GABLE

Gable Holdings Inc.

Annual Report

2015

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 develop 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

Gable (AIM: GAH), the European non-life insurance company ("Gable", "the Group" or "the Company"), announces its results for the year ended 31 December 2015 and an update on the strategic review of the Group's business model.

Re-alignment of Gable's business model to meet Solvency II requirements

— Strategic review of the Group's existing business and operations:

- Evaluating a broad range of strategic options for the Company;
- Assessed impact and costs of meeting historical Solvency I targets;
- Evaluating different business models for Solvency II ("SII") regulatory capital compliance;
- Objective to achieve accelerated SII compliance; and
- Engaging with potential partners to evaluate their capabilities across a range of possible solutions.

— Whilst the strategic review is an ongoing process, the Board is initially implementing a Strategic Restructuring Plan for Gable that will enable it to:

- Implement a new business model with supporting commercial arrangements in order to deliver a profitable future business under the SII regulatory environment;
- Continue to support its existing policyholders through leveraging off the strength and capabilities of larger insurance partners; and
- Write niche lines of business (on a significantly smaller scale) which will be fully SII compliant, with the balance being transferred to SII compliant multi-national insurance carriers.

Current Trading and Outlook

— Momentum of new business opportunities has continued into 2016 driving GWP;

— Profitable trading in the first quarter of 2016;

— Continued good cash generation, current cash and investment balances of £74.5m as at 30 June 2016; and

— Passporting into Europe is unaffected by the UK's exit from the EU due to Gable's Liechtenstein location.

Business Overview 2015

— £100m of business written in the year;

— Reported Gross Written Premiums of over £91.1m, representing a 14% increase over the prior year;

— Retention rates and new referrals continued to drive strong growth in GWP across all markets;

— Pre-tax loss for the group of £24.3 million which includes the following previously announced non-recurring adjustments:

- £7.5 million provision to eliminate the remaining balance of the pre-2012 historical reserving gap;
- Increased £7.9 million provision (from £6.0 million) to fully write off the debtor relating to an after the event ("ATE") insurance policy;
- Provisions for claims arising from the significant floods experienced in the UK and Europe in December 2015, the impact of which is limited by reinsurance arrangements amounted to a net loss of £2.0 million; and
- In addition, the goodwill of £4.25 million relating to the acquisition of Gable Insurance AG in 2005 has been written off to recognise the impact of the restructuring required as a result of the strategic review;

— Cash and liquid investment balances have increased by over 45% in the financial year and were £61.6m as at the year end.

Commenting, William Dewsall, Chief Executive, said:

"Over the ten years since start up in 2005, we have grown a significant business in terms of written premiums, commercial reach and capability, underwriting across a core of customers and strategic niche classes of business in nine European countries and building a strong brand of trust with SMEs.

"Following the announcement of a strategic review of Gable's business, I can confirm that, after consultation with our regulator, the FMA, we are taking steps to implement a solution which will operate under the new Solvency II regime.

"The regulatory landscape since we started the business has changed dramatically which has necessitated the strategic review and we are now proceeding with discussions with a range of parties which will require a significant restructuring of the Group's business and scale of underwriting operations in order to provide a solution to ensure compliance with Solvency II across all lines of business."

About Gable Holdings Inc.

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, the Netherlands, Norway, Spain and Sweden. Gable benefits from a low-cost online underwriting platform and the Company has continued to develop 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 (ticker: GAH.L GAH.LN). For further information please visit www.gableholdings.com.

Chairman's Statement

2015 has been a mixed year for Gable. We have delivered strong organic growth, with Gross Written Premiums exceeding £90 million, for the first time. However, we have needed to take decisive action in dealing with a number of significant non-recurring items that have severely impacted the profitability of the business in the 2015 financial year.

In the ten years since start-up, a great deal has been achieved and the management team has built selected distribution channels into our chosen European markets, providing bespoke commercial insurance products for small and medium sized enterprises across numerous market segments.

We are adapting our business model to meet the challenges of the new regulatory environment brought about by the introduction of Solvency II. This will require a considerable reorganisation of our business and we are actively working with potential partners to bring about a Solvency II compliant solution.

Whilst significant changes in Gable's business and scale of underwriting operations will be implemented during the current financial year, trading to date has started well, with the first quarter demonstrating continued growth compared with the first quarter of 2015.

Once again I would like to thank all of Gable's stakeholders for their continued support and we look forward to updating you further as we progress the reorganisation of the business.

Jost Pilgrim
Chairman

15 July 2016

Chief Executive's Review

Strategic Review

Gable was established to grow a niche insurance business which could develop quickly by providing bespoke market products across a number of EU countries with a focus on high levels of service to meet the requirements of a range of market segments for SMEs in Europe. We have achieved this goal and created a business with over £90 million of annualised gross written premiums and cash balances of over £60 million at the end of 2015. Since inception ten years ago we have written cumulative premium income exceeding £350 million and during that time have managed the Group's financial resources to sustain the challenges of adverse claims activity in any single trading year.

The Gable business model under the Solvency I framework allowed the Company to write premiums at approximately five times its capital base calculated broadly in accordance with generally accepted accounting principles. Under this model Gable quickly expanded with the objective of achieving a scale necessary to enable it to withstand the impact of major claims. Gable now carries full reserves at actuarial best estimate as supported by peer review undertaken by Grant Thornton.

Notwithstanding the recent result of the UK's Referendum on its membership of the European Community, European Member states and Regulators have been given considerable discretion as to when and how they implement Solvency II as in 2015 the Chairman of EIOPA announced that member states should have a further 5-year period in which to implement the European Directive into local law. This effectively defers harmonisation of the Solvency II regime across Europe. For those countries that have already encapsulated the Solvency II Directive within local law, which includes Liechtenstein, the Solvency II regime commenced on 1 January 2016.

The rules of Solvency II require the retention of capital at levels that are at a multiple of that under Solvency I. Our actuarial team has calculated that the business written in 2015 would have required an additional £47 million of capital under Solvency II. On a forward looking basis for 2016 and 2017, with an unchanged business plan, the Solvency II rules indicate potentially an additional capital requirement of over £100 million, a capital to GWP ratio of nearly one to one. In recent announcements we have made it clear that raising such a sum is unrealistic.

In May, we announced that a strategic review of the group's business and operations was underway. This review includes investigating a range of potential options for the business and has led to the development of the Board's Strategic Restructuring Plan. Accordingly, we engaged in discussions with a number of different parties in order to develop a solution which best fits the requirements of our Strategic Restructuring Plan moving forward.

