entered into including agreements signed with third parties for the purpose of obtaining their services in order to facilitate the proper operation of the Bank. This report relates to the period from 1 January 2013 to 31 December 2013.

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

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

Supervision

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

Bank's Contracts

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

Shariah Audit

The SSB has carried out a full and comprehensive Shariah Audit of the Bank's business activities for the period from 1 January 2013 to 31 December 2013. The Shariah audit included (i) a review of all transaction documents executed by various departments of the Bank; and (ii) an audit of all business related expenses incurred by employees of the Bank. The SSB identified some minor discrepancies in its findings in relation to business expenses, which the Bank has addressed through further internal controls and systems. In all material respects, the SSB found all matters of the Bank to be in compliance with the principles of Shariah and thanks the management of the Bank for adhering to the principles of Shariah.

Balance Sheet

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

Zakaat

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

Conclusions

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

In our opinion, the contracts and agreements, transactions and dealings entered into by the Bank during the year ended 31 December 2013 are in compliance with the Islamic principles of Shariah.

8th April 2014

Members of the Shariah Supervisory Board

Mufti Muhammad Nurullah Shikder
Chairman of the SSB

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

Sheikh Dr Esam Khalaf Al Enezi
Member of the SSB

07 Directors' Report

The Directors present their annual report on the affairs of the group, together with the financial statements and auditor's report, for the year ended 31 December 2013. The Corporate Governance Statement set out on pages 15 to 19 forms part of this report.

There are no significant events since the balance sheet date affecting the financial statements. An indication of likely future developments in the business of the company are included in the strategic report.

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

Dividend

No dividends were paid during the year (2012: £nil). The Directors do not recommend a final dividend on ordinary shares to be paid in respect of the year (2012: £nil).

Directors and Directors' Interests in Shares

The names of the Directors and Company Secretary at the date of this report are shown on page 7. Of the Directors who held office at the end of the financial year, Fahed Boodai has a beneficial interest in 100 ordinary shares of the Bank.

Stephen Smith was appointed on 13 June 2013, Jonathan Short was appointed on 29 May 2013 and Craig Friedman was appointed on 31 December 2013. The remaining directors served for the entire year.

Directors' Indemnities

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

Employee Consultation

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

Policy on Payment of Creditors

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

Auditor

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

Political Contributions and Charitable Donations

The Bank made no political contributions (2012: £nil) and £50,750 (2012: £22,820) of charitable donations during the year. The Board has agreed to purify an additional £22,954 through charitable donations in 2014.

Zakaat

The Bank calculates the Zakaat on behalf of its shareholders according to the Shariah rules approved by the Shariah Supervisory Board. Zakaat calculated for the year ended 31 December 2013 is 0.0162 pence per ordinary share of 1 pence each (2012: 0.0183 pence per ordinary share of 1 pence each). The responsibility for payment of Zakaat lies with the shareholders of the Bank and not the Bank itself.

Directors' Statement as to Disclosure of Information to Auditor

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

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

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

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

Aboo Twalha Dhunoo
Company Secretary

8th April 2014

08 Directors' Responsibilities

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

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

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

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

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

Directors' Responsibility Statement

We confirm that to the best of our knowledge:

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

By order of the Board

Aboo Twalha Dhunnoo
Chief Financial Officer

8th April 2014

"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."


ANNO · VICTORIAE · R · VIII

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

We have audited the financial statements of Gatehouse Bank plc ("the company") for the year ended 31 December 2013 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Financial Position, the Consolidated and Company Statements of Cash Flows, the Consolidated and Company Statements of Changes in Equity and the related notes 1 to 33. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

Respective responsibilities of Directors and auditor

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2013 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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

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

Chartered Accountants and Statutory Auditor

London, United Kingdom

14th April 2014

10 Consolidated Income Statement

For the Year Ended 31 December 2013

	Notes	Year ended 31 December 2013 £	Year ended 31 December 2012 £
Income			
Income from investment and financing activities	3	6,537,131	5,134,362
Returns to financial institutions and customers		(725,029)	(713,115)
Fees and commission income		2,813,311	9,206,349
Fees and commission expense		(305,270)	(884,280)
Foreign exchange gains/(losses)	4	517,557	(203,766)
Realised gains on investments		3,642,171	494,907
Other income		335,397	293,496
Total operating income		**12,815,268**	**13,327,954**
Expenses			
Staff costs	5	(4,857,664)	(4,233,459)
Depreciation and amortisation	19 & 20	(258,289)	(401,689)
Other operating expenses	6	(4,191,708)	(4,341,919)
Total operating expenses		**(9,307,661)**	**(8,977,067)**
Operating profit		**3,507,607**	**4,350,887**
Share of profit of associate		1,017,594	434,298
Net ijara profit		93,987	69,043
Impairment losses	7	(586,709)	(2,409,767)
Profit before tax	8	**4,032,479**	**2,444,461**
Tax	9	-	-
Profit for the year from continuing operations		**4,032,479**	**2,444,461**
Earnings per share			
Basic	10	0.03 pence	0.02 pence
Diluted	10	0.02 pence	0.02 pence
Earnings per share from continuing operations			
Basic	10	0.03 pence	0.02 pence
Diluted	10	0.02 pence	0.02 pence

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

11 Consolidated Statement of Comprehensive Income

For the Year Ended 31 December 2013

	Year ended 31 December 2013 £	Year ended 31 December 2012 £
Profit for the year	**4,032,479**	**2,444,461**
Other comprehensive (loss)/income		
(Loss)/Gain on available-for-sale financial assets	(2,032,940)	717,347
Foreign currency losses from associate investments	(285,168)	-
Other comprehensive (loss)/profit for the year	**(2,318,108)**	**717,347**
Comprehensive profit for the year	**1,714,371**	**3,161,808**

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

12 Consolidated Statement of Financial Position

Company No. 06260053

As at 31 December 2013

	Notes	31 December 2013 £	31 December 2012 £
Assets			
Cash and balances with banks		13,082,623	13,487,445
Due from financial institutions	12	79,627,205	71,611,575
Financing arrangements	13	35,690,704	33,656,046
Available-for-sale investments	14	57,781,626	62,465,953
Ijara receivable	16	9,756,679	9,900,160
Investment in associate	15	10,756,207	10,433,321
Fair value of foreign exchange agreements	18	41,898	125,159
Intangible assets	19	251,022	109,187
Property, Plant and Equipment	20	14,203,881	696,645
Other assets	21	2,946,559	2,734,589
Total assets		**224,138,404**	**205,220,080**
Liabilities			
Due to financial institutions	22	96,536,391	64,516,455
Due to customers	23	2,760,388	17,313,009
Ijara payable	16	2,956,679	3,000,160
Other liabilities	24	2,728,723	2,948,605
Total liabilities		**104,982,181**	**87,778,229**
Net assets		**119,156,223**	**117,441,851**
Shareholders' equity			
Share capital	29	158,000,001	158,000,001
Own shares	30	(8,942,160)	(8,942,160)
Foreign currency translation reserve		(285,168)	-
Available for sale reserve		(1,395,440)	637,500
Retained deficits		(28,221,011)	(32,253,490)
Equity attributable to the Bank's equity holders and total equity		**119,156,223**	**117,441,851**

