G A B L E

Building on success

Annual report 2014

Gable Holdings Inc.
Annual report and financial statements
for the year ended 31 December 2014

Contents

The Gable Group

Gable is a European non-life insurance company underwriting a comprehensive range of specialist policies for the commercial sectors in the UK, Denmark, France, Germany, Italy, Norway and Spain. Gable benefits from a low-cost online underwriting platform and the Company has continued to successfully grow its business geographically whilst simultaneously exploiting a range of niche insurance segments which exist across the EU, which is delivered through the EU passporting mechanism.

Gable Holdings Inc. is quoted on the London Stock Exchange's AIM market. For further information please visit www.gableholdings.com.

Highlights

£**80**m

Record gross written premium up 36% in 2014 from £58.9m to £80.0m

'We fully expect 2015 to result in a record year of growth with our pipeline of new business providing the next stage of momentum for the Group'

£**51.4**m

Net earned premiums up 22% in 2014 from £42.0m to £51.4m

£**6.7**m

Underlying net insurance profit of £6.7m

Business overview 2014

Gable (AIM: GAH), the European non-life insurance company, announces consolidated final results for the year ended 31 December 2014:

- Record gross written premium of £80.0m (2013: £58.9m)
- Net earned premiums of £51.4m in 2014 (2013: £42.0m)
- The business has produced strong organic growth in new premiums across its core business lines
- New products launched in Ireland, Norway, Sweden and the UK
- New distribution agreements in Ireland, Sweden and the UK
- Underlying net insurance profit of £6.7m
- Combined operating ratio ('COR') of 87%*
- Underlying profit before taxation £0.9m with loss before tax of £5.4m (after additional reserve set aside) (2013: profit £7.2 million)
- £15.3m of cash generated in 2014 resulting in cash resources at period end of £42.0m (2013: £27.0m)

* Underlying COR before additional reserve set aside of £6.3m

Current trading and outlook

- Strong performance in first quarter 2015 trading
- Launch of new Italian fleet motor product launched in March 2015 performing very strongly resulting in upgrade to initial GWP from Euro 10m to Euro 40m to date this year
- Further new products expected for launch in 2015
- Dividend policy to be reviewed for 2016

Commenting, William Dewsall, Chief Executive, said:

"The Group's strong relationships with its pan-European network of producing brokers has enabled it to selectively grow premium income in particular segments offering the prospect of attractive underwriting returns. Our 2014 results have been impacted by a significant fire claim in France, which, including reinsurance reinstatement and net of reinsurance ultimately cost the Company £3.1m. This, together with a UK based claim amounting to £5.2m, of which £3.2m is recoverable under reinsurance, has disproportionately impacted our results given our relatively small size. Despite these losses, we still delivered an underlying combined ratio of 87% which is in line with our ongoing objective of delivering CORs of under 90%.

"In addition we have taken the decision to continue the programme commenced with our 2013 results by further strengthening our booked reserves through the application of an explicit reserving risk margin of £6.3m. We anticipate making a final charge of £7.5m in the current year, following this we anticipate that our internal and external actuarial ultimate loss ratio estimates will have converged.

"2015 has begun strongly with record GWP in Q1 reflecting the Group's strong franchise and range of innovative niche products. The Group continues to see attractive new business opportunities which are well supported by quota share reinsurance arrangements with major reinsurers. We expect these partnerships to continue as our pipeline of new business opportunities grows and we are also exploring a number of strategic alternatives in order to seek to optimise returns on equity.

"When we announced in March 2015 the new product for Italian motor fleets, our conservative expectation was for an initial programme of Euro 10 million of gross written premiums per annum. We are delighted that as a result of increased demand we have already written Euro 40 million of this business to date and expect this to increase to Euro 75 million on an annualised basis.

"We fully expect 2015 to result in a record year of growth with our pipeline of new business providing the next stage of momentum for the Group."

Chairman's statement

This has been a year of significant organic growth for Gable, now in its tenth year. We can be hugely proud of the achievements made during that time and mindful of the opportunities ahead for Gable as it continues to grow the business organically across Europe.

From a beginning in late 2005, Gable is now producing £80 million of gross written premium per annum across nine EU countries. The management team has successfully built selected distribution channels into those markets, providing bespoke commercial insurance products for small and medium sized enterprises across numerous market segments.

'Gable is very well positioned for continued growth with a number of new opportunities available to the Group, expanding its product portfolio and new country launches in the EU'

As we entered 2015, the challenges ahead remain that of executing upon a clear strategy to continue to grow the business organically and build upon the growing number of carefully selected distribution channels in each of our European markets, deliver bespoke and profitable products into each market and grow the number of countries where we can deliver new products to meet demand.

Gable is very well positioned for continued growth with a number of new opportunities available to the Group, expanding its product portfolio and new country launches in the EU where we are receiving increasing demand for bespoke products in some very substantial markets. In line with this anticipated growth the Board has also worked closely with its regulator, the FMA, to establish a solvency model which is appropriate for both the medium term requirements of the business and the potential future requirements of Solvency II. We continue to enjoy an open and productive relationship with the FMA and are grateful for their ongoing help and support.

The current year has already started strongly with first quarter trading demonstrating excellent growth. The management team continues to deliver further growth on the back of the significant new business lines, including a substantial uplift in the recently launched new product for the Italian fleet motor market, more on which William discusses later. Needless to say, Gable goes from strength-to-strength and is on track to produce significant new business in 2015.

I would like to thank everyone at Gable for their hard work over the last year and look forward to 2015 with great confidence.

Jost Pilgrim
Chairman

29 May 2015

Chief executive's review

Overview of 2014

2014 produced another year of extremely strong top line growth as Gable benefitted from the continued expansion of its wholesale network in both existing and new territories. Gable now writes business in 9 European countries, providing a range of products through its wholesale network of selected brokers, providing a growing platform of bespoke products designed to meet specific market demand.

The continued growth in gross written premiums during the year was well represented across each country segment, with particularly strong performance again from the Group's UK account in commercial combined business where our service focus is well and truly founded on providing for the SME market across a number of distribution channels.

Gable has been very successful with the continued expansion of its distribution channels, working with selected broker networks, providing Gable's specialised commercial insurance products into each market.

The Group has continued to produce organic growth in what are now established markets for Gable in Europe such as Denmark, Norway and Italy where premiums continue to grow from established products and also from the introduction of new bespoke products, most recently in Norway and Italy.

'We have been delighted with the very strong performance in the UK across a number of our products which now reach many thousands of SME businesses operating in the UK'

We have been delighted with the very strong performance in the UK across a number of our products which now reach many thousands of SME businesses operating in the UK. We were pleased to announce the latest of our underwriting agreements with iprism Underwriting Agency which provides over 1,650 UK FCA authorised insurance broking firms with an innovative, online, trading platform that allows Brokers to make efficiencies within their businesses by giving them access to comparative pricing for SME insurance products from insurers. Point of sale documentation is backed up by a real time referral service from iprism's in-house systems.

At the half year we announced that we had received a significant property fire claim, 80% of which was recovered against reinsurance policies. I am pleased to say that this claim was settled quickly, greatly assisting our client to recover from the event. This was achieved by working with our reinsurance panel, whom we thank for being equally swift in their reimbursement of their element of the claim. Thankfully, such events are relatively rare but equally, we constantly take the opportunity presented by such situations to improve our risk analysis process in order to mitigate potential losses for both Gable and our reinsurers whilst providing valued and cost-effective protection to our clients.

Some twelve months ago Gable received regulatory approval in all its European territories to underwrite insurance Classes 3 (land vehicles other than rolling stock), 7 (goods in transit) and 10 (motor vehicle liability). In 2014 we successfully established a platform to launch our first product in these classes into the Italian market, resulting in the launch in March of 2015 of Gable's first bespoke motor product working with Movinsure in Italy.

Movinsure is an Italian underwriter providing highly selective, risk managed motor insurance for Italian domestic third party motor liability commercial fleet accounts. It was founded in 2010 by Carlo Faina, CEO of Movinsure and Managing Director of Berkshire Hathaway Italia. Movinsure was formed as an Italian underwriting vehicle following rigorous market research to construct an actuarial rating plan and the creation of an underwriting software platform. Movinsure provides a third party motor liability product with a high level of service to selected specialist commercial motor fleets operating in Italy. The programme targets a consistently profitable segment of this Euro 2bn per annum market and Gable's underwriting programme has a quota share with a panel of reinsurers led by Qatar Re.

Gable's agreement with Movinsure and our quota share with Qatar Re marks a significant new opportunity for the Company and we anticipate building a strong working relationship with Movinsure as we develop this significant market opportunity in what is a substantial major market in Italy. Like Gable, Movinsure provides a high service to its customers and has seized on the opportunity to provide a bespoke product to a selected number of major accounts in the Italian commercial motor fleet market, which is a segment of that major market which has shown to be consistently profitable.

Movinsure itself utilises sophisticated actuarial risk modelling and the entire programme is supported by A rated reinsurance through Gable's quota share agreement with Qatar Re. We look forward to the continued development of this market for Gable in Italy in the future.

Strategy for growth

There is much to be proud of when we reflect back to when we started Gable ten years ago. I believe we have well and truly exceeded the early expectations for the business and today shareholders own a business which has a much broader commercial reach, many more customers and a growing reputation in each of the markets in which Gable operates.

In just the last four years we have achieved a four-fold increase in annualised gross written premiums, having only once in the last ten years returned to shareholders for additional capital to support that growth. That is a testament to our robust model and having taken the last year to work hard to consolidate our position for the next stage in the progression of Gable's growth to deliver profitable business, we remain very strongly positioned to once again drive the business forward.

Our strategy remains clear and focused: to grow the business working with selected brokers and broker networks to provide well priced bespoke insurance products for the commercial SME markets in Europe. This strategy will continue to stand our business in good stead, and we know that the pipeline of potential business in the short to medium term greatly outweighs our capacity to meet demand.

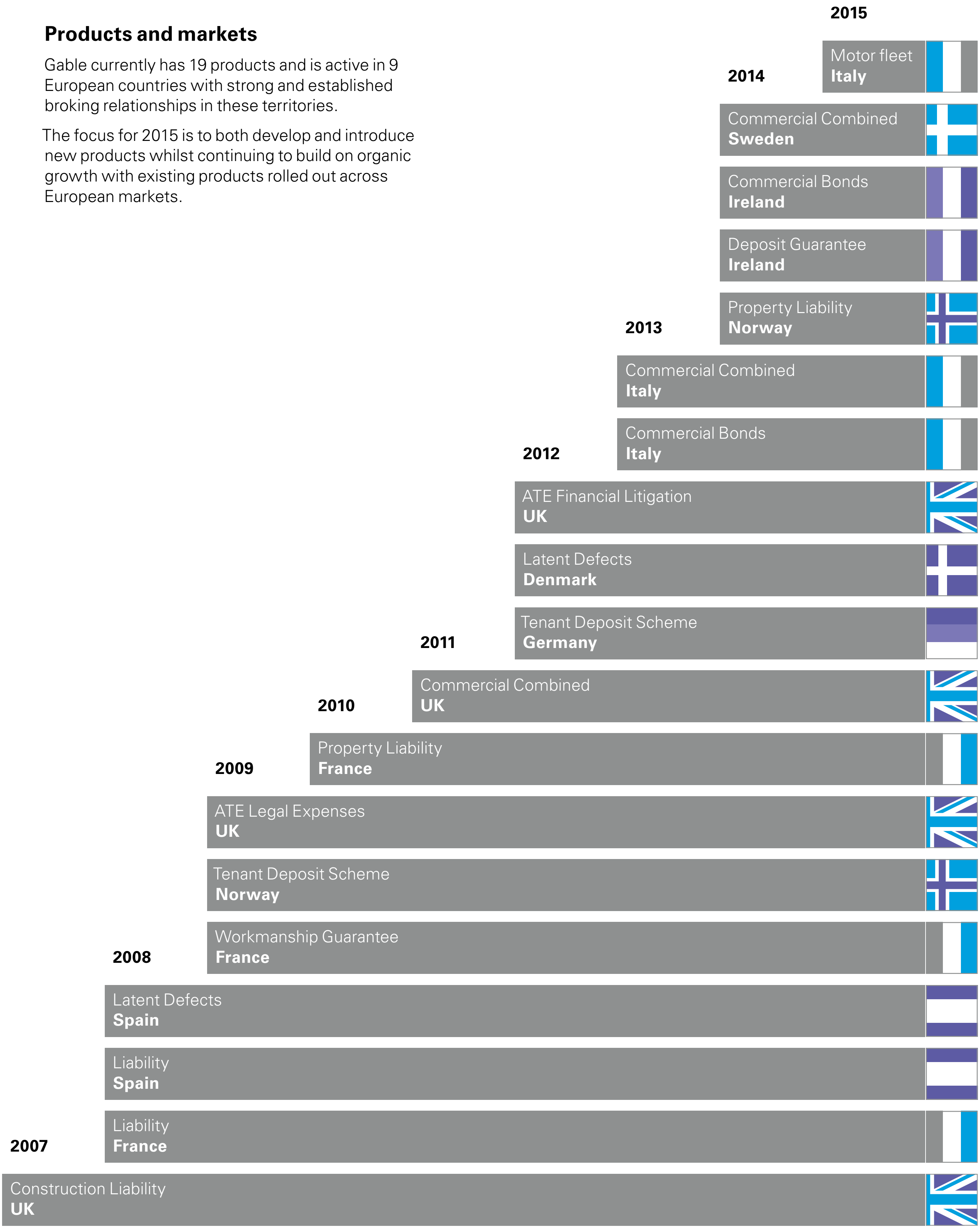
We know that we can grow the Gable business significantly again from current levels in a sustained and measured fashion, continuing to employ our disciplined underwriting philosophy and part of the process to achieve that is to re-set the bar when it comes to our current reserving policy which I discuss in more detail below.