Regulatory Capital

As previously announced on 25 May, the Company was looking at the provision of additional regulatory capital amounting to £10 million and we examined various mechanisms to address that regulatory capital shortfall which included:

— additional retrospective reinsurance facilities; together with

— a transfer of the renewal rights for a small component of our UK business; and finally

— a guarantee/cash injection which I offered to provide.

These mechanisms would only provide Solvency I capital, would be costly to implement and would not address the ultimate requirement for the Group to comply with the requirements of Solvency II. In addition, the retrospective reinsurance facility would need to be unwound and replaced with an alternative structure under our Strategic Restructuring Plan. Although a change of approach to that indicated in our announcements in March and May, we have decided to move directly to the Solvency II regime and complete the implementation of our Strategic Restructuring Plan in as short a timeframe as possible.

Strategic Restructuring Plan

The business model developed under the Strategic Restructuring Plan is intended to:

— Provide support from multi-national insurance carriers for Gable's historical written premium base in the UK and Europe including the possibility of a risk transfer of the historical book;

— Facilitate the transfer of existing business to these insurance carriers via managing general agents (MGA), a specialised type of insurance agent/broker that, unlike traditional agents/brokers, is vested with underwriting and claims handling authority from an insurer;

— Retain sufficient capital to enable Gable to operate as a niche and profitable business (on a significantly smaller scale) under Solvency II moving forward; and

— Realign the costs to fit the needs of the restructured business.

There remains significant uncertainty regarding the implementation of the Strategic Restructuring Plan and there is no guarantee that, following its implementation, the group will retain sufficient capital to enable it to support the proposed retained business. The Board has made good progress in its discussions with third parties regarding the implementation of the Strategic Restructuring Plan and on this basis, the Directors have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future. Whilst our negotiations with third parties provide the basis for the Board's view on Going Concern, this forms insufficient evidence for the auditors to form an opinion on the Group accounts. However, accounts for our insurance subsidiary, GIAG, were approved by the auditors and filed and accepted in Liechtenstein on 4 July 2016.

Chief Executive's Review continued

Full details of the preferred solution and partners will be announced once the Company has concluded the discussions which are currently ongoing.

We have already commenced implementing the Strategic Restructuring Plan and have instructed our broker network to cease writing new business with immediate effect, subject to local jurisdictions and laws.

The Board has taken the decision that it would not be prudent to continue writing new business within Gable when we are aware that with effect from 1 October 2016 we will be introducing this business to our new carriers. We will be working with our brokers and policyholders to ensure a seamless transfer.

Trading Results

Throughout 2015 and continuing for the year to date in 2016, Gable has experienced robust renewal business alongside growth in new business in the UK and Europe, reflecting the excellent relationships that Gable enjoys with its growing network of brokers across Europe and the very strong core of policyholders that have built-up during the ten years of trading for the Group.

The overall performance of the insurance business was impacted at the year-end by the severe December storms and floods, and we were once again quick to respond to our customers' requirements in getting many businesses back in action following the storms, whilst Gable was also well protected through its reinsurance arrangements, limiting the ultimate financial impact.

Subsequent to the year end, we also received an update regarding the settlement of an ATE litigation insured by Gable. The update received suggested that prospects of successful recovery within previously anticipated amounts and timescales was reduced. Following further consideration, we have taken the prudent decision to make a full write-off (by set-off against GWP) against the recoverable balance although we are taking action to investigate and enforce the recovery that had previously been anticipated and may yet be achieved.

In light of the Strategic Review, we have reviewed the historical goodwill asset held on the Balance Sheet (which arose on the acquisition of Gable Insurance AG in 2005) and it has been determined appropriate to make a full write-off against the carrying value of the goodwill to reflect the likely impact of necessary changes to the business.

For the year ended 31 December 2015 reported Gross Written Premiums were 14 per cent higher at £91.1 million (2014: £80.0 million). The reported loss before tax of £24.3 million is stated after a number of material non-recurring items, as already highlighted, the most significant of which are the final additional reserve set aside of £7.5 million, a write-off of £7.9 million against the ATE debtor and a write-off of the £4.25 million goodwill balance. The loss per share is 17.89p (2014 loss per share: 3.57p).

Total cash, cash equivalents and investments at the year-end was 45 per cent higher at £61.6 million (2014: £42.4 million).

Convertible Loan Note Instrument

On 21 December 2015 Gable announced the issue of a Convertible Loan Note Instrument with a term of three years led by myself under which £3.96m of Loan Notes were issued immediately. We subsequently announced on 31 March 2016 that no further Notes would be issued under the Instrument.

Dividend Policy

To date the growth of our capital base has been our primary objective and, for this reason, the Board has been of the view that the retention of earnings within the business is in the current interests of shareholders. The requirements of SII and impact of the strategic review are unlikely to change this status in the short to medium term.

Board and Management

In February 2015, we announced the appointment to the Gable Holdings Inc. board of Andrew Trott as a Non-Executive Director. Andrew, who is Chairman of Gable's Remuneration Committee, is an experienced and respected insurance liability lawyer in the London Insurance Market. Additional non-executive director appointments were made with the appointment of Julian Connerty, who is a partner at Signature Litigation LLP, one of Britain's leading litigation and insurance legal practices, in July 2015 and Kevin Alcock in December 2015. Kevin is a Chartered Accountant and management consultant by background with a focus on the investment management industry. He is a non-executive director of a number of UK and South African financial services companies. Kevin is Chairman of the Audit Committee.

Our Customers, Brokers and People

I would like to thank all of our customers and brokers across our countries of operation for their support during the last year. It is also a credit to my team that we have been able to deliver excellent service in a highly competitive business environment during challenging economic conditions. Despite these conditions, we have been able to respond extremely quickly to our clients' needs, most notably following the storms and floods in late 2015.

Current Trading and Outlook

The regulatory landscape since we started the business has changed dramatically which has played a fundamental part in prompting a Strategic Review and which will require a significant restructuring of the Group's operations. We are now proceeding with necessary actions to enable this significant restructuring of the Group's business and downscaling of underwriting operations, but should provide a solution to ensure compliance with Solvency II across all lines of business.

William Dewsall
Chief Executive
15 July 2016

Board of Directors

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

Jost Pilgrim

Non-Executive Chairman

Jost Pilgrim, aged 78, 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 55, 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 52, 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. Mike also acts as Company Secretary to Gable.

J Blaise Craven

Non-Executive Director

Blaise Craven, aged 59, 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. Blaise is a member of both the Audit and Remuneration Committees.

Andrew Trott

Non-Executive Director

Andrew Trott, aged 61, 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. Andrew is Chairman of the Remuneration Committee.