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

The financial statements were approved by the Board of Directors and authorised for issue on the 8th April 2014.
They were signed on its behalf by:

Fahed Boodai
Acting Chief Executive Officer

Aboo Twalha Dhunnoo
Chief Financial Officer

13 Consolidated Statement of Changes in Equity

For the Year Ended 31 December 2013

	Share capital	Own Shares	Available-for-Sale reserve	Foreign currency translation reserve	Retained deficit	Total
	£	£	£	£	£	£
Balance at 1 January 2012	158,000,001	(7,951,200)	(79,847)	-	(34,764,914)	115,204,040
Reciprocal holdings	-	(991,460)	-	-	-	(991,460)
Partly paid up share capital	-	500	-	-	-	500
Unrealised gain on un-quoted securities	-	-	717,347	-	-	717,347
Foreign currency gains from associate investments	-	-	-	-	47,170	47,170
Charges for share awards	-	-	-	-	19,793	19,793
Profit for the year	-	-	-	-	2,444,461	2,444,461
Balance at 31 December 2012	**158,000,001**	**(8,942,160)**	**637,500**	**-**	**(32,253,490)**	**117,441,851**
Balance at 1 January 2013	158,000,001	(8,942,160)	637,500	-	(32,253,490)	117,441,851
Unrealised loss on available-for-sale investments	-	-	(2,032,940)	-	-	(2,032,940)
Foreign currency loss from associate investments	-	-	-	(285,168)	-	(285,168)
Profit for the year	-	-	-	-	4,032,479	4,032,479
Balance at 31 December 2013	**158,000,001**	**(8,942,160)**	**(1,395,440)**	**(285,168)**	**(28,221,011)**	**119,156,223**

14 Consolidated Statement of Cash Flows

Company No. 06260053

For the Year Ended 31 December 2013

	Year ended 31 December 2013 £	**Year ended 31 December 2012 £**
Cash flows from operating activities		
Operating profit on ordinary activities before tax	4,032,479	2,444,461
Adjusted for:		
Impairment of investments	586,709	2,409,767
Share of operating profit of associate	(1,017,594)	(434,298)
Fair value movement of foreign exchange agreements	83,261	(110,823)
Depreciation and amortisation	258,289	401,689
Charges for share awards	-	19,793
Trading income (realised/un-realised)	(3,642,171)	(494,907)
Income from investment activities	(5,954,990)	(5,134,362)
Returns to financial institutions and customers	725,029	713,115
Net increase in other assets	(22,348)	(250,169)
Net (decrease)/increase in other liabilities	(194,450)	1,007,097
Net cash (outflow)/inflow from operating activities	**(5,145,786)**	**571,363**
Cash flow from investing activities		
Net (increase)/decrease in financial assets:		
Available-for-sale investments	(880,860)	(38,272,043)
Investment in associate	(574,195)	(10,943,312)
Financing arrangements	(1,963,634)	(18,642,385)
Due from financial institutions	(8,035,998)	42,816,961
Ijara	102,216	(6,900,000)
Amounts paid to sukuk holders	(155,250)	6,993,577
Income from investment activities	3,440,610	3,620,811
Dividends received	2,986,724	1,392,684
Purchase of property, plant and equipment	(13,700,878)	(57,097)
Purchase of intangible assets	(206,480)	(24,000)
Net cash outflow from investing activities	**(18,987,745)**	**(20,014,804)**
Cash flows from financing activities		
Proceeds from financing arrangements	24,432,409	28,320,060
Profit paid in respect of financing arrangements	(703,700)	(593,720)
Net proceeds from issue of share capital	-	500
Net cash inflow from financing activities	**23,728,709**	**27,726,840**
Net (outflow)/inflow in cash and cash equivalents	**(404,822)**	**8,283,399**
Cash and cash equivalents at the beginning of the year	13,487,445	5,204,046
Cash and cash equivalents at the end of the year	**13,082,623**	**13,487,445**

Company No. 06260053

15 Company Statement of Financial Position

As at 31 December 2013

	Notes	31 December 2013 £	31 December 2012 £
Assets			
Cash and balances with banks		12,929,014	13,286,336
Due from financial institutions	12	79,627,205	71,611,575
Financing arrangements	13	42,868,814	33,835,546
Available-for-sale investments	14	64,681,626	62,465,953
Investment in subsidiary	16	5,338,200	-
Investment in associate	15	11,307,937	10,943,314
Fair value of foreign exchange agreements	18	41,898	125,159
Intangible assets	19	251,022	109,187
Plant and equipment	20	1,987,370	696,645
Other assets	21	2,709,984	2,792,282
Total assets		**221,743,070**	**195,865,997**
Liabilities			
Due to financial institutions	22	96,529,237	64,516,455
Due to customers	23	2,760,388	10,319,432
Other liabilities	24	2,679,477	2,923,173
Total liabilities		**101,969,102**	**77,759,060**
Net Assets		**119,773,968**	**118,106,937**
Shareholders' Equity			
Share capital	29	158,000,001	158,000,001
Own shares	30	(7,950,700)	(7,950,700)
Available for sale reserve		(1,395,439)	637,500
Retained deficits		(28,879,894)	(32,579,864)
Equity attributable to the Bank's equity holders and total equity		**119,773,968**	**118,106,937**

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

The financial statements were approved by the Board of Directors and authorised for issue on the 8th April 2014. They were signed on its behalf by:

Aboo Twalha Dhunnoo
Chief Financial Officer

16 Company Statement of Changes in Equity

For the Year Ended 31 December 2013

	Share Capital	Own Shares	Fair Value Reserve	Retained Deficit	Total
	£	£	£	£	£
Balance at 1 January 2012	158,000,001	(7,951,200)	(79,847)	(34,764,914)	115,204,040
Partly paid up share capital	-	500	-	-	500
Unrealised gain on un-quoted securities	-	-	717,347	-	717,347
Charges for share awards	-	-	-	19,793	19,793
Profit for the year	-	-	-	2,165,257	2,165,257
Balance at 31 December 2012	**158,000,001**	**(7,950,700)**	**637,500**	**(32,579,864)**	**118,106,937**
Balance at 1 January 2013	158,000,001	(7,950,700)	637,500	(32,579,864)	118,106,937
Unrealised loss on available for sale securities	-	-	(2,032,940)	-	(2,032,940)
Profit for the year	-	-	-	3,699,970	3,699,970
Balance at 31 December 2013	**158,000,001**	**(7,950,700)**	**(1,395,440)**	**(28,879,894)**	**119,773,967**