We have also proven that we can partner effectively with major reinsurers to support our growth plans and these partnerships are testament to the nature and quality of the business that Gable is able to access. There are a number of further opportunities to work alongside new and existing reinsurance partners and we are regularly looking at ways to support our growth aspirations in a capital efficient way and optimise returns on equity for our shareholders. To this end, the Board has held initial discussions with providers of quota share reinsurance and structured debt products. Whilst there can be no certainty that negotiations with these and similar parties will be successfully concluded, the Board is confident that sufficient capital will be in place in advance of the commencement of Solvency II to support its ambitious plans.

Products and markets

Gable currently has 19 products and is active in 9 European countries with strong and established broking relationships in these territories.

The focus for 2015 is to both develop and introduce new products whilst continuing to build on organic growth with existing products rolled out across European markets.



Reserving policy

Since inception, the Group used a consistent approach to calculate reserves in respect of its insurance liabilities at the balance sheet date. In keeping with best practice, the Group has prepared an actuarial best estimate (which is subject to an independent actuarial peer review) of its reserves which has provided a "best estimate". In the absence of its own mature experience, this assessment has necessitated the use of certain market level benchmark data, hence such reviews can never fully capture the impact of the Group's "niche underwriting" strategy, tight policy wording and beneficial impact of a proactive and efficient claim handling process.

The Board has always been satisfied as to the adequacy of its reserves and for the above reasons, to differentiate between the niche underwriting strategy of the Group and the estimates derived from market level benchmarks, the Board has historically targeted held reserves below the independent actuary's best estimate, but within their range. Indeed experience shows that settlements are generally below the case reserve which increases the best estimate calculations that take the case reserves as a starting point. Nevertheless, the Board has made additional provisions in 2014 to reduce the gap between the carried reserve and the actuarial best estimate by 45 per cent to £7.5m.

For 2015 and beyond, Gable will apply a reserving policy based on an internal, class-specific actuarial assessment prepared by Gable's in house actuary on an ongoing basis. The internal assessment will be based on a more granular, bottom-up approach, taking into account coverage, claims reporting patterns and wording restrictions. The Board fully believes that its niche underwriting strategy will demonstrate loss ratios which outperform the wider market.

Reinsurance

GIAG manages its potential loss exposure by purchasing suitable reinsurance programmes for its products which are designed to mitigate financial losses. GIAG purchases an annual reinsurance programme running from 1 July to 30 June with international and global reinsurers of a credit rating of A or above. The reinsurance programmes are placed by our brokers AON and Arthur J. Gallagher.

As at 31 December 2014 the balance due from reinsurers in respect of a UK claim recognised late in the year was £3.2 million (2013: £nil).

The Group recognises that its reinsurance arrangements do not relieve it of its ultimate liability to policyholders and as such the Group is exposed to credit risk to the extent that any reinsurer is unable to meet obligations assumed under such reinsurance arrangements.

Results

For the year ended 31 December 2014, underlying net insurance profit was £6.7 million with a net insurance profit after additional reserve set aside of £0.4 million (2013: £11.9 million) on Gross Written Premiums which were 36 per cent higher at £80.0 million (2013: £58.9 million). Underlying profit before tax was £0.9 million with loss before tax after additional reserve set aside of £5.4 million (2013: profit £7.2 million) giving earnings per share of 0.67p on an underlying basis and a loss per share of 3.57p after additional reserve set aside (2013: 5.39p).

Dividend policy

To date it has been the Board's policy that shareholders' interests are better served if the Company retains earnings to provide solvency capital for the near to medium term anticipated growth in the business. Whilst in the near term that policy will remain in place, it is clear that with the anticipated growth in the business the threshold to change that policy is drawing closer. It is therefore the Board's intention to review its dividend policy in the final quarter of 2015 with the intention to initiate a dividend in the 2016 year.

Board and management

In February 2015, we announced Board Changes. Gable appointed Jost Pilgrim as Non-Executive Chairman who replaces Michael Sofaer who has stepped down from the Board to pursue other business interests. Jost has worked with the Gable management team from its inception and brings with him enormous experience having worked at the highest levels in the European financial arena for many years. In turn, we would like to thank Michael for his contribution to Gable over the last five years and wish him well for the future. Andrew Trott an experienced and respected insurance liability lawyer in the London Insurance Market was appointed to the Gable Holdings board as a Non-Executive Director.

In August 2014 we were delighted to welcome Meera Rajoo-Oakley CERA FIA, to our management team who joined Gable as Group Actuary. Meera was previously Actuarial Risk Manager at Direct Line Insurance with oversight of insurance risk management. Before that she was an actuarial consultant with Grant Thornton for 6 years until 2013, where she specialised in commercial lines insurance, working on a range of disciplines including valuation of technical provisions under the SII regime, calculating SII capital requirements using the SII standard formula, assisting clients to build appropriate internal models, validation of internal models and the validation report, and development and documentation of Systems of Governance and policy frameworks. Meera's appointment has greatly enhanced our actuarial team and builds upon our corporate governance structure.

Our customers, brokers and people

We greatly appreciate the tremendous support we enjoy from our brokers across each country of operation. We very much look forward to continuing to build upon these relationships, and will continue to build further distribution channels on a county-by-country and product-by-product basis. Dependent upon the requirements and availability of local broking expertise and product specialisms in each country, we believe that Gable will continue to build further dedicated partnerships and make great inroads in developing new business relationships, as is evidenced with our most recent launch with Movinsure in Italy.

I would also like to thank all of our customers, across the increasing number of sectors and countries in Europe, also my thanks to Gable staff for their excellent work during 2014 and as we progress through the current year.

Current trading and outlook

We started 2015 very strongly, producing in January the highest level of GWP written during any single monthly period in the ten years since the Company was first established. The year since then has continued to produce a strong rate of growth at the top line, fuelled by an excellent level of renewals and further organic growth, with particularly strong performances from our UK and Italian programmes of business.

When we announced in March the new product for Italian motor fleets, our capacity commenced with an initial programme of Euro 10 million of gross written premiums per annum and as a result of increasing demand we have now written Euro 40 million of new business in this class to date and expect this to increase to Euro 75 million on an annualised basis.

In addition, we continue to anticipate a strong run rate from our Italian commercial bonds business during the current year and into 2016 and have also been appointed exclusive underwriter to the Italian Serie A and Serie B, providing mandatory bonding to player transfer receivables/payables in the Serie A, Serie B and Pro Liga professional clubs, each of which fall under the administration of the Società Lega Calcio di Serie A. Gable's underwriting programme for this product has quota share with reinsurers.

'We fully expect to see another record year in 2015 with our pipeline of new business providing the next stage of momentum for the Group as it continues to grow significantly over the medium term'

Our business in the UK goes from strength-to-strength as we benefit from major agreements already in place with Risk Alliance and iprism in the UK and internationally with Arthur J. Gallagher International and most recently with Movinsure.

We fully expect to see another record year in 2015 with our pipeline of new business providing the next stage of momentum for the Group as it continues to grow significantly over the medium term. I believe that we have taken the prudent step at this stage with regard to our reserving policy which strengthens our position for the future as the business grows and allows us to embrace the significant number of opportunities available to Gable as we continue to expand the business.

The excellent prospects for of the Group's new business opportunities mean that we can look forward to a year of sustained and measured top line growth which is also in line with our disciplined underwriting strategy.

William Dewsall
Chief Executive

29 May 2015

Board of directors

The Board of Directors of Gable is composed of two executive and three non-executive directors, as follows:

Jost Pilgrim
Non-Executive Chairman

Jost Pilgrim, aged 77, is a member of the Board of Gable Insurance AG, a wholly-owned subsidiary of Gable Holdings Inc., and is a co-founder of NEUE BANK AG, based in Vaduz, Principality of Liechtenstein, an owner-managed private banking organization established in 1992 of which he is a former Vice Chairman and presently Honorary Member of the Board. Jost commenced his business career in 1957 and has more than fifty years of experience in international banking and finance. During his professional life he has held various assignments at staff and management level at Dresdner Bank AG, Bayerische Hypotheken-und Wechsel-Bank AG and Banque Paribas, both abroad and in Germany. Prior to setting up NEUE BANK AG, Jost was a member of the Executive Management Board of Bank in Liechtenstein AG from 1982 to 1990. Current directorships: Gable Insurance AG and Quantum Life AG.

William Dewsall
Chief Executive

William, aged 54, has over 25 years' experience in the insurance market. William began his career in 1981 with Jardine Glanville (UK) following which he was a senior broker and account executive at Berisford Mocatta covering property and reinsurance placements in the London and European markets. From 1986 until 1992 he was principal broker and lead underwriter for Alexander Stenhouse, responsible for multi-national property, contractors all risks and liability insurance, including reinsurance.

In 1998 William established his own underwriting agency, D&J Insurance Services Limited, to underwrite liability and contractors all risk into the London market. He later established Hogarth for the same purpose in 2000. As head underwriter at Hogarth, William was granted binding authorities to underwrite insurance risks in the UK and worldwide on behalf of various insurers operating in the Lloyds and London markets. William has also been instrumental in developing policy wordings for the Contractors and Liability insurance sector.

William is registered with the FCA as an approved person for insurance activities.

Mike Hirschfield
Group Finance Director

Mike Hirschfield BSc (Econ) FCA, aged 51, is a founder shareholder of Gable Holdings Inc. and was appointed to the board of Gable on 24 September 2013. Mike has considerable experience as a director and senior executive of a number of AIM and main market listed companies and is currently a director of AIM listed CloudTag Inc. Mike is also a director of Kitwell Consultants Limited which has acted as Company Secretary since Gable's formation.

J Blaise Craven
Non-Executive Director

Blaise Craven, aged 58, is an entrepreneur with experience in establishing and running start-up businesses. In 1974 he started his first business providing furnishings and tropical plants to a number of City institutions. In 1977 he founded Executive Sports, a corporate entertainment company and in 1978 he established BC Contracts, a business specialising in the design and furnishing of executive commercial and residential properties, which he ran until 2004. In 2004 he was appointed as a non-executive director of Conival plc.