Julian Connerty

Non-Executive Director

Julian Connerty, 53, is a partner at Signature Litigation LLP, one of Britain's leading litigation and insurance legal practices. Julian holds a master's degree and a doctorate from Corpus Christi College, Oxford. Julian is a member of both the Audit and Remuneration Committees.

Kevin Alcock

Non-executive Director

Kevin Alcock, 53, is a Chartered Accountant and management consultant by background with a focus on the investment management industry. He founded CSTIM, a specialist management consultancy servicing the investment industry across Europe which was acquired by Morse plc in 2004. Kevin continued to work at Morse plc following the acquisition, becoming chief executive in 2006 until 2009. Since 2009, Kevin has been engaged in venture capital and as a non-executive director of a number of UK and South African financial services companies. Kevin is Chairman of the Audit Committee.

Report of the Directors

Report of the directors

The Directors present their annual report together with the audited financial statements for the year ended 31 December 2015.

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 4 to 5.

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 13. The Group result for the year after taxation was a loss of £24,209,000 (2014: loss £4,822,000). 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 (2014: nil). The Board will continue to review this dividend policy but believes that the introduction of the Solvency II regime effectively rules out the prospect of the payment of a dividend in the near future. An indication of the performance of the Group and its potential for future development is contained in the Chief Executive's review on pages 4 to 5.

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.

Jost Pilgrim
William Dewsall
Mike Hirschfield
J Blaise Craven
Michael Sofaer (resigned 11 February 2015)
Andrew Trott (appointed 11 February 2015)
Julian Connerty (appointed 27 July 2015)
Kevin Alcock (appointed 10 December 2015)

Substantial shareholdings

Interests in excess of 3% of the issued share capital of the Company in accordance with registered details or which have otherwise been notified as at 14 July 2016 were as follows:

	Ordinary shares of 0.25p each Number	Percentage of capital %
William Dewsall	25,043,967	18.51
IS Partners Investment Solutions	22,631,048	16.72
Miton Asset Management Ltd	12,307,816	9.10
WH Ireland	7,122,000	5.26
Kevin Alcock	6,771,368	5.00
Hargreave Hale	5,131,500	3.79
Simply Stockbroking	4,288,251	3.17
UBS Wealth Management	4,075,708	3.01

Charitable and political donations

During the year the Group made no charitable or political donations (2014: £nil).

Report of the Directors continued

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 2015 £000s	Year ended 31 December 2014 £000s
Gross premium written	**91,128**	**79,992**
Net claims incurred	(50,178)	(35,382)
Net insurance result (net premiums less net claims less insurance expenses)	(14,569)	397
Combined operating ratio	124%	99%
Underlying (loss)/profit before taxation	**(4,606)**	**863**
Write off of ATE receivables (2011 policies)	(7,900)	—
Additional reserve set-aside (2012 and prior)	(7,500)	(6,300)
Impairment charges	(4,250)	—
(Loss)/profit before taxation	(24,256)	(5,437)
Basic Earnings per share	(17.89)p	(3.57)p

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 voluntarily 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;

— An assessment of the strategic options open to the Group to address the capital requirements of Solvency II;

— 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 2014 and 2015;

— 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.

Report of the Directors continued

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. Passporting into Europe is unaffected by the UK's exit from the EU due to Gable's Liechtenstein location.

As disclosed in last year's Report and Accounts and further discussed in Note 3 below, for the period up to 31 December 2013, the Company 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 was historically set at a level below Actuarial Best Estimate which produced a gap estimated at £7.5 million at 31 December 2014. The company notified its Regulator in 2013 that this gap would be closed before the introduction of Solvency II and in 2015 Gable made the final additional provision of £7.5 million to eliminate the gap entirely.

The rules of Solvency II require the retention of capital at levels a multiple of that under Solvency I. Our actuarial team has calculated that the business written in 2015 would have required an additional £47 million of capital under Solvency II over that required under Solvency I. On a forward looking basis for 2016 and 2017, with an unchanged business plan, the Solvency II rules indicate potentially an additional capital requirement of over £100 million, a capital to GWP ratio of nearly one to one. As reported on 25 May 2016, given current market conditions and the significant change in the regulatory environment, it is unrealistic to contemplate raising the required capital to operate the original business model from the existing shareholder base. In May, we announced a strategic review of the group's business and operations. This review includes investigating a range of potential options for the business and has led to the development of the Board's Strategic Restructuring Plan further details of which are set out in the Chief Executive's Review. Accordingly, we engaged in discussions with a number of different parties in order to develop a solution which best fits the requirements of our Strategic Restructuring Plan moving forward.

There remains significant uncertainty regarding the implementation of the Strategic Restructuring Plan and there is no guarantee that, following its implementation, the group will retain sufficient capital to enable it to support the proposed retained business. The Board has made good progress in its discussions with third parties regarding the implementation of the Strategic Restructuring Plan and on this basis, the Directors have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future. Whilst our negotiations with third parties provide the basis for the Board's view on Going Concern, this forms insufficient evidence for the auditors to form an opinion on the Group accounts. However, accounts for our insurance subsidiary, GIAG, were approved by the auditors and filed and accepted in Liechtenstein on 4 July 2016.

More detail on the challenges and uncertainties in this process are set out in the Going Concern section of Note 3.

Annual general meeting

At the end of these accounts there is a Notice regarding the Annual General Meeting which will be held on 24 August 2016 at 11:00 a.m. (local time).

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

Mike Hirschfield
Company Secretary

15 July 2016

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 five 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 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 Kevin Alcock 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.

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 Andrew Trott. The remuneration committee meets at such times 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 2015

	Salary and fees £000s	Bonus £000s	Share based payment charge £000s	Total £000s
Jost Pilgrim	99.8	—	—	99.8
William Dewsall	440.0	440.0	(44.2)	835.8
Mike Hirschfield	172.0	47.5	(22.1)	197.4
Blaise Craven	35.0	—	—	35.0
Andrew Trott*	31.0	—	—	31.0
Julian Connerty*	15.0	—	—	15.0
Kevin Alcock*	1.6	—	—	1.6
Total	**794.4**	**487.5**	**(66.3)**	**1,215.6**

Year ended 31 December 2014

	Salary and fees £000s	Bonus £000s	Share based payment charge £000s	Total £000s
Jost Pilgrim	103.6	—	—	103.6
William Dewsall	440.0	440.0	44.2	924.2
Mike Hirschfield	152.0	41.0	22.1	215.1
Blaise craven	31.7	—	—	31.7
Michael Sofaer	26.3	—	—	26.3
Lucas Slob*	10.0	—	—	10.0
Total	**763.6**	**481.0**	**66.3**	**1,310.9**

*Part of the year

Note: The amount shown above for Jost Pilgrim includes £64,782 (CHF100,000) paid directly by Gable Insurance AG (2014: £58,563 (CHF90,000)).