17 Company Statement of Cash Flows

For the Year Ended 31 December 2013

	Year ended 31 December 2013 £	Year ended 31 December 2012 £
Cash flows from operating activities		
Operating profit on ordinary activities before tax	3,699,970	2,165,257
Adjusted for:		
Provision for impairment of investments	586,709	2,238,586
Fair value movement of foreign exchange agreements	83,261	(110,823)
Depreciation and amortisation	258,289	401,689
Charges for share awards	-	19,793
Trading income	(3,642,170)	(257,180)
Dividends receivable	(2,986,724)	(1,448,884)
Income from investment activities	(3,742,431)	(3,797,893)
Returns to financial institutions and customers	725,029	713,115
Net increase/(decrease) in other assets	57,073	(307,863)
Net (decrease)/increase in other liabilities	(243,696)	981,665
Net cash (outflow)/inflow from operating activities	**(5,204,691)**	**597,462**
Cash flow from investing activities		
Net (increase)/decrease in financial assets:		
Available-for-sale investments	(6,219,060)	(38,338,589)
Investment in associate	(364,623)	(10,943,313)
Financing arrangements	(8,998,145)	(18,821,885)
Due from financial institutions	(8,035,998)	42,816,961
Income from investment activities	3,440,610	3,677,027
Dividends received	2,986,724	1,448,884
Proceeds on disposal of property, plant and equipment	-	-
Purchase of plant and equipment	(1,484,367)	(57,097)
Purchase of intangible assets	(206,480)	(24,000)
Net cash outflow from investing activities	**(18,881,339)**	**(20,242,012)**
Cash flows from financing activities		
Proceeds from financing arrangements	24,432,409	28,320,060
Profit paid in respect of financing arrangements	(703,700)	(593,720)
Net proceeds from issue of share capital	-	500
Net cash inflow from financing activities	**23,728,709**	**27,726,840**
Net (outflow)/inflow in cash and cash equivalents	**(357,321)**	**8,082,290**
Cash and cash equivalents at the beginning of the year	13,286,336	5,204,046
Cash and cash equivalents at the end of the year	**12,929,014**	**13,286,336**

18 Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2013

1. General Information

The Bank was incorporated as a public limited company in the United Kingdom on 25 May 2007 under the Companies Act 1985 and received authorisation from the Financial Services Authority (FSA) on 21 April 2008 to carry out regulated activities as a deposit-taking institution. The address of the registered office is given on page 7.

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

Name of new Standards/amendments	Effective date
IFRS9: Financial Instruments	No stated effective date
Amendments to IFRS 10, IFRS 12 and IAS 27:Investment Entities	1 January 2014
IAS 27: Separate Financial Statements	EU effective date 1 January 2014
Amendments to IAS 32: Offsetting financial assets and financial liabilities	1 January 2014
IFRIC 21: Levies	IASB effective date 1 January 2014
Amendments to IAS 36: Recoverable Amount Disclosures for Non-Financial Assets	1 January 2014
Amendments to IAS 39 : Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014

The Directors are currently considering the potential impact of the adoption of the aforementioned new standards/amendments on the financial statements of the Bank, but the Bank does not believe that the adoption in the future of the Standards above will have a material impact on the amounts reported in these financial statements, except for IFRS9: Financial Instruments which will change the classification and measurement of certain of the Bank's financial instruments.

Adoption of new and revised standards

The Group has applied IFRS 13 for the first time in the current year. IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of IFRS 13 is broad; the fair value measurement requirements of IFRS 13 apply to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of IFRS 2 Share-based Payment, leasing transactions that are within the scope of IAS 17 Leases, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under IFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, IFRS 13 includes extensive disclosure requirements. IFRS 13 requires prospective application from 1 January 2013.

In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the Standard in comparative information provided for periods before the initial application of the Standard. In accordance with these transitional provisions, the Group has not made any new disclosures required by IFRS 13 for the 2012 comparative period (please see note 33 for 2013 disclosures). Other than the additional disclosures, the application of IFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

2. Basis of preparation and significant accounting policies

Going concern

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

The Bank ensures it meets its capital and liquidity prudential limits and thresholds on a day to day basis by actively managing its cash, short-term treasury placements and longer dated exposures. This includes stress testing the impact of one or more events that may adversely affect the amount of regulatory capital and positive liquidity of the Bank. The Directors monitor the likelihood of such a stress event or combination of events happening on a forward looking basis regularly and take such preventive and detective actions as appropriate to ensure any stress event or events and their impact is mitigated on a timely basis. The Bank's forecasts and projections take account of possible changes in future conditions and performance and the maintenance of planned capital and liquidity resources above the regulatory base requirements for the foreseeable future. All through 2013, the Bank operated comfortably within its regulatory capital and liquidity requirements.

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

Basis of accounting

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

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

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

Basis of Consolidation

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

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

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

Foreign currencies

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

Income from investment activities and Income recognition

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

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

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

Returns to financial institutions

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

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

Fees and commissions

Fees and commissions are recognised on an accruals basis as the service is provided. Fees and commissions not recognised on an effective yield basis arising from negotiating transactions for third parties, such as the acquisition of securities or the purchase or sale of other assets, are recognised on completion of the underlying transaction. Management advisory and service fees are recognised based on applicable service contracts or over the period the service is provided.

Financial Assets and Liabilities

Investment in associate

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

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

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

Ijara

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

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

Available-for-sale investments

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

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

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

Provision for impairment of financial assets

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

Foreign exchange agreements

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

Cash and balances with banks

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

Property, Plant and Equipment

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

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

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

Intangible assets

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

Impairment of non-financial assets

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

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

Taxation

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

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

Operating leases

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

Pension costs

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

Segmental reporting

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

3. Income from investment activities

	2013	2012
	£	£
Due from financial institutions	1,983,831	2,652,264
Financing arrangements	880,951	179,222
Sukuk investments	685,625	853,992
Other available-for-sale investments	2,986,724	1,448,884
	6,537,131	5,134,362

4. Foreign exchange gains and losses

	2013	2012
	£	£
Net gains/(losses) on translation of balances denominated in foreign currency	475,658	(328,925)
Net gains on translation of forward foreign exchange agreements	41,899	125,159
Net gains/(losses) in foreign exchange	517,557	(203,766)

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

	2013	2012
	£	£
Staff Costs		
Directors' salaries and fees	987,194	759,247
Directors' pensions	30,975	56,646
Staff salaries	2,615,520	2,453,944
Staff pension contributions	312,408	243,312
Social security costs	434,089	360,743
Other staff costs	477,478	359,567
	4,857,664	4,233,459
Directors' salaries and fees		
Emoluments	987,194	759,247
Pension contributions	30,975	56,646
	1,018,169	815,893
Highest paid director		
Emoluments	194,027	219,000
Pension contribution	19,125	38,000
	213,152	257,000

	2013	2012
	No	No
Number of employees at year end	44	38
Average number of employees	43	35

Employee incentive plan

The bank operates an equity-based Employee Incentive Plan, jointly with the Employee Benefit Trust (EBT). Under the rules of the Plan, the Bank can, from time to time, grant nil-paid issued shares, to employees of the Bank on a joint ownership basis with the Trustee of the Employee Benefit Trust . A nominal amount is paid on each grant date to ensure consideration passed for the legal contract with the remaining consideration deferred until the shares are sold at a future date. The shares are restricted from being sold until the earlier of one year post listing of the Bank or 31 December 2012. During 2013, no ordinary shares (2012: nil) were granted. The shares issued to employees are treated as equity-settled share-based payment in compliance with *IFRS 2 Share-based Payment*.