Andrew Trott
Non-Executive Director

Andrew Trott, aged 60, is senior associate of Plexus Law and has provided the Company with legal support concerning policy documentation and claims handling since the inception of the business. Andrew is an experienced and respected insurance liability lawyer in the London Insurance Market and has defended major loss claims of all classes for a variety of UK and international insurers in his legal practice and has consulted to insurers to manage their claims departments, fixing and overseeing reserves and setting up their underwriting and claims handling facilities. He is an Approved Person on the FCA Register.

Report of the directors

The Directors present their annual report together with the audited financial statements for the year ended 31 December 2014.

Principal activity

The principal activity of the parent company is that of an investment holding company. The principal activity of the Group is that of writing insurance business through its wholly-owned subsidiary, Gable Insurance AG.

A more detailed review of the business for the year is included in the Chief Executive's review on pages 6 to 11.

The parent company is incorporated as a corporation in the Cayman Islands. The shares of the parent company are listed on the AIM market of the London Stock Exchange.

Business review

The results of the Group are shown on page 21. The Group result for the year after taxation was a loss of £4,822,000 (2013: profit of £6,272,000). It is the Board's firm belief that shareholders' interests are best served during periods of rapid growth if the Company retains earnings to provide solvency capital for the anticipated growth. Accordingly, the Company has maintained a policy of retaining earnings and not paying a dividend since its incorporation and, for the current year, the Directors do not recommend the payment of a dividend (2013: nil). The Board will continue to review this dividend policy as it is appropriate for the business and its shareholders and will consider the introduction of an initial dividend as soon as conditions permit. An indication of the performance of the Group and its potential for future development is contained in the Chief Executive's review on pages 6 to 11.

Risk management

The Group's activities expose it to a variety of financial and non-financial risks. The Directors are responsible for managing the Group's exposure to these risks and, where possible, introducing controls and procedures that mitigate the effects of exposure to risk. The Group's overall strategy to risk management is to employ suitably skilled personnel, and implement appropriate policies and procedures. The risks we face have evolved over the course of the year as the business has grown and external factors have impacted the environment in which we operate.

One of the responsibilities of the Audit Committee of the Board is to review the system of Risk Management and approve the measures that are being taken to mitigate the most significant risks.

The main risks and uncertainties facing the Group are detailed in notes 3, 13 and 15 to the financial statements.

Environmental matters

The Directors do not consider that the business of an insurance company has a large impact on the environment. As a result the Directors do not manage the business by reference to any environmental performance indicators.

Staff matters

The Group does not employ a significant amount of personnel other than the Company Directors. Our employment policies are free from discrimination on any grounds.

Directors

The Directors who served during the period are set out below.

Michael Sofaer	Resigned 11 February 2015
William Dewsall	
Mike Hirschfield	
J Blaise Craven	
Jost Pilgrim	Appointed 9 May 2014
Lucas Slob	Resigned 9 May 2014

Substantial shareholdings

Interests in excess of 3% of the issued share capital of the Company which have been notified as at 15 May 2015 were as follows:

	Ordinary shares of 0.25p each Number	Percentage of capital %
Lynchwood Nominees Limited	33,169,622	24.51
William Dewsall	24,743,967	18.28
Barclayshare Nominees Limited	10,393,494	7.78
Fitel Nominee Limited	8,237,441	6.09
The Bank of New York (Nominees)	7,460,820	5.51
Pershing Nominees Limited	5,330,683	3.94

Charitable and political donations

During the year the Group made no charitable or political donations (2013: £nil).

Key performance indicators

The principal performance indicators monitored by the Group are premium written and net insurance result, which includes implicitly monitoring of claims performance. Financial reporting indicators such as Earnings per share and profit before taxation are also monitored. In addition, exposure to specific industry risks is also monitored.

	Year ended 31 December 2014 £000s	Year ended 31 December 2013 £000s
Gross premium written	**79,992**	**58,932**
Net claims incurred	(35,382)	(18,016)
Net insurance result	397	11,936
Combined operating ratio	99%	72%
Underlying profit before taxation	**863**	**11,370**
Additional reserve set-aside	6,300	4,154
(Loss)/profit before taxation	(5,437)	7,216
Basic Earnings per share	(3.57)p	5.39p

Statement of directors' responsibilities

The Directors are responsible for preparing the Directors' report and the Financial Statements in accordance with applicable law and regulations. As stated in note 1 to the financial statements, the Directors have resolved to apply the United Kingdom Companies Act 2006 when preparing the financial statements.

UK company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Group Financial Statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under UK 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 its profit or loss for that period. In preparing these Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently, on a going concern basis unless it is inappropriate to presume that the Group will continue in business; and
- make judgments and accounting estimates that are reasonable and prudent.

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

The maintenance of and integrity of the Gable Holdings Inc. website is the responsibility of the Directors; the work carried out by the auditor does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for changes that may have occurred to the financial statements since they were initially presented on the website. Legislation in the United Kingdom governing the preparation of the financial statements may differ from legislation in other jurisdictions.

Going concern

The Directors have assessed going concern from both a financial and regulatory aspect. The financial assessment conducted includes:

- The preparation of a detailed financial model for the year ahead together with three year forward projections;
- A review of the financial performance of the Group post year end, including profitability and cash generation;
- A review of the claims development for all products and underwriting years, particularly with regard to additional claims received and the development of claims for the new products launched in 2013 and 2014;
- A review of the assets and liabilities of the Group as recorded in these financial statements, including assessment of any diminution in value of assets or increase in liabilities, which may impact on the Group's ability to trade; and
- A review of the working capital position of the Group to ensure sufficient cash funds are available to meet the business requirements.

This assessment of the financial position of the Company together with an assessment to ensure that the underwriting activities are being conducted in an orderly manner has supported the Board's view that the company has adequate resources to meet its insurance and other liabilities as they fall due for payment.

In addition to the purely financial review, the Board also considers going concern from a regulatory perspective. Aside from cash flow and balance sheet liquidity factors, going concern is also dependent on the group continuing to hold relevant licences to write business across Europe under the passporting mechanism. This is subject to legislation continuing to allow EEA based companies to passport into the EU and the Company continuing to meet the regulatory requirements of its regulator, a principal element of which is holding sufficient regulatory capital to meet the requirements of the Regulator.

As disclosed in last year's Report and Accounts and further discussed in Note 3 below, the Company has historically set aside reserves considered by the directors to be appropriate for the niche business written and, due to a number of factors which are discussed in Note 3, the carried reserve has been set at a level below Actuarial Best Estimate which produced a gap estimated at £13.8 million at 31 December 2013. The company has agreed with its Regulator that this gap will be closed before the introduction of Solvency II and in 2014 has made additional provisions to close the gap to £7.5 million. Whilst Solvency II will not come into force until 1 January 2016, the Board has already commenced the process of assessing the impact of Solvency II on the business and, given the Board's expectation of continuing strong growth, assessing the required capital to support those levels of income. To this end, the Board has held initial discussions with providers of quota share reinsurance and structured debt products. Whilst there can be no certainty that negotiations with these and similar parties will be successfully concluded, the Board is confident that sufficient capital will be in place in advance of the commencement of Solvency II to support its ambitious plans.

On this basis, the Directors have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future. Details of uncertainties considered by the Directors in making this statement are set out in the Regulatory and Going Concern section of Note 3.

Disclosure of information to auditor

The Directors who held office at the date of approval of the Report of the Directors confirm that, so far as they are individually aware, there is no relevant audit information of which the Group's auditor is unaware, and each Director has taken all steps that they ought to have taken as Directors to make themselves aware of any relevant audit information, and to establish that the Group's auditor is aware of that information.

Auditor

A resolution will be proposed at the forthcoming Annual General Meeting to reappoint Ernst & Young LLP as auditor.

On behalf of the Board

Kitwell Consultants Limited
Company Secretary

29 May 2015

Corporate governance

The Company has, since admission to the AIM Market of the London Stock Exchange plc (AIM), applied general principles of corporate governance commensurate with its size.

Directors

The Company supports the concept of an effective board leading and controlling the Group. The Board is responsible for approving Group policy and strategy and has a schedule of matters specifically reserved to it for decision. Management supply the Board with appropriate and timely information and the Directors are free to seek any further information they consider necessary. All Directors have access to advice from the Company Secretary and independent professional advice at the Company's expense.

The Board consists of two executive directors, who hold the key operational positions in the Group, and three non-executive directors, who bring a breadth of experience and knowledge. This provides a balance whereby the Board's decision making cannot be dominated by an individual. The Group's insurance business is run by William Dewsall.

Relations with shareholders

The Company values the views of its shareholders and recognises their interest in the Group's strategy and performance. The Annual General Meeting will be used to communicate with private investors and they are encouraged to participate. Separate resolutions will be proposed on each issue so that they can be given proper consideration and there will be a resolution to approve the annual report and accounts.

We continue to actively manage our website (www.gableholdings.com), which remains the most practicable way to communicate with shareholders.

Internal control

The Board is responsible for maintaining a strong system of internal control to safeguard shareholders' investment and the Group's assets and for reviewing its effectiveness. The system of internal financial control is designed to provide reasonable, but not absolute, assurance against material misstatement or loss. The audit committee is chaired by Blaise Craven and comprises three of the Non-executive Directors. It is responsible for ensuring that the financial performance of the Group is properly monitored and reported on, as well as meeting the auditor and reviewing any reports from the auditor regarding accounts and internal control systems. The principal operating company within the Group is Gable Insurance AG and members of the Board are invited to attend its own regular Board meetings. The Board has considered the need for an internal audit function and as part of its implementation of the proposed requirements of Solvency II, has appointed external consultants to provide an internal audit function to Gable Insurance AG.

Going concern

The Directors have assessed going concern from both a financial and regulatory aspect. The financial assessment conducted includes:

- The preparation of a detailed financial model for the year ahead together with three year forward projections;
- A review of the financial performance of the Group post year end, including profitability and cash generation;
- A review of the claims development for all products and underwriting years, particularly with regard to additional claims received and the development of claims for the new products launched in 2013 and 2014;
- A review of the assets and liabilities of the Group as recorded in these financial statements, including assessment of any diminution in value of assets or increase in liabilities, which may impact on the Group's ability to trade; and
- A review of the working capital position of the Group to ensure sufficient cash funds are available to meet the business requirements.

This assessment of the financial position of the Company together with an assessment to ensure that the underwriting activities are being conducted in an orderly manner has supported the Board's view that the company has adequate resources to meet its insurance and other liabilities as they fall due for payment.

In addition to the purely financial review, the Board also considers going concern from a regulatory perspective. Aside from cash flow and balance sheet liquidity factors, going concern is also dependent on the group continuing to hold relevant licences to write business across Europe under the passporting mechanism. This is subject to legislation continuing to allow EEA based companies to passport into the EU and the Company continuing to meet the regulatory requirements of its regulator, a principal element of which is holding sufficient regulatory capital to meet the requirements of the Regulator.

As disclosed in last year's Report and Accounts and further discussed in Note 3 below, the Company has historically set aside reserves considered by the directors to be appropriate for the niche business written and, due to a number of factors which are discussed in Note 3, the carried reserve has been set at a level below Actuarial Best Estimate which produced a gap estimated at £13.8 million at 31 December 2013. The company has agreed with its Regulator that this gap will be closed before the introduction of Solvency II and in 2014 has made additional provisions to close the gap to £7.5 million. Whilst Solvency II will not come into force until 1 January 2016, the Board has already commenced the process of assessing the impact of Solvency II on the business and, given the Board's expectation of continuing strong growth, assessing the required capital to support those levels of income. To this end, the Board has held initial discussions with providers of quota share reinsurance and structured debt products. Whilst there can be no certainty that negotiations with these and similar parties will be successfully concluded, the Board is confident that sufficient capital will be in place in advance of the commencement of Solvency II to support its ambitious plans.

On this basis, the Directors have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future. Details of uncertainties considered by the Directors in making this statement are set out in the Regulatory and Going Concern section of Note 3.

Remuneration report

Directors' remuneration

The Board recognises that Directors' remuneration is of legitimate concern to the shareholders and is committed to following current best practice. The Group operates within a competitive environment, performance depends on the individual contributions of the Directors and employees and it believes in rewarding vision and innovation.