Remuneration Report continued

Bonuses

The service agreement with CEO William Dewsall provides for a performance related bonus of £110,000 per quarter based on business growth. 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. The performance that the CEO's current contract rewards by bonus is the generation of annually increased gross written premium in excess of a minimum percentage over and above the previous year, and which delivery the CEO has largely achieved. The intention of the bonus thus structured was to generate scale and consequent profitability. The Board will forthwith commence a fundamental review as to whether or not, having reached the 10th anniversary of the commencement of trading, the existing bonus provisions in the CEO's contract are delivering the profitability to the shareholders that these provisions were originally designed to generate and whether or not in their present structure they remain relevant to the company's business model going forward.

Pensions

There are no pension schemes in operation.

Benefits in kind

The directors do not receive benefits in kind.

Notice periods

Jost Pilgrim, William Dewsall and Mike Hirschfield have service agreements which are terminable by six months' notice on either side. The other 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, more than a year before he was appointed to the Board, Mike Hirschfield purchased 2,000,000 warrants (representing 1.48% of the issued share capital of the Company at 31 December 2015) 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 2015) at an exercise price of 65.75 pence per share, being the middle market closing price on 1 September 2013 with vesting conditions based on reported profits in 2014 and 2015.

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 24 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) with vesting conditions based on reported profits in 2014, 2015 and 2016.

The reversal of the share based payment charge represents the movement in cumulative expense recognised at 31 December 2014 as a result of vesting conditions not being likely to be met.

Group Income Statement
for the year ended 31 December 2015

	Note	2015 £000s	2014 £000s
Gross written premiums		**91,128**	**79,992**
Change in provision for gross unearned premiums	13	(18,534)	(22,753)
Gross earned premiums	4	**72,594**	**57,239**
Reinsurance written premiums		(25,088)	(7,949)
Change in provision for unearned premiums – reinsurers' share	13	12,175	2,101
Net earned premiums		**59,681**	**51,391**
Net investment return	6	673	99
Total revenue from operations		**60,354**	**51,490**
Gross claims paid		(34,175)	(27,845)
Movement in gross technical provisions		(30,467)	(17,795)
Gross claims incurred		(64,642)	(45,640)
Reinsurers' share of gross claims paid		171	7,058
Movement in reinsurers' share of technical provisions	13	14,293	3,200
Reinsurers' share of claims incurred		14,464	10,258
Net claims incurred		**(50,178)**	**(35,382)**
Expenses incurred in insurance activities	4	(24,072)	(15,612)
Other operating expenses	4	(6,110)	(5,933)
Total operating charges (excluding impairment charges)		(30,182)	(21,545)
Impairment charges	4,10	(4,250)	—
(Loss)/profit from operations and before taxation	4	**(24,256)**	**(5,437)**
Taxation	8	47	615
(Loss)/profit for the year attributable to shareholders		**(24,209)**	**(4,822)**
(Loss)/earnings per share – basic	9	(17.89)p	(3.57)p
(Loss)/earnings per share – diluted	9	(17.89)p	(3.57)p

All operations are continuing.

No statement of Comprehensive Income is presented as there is no other comprehensive income.

The notes on pages 17 to 41 form part of these financial statements.

Group Statement of Financial Position
at 31 December 2015

	Notes	2015 £000s	2014 £000s
Assets			
Intangible assets	10	—	4,250
Property, plant and equipment	12	444	442
Deferred acquisition costs	13	16,231	13,153
Provision for unearned reinsurance premium	13	15,197	3,022
Reinsurers' share of technical provisions	13	17,452	3,200
Financial investments	3	15,100	—
Prepayments and accrued income	14	659	126
Trade and other receivables	15	61,944	66,374
Cash and cash equivalents	16	46,509	42,358
Total assets		**173,536**	**132,925**
Equity			
Share capital	17	338	338
Share premium account	17	16,190	16,190
Share based payment reserve	18	876	950
Other reserves	18	3,875	3,875
Retained earnings	18	(18,253)	5,956
Total equity attributable to shareholders		**3,026**	**27,309**
Liabilities			
Technical provisions	13	70,670	40,685
Provision for unearned premium	13	65,841	47,307
Reinsurers' share of deferred acquisition costs	13	2,776	—
Accruals and deferred income		244	654
Current taxation		292	542
Deferred taxation	8	41	—
Loan notes and derivatives	19	3,966	—
Trade and other payables	20	26,680	16,428
Total liabilities		**170,510**	**105,616**
Total liabilities and equity		**173,536**	**132,925**
Net asset value per ordinary share	9	2.24p	20.18p

The financial statements have been signed by the Board and authorised for issue on 15 July 2016.

William Dewsall
Chief Executive

Mike Hirschfield
Group Finance Director

The notes on pages 17 to 41 form part of these financial statements.

Group Statement of Cash Flows
for the year ended 31 December 2015

	Notes	Group 2015 £000s	Group 2014 £000s
Cash flows from operating activities			
Cash generated from operations	24	14,904	15,387
Interest received		673	99
Tax paid		(162)	(414)
Net cash flows from operating activities		**15,415**	**15,072**
Cash flows from investing activities			
Purchase of tangible fixed assets	12	(125)	(70)
Purchase of investments	3	15,100	—
Net cash flows from investing activities		**(15,225)**	**(70)**
Cash flows from financing activities			
Shares issued		—	335
Share issue costs		—	—
Loan notes issued net of costs	19	3,966	—
Net cash flows from financing activities		**3,966**	**335**
Net increase/(decrease) in cash and cash equivalents		**4,156**	**15,337**
Cash and cash equivalents at beginning of year		42,358	27,021
Exchange movements on cash and cash equivalents		(5)	—
Cash and cash equivalents at end of year	16	**46,509**	**42,358**

The notes on pages 17 to 41 form part of these financial statements.

Group Statement of Changes in Equity
for the year ended 31 December 2015

	Note	Share Capital £000s	Share Premium £000s	Share based payment reserve £000s	Other reserves £000s	Retained earnings £000s	Total Equity £000s
At 1 January 2014		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**
Comprehensive Income							
Profit for the period		—	—	—	—	(24,209)	(24,209)
Total Comprehensive Income		—	—	—	—	**(24,209)**	**(24,209)**
Transactions with Owners							
Shares subscribed during the year		—	—	—	—	—	—
Share issue costs		—	—	—	—	—	—
Share based payments		—	—	(74)	—	—	(74)
Transfer on exercise of options		—	—	—	—	—	—
Total Transactions with Owners		—	—	**(74)**	—	—	**(74)**
At 31 December 2015	17,18	**338**	**16,190**	**876**	**3,875**	**(18,253)**	**3,026**

The notes on pages 17 to 41 form part of these financial statements.