The fair value of the shares granted in the prior years measured at the date of the grant using the Black Scholes model is being amortised over the 3-year vesting period on a straight line basis. This gave rise to a charge in the income statement of nil this year (2012: £19,793).

At 31 December 2013, shares granted under the EIP and allocated to employees amounted to 633,000,000 (2012: 633,000,000) ordinary shares of 1 pence each. The following reconciles the number of EIP shares at the beginning and end of the year:

	2013		2012	
	Number of Shares	Weighted average exercise price (p)	Number of Shares	Weighted average exercise price (p)
Balance at beginning of year	633,000,000	1.00	638,000,000	1.00
Granted during the year	-	1.00		1.00
Forfeited during the year	-	1.00	(5,000,000)	1.00
Balance at end of year	633,000,000	1.00	633,000,000	1.00

6. Other operating expenses

	2013	2012
	£	£
Rent and other occupancy costs	656,260	637,860
Consultancy	942,107	478,806
Legal and professional fees	678,319	2,031,249
Recruitment costs	365,518	45,981
IT and communication costs	436,865	418,962
Advertising and marketing	163,480	138,692
Shariah Supervisory Board fees and expenses	60,223	61,311
Other operating charges	888,936	529,058
	4,191,708	4,341,919

7. Impairment losses

	2013	2012
	£	£
Financial assets	312,290	945,863
Available for sale assets	373,738	1,292,723
Impairment reversal	(99,319)	-
Ijara	-	171,181
	586,709	2,409,767

An amount of £99,319 was released in the year relating to the reversal of impairment previously taken on a real estate asset which was recovered when sold.

Notes 13 and 14 reflect the impact of these impairments to the statement of financial position.

8. Profit before tax

	2013	2012
Profit before tax is stated after charging:	£	£
Net foreign exchange (gains) /losses	(517,557)	203,766
Auditor's remuneration	91,335	77,000
Rentals paid under operating leases: premises	191,039	408,698
Depreciation and amortisation	258,289	401,689

	2013	2012
Auditor's remuneration can be analysed as follows:	£	£
Audit of the Bank's accounts	70,000	60,000
Other services:		
Tax advisory services	14,835	7,000
Other Services	6,500	10,000
	91,335	77,000

9. Taxation

The tax expense in the income statement for the period was £nil (2012: £nil). The tax expense can be reconciled to the loss per the income statement as follows:

	2013	2012
	£	£
Consolidated profit before tax from continuing operations	4,032,479	2,444,461
	4,032,479	2,444,461

Tax at the UK corporation tax rate of 23.5% (2012: 24.5%)	(937,413)	(598,726)
Effects of:		
Effect of results from Associates and subsidiaries	78,140	68,405
Income/(expenses) not deductible for tax purposes	(35,206)	(21,305)
Tax losses utilised but previously not recognised	894,479	551,626
Tax charge in the consolidated income statement	-	-

The Finance Act 2013 reduced the UK corporation tax rate from 23% to 21% with effect from 1 April 2014, and to 20% with effect from 1 April 2015. The reduction was substantively enacted on 2 July 2013. As this change in rate was substantively enacted prior to 31 December 2013, it has been reflected in the unrecognised deferred tax asset at 31 December 2013. The unrecognised deferred tax asset is calculated at 20% (2012: 23%) and can be analysed as follows:

	2013	2012
	£	£
Tax losses not utilised	(4,861,406)	(7,704,735)
Accelerated tax depreciation	(277,377)	(85,522)
Unrecognised deferred tax asset	(5,138,783)	(7,790,257)

10. Earnings per share

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

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

	Number of shares	
	2013	2012
Weighted average number of ordinary shares outstanding	15,000,000,100	15,000,000,100
Weighted average number of dilutive potential ordinary shares	800,000,000	800,000,000
Weighted average number of ordinary shares assuming dilution	15,800,000,100	15,800,000,100

11. Profit attributable to equity shareholders of the Bank

£3,699,970 of the company profit for the financial year (2012 - profit of £2,165,257) has been dealt with in the accounts of the Bank.

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

12. Due from financial institutions

Group and company

	Avg. Yield	2013	Avg. Yield	2012
		£		£
Treasury placements	0.81%	79,627,205	0.73%	71,611,575

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

13. Financing arrangements

Group

	Avg. Yield	2013	Avg. Yield	2012
		£		£
Finance receivables		41,881,353		39,646,511
Provision for impairment		(6,190,649)		(5,990,465)
	5.01%	35,690,704	7.09%	33,656,046

Company

	Avg. Yield	2013	Avg. Yield	2012
		£		£
Finance receivables		49,059,463		39,826,011
Provision for impairment		(6,190,649)		(5,990,465)
	5.77%	42,868,814	7.06%	33,835,546

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

Included within the company finance receivables is an intercompany wakala of £7,063,110 with GHB Properties and an intercompany Murabaha of £143,599 with Milestone 002 PC.

In 2010, a cumulative impairment provision of 80% of the principal amount of a syndicated Murabaha facility of $10,250,000 was made in accordance with the Bank's policy on impairment. This impairment provision was increased by an additional 15% in 2012 and fully impaired in 2013. This resulted in a charge $512,500 (2012: £312,290) to the income statement in 2013.

14. Available-for-sale investments

Group

	Avg. Yield	2013	Avg. Yield	2012
		£		£
Quoted Sukuk		17,057,948		24,003,251
Unquoted Equity securities		26,333,832		27,052,655
Unquoted funds		1,398,258		1,153,008
Quoted Equity securities		12,991,588		10,257,039
	3.44%	57,781,626	4.85%	62,465,953

Company

	Avg. Yield	2013	Avg. Yield	2012
		£		£
Quoted Sukuk		23,957,948		24,003,251
Unquoted Equity securities		26,333,832		27,052,655
Unquoted funds		1,398,258		1,153,008
Quoted Equity securities		12,991,588		10,257,039
	3.44%	64,681,626	4.85%	62,465,953

Investments in unquoted equity securities and Sukuks are measured in line with the guidance in IAS 39 Financial Instruments: Recognition and Measurement.