Policy on executive directors' remuneration

The policy of the Board is to provide executive remuneration packages designed to attract, motivate and retain directors of the calibre necessary to maintain the Group's position and to reward them for enhancing shareholder value and return. It aims to provide sufficient levels of remuneration to do this, but to avoid paying more than is necessary. The remuneration will also reflect the Directors' responsibilities and contain incentives to deliver the Group's objectives. A separate remuneration committee has been established comprising the Non-executive Directors, and meetings of the Committee are to be chaired by Jost Pilgrim. The remuneration committee meets at such time as may be required to carry out its remit of the determination and review of, amongst others, the remuneration of executives on the Board and any share incentive plans of the Company.

The remuneration of the Directors was as follows:

Year ended 31 December 2014

	J Pilgrim £000s	W Dewsall £000s	M Hirschfield £000s	J Craven £000s	L Slob* £000s	M Sofaer £000s	Total £000s
Salary and fees	45	440	152	32	10	26	705
Bonus	—	440	41	—	—	—	481
Share based payment charge	—	44	22	—	—	—	66
Total	**45**	**924**	**215**	**32**	**10**	**26**	**1,252**

Year ended 31 December 2013

	L Ranger* £000s	W Dewsall £000s	M Hirschfield* £000s	J Craven £000s	L Slob £000s	M Sofaer £000s	Total £000s
Salary and fees	9	400	47	30	18	25	529
Bonus	—	400	1	—	—	—	401
Share based payment charge	—	55	—	6	—	—	61
Total	**9**	**855**	**48**	**36**	**18**	**25**	**991**

* Part of the year

Bonuses

The service agreement with William Dewsall provides for a performance related bonus of £110,000 per quarter, bonus payments for other directors and employees are set in accordance with performance achievements relating to matters under their direct control at the exclusive discretion of the Remuneration Committee.

Pensions

There are no pension schemes in operation.

Benefits in kind

The directors do not receive benefits in kind.

Notice periods

William Dewsall and Mike Hirschfield have service agreements which are terminable by six months' notice on either side. The Non-executive Directors have letters of appointment which are terminable on three months' notice on either side.

Share option incentives

On 9 July 2010, the Company issued 11,332,200 share options to Directors, management and employees, representing 10.0% of the issued share capital of the Company at that time, all of which have now vested. The option price for the exercise of the share options is 17.5 pence, being the middle market closing price on 8 July 2010. Of the share options granted, those issued to Directors of the company were: W Dewsall (4,532,880) and J Craven (453,288).

On 5 September 2012 Mike Hirschfield purchased 2,000,000 warrants (representing 1.48% of the issued share capital of the Company at 31 December 2014) at an exercise price of 25.125 pence per share, being the middle market closing price on 4 September 2012. The warrants were subject to certain performance conditions which have now been satisfied.

On 2 September 2013 the Company issued 500,000 warrants to David Coles on his appointment as Group Financial Controller (representing 0.37% of the issued share capital of the Company at 31 December 2014) at an exercise price of 65.75 pence per share, being the middle market closing price on 1 September 2013.

On 25 June 2014 the Company issued 2,000,000 share options to Directors, management and employees, representing 1.48% of the issued share capital of the Company at that time. The option price for the exercise of the share options is 82.5 pence, being the middle market closing price on 25 June 2014. Of the share options granted, those issued to Directors of the company were: W Dewsall (1,000,000) and M Hirschfield (500,000).

Group income statement

For the year ended 31 December 2014

	Note	2014 £000s	2013 £000s
Gross written premiums		**79,992**	**58,932**
Change in provision for gross unearned premiums	13	(22,753)	(14,291)
Gross earned premiums	4	**57,239**	**44,641**
Reinsurance written premiums		(7,949)	(2,834)
Change in provision for unearned premiums – reinsurers' share	13	2,101	217
Net earned premiums		**51,391**	**42,024**
Net investment return	6	99	149
Total revenue from operations		**51,490**	**42,173**
Gross claims paid		(27,845)	(16,580)
Movement in gross technical provisions		(17,795)	(1,374)
Gross claims incurred		(45,640)	(17,954)
Reinsurers' share of gross claims paid		7,058	3,943
Movement in reinsurers' share of technical provisions	13	3,200	(4,005)
Reinsurers' share of claims incurred		10,258	(62)
Net claims incurred		**(35,382)**	**(18,016)**
Expenses incurred in insurance activities	4	(15,612)	(12,072)
Other operating expenses	4	(5,933)	(4,869)
Total operating charges		(21,545)	(16,941)
(Loss)/profit from operations and before taxation	5	**(5,437)**	**7,216**
Taxation	8	615	(944)
(Loss)/profit for the year attributable to shareholders		**(4,822)**	**6,272**
(Loss)/earnings per share – basic	9	(3.57)p	5.39p
(Loss)/earnings per share – diluted	9	(3.57)p	4.99p

All operations are continuing.

No statement of Comprehensive Income is presented as there is no other comprehensive income. The notes on pages 25 to 45 form part of these financial statements.

Group statement of financial position

At
31 December 2014

	Notes	2014 £000s	2013 £000s
Assets			
Intangible assets	10	4,250	4,250
Property, plant and equipment	12	442	490
Deferred acquisition and reinsurance costs	13	13,153	6,948
Provision for unearned reinsurance premium	13	3,022	921
Reinsurers' share of technical provisions	13	3,200	—
Prepayments and accrued income	14	126	137
Trade and other receivables	15	66,374	56,741
Cash and cash equivalents	16	42,358	27,021
Total assets		**132,925**	**96,508**
Equity			
Share capital	17	338	334
Share premium account	17	16,190	15,859
Share based payment reserve	18	950	958
Other reserves	18	3,875	3,875
Retained earnings	18	5,956	10,638
Total equity attributable to shareholders		**27,309**	**31,664**
Liabilities			
Technical provisions	13	40,685	24,465
Provision for unearned premium	13	47,307	24,554
Accruals and deferred income		654	441
Current taxation		542	946
Deferred taxation	8	—	625
Trade and other payables	19	16,428	13,813
Total liabilities		**105,616**	**64,844**
Total liabilities and equity		**132,925**	**96,508**
Net asset value per ordinary share	9	20.18p	23.74p

The financial statements have been signed by the Board and authorised for issue on 29 May 2015.

William Dewsall
Chief Executive

J Blaise Craven
Director

The notes on pages 25 to 45 form part of these financial statements.

Group statement of cash flows

For the year ended 31 December 2014

	Notes	Group 2014 £000s	Group 2013 £000s
Cash flows from operating activities			
Cash generated from operations	23	15,387	7,283
Interest received		99	149
Tax paid		(414)	(241)
Net cash flows from operating activities		**15,072**	**7,191**
Cash flows from investing activities			
Purchase of tangible fixed assets	12	(70)	(214)
Net cash flows from investing activities		**(70)**	**(214)**
Cash flows from financing activities			
Shares issued	17	335	10,810
Share issue costs		—	(416)
Net cash flows from financing activities		**335**	**10,394**
Net increase in cash and cash equivalents		**15,337**	**17,371**
Cash and cash equivalents at beginning of year		27,021	9,654
Exchange movements on cash and cash equivalents		—	(4)
Cash and cash equivalents at end of year	16	**42,358**	**27,021**

The notes on pages 25 to 45 form part of these financial statements.

Group statement of changes in equity

For the year ended 31 December 2014

	Note	Share capital £000s	Share premium £000s	Share based payment reserve £000s	Other reserves £000s	Retained earnings £000s	Total equity £000s
At 1 January 2013		283	5,516	782	3,875	4,320	14,776
Comprehensive Income							
Profit for the period		—	—	—	—	6,272	6,272
Total Comprehensive Income		—	—	—	—	**6,272**	**6,272**
Transactions with Owners							
Shares subscribed during the year		51	10,759	—	—	—	10,810
Share issue costs		—	(416)	—	—	—	(416)
Share based payments		—	—	222	—	—	222
Transfer on exercise of options		—	—	(46)	—	46	—
Total Transactions with Owners		**51**	**10,343**	**176**	—	**46**	**10,616**
At 31 December 2013	17, 18	**334**	**15,859**	**958**	**3,875**	**10,638**	**31,664**
Comprehensive Income							
Profit for the period		—	—	—	—	(4,822)	(4,822)
Total Comprehensive Income		—	—	—	—	**(4,822)**	**(4,822)**
Transactions with Owners							
Shares subscribed during the year		4	331	—	—	—	335
Share issue costs		—	—	—	—	—	—
Share based payments		—	—	132	—	—	132
Transfer on exercise of options		—	—	(140)	—	140	—
Total Transactions with Owners		**4**	**331**	**(8)**	—	**140**	**467**
At 31 December 2014	17, 18	**338**	**16,190**	**950**	**3,875**	**5,956**	**27,309**

The notes on pages 25 to 45 form part of these financial statements.

Notes to the group financial statements

For the year ended 31 December 2014

1 Basis of preparation

The Company was incorporated as a Corporation in the Cayman Islands which does not prescribe the adoption of any particular accounting framework. The Board had previously resolved that the Group would follow IFRS and apply the UK Companies Act 2006 when preparing its annual financial statements.

These financial statements have been prepared under the historical cost convention and in accordance with the requirements of International Financial Reporting Standards ("IFRS") endorsed by the European Union ("EU").

The Group financial statements consolidate the financial statements of Gable Holdings Inc. and subsidiary undertakings made up to 31 December 2014. Subsidiaries are entities over which the Group has control. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities. The Group obtains and exercises control through voting rights.

Inter-company transactions, balances and unrealised gains on transactions between the Group companies are eliminated. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

In relation to the preparation of these financial statements, the Directors have been cognisant of the particular uncertainties outlined in note 3 and note 15. The financial statements have been prepared on a going concern basis and it is the opinion of the Directors, based upon the information available and the information set out in the statement as to Going Concern in the Directors' Report, that Gable Insurance AG and the Group will be able to maintain its solvency requirements and meet its liabilities when they fall due.

While a number of new or amended IFRS and IFRIC standards have been issued there are no new standards that have a material impact on the Group.

The Board believes that the Company and all of its subsidiaries have Sterling as a functional currency. The financial statements are presented in Sterling.

2 Principal accounting policies

Business combinations

Business combinations are accounted for using the acquisition method of accounting. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value at the acquisition date. The excess of the cost of acquisition over the fair value of the net assets acquired is recorded as goodwill.

Goodwill

Goodwill is recognised in the statement of financial position at cost less any impairment.

Goodwill is tested annually for impairment. Where there is any reduction in the carrying amount, this would be recognised in the income statement for the period in which the reduction is determined.

Foreign currency translation

Transactions in foreign currencies are translated into sterling at the exchange rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the exchange rate ruling at the end of the reporting period, and the resulting foreign exchange gain or loss is recognised in the income statement.

Non-monetary assets and liabilities are translated using the exchange rate at the date of the transaction; no exchange differences therefore arise.

Underwriting transactions

The results for all classes of insurance business are determined on an annual basis whereby the incurred cost of claims, commission and related expenses are charged against the earned proportion of insurance, net of reinsurance as follows:

1. Premiums written comprise the premiums on contracts incepting in the financial year, together with any differences in premiums between booked premiums for prior years and those previously accrued, and include estimates of premiums due but not yet receivable or notified, less allowance for cancellations;
2. Unearned premiums represent the proportion of the premiums written in that year that relate to unexpired terms of policies in force at the end of the reporting period. For ATE business, premium is earned at inception where the premium is fixed, or on the determination of the event where the premium is variable and dependent on the outcome of such a future event such as a court award of damages. Where the amount of such a premium is variable, a best estimate of the amount expected to be received is recognised;
3. Reinsurance premiums and any related reinsurance recoveries are accounted for in the same accounting period as premiums and claims incurred. Reinsurance premiums are earned over the period in which premiums on the related policies are earned;
4. Acquisition costs, which represent commission and other related expenses, are deferred and recognised over the period in which premiums from the related policies are earned;
5. Claims incurred represent claims and related expenses paid in the year and changes in the provisions for outstanding claims, including provisions for claims incurred but not reported and related expenses, together with any adjustments to claims from prior years. Where applicable, recoveries due from reinsurers are disclosed separately;
6. Claims outstanding represent the estimated ultimate cost of settling all claims (including direct and indirect claims settlement costs) arising from events that have occurred up to the end of the reporting period, including provisions for claims incurred but not reported, less any amounts paid in respect of those claims; and
7. Provision for the cost of handling future claims is only made if this cost materially exceeds future investment income from the claims fund maintained.