Notes to the Group Financial Statements
for the year ended 31 December 2015

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 voluntarily 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 2015. 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. 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 currently have Sterling as a functional currency. The financial statements are presented in Sterling. It is likely that the functional currency will change to Euros for the reporting period of 31 December 2016 and beyond.

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 of 75% is earned at inception (after a 25% early settlement discount) 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;

Notes to the Group Financial Statements continued

2. Principal accounting policies continued

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 (IBNR) 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.

Leasing and hire purchase commitments

Rentals payable under operating leases are charged in the Income Statement on a straight line basis over the lease term. Lease incentives are recognised over the lease term on a straight line basis.

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.

Notes to the Group Financial Statements continued

2. Principal accounting policies continued

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.

Investments

The Group has designated on initial recognition its financial assets held for investment purposes (investments) at fair value through profit or loss. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of financial assets and liabilities traded in active markets are based on quoted market bid and ask price for both financial assets and financial liabilities respectively.

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) and loan notes with their associated embedded derivatives.

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. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The credit in the statement of profit or loss represents the movement in cumulative expense recognised as at 31 December 2014 as a result of vesting conditions not being likely to be met. 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.

Notes to the Group Financial Statements continued

2. Principal accounting policies continued

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.

Loan Notes and Embedded derivatives

On 18 December 2015 the Company issued Loan Notes with a base value of £3.96 million for cash. IAS39 requires the Loan Notes to be considered as containing a hybrid instrument with an embedded derivative "conversion feature" within the host instrument. The value of this embedded derivative has been calculated using the Black Scholes method as having a value of £68,000 (2014: £Nil) and this is disclosed separately on the Group Statement of Financial Position. The embedded derivative will be re-measured at fair value at each reporting date. The liability host component (being the balancing amount of £3,982,000 (2014: £Nil)) was recorded as a liability at the date of issue of the Loan Notes. Between the date of issue and the year end IAS39 requires the Loan Notes to be amortised over their expected life with a corresponding charge to the Income statement. This charge amounted to £6,000 during the period (2014: £Nil) with a corresponding liability being added to the carrying value of the Loan Note liability (hence increasing the value to £3,988,000 (2014: £Nil). On conversion the company will recognise a gain or loss determined by reference to the fair value of the shares issued, effectively reversing the charges recognised in 2015.

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.

Notes to the Group Financial Statements continued

3. Risk management continued

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 underwriting, claims reserving and operational risks.

Underwriting risk

Definition

Underwriting risk concerns the uncertainty inherent within insurance business and the potential for both profit and loss emergence that is outside of expectation.

Risk effects

Underwriting risk affects GIAG by way of losses arising from claims; particularly where they are either individually significant or where there is an aggregation of many smaller claims.

Unprofitable expansion of existing lines of business or the introduction of new lines of business at unprofitable rates, can lead to significant business model strain.

Having completed an own risk assessment during the year; underwriting risk, and specifically the risk of aggregation of smaller claims, has been identified as GIAG's most significant risk over the three-year planning period.

Risk management considerations

The management of underwriting risk includes the use of pricing, policy wording, claim limits and reinsurance protection to enable an acceptable return on capital deployed. Experience monitoring is used to trigger management actions when necessary.

Pricing and policy wording

The key focus of the underwriting team is to manage the downside risks of writing insurance, in particular by focusing on securing business at rate that will, over a long term average, enable insurance profits.

To the greatest extent possible, GIAG uses underwriting limits and policy wording to reduce the potential exposure to large or catastrophic losses; however the risk of such loss events is inherent in writing some classes of business.

Reinsurance

Excess of loss ("XL") reinsurance is used to further manage GIAG's exposure to large losses. XL reinsurance is also used in a positive manner to enable GIAG to underwrite better quality but larger risks providing considerable benefits to the business whilst limiting exposure to large losses. In certain circumstances facultative insurance is purchased to protect GIAG against specific exposures.

Our XL reinsurance programme means that GIAG's exposure to any one loss is limited to £1 million or €1million (2014: £2 million or €2 million).

Quota share ("QS") reinsurance is used to reduce the volatility of the claims experience. QS reinsurance works to reduce the impact of attritional losses on GIAG, allowing for more risks to be underwritten, increasing diversification within the portfolio. The effect of this diversification should be to stabilise net claims experience over time.

Experience monitoring

The second aspect of managing the claims element of underwriting risk is the protection from the effects of the aggregation of a large number of small claims, which on their own are not considered troublesome to GIAG, but collectively amount to claim levels in excess of those expected at the time of pricing the business.

GIAG monitors both frequency and severity of claims over time, assessing change and adjusting underwriting policies accordingly. One example of such risk management has been an identification of risk and potential losses within the Danish portfolio which was addressed through the implementation of premium increases which has led to an improvement in the profitability of the book in 2015.

Risk ownership

Chief Executive Officer/Chief Underwriting Officer.

Claims reserving risk

Definition

Reserving risk involves the possibility that the value of provisions set aside for the payment of future claims is materially different to the eventual value of claims payments that are made in due course.

Risk effects

Reserving risk is, for most insurance firms, one of the largest risks within the business and has exposure both to the upside and downside, meaning that the emergent experience may be either favourable or adverse.

Risk management considerations

Management of reserving risk not only includes the holding of provisions but also the development and understanding of an internally agreed appetite towards reserving risk that complements the company's strategic aims.

Holding provisions

One approach to managing reserving risk is to set claims provisions at a high level to reduce the likelihood of the eventual claims payments being greater than expected and so can lead to holding excess levels of provisions. Whilst this method of mitigation is effective in reducing downside reserve risk, it increases the likelihood that reserve run off will be favourable to expectation and thus the likelihood of reserves having been held unnecessarily. Setting the level of reserves is therefore more complex than just ensuring the firm has set aside

Notes to the Group Financial Statements continued

3. Risk management continued

enough to pay all claims, it requires a balanced approach to ensure that its resources are applied in the best possible manner for the ongoing success of the business.

Experience monitoring

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.

Risk appetite development

Historically, Gable has favoured accepting higher levels of downside reserving risk, due to the niche nature of its business and to the significant opportunity cost of capital. In accepting higher levels of downside reserving risk Gable selected to target held reserves below the actuarial best estimate, although always within the actuarially assessed range of possible outcomes.