Included within the company available-for-sale investments is an inter-company sukuk of £6,900,000 with Milestone 002 PC.

Unquoted Equity securities are stated net of an impairment provision of £373,738 (2012: £1,292,723).

15. Investment in associate

The Bank has one associate, Gatehouse Capital - Economic and Financial Consultancy K.S.C.C ("Gatehouse Capital") (formally Global Securities House), where the Bank acquired 35.6% of the equity shares in 2012 and therefore has significant influence over the associate as it holds over 20% of the voting rights.

Foreign currency losses from associate investments of £285,168 during the period have been recorded in reserves.

The consolidated statement of financial position reflects an investment in associates of £10,756,207, which comprises an adjustment of £991,460 relating to a reciprocal holding in Gatehouse Bank and a share of profits for the year ended 31 December 2013 of £1,017,594

Associate	**2013** **£**
Aggregated amounts relating to associates	
Total assets	25,865,246
Total liabilities	(1,586,956)
Net assets	24,278,290
Group's share of net assets of associates (35.6%)	8,626,171
Total revenue	5,788,004
Profit	2,858,409
Share of profit of Associate	1,017,594

Details of the Bank's associate at 31 December 2013 are as follows:

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

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

16. Investment in subsidiaries

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

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

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

17. Disclosure of interests in other entities

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

The Bank also has investments in a number of US property Special Purpose Vehicles (SPVs) which are included in available for sale assets. Gatehouse Capital K.S.C.C., the Bank's associate, sponsors the SPVs and provides investment management services to them. None of the SPVs are consolidated by the Bank as the Bank holds only a small percentage of the participating shares and has no involvement in the investment management or control of the SPVs.

The Bank's total investment in property SPVs is £33 million which is included in available for sale assets. The Bank has also provided funding through fixed term Murabaha contracts as bridge financing to these SPVs totalling £10.5million. The Bank's maximum exposure to loss relating to these SPVs is equal to the investment in the SPVs. The primary risk to which the Bank is exposed is the risk of changes in the valuation of the Bank's investment in the SPV due to changes in the valuation of the property held by each SPV or changes in the cash flows generated by the property.

18. Fair value of foreign exchange agreements

	Assets	Liabilities	Notional amount
	£	**£**	**£**
2013			
Maturing in 0-3 months	41,898	-	11,429,536
Maturing in 3-6 months	-	-	-
2012			
Maturing in 0-3 months	125,159	-	18,615,100
Maturing in 3-6 months	-	-	-

The Bank uses foreign currency agreements for matching currency exposures.

19. Intangible assets

	Software costs and licence fees
Group and Company	**£**
Cost	
At 1 January 2013	1,126,225
Additions	206,480
Disposals	-
At 31 December 2013	1,332,705
Amortisation	
At 1 January 2013	1,017,038
Charge for the period	64,645
On disposal	-
At 31 December 2013	1,081,683
Net book value	
At 31 December 2012	109,187
At 31 December 2013	251,022

20. Plant and equipment

Group	Property	Computer equipment	Fixtures and fittings	Leasehold improvement	Total
	£	£	£	£	£
Cost					
At 1 January 2013	-	405,939	39,095	1,019,675	1,464,709
Additions	12,216,511	140,153	6,286	1,337,931	13,700,881
Disposals	-	-	-	-	-
At 31 December 2013	12,216,511	546,092	45,381	2,357,606	15,165,590
Depreciation					
At 1 January 2013	-	404,388	36,767	326,909	768,064
Charge for the period	-	4,715	1,270	187,659	193,644
On disposal	-	-	-	-	-
At 31 December 2013	-	409,103	38,037	514,568	961,708
Net book value					
At 31 December 2012	-	1,551	2,329	692,765	696,644
At 31 December 2013	12,216,511	136,989	7,344	1,843,038	14,203,882

Company	Computer equipment	Fixtures and fittings	Leasehold improvement	Total
	£	£	£	£
Cost				
At 1 January 2013	405,939	39,095	1,019,675	1,464,709
Additions	140,153	6,286	1,337,930	1,484,369
Disposals	-	-	-	-
At 31 December 2013	546,092	45,382	2,357,605	2,949,078
Depreciation				
At 1 January 2013	404,388	36,767	326,909	768,064
Charge for the period	4,715	1,270	187,659	193,644
On disposal	-	-	-	-
At 31 December 2013	409,102	38,037	514,567	961,708
Net book value				
At 31 December 2012	1,551	2,329	692,765	696,644
At 31 December 2013	136,990	7,345	1,843,035	1,987,370

21. Other assets

Group	**2013**	**2012**
	£	**£**
Other debtors	1,653,695	477,511
Prepayments	972,647	698,120
Accrued income receivable	320,217	1,558,958
	2,946,559	2,734,589

Company	**2013**	**2012**
	£	**£**
Other debtors	1,437,281	477,511
Prepayments	932,047	698,120
Accrued income receivable	340,656	1,616,651
	2,709,984	2,792,282

22. Due to financial institutions

Group	Avg. Yield	**2013**	Avg. Yield	**2012**
		£		**£**
Treasury liabilities	1.26%	96,536,391	0.78%	64,516,455

Company	Avg. Yield	**2013**	Avg. Yield	**2012**
		£		**£**
Treasury liabilities	1.26%	96,529,237	0.78%	64,516,455

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

23. Due to customers

Group	Avg. Yield	**2013**	Avg. Yield	**2012**
		£		**£**
Treasury liabilities		2,760,388	0.69%	10,319,432
Due to Sukuk noteholders		-		6,993,577
	0.69%	2,760,388		17,313,009

Company	Avg. Yield	**2013**	Avg. Yield	**2012**
		£		**£**
Treasury liabilities	1.16%	2,760,388	1.16%	10,319,432

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

24. Other liabilities

Group	2013 £	2012 £
Trade creditors	563,600	675,304
Other taxes and social security costs	249,370	151,754
Deferred income	380,267	118,987
Other creditors	1,535,486	2,002,560
	2,728,723	2,948,605

Company	2013 £	2012 £
Trade creditors	563,599	675,304
Other taxes and social security costs	214,329	151,754
Deferred income	243,239	118,987
Other creditors	1,658,310	1,977,128
	2,679,477	2,923,173