Expenses incurred in insurance activities and other operating expenses

Expenses incurred in insurance activities and other operating expenses are recognised on an accruals basis.

Taxation

The tax expense represents the sum of the tax currently payable and any deferred tax provided. The tax payable is based on the taxable income for the year. Taxable profit differs from profit for the year as reported in the income statement because it excludes items of income and expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group’s liability for current tax is calculated using tax rates applicable at the end of the reporting period.

Deferred income tax is generally provided on temporary differences arising between the tax bases of assets and liabilities and the carrying value in the financial statements. However, if the deferred income tax arises from the initial recognition of goodwill, or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for.

Deferred income tax is determined using tax rates enacted or substantively enacted at the end of the reporting period and expected to apply when the related deferred tax asset or liability is realised or settled.

Deferred income tax assets are recognised to the extent that future taxable profit will be available against which the temporary differences can be used.

Deferred income tax is provided on the temporary differences arising on the investments in subsidiaries, except where the Group controls the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset only where there is a legal right of offset and the deferred taxes relate to the same fiscal authority.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment. Depreciation is calculated to write off the cost of tangible fixed assets over the estimated useful lives as follows:

IT systems and software	20% per annum
Motor vehicles	20% per annum
Furniture and fittings	20% per annum
Leasehold improvements	Remaining term of lease, up to a maximum of 10 years

The gain or loss arising on the disposal of an item of property, plant or equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

Impairment of assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible 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 assets is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Impairment reviews are carried out more frequently if there is an indication that the asset may have been impaired.

The recoverable amount is the higher of fair value less cost to sell and value in use. In assessing value in use, the current estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount. An impairment loss is recognised in the income statement immediately. Except for goodwill where impairment losses cannot be reversed, where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash generating unit) in prior years. A reversal of the impairment loss is recognised immediately.

Financial instruments

Financial assets comprise solely trade and other receivables and cash and cash equivalents. Financial liabilities comprise solely trade and other payables (classified as held at amortised cost).

Trade receivables and payables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment in the case of receivables. Cash and cash equivalents are carried in the consolidated balance sheet at amortised cost and include cash in hand, deposits held on call with banks and other short-term highly liquid investments with a maturity of three months or less at the date of purchase.

Provisions and contingencies

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Where a reimbursement is expected, this is recognised only when it is virtually certain that the reimbursement will take place and the amount to be reimbursed is known.

Contingent liabilities are liabilities that represent a possible obligation arising from a past event whose existence is dependent on one or more uncertain future events not within the control of the Group or a present obligation where it is not probable that an outflow will be required for settlement of the obligation.

Contingent liabilities are not disclosed where the likelihood of the uncertain future event is remote, unless the disclosure of the contingent liability adds clarity to the financial statements.

Contingent assets, which relate to possible assets and depend on the outcome of uncertain future events, are not recognised. Such an asset is disclosed only where the inflow of economic benefit is virtually certain.

Segment information

A business segment is a component of an entity whose results are regularly reviewed by the entity's chief operating decision maker and for which discrete financial information is available.

Share based payments

Options

The Group issues equity-settled share-based awards to certain employees (including directors). Equity-settled share-based awards are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based awards is expensed on a straight-line basis over the vesting period, together with a corresponding increase in equity, based upon the Group's estimate of the shares that will eventually vest. Fair value is measured using the Black-Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. No adjustment is made to the expense recognised in prior periods if fewer share options are ultimately exercised than originally estimated. Upon exercise of share options, the proceeds received net of any directly attributable transaction costs up to the nominal value of shares issued are allocated to share capital with any excess being recorded as share premium.

Warrants

The Group has also issued equity settled share-based awards in respect of services provided. The share-based award is measured at fair value of the services provided at the grant date. The expense is allocated on a straight-line basis over the vesting period.

Critical accounting estimates and judgements in applying accounting policies

The preparation of financial information requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates and judgements are continually evaluated and based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

The most critical accounting estimate made by the Group is the estimate of the ultimate claims liability under insurance contracts underwritten. The estimation of the liability considers historical data, with most relevance given to recent data, of claims experience. The ultimate cost of outstanding claims is estimated based on experience and current business conditions. Whilst claims need to be notified without delay, the settlement of claims and accordingly the ultimate cost of such claims cannot be known with certainty at the end of the reporting period.

In particular, estimates of technical provisions inevitably contain inherent uncertainties because significant periods of time may elapse between the occurrence of an insured loss, the reporting of that claim, payment of the claim and the receipt of reinsurance recoveries. While the Directors consider that the estimate of claims is fairly calculated, on the basis of the information currently available to them, the ultimate liability remains inherently uncertain and may change as a result of subsequent information and events which may result in the eventual cost of settling these liabilities being higher or lower than the amount calculated. When estimating the required level of provisions, management will consider the results of a variety of actuarial techniques. The projections given by the various methodologies assist in setting the range of possible outcomes and facilitate management's selection of the most appropriate estimation technique taking into account the development of the Group's book of business.

Any subsequent inadequacies or surpluses are adjusted and recognised in the income statement in the year in which they occur.

Over the last few years, GIAG has launched a number of new products in Europe, which remain at early stages of development, both in premium written and claims experience. In respect of the former in relation to ATE business, the Directors make assumptions as to the best estimate of any variable premium, which in the future may be higher or lower than the amounts recognised. Judgement is also required in selecting an appropriate accounting policy for fixed premiums on ATE business which only become payable when the underlying litigation is resolved. The group takes the view that these premiums are earned when the policy is written because the risk that is being insured has already occurred. If a different policy were applied, for example treating such premiums as earned only when the underlying litigation is resolved, premiums and associated profits would be recognised in later periods and net assets would be reduced. With regard to claims experience, the Directors have made a number of assumptions as to what the ultimate claims experience might be. Estimates of potential future settlements levels for open claims are based on the experience of the underwriting years to date. Taking these factors into account there is the potential that the amount at which claims will be settled in the future may be substantially higher or lower than the amounts currently provided in the financial statements. Having regard to this significant uncertainty inherent in the business of the insurance subsidiary and in the light of the information presently available, in the opinion of the Directors the provisions for outstanding claims and IBNR in the Group financial statements are fairly stated.

3 Risk management

The principal activity of the Group is that of an insurance company. As such, there are a number of specific risks that attach to such an undertaking. Insurance in its simplest form is the acceptance by an insurer of the risk to pay future claims, the compensation for which is an insurance premium. As such, the insurer must manage its risk in a number of specific areas.

Of the risks identified and managed by the Group, those of most significance at the current stage of the Group's development as identified by the Board and company management are capital adequacy, claims reserving and reinsurance.

Claims reserving and significant uncertainty

GIAG monitors the claims development of all products from their respective launch and uses this analysis and the management expertise available to it to develop what the directors believe to be a reasonable reserving position at each year end. Continued monitoring of the position has been and will be carried out for each underwriting year.

During the last five years, GIAG launched a number of new products and has, therefore, begun the process of claims monitoring for these products. In addition, in accordance with Liechtenstein regulations, GIAG has an Appointed Actuary responsible for undertaking an actuarial review of its year end reserving position and has commissioned an independent actuarial peer review of this work. The peer review is currently performed by Grant Thornton. The Appointed Actuary's Report evaluates the reserving position of GIAG for its products and markets based on the information provided by GIAG and provides a range of possible ultimate loss outcomes based on experience of the Company and of the market as a whole. The Board believes that GIAG's focus on niche areas of business and tight underwriting policies expose the company to lower ultimate loss ratios than the market as a whole. Whilst its reserving position is below that which might be appropriate for a much larger business facing whole market risks, the Board believes that its carried reserves are adequate. Nevertheless, the Board recognises that projecting ultimate claims is inherently judgemental and that any estimate of future claims can be different from the eventual outturn. The Board fully believes that its niche underwriting strategy will continue to demonstrate loss ratios which outperform the wider market. During 2014 GIAG set aside additional reserves to reduce the gap between the reserves carried by the company and that of the actuarial best estimate to £7.5 million (2013: a gap of £13.8m).

At the date of these financial statements, GIAG's claims experience for all products, even those launched in the UK in 2006 following the foundation of the business, has been developed over a short period of time. For those launched more recently and, in particular, in the last financial year the claims development experience carries an even higher degree of uncertainty. For any insurance entity, it takes a reasonable period of time, firstly, to determine an actual result for a particular underwriting year and, secondly, and more importantly, to develop an experience of a particular book of business such that claims reserving trends can be identified and applied. Whilst specific underwriting years may be close to establishing a result (i.e. 2006), it takes a much longer period to draw definitive conclusions against which future underwriting years may be judged. The Directors believe that a reasonable approach has been taken to reserving, as described in Note 13, for each of GIAG's underwriting years but in doing this, acknowledge that the significant uncertainty outlined above will remain with the Group's reserving conclusions for the immediate future. The conclusions drawn by the Directors rely on a number of assumptions. These, inter alia, include an assumption that future claim settlements will follow a similar trend to those experienced on settled claims to date. In addition, the performance of the new products launched in the year is dependent on a future claims development profile. Whilst the Directors believe that a reasonable approach has been taken in this first period of account for these products, the ultimate claims experience will have a high degree of uncertainty until the claims experience has developed further. A 1% movement in the net loss ratio for the current underwriting year will increase/decrease profit by £513,900 (2013: £420,240).

Claims development information is disclosed in order to illustrate the sources of significant uncertainty outlined above. The table compares ultimate claims estimates with the payments made to date. The first section of the table shows current estimates of cumulative claims and demonstrates how these claims have developed at subsequent year ends. As the Company has made additional provisions to move its cumulative claims provisions towards actuarial best estimate, the table below has been presented using actuarial best estimate figures for each period to show how the account has developed over time on a basis consistent with the management's long term objectives. Given that 2014 is only the ninth year of underwriting and volume / business mix has changed as the Group has grown, users of the financial statements are cautioned against extrapolating the below as representative of future claims development.

The Board believes that the estimate of total claims outstanding at 31 December 2014 is adequate.

Analysis of ultimate claims development – gross, business written in relevant year

	2006 £000s	2007 £000s	2008 £000s	2009 £000s	2010 £000s	2011 £000s	2012 £000s	2013 £000s	2014 £000s	Total £000s
Initial estimate of gross provision	1,679	1,835	2,319	4,779	7,217	13,835	13,474	23,039	39,863	108,040
One year on	127	119	(231)	(1,432)	2,306	1,478	(1,068)	8,538		9,837
Two years on	(395)	122	792	4,587	(777)	(2,325)	700			2,704
Three years on	168	690	413	726	680	(1,871)				806
Four years on	512	360	(294)	520	1,165					2,263
Five years on	(166)	(816)	821	974						813
Six years on	(223)	(33)	(901)							(1,157)
Seven years on	(17)	9								(8)
Eight years on	40									40
Current estimate of total gross ultimate claims	1,725	2,286	2,919	10,154	10,591	11,117	13,106	31,577	39,863	123,338
Cumulative payments to date	(1,664)	(2,384)	(2,499)	(6,584)	(7,633)	(6,036)	(5,630)	(15,929)	(4,405)	(52,764)
Unearned portion of net ultimate claims										(23,406)
Uplift for unallocated loss adjustment expenses and other items										1,017
Claims outstanding at 31 December 2014										48,185
Less current estimate of future reinsurance recoveries										(3,200)
Net claims outstanding at 31 December 2014										44,985
Gap remaining at 31 December 2014										(7,500)
Net carried reserve at 31 December 2014										**37,485**

Reinsurance

GIAG manages its potential loss exposure by purchasing suitable reinsurance programmes for its products which are designed to mitigate financial losses. GIAG purchases an annual reinsurance programme running from 1 July to 30 June with international and global reinsurers of a credit rating of A or above. The reinsurance programmes are placed by our brokers AON and Arthur J. Gallagher.