In more recent years, Gable has experienced significant growth, in terms of the number of territories business is written in, the variety of products written and in premium volume. As a result of having a larger number of relatively immature accounts, the uncertainty within the actuarially assessed reserves increased, making for a wider range of possible outcomes and increasing the potential impact from both upside and downside reserving risk. Whilst maintaining carried reserves at a consistent level compared to the actuarial best estimate, the widening of the range of possible outcomes risks being considered as an inadvertent increase of the level of reserving risk Gable is subject to.

As a response to this development in risk profile, in 2013 Gable reassessed its appetite to reserving risk and implemented a plan to strengthen reserves to eliminate the gap between the carried reserve and the actuarial best estimate. During the year GIAG made additional provisions amounting to £7.5 million (2014: £6.3 million) and as at 31 December 2015 GIAG holds claims provisions that are at least equal to the actuarial best estimate.

As the business moves into its next phase, it is appropriate that the Group re-evaluates its processes and conventions to ensure they remain appropriate in the changing market. This does not mean that historical risk appetites were incorrect, nor does it necessarily mean that management believe that the underlying performance of the accounts has changed; but reflects only the changing business environment, regulatory environment and maturity of Gable's book of business.

Continuing Uncertainty

In assessing the actuarial best estimate it should be noted that 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 the claims development experience carries an even higher degree of uncertainty. For any insurance entity, it takes a number of years, not just to determine an actual result for a particular underwriting year but, and more importantly, to develop an experience of a particular book of business. Understanding the experience is essential so 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. This feature of insurance business adds to the uncertainty of the actuarial best estimate, potentially widens the range of possible outcomes and increases the level of reserve risk, both upside and downside, that GIAG is subject to.

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 new products launched is dependent on a future claims development profile. Whilst the Directors believe that a reasonable approach has been taken in the early periods 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 £596,800 (2014: £513,900).

Claims development

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 in subsequent years. 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 2015 is only the tenth year of underwriting and volume and 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.

Notes to the Group Financial Statements continued

3. **Risk management** continued

The Board believes that the estimate of total claims outstanding at 31 December 2015 is adequate. The reserving methodologies used are outlined in note 13.

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	2015 £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	70,249	178,289
One year on	127	119	(231)	(1,432)	2,306	1,478	(1,068)	8,538	1,899		11,736
Two years on	(395)	122	792	4,587	(777)	(2,325)	700	224			2,928
Three years on	168	690	413	726	680	(1,871)	1,175				1,981
Four years on	512	360	(294)	520	1,165	1,566					3,829
Five years on	(166)	(816)	821	974	116						929
Six years on	(223)	(33)	(901)	451							(706)
Seven years on	(17)	9	405								397
Eight years on	40	(27)									13
Nine years on	(22)										(22)
Current estimate of total gross ultimate claims	1,703	2,259	3,324	10,605	10,707	12,683	14,281	31,801	41,762	70,249	199,374
Cumulative payments to date	(1,721)	(2,467)	(2,811)	(8,579)	(7,975)	(8,414)	(7,739)	(23,227)	(16,558)	(6,265)	(85,756)
Unearned portion of net ultimate claims											(44,177)
Uplift for unallocated loss adjustment expenses and other items											1,229
Claims outstanding at 31 December 2015											70,670
Less current estimate of future reinsurance recoveries				(1,250)					(2,713)	(13,489)	(17,452)
Net claims outstanding at 31 December 2015											**53,218**

Risk ownership

Board of Directors

Operational risk

Definition

Operational risk is the risk of losses to GIAG arising from inadequate or failed internal processes, personnel or systems, or from external events.

Risk effects

As part of the own risk assessment of operational risks, the Board and management have identified the loss of a key function holder and the occurrence of a significant cyber-attack as those with greatest potential impact to GIAG, similar to that of market risk.

Risk management considerations

Gable manages its operational risks though streamlined processes, implementation of policies, functional terms of reference, compliance controls and appropriate staff training. Gable has engaged external expert consultants to review and advise it on its policies and controls.

Notes to the Group Financial Statements continued

3. Risk management continued

Risk ownership

General Managers of GIAG

Claims settlement risk

Definition

Claims settlement risk is the potential for GIAG to incur unnecessary claims cost due to settlement of invalid claims, or settlement of claims at inappropriately high levels.

Risk effects

Increased costs to GIAG drive the Group's profit down. Additionally, the occurrence of this risk can increase reserving risk, with either claims provisions being insufficient due to this risk, or being set at levels in excess of true requirement having based future claims expectations on claims settled at inappropriately high levels in the past.

Risk management considerations

GIAG works to ensure that processes are in place such that only valid claims are paid and at appropriate settlement levels.

Enforcing rapid notification

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.

Using experts wisely

Upon 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.

Quick settlement

It is recognised that claims that are settled quickly incur less cost. As such GIAG seeks to agree and settle a claim as expeditiously as possible.

Risk ownership

General Managers of GIAG

Credit risk

Definition

Credit risk for the Group comprises:

- non-payment of insurance premium by insured, including for ATE business where the majority of premiums only become payable when the underlying litigation is resolved;

- non-payment of reinsurance recoveries: for Gable's reinsurance programmes.

Risk effects

Non-payment of amounts owed results in losses for GIAG, reducing profit and solvency.

Notes to the Group Financial Statements continued

3. Risk management continued

Risk management consideration

Ongoing monitoring

Premium outstanding is monitored on a regular basis and each insurance contract contains a specific warranty as to requisite payment period. Cover may be voided should premium not be paid.

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 2015						
Amounts due from policyholders	12,156	2,287	3,676	11,402	1,796	31,317
31 December 2014						
Amounts due from policyholders	10,719	2,017	3,242	10,054	2,993	29,025

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 (see note 15). 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 £0.4m (2014: £1.1m). In order to mitigate counterparty risk on bank deposits, the Group maintains a policy of holding not more than £15.0m (2014: £7.5m) in any one banking group where practical. The following table shows movements in impairment provisions in the year:

	2015 £000s	2014 £000s
Opening bad debt provision	1,052	966
Strengthening in the year	(570)	118
Net foreign exchange differences	(49)	(32)
Closing bad debt provision	433	1,052

Quality of reinsurance

GIAG's annual reinsurance programme in general runs from 1 July to 30 June and is placed with international and global reinsurers that have 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 2015 the balance due from reinsurers in respect of recoveries on quota share arrangements was £10.1 million (2014: £0.1 million). As at 31 December 2015 the balance due from reinsurers in respect of amounts recoverable on flood claims was £2.8m. As the reinsurance arrangements are made with a panel of rated insurers, the Board is comfortable that there is no material concentration of credit risk within reinsurance assets.

Risk ownership

Group Head of Finance

Currency risk

Definition

Currency risk is the risk of losses to the company that result from adverse movements in foreign exchange rates.