25. Maturity analysis of financial assets and liabilities

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

Group

2013	Less than 12 months £	More than 12 months £	Total £
Assets			
Cash and balances with banks	13,082,623	-	13,082,623
Due from financial institutions	79,627,205	-	79,627,205
Financing arrangements	15,578,834	20,111,870	35,690,704
Available-for-sale investments	1,269,774	56,511,852	57,781,626
Ijara receivable	143,481	9,613,198	9,756,679
Investment in associate	-	10,756,207	10,756,207
Fair value of foreign exchange contracts	41,898	-	41,898
Total financial assets	**109,743,815**	**96,993,127**	**206,736,942**
Liabilities			
Due to financial institutions	88,277,911	8,258,480	96,536,391
Ijara payable	43,481	2,913,198	2,956,679
Due to customers	2,760,388	-	2,760,388
Total financial liabilities	**91,038,299**	**11,215,159**	**102,253,458**

Company

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

Group

2012	Less than 12 months	More than 12 months	Total
	£	£	£
Assets			
Cash and balances with banks	13,487,445	-	13,487,445
Due from financial institutions	71,611,575	-	71,611,575
Financing arrangements	20,040,178	13,615,868	33,656,046
Available-for-sale investments	-	62,465,953	62,465,953
Ijara receivable	-	9,900,160	9,900,160
Investment in associate	-	10,433,321	10,433,321
Fair value of foreign exchange contracts	125,159	-	125,159
Total financial assets	**105,264,357**	**96,415,302**	**201,679,659**
Liabilities			
Due to financial institutions	64,516,455	-	64,516,455
Ijara payable	-	3,000,160	3,000,160
Due to customers	10,319,432	6,993,577	17,313,009
Total financial liabilities	**74,835,887**	**9,993,737**	**84,829,624**

Company

2012	Less than 12 months	More than 12 months	Total
	£	£	£
Assets			
Cash and balances with banks	13,286,336	-	13,286,336
Due from financial institutions	71,611,575	-	71,611,575
Financing arrangements	20,040,178	13,795,368	33,835,546
Available-for-sale investments	-	62,465,953	62,465,953
Investment in associate	-	10,943,314	10,943,314
Fair value of foreign exchange contracts	125,159	-	125,159
Total financial assets	**105,063,248**	**87,204,635**	**192,267,883**
Liabilities			
Due to financial institutions	64,516,455	-	64,516,455
Due to customers	10,319,432	-	10,319,432
Total financial liabilities	**74,835,887**	**-**	**74,835,887**

26. Assets and liabilities in foreign currency

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

Group

	2013	2012
Assets	**£**	**£**
Denominated in Sterling	110,155,915	108,991,950
Denominated in other currencies	113,982,489	96,228,130
	224,138,404	205,220,080
Liabilities		
Denominated in Sterling	14,665,289	(4,673,698)
Denominated in other currencies	90,316,892	92,451,927
	104,982,181	**87,778,229**

Company

	2013	2012
Assets	**£**	**£**
Denominated in Sterling	107,760,581	100,037,867
Denominated in other currencies	113,982,489	95,828,130
	221,743,070	195,865,997
Liabilities		
Denominated in Sterling	11,652,209	(14,692,867)
Denominated in other currencies	90,316,893	92,451,927
	101,969,102	**87,778,229**

27. Pension commitments

The Bank provides a defined contribution pension scheme for all staff. The assets of the scheme are held separately from those of the Bank in independently administered funds. During the period, pension costs of £343,383 were charged to the income statement (2012: £299,958). The pension creditor outstanding at the balance sheet date amounted to £nil (2012: £nil).

28. Commitments under operating leases

Operating lease commitments

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

	2013	2012
	£	£
Within one year	608,124	557,260
One to five years	2,274,573	835,890
	2,882,697	1,393,150

Loan commitments

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

	2013	2012
	£	£
Within one year	2,415,742	-
One to five years	-	-
	2,415,742	-

29. Share capital

	2013	2012
Authorised:	£	£
22,500,000,000 ordinary shares of 1 pence each	225,000,000	225,000,000
Issued and paid :		
15,000,000,100 ordinary shares of 1 pence each	150,000,001	150,000,001
Issued and partly paid :		
Ordinary shares of 1 pence each paid up by 0.01 pence per share	4,930,000	4,930,000
Issued but not paid :		
Ordinary shares of 1 pence each	3,070,000	3,070,000
Total issued share capital	158,000,001	158,000,001

30. Own shares

The Own Shares reserve represents the cost of shares issued as part of the Bank's Employee Incentive Plan, held by the Bank Employee Benefit Trust on behalf of participating employees and the Trustee. 800,000,000 ordinary shares of £0.01 each (2012: 800,000,000 ordinary shares) were held by the Employee Benefit Trust at 31 December 2013 of which 493,000,000 were partly paid up to £0.0001 per share (2012: 493,000,000) by former Bank employees who had been members of the Bank's Employee Incentive Plan during their employment.

An amount of £991,460 (99,146,000 ordinary shares of £0.01 each) has been reflected in own shares relating to the reciprocal interest in Gatehouse Capital K.S.C.C.

31. Off balance sheet items

As at the year-end, the Bank reported £40,755 (2012: £368,567) of cash as an off balance sheet item. This cash balance relates to client money contractually held on behalf of third parties.

32. Related party transactions

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

	2013	2012
	£	£
The Securities House K.S.C.C.		
Finance receivables	21,354,398	13,299,126
Treasury liabilities	118,050,896	5,651,542
Gatehouse Capital K.S.C.C.		
Finance receivables	-	11,240,147
Treasury liabilities	25,336,767	927,477
Foreign exchange agreements	500,000	-
Kuwait Investment Authority		
Finance liabilities	298,648,578	30,759,766

Gatehouse Capital is a subsidiary of The Securities House K.S.C.C (the largest shareholder of the Bank) and Gatehouse Capital and the Bank have some common directors. In 2012, Gatehouse Bank acquired 35.6% of shares in Gatehouse Capital which is being treated as an associate. As part of the Dividend Adjustment agreement, the Bank transferred on 18th December 2013 £305,249 to The Securities House K.S.C.C and £33,988 to Fahed Boodai, as shareholders of Gatehouse Capital, from the total dividends declared on 25th July 2013 of £774,165. In addition to the above transactions, during the year, Gatehouse Capital provided management services of £296,706 (2012: £140,000).

During 2013, Rubicon Securities (where Stephen Smith is the Non-Executive Director) provided consultancy services to the Bank, of £46,258.

Kuwait Investment Authority is a shareholder of the Bank. Related party transactions have been detailed accordingly.