The Group recognises that its reinsurance arrangements do not relieve it of its ultimate liability to policyholders and as such the Group is exposed to credit risk to the extent that any reinsurer is unable to meet obligations assumed under such reinsurance arrangements. As at 31 December 2014 the balance due from reinsurers was £3.2 million (2013: £nil million).

Underwriting

Underwriting risk comprises both the risk profile and the financial scale.

Each proposed insurance contract is either generated through GIAG's internet-based quotation system or by the completion of detailed proposals. This process is designed to ensure that all relevant information is collated to enable the underwriter to make a fully informed decision as to the risk profile of a particular client and the appropriate pricing. This is particularly relevant to construction-related risks, which cover a wide range of different business services. GIAG's systems tailor the information required to each particular circumstance dependent on factors such as claims experience and industrial specialism. An insurance quotation is unable to be provided until all relevant information has been provided.

GIAG has, through its underwriting and premium pricing policy, sought to write profitable business rather than to build a book of premium. Management control has been exercised by:

- regular reporting of premium written;
- analysis of quotations not won; and
- monitoring of industry exposure and risk profiles.

In conjunction with its monitoring of industry exposure and risk profiles, management also determines potential insurance concentrations, which it seeks to mitigate by the introduction of new products and jurisdictions.

Claims

The claims risk is to ensure that an insurer settles only valid claims at appropriate settlement levels.

GIAG has implemented a rigorous system for the handling and settlement of claims which fall due. Under each insurance contract the insured is required to notify GIAG (by way of its appointed agent in the relevant jurisdiction) of any event, which may give rise to a claim. Such notification must be made within a specific period of the event. On receipt of a claim, GIAG makes an initial determination of its contractual liability and, where relevant, engages external experts to provide it with loss information. For all valid claims, GIAG will seek to agree and settle a claim as expeditiously as possible.

Credit risk

There are two principal elements to the Group's credit risk exposure:

- non-payment of insurance premium by insured, including for ATE business where the premiums only become payable when the underlying litigation is resolved: premium outstanding is monitored on a regular basis and each insurance contract contains a specific warranty as to requisite payment period; and
- non-payment of reinsurance recoveries: for its reinsurance programmes, all reinsurers must have a credit rating of A or above.

The Group has insurance receivables that are past due but not impaired at the reporting date. An aged analysis of the carrying amounts of these receivables net of provisions is disclosed below:

	Less than 30 days £000s	30–60 days £000s	60–90 days £000s	90–365 days £000s	More than 365 days £000s	Total £000s
31 December 2014						
Amounts due from policyholders	10,719	2,017	3,242	10,054	2,993	29,025
31 December 2013						
Amounts due from policyholders	7,526	1,416	2,276	7,059	2,448	20,725

The ageing of debtors reflects the payment terms on the products offered. As part of its debtor management procedures, the Directors monitor past due debtors and undertake all requisite actions to recover these amounts. The Directors have, therefore, made certain assumptions in respect of the recoverability of long-term debtors, which they consider to be reasonable. In respect of premiums receivable the Group holds an impairment provision of £1.1m (2013: £1.0m). In order to mitigate counterparty risk on bank deposits, the Group maintains a policy of holding not more than £7.5m (2013: £7.5m) in any one banking group. The following table shows movements in impairment provisions in the year:

	2014 £000s	2013 £000s
Opening bad debt provision	966	500
Strengthening in the year	118	461
Net foreign exchange differences	(32)	5
Closing bad debt provision	1,052	966

Currency risk

GIAG retains its policy income and settles claims in the currency in which the contract is made and, therefore, mitigates currency risk by matching assets and liabilities in the currency in which they originate. For the year ended 31 December 2014 and 2013, all premium income was denominated in GBP, Euro, Danish Kroner or Norwegian Kroner and claims arising therefrom will be settled in each relevant currency. Due to Gable Insurance AG being a Liechtenstein registered company, certain monetary assets are denominated in Swiss Francs.

The sterling equivalent of monetary assets and liabilities held by the Group denominated in Euro, Norwegian Kroner and Swiss Francs at the year-end were as follows:

	2014 £000s	2013 £000s
Euro	17,216	9,248
Norwegian Kroner	4,327	2,337
Swiss Francs	5,832	7,610
Danish Kroner	2,339	909
	29,714	20,104

A 10% increase/decrease in the exchange rates applied to convert the currencies above against GBP would impact the value of the Group's net assets and its profit as at 31 December 2014 by approximately £2,701,000 (2013: £1,827,000). In addition, indirect foreign currency exposure exists from policies where the insured events are settled in other currencies.

Interest rate risk

The Group's main exposure to fluctuations in interest rates arises in its effect on the yield that is received on its short term deposits. When placing funds, consideration is given to achieving a competitive return on the amount invested. An increase or decrease of 10% in interest rates would decrease/increase Group profit by less than £10,000 (2013: £15,000).

Liquidity risk

Net premium income received by GIAG is retained in its base currency and placed on short term deposit with recognised banking institutions. As the business develops, premium is written and claims experience develops, the Group will seek to extend the period of its deposits, whilst retaining a range of maturity dates to ensure that financial resources are available to meet its known financial requirements and provide the ability to meet efficiently potential loss liabilities.

Regulatory and capital risk management

GIAG is regulated by the Financial Market Authority in Liechtenstein and is subject to its regulatory requirements. Failure to comply may lead to sanctions being placed on GIAG and, therefore, affect its ability to conduct business. GIAG is also reliant on the continued existence of legislation allowing EEA based companies to passport into the EU.

The Directors have overall responsibility for managing the Group's capital base with the principal objective of maintaining sufficient capital to satisfy regulatory requirements. The Directors also recognise the need to maintain a strong capital base that provides the necessary protection to policyholders and creditors and at the same time generating sufficient returns to create shareholder value.

GIAG is a regulated insurance company in Liechtenstein. Liechtenstein regulations require insurance companies to meet the solvency requirements in that jurisdiction and to hold reserves set at an actuarial best estimate or otherwise be in technical breach of the regulations.

GIAG historically held reserves set at a management best estimate which, over time, have diverged from the actuarial estimate for the reasons set out elsewhere in these accounts. These have historically been, and continue to be, accepted by the regulator. As explained earlier in this note, the Company has made additional provisions in 2014 to reduce the gap between management and actuarial best estimate to £7.5 million.

Whilst this has had a material adverse impact on the reported result for the current year, uncertainties relating to the financial performance and position arising from carrying a reserve different from that determined by actuarial assessment have been greatly reduced.

As at 31 December 2014, the solvency ratio of GIAG calculated on the basis of the figures within these accounts and as submitted to the regulator was 108% (2013: 169%). The company meets with the regulator on a regular basis and reviews capital plans for future years on a regular basis. With the proposed implementation of Solvency II, the Board and management have instigated the process of conforming both to the proposed capital requirements and also the proposed risk management and reporting requirements.

Going concern

Whilst Solvency II will not come into force until 1 January 2016, the Board has already commenced the process of assessing the impact of Solvency II on the business and, given the Board's expectation of continuing strong growth, assessing the required capital to support those levels of income. To this end, the Board has held discussions with providers of quota share reinsurance and structured debt products. Whilst there can be no certainty that negotiations with these and similar parties will be successfully concluded based on these discussions, the Board is confident that sufficient capital will be in place in advance of the commencement of Solvency II to support its ambitious plans. Failure to raise sufficient regulatory capital would hinder the company's growth plans and could also lead to sanctions being placed on GIAG and therefore on its ability to conduct future new business. This indicates a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern.

4 Segment information

International Financial Reporting Standard 8 'Operating Segments' ("IFRS 8") requires that segments represent the level at which financial information is reported to the Board, being the chief operating decision maker as defined in IFRS 8. The reportable segments have been identified as follows:

- Insurance activities, which comprises the Group's insurance subsidiary
- Administration activities, which comprises all other activities of the Group

Segment information – segment result

	2014 £000s	2013 £000s
Insurance company activities		
Gross earned premiums	57,239	44,641
Outward reinsurance premiums earned	(5,848)	(2,617)
Net claims incurred	(35,382)	(18,016)
Net investment return	99	149
Expenses incurred in insurance activities	(15,612)	(12,072)
Other operating expenses	(4,289)	(3,265)
(Loss) / profit before taxation from insurance activities	**(3,793)**	**8,820**
Group and administrative activities		
Other operating expenses	(1,644)	(1,604)
Loss before taxation from Group and administrative activities	**(1,644)**	**(1,604)**
(Loss) / profit before taxation	**(5,437)**	**7,216**

Segment information – other information

	Insurance activities £000s	Group administration activities £000s	Consolidation adjustments £000s	Total £000s
As at 31 December 2014				
Segment assets	123,164	14,366	(4,605)	132,925
Segment liabilities	102,280	642	2,694	105,616
Capital expenditure	70	—	—	70
Depreciation	118	—	—	118
As at 31 December 2013				
Segment assets	90,275	6,233	—	96,508
Segment liabilities	64,588	256	—	64,844
Capital expenditure	214	—	—	214
Depreciation	24	52	—	76

	2014 £000s	2013 £000s
Gross earned premium		
UK	32,484	26,306
Europe	24,755	18,335
	57,239	**44,641**
Net insurance result		
UK	(2,505)	8,309
Europe	2,902	3,627
	397	**11,936**

No single customer represents more than 10% of total revenue.

5 (Loss)/profit on ordinary activities

The (loss)/profit on ordinary activities was derived from the principal activities of the Group. The (loss)/profit on ordinary activities is stated after charging:

	2014 £000s	2013 £000s
Depreciation of property, plant & equipment	118	76
Foreign exchange	572	(247)
Fees payable to Company's auditor, Ernst & Young LLP		
Statutory audit of the group accounts	173	89
Fees payable in respect of audit of subsidiary undertakings	93	91

6 Net investment return

	2014 £000s	2013 £000s
Bank interest receivable	99	149
	99	**149**

7 Directors and employees

	2014	2013
The average number of employees (including Directors) employed by the Group was:	14	15

The total wages, salaries and staff costs incurred (including Directors' fees) in the year ended 31 December 2014 were £1,719,000 (2013: £1,316,000). Details of the Directors' emoluments are set out in the Report on Remuneration.

8 Taxation

The tax charge for the period arises from local taxation in Liechtenstein (where the ordinary tax rate is 12.5%) and the UK (where the applicable tax rate for the year is 21.5%), payable in Gable Insurance AG and Gable Services (London) Limited respectively. Gable Holdings Inc., the group's holding company is resident in the Cayman Islands and therefore subject to an expected tax rate of 0%.

	2014 £000s	2013 £000s
Tax on profits		
Current tax		
(Credit)/ Charge for the year	(4)	511
Adjustment in respect of prior years	14	(111)
Deferred tax		
Origination and reversal of temporary differences in the current year	(625)	449
Adjustment in respect of prior years	—	95
Tax (credit)/charge on (loss)/profit for the period	**(615)**	**944**

The following table provides a reconciliation of the expected tax charge for Gable Holdings Inc. to the tax charge of the group:

	2014 £000s	2013 £000s
(Loss)/profit before taxation	(5,437)	7,216
Profit before taxation multiplied by standard rate of tax of 0% (2013:0%)	—	—
Effect of:		
Overseas taxation payable		
UK	(5)	49
Liechtenstein	1	462
Adjustment in respect of prior years		
Current tax	14	(111)
Deferred tax	—	95
Movements in temporary differences arising	(625)	449
Tax charge/(credit) on (loss)/profit for the period	**(615)**	**944**

A deferred tax liability as at 31 December 2014 of nil (2013: £625,000) has been recognised in the financial statements in respect of consolidation adjustments for temporary differences between Liechtenstein GAAP and IFRS. As at 31 December 2014, a deferred tax asset of £nil (2013: £nil) has been recognised for the impact of the prior year restatements in Gable Insurance AG. A deferred tax asset of £20,000 relating to tax losses recorded by Gable Insurance AG has not been recognised.