Notes to the Group Financial Statements continued

3. Risk management continued

Risk effects

Changes in foreign exchange rates can result in a reduction of the net assets of the Group. This has adverse impacts of solvency. The movement of exchange rate between GBP and other currencies poses an exchange rate risk to GIAG.

In addition, indirect foreign currency exposure exists from policies where the insured events are settled in other currencies.

Risk management considerations

Currency matching

GIAG retains its policy income and settles claims in the currency in which the contract is made and, therefore, mitigates currency risk by regularly reviewing currency assets and liabilities and converting excess assets or liabilities into Sterling to leave, as far as possible, a matched currency position.

For the year ended 31 December 2015 and 2014, 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, Swiss Francs, Danish Kroner and United States Dollar at the year-end were as follows:

	2015 £000s	2014 £000s
Euro	16,101	17,216
Norwegian Kroner	4,781	4,327
Swiss Francs	5,103	5,832
Danish Kroner	5,023	2,339
United States Dollar	5,984	—
	36,992	29,714

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 2015 by approximately £3,363,000 (2014: £2,701,000).

Risk ownership

Group Head of Finance

Interest rate risk

Definition

Interest rate risk is the risk of losses to the Group arising from unfavourable movements in interest rates.

Risk effects

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. This is not a significant risk to the Group.

Risk Management Considerations

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 £67,000 (2014: £10,000).

Risk ownership

Group Head of Finance

Liquidity risk

Definition

Liquidity risk is the risk that Gable is unable to realise investments and other assets in order to settle its financial obligations when they fall due.

Notes to the Group Financial Statements continued

3. Risk management continued

Risk effects

The impact of a liquidity risk event includes adverse impacts on the Group's reputation should obligations not be met when they fall due. When considered alongside the other risks faced by the Group, liquidity risk is not a significant risk.

Risk Management Considerations

Investing in liquid assets

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.

Considering the link to other risks

As part of its annual risk assessment, GIAG has considered the relationship between underwriting risk and liquidity risk. Whilst liquidity risk is not a significant risk for GIAG there is potential that it becomes so should significantly lower than expected levels of premium income occur simultaneously to adverse claims experience and result in greater levels of cash outflows compared to inflows.

Loan Notes and Embedded derivatives

On 18 December 2015 the Company issued Loan Notes with a base value of £3.96 million for cash. These loan notes are due to be repaid in December 2018, but it is open to the Company to convert these into new ordinary shares to be issued at prices between 10p and 15p, therefore reducing liquidity risk.

In managing underwriting risk the Board and management are therefore cognisant of its potential links to liquidity risk.

Risk ownership

Group Head of Finance

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 UK held a referendum on continuing membership of the European Union ("EU") and voted to exit from the EU. Accordingly, there is some uncertainty relating to the mechanism under which EU and EEA based companies will conduct their business in the UK. The business currently undertaken by Gable in non-UK countries will not be affected.

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 holds claims reserves set at or above actuarial best estimate. In past years, GIAG held reserves set at a management best estimate which, over time, had diverged from the actuarial estimate for the reasons set out elsewhere in these accounts. Throughout that historical period the carried reserves were accepted by the regulator. As explained earlier in this note, the Company made additional provisions in 2013, 2014 and 2015 to eliminate this historical gap. Whilst this has had a material adverse impact on the reported result for the current year and that of the comparative period, uncertainties relating to the financial performance and position arising from carrying a reserve different from that determined by actuarial assessment have been significantly reduced.

Notes to the Group Financial Statements continued

3. Risk management continued

The significant growth in business enjoyed by the group in recent years has resulted in an accelerating regulatory capital requirement. The ability of GIAG to build its capital base through the retention of profits has been materially restricted by the additional claims provisions set aside since 2013 amounting to some £15.2 million and the impact of adverse claims experience in 2014 and flood claims in December 2015. Gable increased its regulatory capital partly through the injection of new capital into GIAG and partly through the use of a Quota Share reinsurance policy which is effective for the 2015 calendar year. However, the impact of the additional provision against an ATE debtor announced earlier this year has reduced GIAG's own funds to below the required level. As discussed earlier in these accounts, whilst the Board examined a variety of mechanisms to address this situation under Solvency I, the Board, after consultation with its regulator, the FMA, is taking action to move directly into the Solvency II regime.

The company meets with the regulator on a regular basis and is constantly updating capital plans for future years. With the implementation of Solvency II with effect from 1 January 2016, the Board recognises that its historical business plan under which a £100 million business has been built from scratch in 2006, is no longer appropriate and a Strategic Restructuring Plan has been developed. The Board has reasonable expectation that the implementation of this plan will enable GIAG to meet its regulatory capital requirements under Solvency II within the required timetable. Further details are provided in the comment on going concern below.

Going concern

The Directors have assessed going concern from both a financial and regulatory aspect, as outlined in the Report of the Directors.

Gable has prepared a financial model comprising a detailed projection and budget for the year ahead plus a further two-year premium projection prepared on a line-by-line basis for each business class. All financial models contain a great deal of uncertainty as they are based on assumptions which may prove inaccurate. Factors outside of the control of the Company such as changes in the economic environment, foreign exchange movements, competitor actions, regulatory changes and tax law changes can render a financial model inaccurate. In addition, whilst projections are based on expected future developments from historical experience, there is no guarantee that the past experience proves to be an accurate predictor of the future.

With regards to the non-financial assessment of going concern, the Company's ability to continue to trade is dependent on maintaining its licences to write business across Europe. Gable's insurance operations are based in Liechtenstein and its ability to trade in Europe is conditional on the maintenance of the Passporting mechanism allowing EEA based business to trade within the European Union.

The Company must also maintain sufficient regulatory capital for the level of business written. The calculation of the required level of capital under Solvency II is based on a complex standard model which is poorly understood by the markets and is widely criticised. Whilst the Board is supportive of the move towards a more risk based approach to regulatory capital, Gable believes that the Solvency II approach adopted by Europe is deeply flawed.

Small changes to assumptions input to the Solvency II model can provide large changes to the required capital. In addition, as Gable is a small company operating in niche areas it is not able to materially benefit from diversification. The key risks involved in determining the regulatory capital position include unexpected growth in premiums driving an excess capital requirement, changes in the mix of business which has an adverse impact on the capital requirement and any financial impact which depletes own funds such as large claims, bad debts or financial impairment of assets. In addition, the Board's Strategic Restructuring Plan involves the transfer of all UK business plus the majority of its European business to multi-national insurance carriers via MGAs, the implementation of reinsurance products or a risk transfer to provide Solvency II cover for the historical book of business and the retention of sufficient capital to provide Solvency II support for its retained Europe based business. There remains significant uncertainty regarding the implementation of the Strategic Restructuring Plan. The insurance carriers with whom we are currently in negotiation are conducting an independent assessment of our insurance book and related assets and liabilities. The outcome of this assessment will determine the pricing of the risk transfer or reinsurance product and there is no guarantee that the group will retain sufficient capital to enable it to support the retained business.