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

Included within:	2013	2012
Assets	£	£
The Securities House K.S.C.C.	12,398,461	-
Gatehouse Capital K.S.C.C.	631,721	-
Treasury liabilities		
The Securities House K.S.C.C.	1,708,148	2,412,537
Gatehouse Capital K.S.C.C.	1,543,561	313,800
Kuwait Investment Authority	48,294,597	30,788,475
Other liabilities		
Gatehouse Capital K.S.C.C.	9,440	-
D.risk.Biz.ltd/Rubicon Securities	18,562	6,500

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

33. Risk management

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

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

Credit Risk

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

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

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

A comprehensive control framework is in place. This incorporates:

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

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

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

Exposure

The table below shows the maximum exposure to credit risk for financial assets on the balance sheet at 31 December 2013:

	2013	2012
Group	**£**	**£**
Cash and balances with banks	13,082,623	13,487,445
Due from financial institutions	79,627,205	71,611,575
Financing arrangements	35,690,704	33,656,046
Available-for-sale investments	57,781,626	62,465,953
Ijara receivable	9,756,679	9,900,160
Investments in Associates	10,756,207	10,433,321
Fair value of foreign exchange agreements	41,898	125,159
	206,736,942	**201,679,659**

	2013	2012
Company	**£**	**£**
Cash and balances with banks	12,929,014	13,286,336
Due from financial institutions	79,627,205	71,611,575
Financing arrangements	42,868,814	33,835,546
Available-for-sale investments	64,681,626	62,465,953
Investment in subsidiary	5,338,200	-
Investments in Associates	11,307,937	10,943,313
Fair value of foreign exchange agreements	41,898	125,159
	216,794,694	**192,267,882**

As at 31 December 2013, a facility with a GCC based corporate has been fully impaired. There are no past due but not impaired exposures as at 31 December 2013.

Geographical region

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

Group

	2013	**2012**
	£	**£**
GCC countries	75,861,835	75,678,863
Bahrain	*12,887,888*	*20,316,176*
Kuwait	*53,340,723*	*32,456,113*
Saudi Arabia	-	*3,950,372*
UAE	*5,000,438*	*2,637,156*
Qatar	*4,632,786*	*16,319,046*
Jersey	38,209,225	22,025,871
Europe	61,551,922	51,372,800
USA	28,179,980	46,235,575
Asia	-	6,365,518
Australia	2,933,980	1,032
	206,736,942	**201,679,659**

Company

	2013	**2012**
	£	**£**
GCC countries	76,413,566	76,188,855
Bahrain	*12,887,888*	*20,316,176*
Kuwait	*53,892,453*	*32,966,105*
Saudi Arabia	-	*3,950,372*
UAE	*5,000,438*	*2,637,156*
Qatar	*4,632,786*	*16,319,046*
Jersey	47,716,245	12,104,102
Europe	61,551,922	51,372,800
USA	28,179,980	46,235,575
Asia	-	6,365,518
Australia	2,933,980	1,032
	216,794,694	**192,267,882**

Gatehouse has no exposure to Euro zone sovereign debt exposures.

Credit quality

The table below shows the credit quality of financial assets on the balance sheet at 31 December 2013, based on the Bank's credit rating system:

Group

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

Company

2013	**Investment grade**	**Non-investment grade**	**Non-rated**	**Total**
	£	**£**	**£**	**£**
Assets				
Cash and balances with banks	12,406,068	-	522,946	12,929,014
Due from financial institutions	42,234,806	12,752,921	24,639,478	79,627,205
Financing arrangements	-	-	42,868,814	42,868,814
Available-for-sale investments	16,882,934	2,929,762	50,207,130	70,019,826
Investment in associate	-	-	11,307,937	11,307,937
Fair value of foreign exchange agreements	-	-	41,898	41,898
Total assets	**71,520,905**	**15,682,683**	**129,561,338**	**216,794,694**

Group

2012	**Investment grade**	**Non-investment grade**	**Non-rated**	**Total**
	£	**£**	**£**	**£**
Assets				
Cash and balances with banks	12,674,320	-	813,125	13,487,445
Due from financial institutions	50,419,038	-	21,192,537	71,611,575
Financing arrangements	-	-	33,656,046	33,656,046
Available-for-sale investments	31,179,552	3,080,738	28,205,663	62,465,953
Ijara receivable	-	-	9,900,160	9,900,160
Investment in associate	-	-	10,433,321	10,433,321
Fair value of foreign exchange agreements	124,023	-	1,136	125,159
Total assets	**94,396,933**	**3,080,738**	**104,201,988**	**201,679,659**

Company

2012	**Investment grade**	**Non-investment grade**	**Non-rated**	**Total**
	£	**£**	**£**	**£**
Assets				
Cash and balances with banks	12,473,211	-	813,125	13,286,336
Due from financial institutions	50,419,038	-	21,192,537	71,611,575
Financing arrangements	-	-	33,835,546	33,835,546
Available-for-sale investments	31,179,552	3,080,738	28,205,663	62,465,953
Investment in associate	-	-	10,943,313	10,943,313
Fair value of foreign exchange agreements	124,023	-	1,136	125,159
Total assets	**94,195,824**	**3,080,738**	**94,991,320**	**192,267,882**

Liquidity risk

Liquidity risk is the risk that the Bank will be unable to meet its payment obligations when they fall due. Liquidity risk management is the responsibility of the Asset and Liability Committee. To limit this risk the Bank maintains an adequate portfolio of liquid assets which consists of cash and short-term bank deposits by monitoring forecast and actual cash flows and matching the maturity profiles of assets and liabilities. The Bank is subject to and complies with the systems and control requirements of the PRA liquidity regime (detailed in BIPRU 12.3 and 12.4) which came into effect from 1 December 2009.

Liquidity and rate profile

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

Group

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

Company

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

Group

	Less than 1 month	1-3 months	3-6 months	6-12 months	1-5 years	5+ years	Total
	£	£	£	£	£	£	£
2012							
Assets							
Fixed rate items	40,046,967	51,324,946	589,992	6,788,031	37,483,330	-	136,233,266
Variable rate items	-	-	-	-	-	-	-
Non-rate sensitive	13,286,605	-	-	18,171	49,824,536	9,820,692	72,950,004
Total assets	**53,333,572**	**51,324,946**	**589,992**	**6,806,202**	**87,370,866**	**9,820,692**	**199,283,110**
Liabilities							
Fixed rate items	26,067,505	48,360,723	395,309	-	6,993,577	-	81,817,114
Variable rate items	12,350	-	-	-	-	-	12,350
Non-rate sensitive	-	-	-	6,386	7,815	2,985,959	3,000,160
Total liabilities	**26,079,855**	**48,360,723**	**395,309**	**6,386**	**7,000,392**	**2,985,959**	**84,826,624**
Net	**27,253,717**	**2,964,223**	**194,683**	**6,788,031**	**-**	**-**	**117,453,646**

Company

	Less than 1 month	1-3 months	3-6 months	6-12 months	1-5 years	5+ years	Total
	£	£	£	£	£	£	£
2012							
Assets							
Fixed rate items	40,046,967	51,324,946	589,992	6,788,031	37,483,330	-	136,211,657
Variable rate items	-	-	-	-	-	-	-
Non-rate sensitive	13,286,605	-	-	-	50,273,232	-	63,559,837
Total assets	**53,311,963**	**51,324,946**	**589,992**	**6,788,031**	**87,756,562**	**-**	**199,771,494**
Liabilities							
Fixed rate items	26,067,505	48,360,723	395,309	-	-	-	74,823,537
Variable rate items	12,350	-	-	-	-	-	12,350
Non-rate sensitive	-	-	-	-	-	-	-
Total liabilities	**26,079,855**	**48,360,723**	**395,309**	**-**	**-**	**-**	**74,835,887**
Net	**27,232,108**	**2,964,223**	**194,683**	**6,788,031**	**87,756,562**	**-**	**124,935,607**

Market risk

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

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

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

Gatehouse Treasury manages treasury market risk.