9 Earnings and net asset value per share

The calculation of the basic and diluted earnings per share is based on the loss for the year of £4,822,000 (2013: profit of £6,272,000) divided by the weighted average number of shares in issue during the year of 135,022,347 (2013: 116,427,140). Option and warrant shares are not considered dilutive in 2014 due to recorded losses for the year. The weighted average number of shares for the calculation of diluted earnings per share in 2013 was 125,655,760 based on basic weighted average number of shares in issue plus 9,228,620 dilutive shares.

The net asset value per share is calculated by dividing the total equity of £27,309,000 (2013: £31,664,000) by the number of shares in issue at the end of the period, 135,319,833 (2013: 133,404,833).

Details of the potentially dilutive instruments utilised in the calculations above are set out in note 17.

10 Intangible assets

	2014 £000s	2013 £000s
Goodwill		
At 1 January	4,250	4,250
Arising in the period	—	—
Impairment of goodwill	—	—
At 31 December	**4,250**	**4,250**

The goodwill brought forward from 1 January 2013 arose from the acquisition of the Group's insurance subsidiary, Gable Insurance AG. An impairment review has been carried out on this asset and no impairment has been recognised. The impairment review has been based on a fair value less costs to sell, with the fair value being determined using the most recent mid-market share price of the Group.

11 Investments

The following companies are part of the Group:

Name	Country of incorporation	% owned	Activity
Gable Insurance AG	Liechtenstein	100%	Insurance
Gable Services (London) Limited	UK	100%	Services

12 Property, plant and equipment

	IT systems and software £000s	Fixtures and fittings and leasehold improvements £000s	Motor vehicles £000s	Total £000s
Cost				
At 1 January 2013	81	693	107	881
Additions	214	—	—	214
Disposals	—	(216)	—	(216)
Foreign Exchange movements	—	—	3	3
At 1 January 2014	**295**	**477**	**110**	**882**
Additions	45	25	—	70
Disposals	—	—	—	—
Foreign Exchange movements	(2)	—	—	(2)
At 31 December 2014	**338**	**502**	**110**	**950**
Depreciation				
At 1 January 2013	77	403	53	533
Charge for the year	2	52	22	76
Elimination on disposal	—	(216)	—	(216)
Foreign Exchange movements	—	(1)	—	(1)
At 1 January 2014	**79**	**238**	**75**	**392**
Charge for the year	49	47	22	118
Elimination on disposal	—	—	—	—
Foreign Exchange movements	(2)	—	—	(2)
At 31 December 2014	**126**	**285**	**97**	**508**
Net book value				
31 December 2014	**212**	**217**	**13**	**442**
31 December 2013	216	239	35	490

Depreciation is charged to other operating expenses.

13 Insurance assets and liabilities

	2014 £000s	2013 £000s
Insurance assets		
Deferred acquisition and reinsurance costs	13,153	6,948
Provision for unearned reinsurance premium	3,022	921
Reinsurers' share of technical provisions	3,200	—
	19,375	**7,869**

	2014 £000s	2013 £000s
Insurance liabilities		
Technical provisions	40,685	24,465
Provisions for unearned premium	47,307	24,554
	87,992	**49,019**

	2014 £000s	2013 £000s
At 1 January	24,465	15,008
Net Claims notified and reserved in year, net of RI	33,851	19,886
Claims paid in the year net of reinsurance recoveries	(20,787)	(12,637)
Incurred but not reported movement in year – net of reinsurer's share	490	2,081
Exchange movement	(534)	127
At 31 December	**37,485**	**24,465**

Included in Technical provisions above is £8.697m (2013: £7.331m) which relates to ATE business.

Historically, since inception, the Group used a consistent, simplified formulaic approach to calculate reserves in respect of its insurance liabilities at the balance sheet date. The approach was based on a fixed percentage of premiums across the entire portfolio. This is not uncommon in the absence of directly comparable and relevant empirical data, which is often the case for insurance portfolios at a relatively early stage of development. In keeping with best practice, the Group has prepared an actuarial best estimate (which is subject to an independent actuarial peer review) of its reserves which has provided a "best estimate". In the absence of its own mature experience, this assessment has necessitated the use of certain market level benchmark data, hence such reviews can never fully capture the impact of the Group's "niche underwriting" strategy, tight policy wording and beneficial impact of a proactive and efficient claim handling process.

The Board has always been satisfied as to the adequacy of its reserves and for the above reasons, to differentiate between the niche underwriting strategy of the Group and the estimates derived from market level benchmarks, the Board has historically targeted held reserves below the independent actuary's best estimate, but within their range. Indeed experience shows that settlements are generally below the case reserve which increases the best estimate calculations that take the case reserves as a starting point. Nevertheless, the Board has taken the decision to make additional provisions in 2014 to reduce the gap between the carried reserve and the actuarial best estimate to £7.5m.

For 2015 and beyond, Gable will apply a reserving policy based on an internal, class-specific actuarial assessment prepared by Gable's in house actuary on an ongoing basis. The internal assessment will be based on a more granular, bottom-up approach, taking into account coverage, claims reporting patterns and wording restrictions. The Board fully believes that its niche underwriting strategy will demonstrate loss ratios which outperform the wider market.

	2014 £000s	2013 £000s
Movement in reinsurers' share of technical provisions		
At 1 January	—	3,943
Movement in provision for the year	3,200	(4,005)
Exchange movement	—	62
At 31 December	**3,200**	—

	2014 £000s	2013 £000s
Movement in provision for unearned premium (gross)		
At 1 January	24,554	10,263
Movement in provision for the year	22,753	14,291
At 31 December	**47,307**	**24,554**

	2014 £000s	2013 £000s
Movement in deferred acquisition costs		
At 1 January	6,948	3,083
Movement in provision for the year	6,205	3,865
At 31 December	**13,153**	**6,948**

	2014 £000s	2013 £000s
Movement in provision for unearned reinsurance premium		
At 1 January	921	704
Movement in provision for the year	2,101	217
At 31 December	**3,022**	**921**

The insurance reserves carried by the Group are calculated using a number of methods to project gross and net insurance liabilities:

- a case by case review of notified claims; and
- actuarial techniques such as the chain-ladder method and the Bornhütter-Ferguson method.

The Group has undertaken an actuarial assessment of its reserves which has been independently peer reviewed by Grant Thornton, to ensure that the reserves included in the year end results are within a range of possible outcomes.

The major assumptions underlying the reserves established by the Group are:

- The Group's claims experience for the nine years ended 31 December 2014 can be used to project future claims development factors;
- Benchmarking exercises used in the assessment of ultimate claims provide a reasonable basis to compare against the Group's reserve position (after adjusting for differences in the business underwritten and the relevant factors); and

The aim of these assumptions is to arrive at an estimate of the possible future obligations and cash outflow of the Group.

The estimates selected and disclosed in the financial statements are sensitive to various factors including:

- Future cost inflation of loss adjusters and the advisors who assist the Group with the settlement of claims; and
- The development of the Group's claims experience as it develops its presence in the market. Whilst there is the potential for claims experience to deviate from that estimated this is kept under constant review by management.

The assumption that has the greatest effect on the measurement of the insurance contract provisions is the expected loss ratios. Although uncertain we expect approximately 20% of the technical provisions as at 31 December 2014 to be settled by 31 December 2015. The expected loss ratio is the ratio of expected claims to premiums.

14 Prepayments and accrued income

	2014 £000s	2013 £000s
Prepayments	126	137
	126	**137**

15 Trade and other receivables

	2014 £000s	2013 £000s
ATE premiums not yet due	30,512	28,317
Non-ATE premiums due	30,208	25,511
Receivable from direct insurance operations	60,720	53,828
Balances deposited with brokers for claims settlements	643	(450)
Other debtors	5,011	3,363
	66,374	**56,741**

Included in ATE premiums not yet due is an amount of £7.9 million (2013: £7.9 million) in respect of additional premium due on an insurance policy issued in respect of a US litigation case. The premium receivable by the Group for this policy consists of an initial fixed premium plus a variable element calculated on a fixed percentage of the award receivable by the plaintiff. The US Court awarded damages in 2012 for breach of contract and, as such, the premium due to the Group has been recognised. At the time of this court ruling, Management determined its best estimate to be $5.5m based on the damages initially determined by the court. Since the court ruling substantial further information on quantum of this settlement has been discovered and in light of this information Management has revised its best estimate of the amount likely to be recovered through further judicial process to the US$12.6 million (£7.9m) currently recorded in the financial statements.

Both parties to the litigation raised appeals against certain aspects of the original ruling, all of which were rejected by the courts in a hearing in April 2014. However, there remains uncertainty regarding the amount and the timing of any additional premium recoverable by the Group until an alternative settlement is reached between the parties or the quantum of damages is confirmed by the courts, which is currently expected in the second half of 2015. On the basis of information provided by third parties, the Directors are confident that the amount currently accrued for will be recoverable in full. The timing of receipt of ATE premiums not yet due is dependent on factors outside of the Company’s control and is therefore uncertain and a significant portion of this balance could become recoverable after more than one year.

16 Cash and cash equivalents

	2014 £000s	2013 £000s
Cash at bank	42,358	27,021
	42,358	**27,021**

17 Share capital and premium

	Number of ordinary shares of 0.25p	Ordinary shares £000s	Share premium £000s
At 1 January 2013	113,322,000	283	5,516
New shares issued	20,082,833	51	10,759
Share issue costs		—	(416)
At 1 January 2014	133,404,833	334	15,859
New shares issued	1,915,000	4	331
At 31 December 2014	**135,319,833**	**338**	**16,190**

The total authorised number of shares is 4,000 million (2013: 4,000 million), with a nominal value of 0.25 pence each. All issued shares are fully paid.

Share options

On 9 July 2010 share options were granted to directors, management and key employees (the "2010 Options"). All 2010 Options had vested as at 31 December 2013. On 25 June 2014 share options were issued to directors and management (the "2014 Options") which will vest, subject to performance conditions, on 25 June 2017. All options can be exercised from after three years from the date of grant until ten years from the date of grant. Options are settled in equity once exercised.

The movements in the number of share options and their related exercise price are as follows:

	Number	Fair value Pence	Weighted average exercise price Pence
At 1 January 2013 (2010 Options)	11,332,200	7.3078	17.5
Options exercised during the year (2010 Options)	(628,288)	7.3078	17.5
At 1 January 2014 (2010 Options)	10,703,912	7.3078	17.5
Options granted during the year (2014 Options)	2,000,000	26.5084	82.5
Options exercised during the year (2010 Options)	(1,915,000)	7.3078	17.5
At 31 December 2014			
2010 Options	8,788,912	7.3078	17.5
2014 Options	2,000,000	26.5084	82.5
	10,788,912		

The share based payment charges recognised in the accounts are not, and never will be, a cash cost to the Group but are merely an accounting charge to the income statement. The purpose of such a charge is to represent an estimate of the theoretical cost to the Group if options are exercised in the future where the receipts from exercise are lower than if the same number of shares had been issued at the then prevailing market value.

For those options granted to employees and directors, the fair values were calculated using the Black-Scholes model. The inputs for the model were as follows:

Risk free rate	2.10% (set at the 5 year Government gilt rate)
Share price volatility	45% (based on historical experience and peer review)
Expected life	3 years (based on a variety of economic and behavioural considerations)
Share price at date of grant	82.5p (mid-market closing price on day prior to grant)

Warrants

On 2 September 2013, warrants were issued to David Coles on his appointment as Group Financial Controller for 500,000 shares, 250,000 of which vested after 12 months and the balance will vest after 24 months. These warrants have an exercise price of 65.75p (the closing mid-market price on the day prior to grant was 66p) and will lapse on 9 July 2020 unless exercised prior to that date. For the purposes of share based payment charges these have been valued using the Black Scholes model utilising the same inputs as for options except that the share price on date of grant was 65.75p and the expected life is 12 or 24 months respectively.