Market risk measurement

The techniques used to measure and control market risk include:

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

Although the Bank only trades in Shariah compliant products, the carrying value of financial instruments held by the Bank is sensitive to movement in interest rates. If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Bank's profit for the year ended 31 December 2013 would decrease/increase by £1,119,000 (2012: £586,900).

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

Value at risk

Profit rate risk (equivalent to interest rate risk)

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

The Bank manages profit rate risk by matching as far as possible the maturity profile of assets and liabilities. As at 31 December 2013, the Bank has not to date used derivatives to hedge profit rate risk.

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

As at 31 December 2013, the market value of nominal positions generating profit rate VaR was £50,627,934 which generated profit rate VaR and maximum loss estimates of:

	95% VaR (£)	Maximum loss (£)
One day	(4,077)	(21,130)
One week	(7,050)	(20,167)

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 PRR.

As at 31 December 2013, the market value of nominal foreign exchange exposure was £18,505,851 which generated Foreign Exchange VaR maximum loss estimates of:

	95% VaR	Maximum loss (£)
One day	(118,910)	(234,181)
One week	(260,040)	(361,505)

Sukuk portfolio risk

As part of liquidity management, Gatehouse Treasury invests in selected Sukuk. As at 31 December 2013, the Bank has not used derivatives to hedge Sukuk investments.

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

As at 31 December 2013, the market value of nominal AFS Sukuk investment exposure was £4,199,444 which generated Price Risk VaR and maximum loss of:

	95% VaR	Maximum loss (£)
One day	(13,971)	(72,224)
One week	(48,521)	(154,884)

Equity portfolio risk

As part of liquidity management, Gatehouse Treasury invests in selected Listed Equities. As at 31 December 2013, the Bank has not used derivatives to hedge Listed Equity investments.

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

As at 31 December 2013, the market value of Listed Equities investment exposure was £13,047,686 which generated Price Risk VaR and maximum loss of:

	95% VaR	Maximum loss (£)
One day	(137,215)	(360,278)
One week	(340,489)	(638,192)

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 31st December 2013, Level 1 financial instruments are primarily investments in equity securities that are quoted in active markets and market bid prices have been applied to fair value these at year end;
- Level 2: Fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); As at 31st December 2013, Level 2 financial instruments are investments in sukuk securities that are quoted in inactive markets and indicative bid prices have been applied to fair value these at year end; and
- Level 3: Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data. As at 31st December 2013, Level 3 financial instruments are investments in unquoted equity securities and funds. Fair value is estimated on the basis of historic cost less impairment and by reference to the net asset value of the underlying investment, where the net asset value is not based on observable market data.

Group

2013	**Level 1**	**Level 2**	**Level 3**	**Total**
	£	**£**	**£**	**£**
Financial assets at FVTPL				
Foreign exchange agreements	41,898	-	-	41,898
Available-for-sale financial assets				
Quoted equity securities	12,991,588	-	-	12,991,588
Sukuk portfolio	-	17,057,948	-	17,057,948
Unquoted equity securities	-	-	26,333,832	26,333,832
Unquoted funds	-	-	1,398,258	1,398,258
Total	**13,033,486**	**17,057,948**	**27,732,090**	**57,823,524**

Company

2013	**Level 1**	**Level 2**	**Level 3**	**Total**
	£	**£**	**£**	**£**
Financial assets at FVTPL				
Foreign exchange agreements	41,898	-	-	41,898
Available-for-sale financial assets				
Quoted equity securities	12,991,588	-	-	12,991,588
Sukuk portfolio	-	23,957,948	-	23,957,948
Unquoted equity securities	-	-	26,333,832	26,333,832
Unquoted funds	-	-	1,398,258	1,398,258
Total	**13,033,486**	**23,957,948**	**27,732,090**	**64,723,524**

Group and Company

2012	**Level 1**	**Level 2**	**Level 3**	**Total**
	£	**£**	**£**	**£**
Financial assets at FVTPL				
Foreign exchange agreements	125,159	-	-	125,159
Available-for-sale financial assets				
Quoted equity securities	10,257,039	-	-	10,257,039
Sukuk portfolio	-	24,003,250	-	24,003,250
Unquoted equity securities	-	-	27,052,657	27,052,657
Unquoted funds	-	-	1,153,008	1,153,008
Total	**10,382,198**	**24,003,250**	**28,205,665**	**62,591,113**

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

Reconciliation of Level 3 fair value measurements of financial assets

2013	**Available-for-sale**	
	Unquoted equities and funds	**Total** **£**
Balance at 1 January 2013	28,205,665	28,205,665
Total gains or losses:		
• In profit or loss	(274,419)	45,761
Purchases, sales, issuances and net settlements	(199,156)	(1,917,594)
Balance at 31 December 2013	**27,732,090**	**26,333,832**

2012	**Available-for-sale**	
	Unquoted equities and funds	**Total** **£**
Balance at 1 January 2012	9,515,973	9,515,973
Total gains or losses:		
• In profit or loss	(1,292,723)	(1,292,723)
Purchases, sales, issuances and net settlements	19,982,415	19,982,415
Balance at 31 December 2012	**28,205,665**	**28,205,665**

Operational risk

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

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

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

Pillar 3 Disclosures

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

Capital risk management

The Bank policy in respect of capital adequacy is to maintain a strong capital base so as to retain investor, creditor and market confidence. During the years ended 31 December 2012 and 2013 capital has been maintained at a level above minimum regulatory requirements. Such levels have been established by reference to an Internal Capital Adequacy Assessment Process ("ICAAP") assessment. The Bank's capital resources consist of Tier 1 Capital and Upper Tier 2 Revaluation Reserve.

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

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

The Bank's regulatory capital position was as follows:

	2013	2012
	£	£
Core Tier 1 Capital		
Share capital	150,049,301	150,049,301
Retained losses	(28,879,894)	(32,579,865)
Deductions from Tier 1 Capital		
Intangible assets	(251,022)	(109,187)
Upper Tier 2 Capital		
Available for sale reserve	(1,395,440)	637,501
Deductions from Tier 1 & Tier 2 Capital		
Associate Investment in GC	(11,307,937)	(10,943,313)
Total regulatory capital	**108,215,008**	**107,054,437**

Capital requirements have been complied with throughout the year


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