The warrants can be summarised as follows:

	Fair value Pence	Weighted average exercise price Pence	Number of warrants
At 1 January 2013: Purchased warrants	**7.9427**	**25.125**	**2,000,000**
Warrants issued during the year, vesting in 12 months	12.431	65.75	250,000
Warrants issued during the year, vesting in 24 months	17.627	65.75	250,000
At 31 December 2013 and 2014:			
Purchased warrants	**7.9427**	**25.125**	**2,000,000**
Warrants which vested after 12 months	**12.431**	**65.75**	**250,000**
Warrants with a vesting period of 24 months	**17.627**	**65.75**	**250,000**
Total			**2,500,000**

18 Other reserves

	Share based payment reserve £000s	Other reserves £000s	Retained earnings £000s
At 1 January 2013	782	3,875	4,320
Retained profit for the period	—	—	6,272
Share based payments	222	—	—
Transfer on exercise of options	(46)	—	46
At 31 December 2013	**958**	**3,875**	**10,638**

	Share based payment reserve £000s	Other reserves £000s	Retained earnings £000s
At 1 January 2014	958	3,875	10,638
Retained loss for the period	—	—	(4,822)
Share based payments	132	—	—
Transfer on exercise of options	(140)	—	140
At 31 December 2014	**950**	**3,875**	**5,956**

Share based payment reserve

The share based payment reserve relates to share options issued in 2010 and 2014, and warrants issued in 2012 and 2013, full details of which are provided in note 17. During the year options were exercised over 1,915,000 shares (2013: 628,288), accordingly the accumulated share based payment reserve represented by these shares amounting to £186,000 (2013: £46,000) has been transferred to retained earnings.

Other reserves

On 23 December 2005, 31,000,000 ordinary shares of 0.25p each were issued as consideration to the vendors of Brown Duke AG (subsequently renamed Gable Insurance AG) at a valuation of 12.75p per share. The Company took advantage of Merger Relief available at the time and the difference between the total value of the shares issued of £3,952,500 and the nominal value of the shares issued of £77,500 was credited to other reserves (£3,875,000).

19 Trade and other payables

	2014 £000s	2013 £000s
Trade payables	12,716	10,189
Other taxation (including insurance taxes)	3,371	3,373
Other payables	341	251
At 31 December	**16,428**	**13,813**

Included in trade payables above is £6.033m (2013: £5.789m) relating to commissions payable on ATE policies.

20 Contingent liabilities

Other than the provision for insurance claims (note 13), there were no contingent liabilities as at 31 December 2014 (2013: nil).

21 Capital commitments

There were no capital commitments as at 31 December 2014 (2013: nil).

22 Related party transaction

During the year, the Group traded with Hogarth Underwriting Agencies Limited ("HUAL"), a company wholly-owned by its sole director, William Dewsall, Chief Executive of Gable. HUAL acts as an insurance intermediary for the Group's UK construction account and routinely collects premiums and settles claims under a delegated authority from Gable. The net commission and administration costs payable for services provided by HUAL for 2014 amounted to £1,816,000 (2013: £1,676,000).

The balance outstanding due from HUAL at 31 December 2014, which is not subject to interest charges, was £3.445m (2013: £3.338m). This amount has been guaranteed by the HUAL director. In addition HUAL held an amount of £0.58m (2013: £2.29m) in a statutory trust in favour of Gable which represents premiums collected on behalf of Gable and liquid resources which HUAL utilise to settle claims on behalf of Gable.

During the year the Group paid £48,000 (2013: £70,000) to Kitwell Consultants Limited, a company beneficially owned by Mike Hirschfield and his family, for Company Secretarial, advisory and accountancy services.

23 Cash generated from operations

	2014 £000s	2013 £000s
(Loss)/profit before tax	(5,437)	7,216
Interest received	(99)	(149)
Depreciation of property, plant and equipment	118	76
Share based payment charge	132	222
Increase in insurance liabilities	38,973	19,805
Decrease/(increase) in reinsurers' share of technical provisions	(3,200)	3,943
Increase in deferred acquisition and reinsurance costs	(6,205)	(3,865)
Increase in provision for unearned reinsurance premium	(2,101)	(217)
Increase in receivables	(9,622)	(25,306)
Increase in payables	2,828	5,558
Cash generated from operations	**15,387**	**7,283**

24 Obligations under leases and hire purchase contracts

Operating lease agreements where the Group is lessee

The Group has entered into commercial leases on certain properties and items of office equipment. These leases have an average duration of between three and ten years. Only the property lease agreements contain an option for renewal at rentals based on market conditions at the time of exercising such an exercise. There are no restrictions placed upon the lessee by entering into these leases.

Future minimum rentals payable under non-cancellable operating leases are as follows:

	2014 £000s	2013 £000s
Not later than one year	289	319
After one year but not more than five years	962	1,054
After five years	225	450
	1,476	**1,823**

Independent auditor's report

To the members of Gable Holdings Inc.

We have audited the financial statements of Gable Holdings Inc. for the year ended 31 December 2014 which comprise the Group Income Statement, the Group Statement of Financial Position, the Group Statement of Cash Flows, the Group Statement of Changes in Equity and the related notes 1 to 24. The financial reporting framework that has been applied in their preparation is International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with our engagement letter dated 24 September 2012, as varied on 1 May 2015. 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 set out on page 15, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

— give a true and fair view of the state of the Group's affairs as at 31 December 2014 and of the Group's loss for the year then ended; and

— have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Emphasis of matter – Uncertainty over outcome of a lawsuit and over technical provisions

In forming our opinion on the financial statements which is not modified, we have considered the adequacy of disclosure made in note 15 to the financial statements in respect of the outcome of a lawsuit where there is significant uncertainty regarding the amount and timing of the additional premium; and, in the claims reserving section of note 3 to the financial statements in respect of the technical provisions where there is significant uncertainty over the ultimate claims costs. The ultimate outcome of these matters is subject to significant uncertainty and may differ materially from the estimates included in the financial statements.

Emphasis of matter – Going concern

In forming our opinion on the financial statements which is not modified, we have considered the adequacy of disclosure made in the financial statements concerning the company's ability to continue as a going concern. The conditions explained in the going concern section of note 3 indicate the existence of material uncertainties which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

Ernst & Young LLP
London

29 May 2015

Notes

1 The maintenance and integrity of the Gable Holdings Inc. web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

2 Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Company information

Registered office

190 Elgin Avenue
George Town
Grand Cayman
KY1–9005
Cayman Islands

Directors

William Dewsall
Chief Executive Officer

Mike Hirschfield
Group Finance Director

Jost Pilgrim
Non Executive Chairman

J Blaise Craven
Non Executive

Andrew Trott
Non Executive

Secretary

Kitwell Consultants Limited
The Gables
Potters Green
Ware
Hertfordshire SG12 0JU

Nominated adviser and broker

Numis Securities Limited
10 Paternoster Square
London EC4M 7LT

Registrars

Capita Registrars (Jersey) Limited
12 Castle Street
St Helier
Jersey JE2 3RT

Solicitors

Fladgate LLP
16 Great Queen Street
London WC2B 5DG

Auditor

Ernst & Young LLP
Statutory Auditor
1 More London Place
London SE1 2AF

Notice of annual general meeting

Notice is hereby given that the annual general meeting of the members of the company will be held at Belvoirpark, Seestrasse 125, 8002 Zürich on 23 June 2015 at 11:00 a.m. (local time) to consider and, if thought fit, to pass the following:

Ordinary resolutions

1 To receive the annual report and financial statements for the year ended 31 December 2014.

2 To re-elect William Dewsall as a director who is retiring by rotation in accordance with the articles of association of the company and who being eligible offers himself for re-election.

3 To re-elect Blaise Craven as a director who is retiring by rotation in accordance with the articles of association of the company and who being eligible offers himself for re-election.

4 To re-elect Andrew Trott as a director who was appointed since the last annual general meeting and who being eligible offers himself for re-election.

5 To authorise the Board of directors to appoint Ernst & Young LLP as auditor to the company and to authorise the directors to determine their remuneration.

6 That the directors are authorised to disapply the pre-emption rights set out in article 17 of the company's articles of association, such power to expire at the conclusion of the next annual general meeting of the company, except that the directors may allot equity securities following an offer or agreement made before the expiry of the authority and provided that the authority is limited to:

a the allotment of equity securities pursuant to the exercise of share options granted by the company on 9 July 2010 up to an aggregate nominal amount of £21,972.28 being 6.49% of the company's issued share capital at the date of this notice;

b the allotment of equity securities pursuant to the exercise of warrants granted by the company on 5 September 2012 up to an aggregate nominal amount of £5,000.00 being 1.47% of the Company's issued share capital at the date of this notice;

c the allotment of equity securities pursuant to the exercise of warrants granted by the company on 2 September 2013 up to an aggregate nominal amount of £1,250.00 being 0.37% of the Company's issued share capital at the date of this notice;

d the allotment of equity securities pursuant to the exercise of share options granted by the company on 25 June 2014 up to an aggregate nominal amount of £5,000.00 being 1.47% of the company's issued share capital at the date of this notice;

e the allotment of equity securities for cash to provide additional solvency and other working capital to enable the group to expand its underwriting capability up to an aggregate nominal value of £250,000; and

f the allotment of equity securities, otherwise than in accordance with paragraphs 6(a), 6(b), 6(c), 6(d) and 6(e), up to an aggregate nominal amount of £33,829.96 being 10% of the company's issued share capital at the date of this notice.

By order of the Board

Kitwell Consultants Limited
Secretary

29 May 2015

Registered office

190 Elgin Avenue
George Town
Grand Cayman
KY1–9005
Cayman Islands

Notes

1 All shareholders who wish to attend and vote at the meeting must be entered on the company's register of members no later than 48 hours before the time fixed for the meeting. Changes to entries on the register after that time will be disregarded in determining the rights of any person to attend or vote at the meeting.

2 A member entitled to attend and vote at the above meeting has the right to appoint a proxy to attend and vote in his place. A proxy need not be a member of the company. In the case of joint shareholders, the person whose name appears first in the register of members has the right to attend and vote at general meetings to the exclusion of all others. Investors who hold their shares through a nominee may wish to attend the meeting as a proxy, or to arrange for someone else to do so for them, in which case they should discuss this with their nominee or stockbroker. Whilst proxies may vote on a poll on any resolution, they are not entitled to vote on a show of hands. Proxies may ask questions at the meeting if, in his discretion, the chairman of the meeting allows it. Members are invited to complete and return the enclosed proxy form if they are unable to attend the meeting. The return of the proxy form will not prevent a member from attending in person and voting at the meeting.

3 To be effective, a completed and signed proxy (and any power of attorney or other authority under which it is signed) must be delivered to Capita Asset Services, PXS, The Registry, 34 Beckenham Road, Beckenham BR3 4TU by no later than 48 hours before the time fixed for the meeting or any adjourned meeting. You may also deliver by hand to Capita Asset Services, The Registry, 34 Beckenham Road, Kent BR3 4TU during normal business hours. Completion of a form of proxy will not prevent a member from attending and voting in person.

4 In the case of joint holders of shares in the company, the vote of the senior holder shall be accepted to the exclusion of the votes of the other joint holder(s). For this purpose, seniority will be determined by the order in which the names appear in the company's register of shareholders (or the company's registrars' records).

5 In the case of holders of depositary interests representing ordinary shares in the company, a form of direction must be completed in order to appoint Capita IRG Trustees Limited, the Depositary, to vote on the holder's behalf at the meeting or, if the meeting is adjourned, at the adjourned meeting. To be effective, a completed and signed form of direction (and any power of attorney or other authority under which it is signed) must be delivered to the company's Transfer Agent, Capita Asset Services, PXS, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU by no later than 72 hours before the time fixed for the meeting or any adjourned meeting.

GABLE

Registered office

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KY1–9005
Cayman Islands

Gable Insurance AG

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AIM: GAH