The Board has made good progress in its discussions with third parties regarding the implementation of the Strategic Restructuring Plan and on this basis, the Directors have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future. Whilst our negotiations with third parties provide the basis for the Board's view on Going Concern, this forms insufficient evidence for the auditors to form an opinion on the Group accounts. However, accounts for our insurance subsidiary, GIAG, were approved by the auditors and filed and accepted in Liechtenstein on 4 July 2016.

Notes to the Group Financial Statements continued

3. Risk management continued

Financial Investments

Financial investments are carried in the statement of financial position at fair value. The carrying amount of financial investments at the date of the statement of financial position was £15.1m (2014: nil).

The Group value investments using designated methodologies, estimations and assumptions. These securities, which are reported at fair value on the statement of financial position, represent the majority of the invested assets. The measurement basis for assets carried at fair value is categorised into a 'fair value hierarchy' in accordance with the valuation inputs and consistent with IFRS 13 'Fair Value Measurement'. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets and liabilities (level one); the middle priority to fair values other than quoted prices based on observable market information (level two); and the lowest priority to unobservable inputs that reflect the assumptions that we consider market participants would normally use (level three). At 31 December 2015, financial investments amounting to £15.1m (2014: nil) were classified as level two.

The classification within the fair value hierarchy is based on the lowest level of significant input to its valuation. Any change to investment valuations may affect our results of operations and reported financial condition.

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

	2015 £000s	2014 £000s
Insurance activities		
Gross earned premiums	72,593	57,239
Outward reinsurance premiums	(12,913)	(5,848)
Net claims incurred	(50,178)	(35,382)
Net investment return	673	99
Expenses incurred in insurance activities	(24,072)	(15,612)
Other operating expenses	(4,580)	(4,289)
(Loss)/profit before taxation from insurance activities	**(18,477)**	**(3,793)**
Group and administrative activities		
Other operating expenses	(1,530)	(1,644)
Impairment of goodwill	(4,250)	—
Loss before taxation from Group and administrative activities	**(5,780)**	**(1,644)**
(Loss)/profit before taxation	**(24,257)**	**(5,437)**

Transactions between reportable segments include management fees that are set on a commercial basis intended to provide a small profit on management services provided but subject to the overall group result and affordability.

Notes to the Group Financial Statements continued

4. Segment information continued

Segment information – other information

	Insurance activities £000s	Group administration activities £000s	Consolidation adjustments £000s	Total £000s
As at 31 December 2015				
Segment assets	172,991	16,384	(15,838)	173,536
Segment liabilities	166,336	4,119	41	170,496
Capital expenditure	126	—	—	126
Depreciation	122	—	—	122
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

	2015 £000s	2014 £000s
Gross earned premium		
UK	31,448	32,484
Europe	41,145	24,755
	72,593	**57,239**
Net insurance result		
UK	(18,799)	(2,505)
Europe	4,229	2,902
	(14,570)	**397**

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

5. Profit on ordinary activities

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

	2015 £000s	2014 £000s
Depreciation of property, plant & equipment	122	118
Foreign exchange	938	572
Investment charges	443	—
Fees payable to Company's auditor, Ernst & Young LLP		
Statutory audit of the group accounts	192	173
Fees payable in respect of audit of subsidiary undertakings	88	93

6. Net investment return

	2015 £000s	2014 £000s
Investment income – short term investments	382	—
Bank and other interest receivable	291	99
	673	**99**

7. Directors and employees

	2015	2014
The average number of employees (including Directors) employed by the Group was:	13	14

The total wages, salaries and staff costs incurred (including Directors' fees) in the year ended 31 December 2015 were £1,906,000 (2014: £1,719,000). Details of the Directors' emoluments are set out in the Report on Remuneration.

Notes to the Group Financial Statements continued

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 20.25%), 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%.

	2015 £000s	2014 £000s
Tax on profits		
Current tax		
(Credit)/Charge for the year	(47)	(4)
Adjustment in respect of prior years	—	14
Deferred tax		
Origination and reversal of temporary differences in the current year	—	(625)
Adjustment in respect of prior years	—	—
Tax (credit)/charge on (loss)/profit for the period	**(47)**	**(615)**

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

	2015 £000s	2014 £000s
(Loss)/profit before taxation	(24,257)	(5,437)
Profit before taxation multiplied by standard rate of tax of 0% (2015:0%)	—	—
Effect of:		
Overseas taxation payable		
UK	—	(5)
Liechtenstein	(47)	1
Adjustment in respect of prior years		
Current tax	—	14
Deferred tax	—	—
Movements in temporary differences arising	—	(625)
Tax charge/(credit) on (loss)/profit for the period	**(47)**	**(615)**

A deferred tax liability as at 31 December 2015 of £nil (2014: £nil) has been recognised in the financial statements in respect of consolidation adjustments for temporary differences between Liechtenstein GAAP and IFRS. As at 31 December 2015, a deferred tax asset of £nil (2014: £nil) has been recognised for the impact of the prior year restatements in Gable Insurance AG. A deferred tax asset of £1,363,000 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 £24,209,000 (2014: loss of £4,822,000) divided by the weighted average number of shares in issue during the year of 135,319,833 (2014: 135,022,347). Option and warrant shares are not considered dilutive in 2015 due to recorded losses for the year.

The net asset value per share is calculated by dividing the total equity of £3,026,000 (2014: £27,309,000) by the number of shares in issue at the end of the period, 135,319,833 (2014: 135,319,833).

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

Notes to the Group Financial Statements continued

10. Intangible assets

	2015 £000s	2014 £000s
Goodwill		
At 1 January	4,250	4,250
Arising in the period	—	—
Impairment of goodwill	(4,250)	—
At 31 December	—	**4,250**

The goodwill brought forward from 1 January 2014 arose from the acquisition of the Group's insurance subsidiary, Gable Insurance AG. An impairment review has been carried out on this asset in light of the proposed strategic restructuring referred to in the CEO report and it has been determined appropriate to make a full provision against the carrying value of the goodwill to reflect the impact of the significant restructuring of the business under the Strategic Restructuring Plan.

The recoverable amount of the cash generating unit to which the goodwill impairment charge has been allocated is £nil. The methods applied to determine the recoverable amount is disclosed in note 2.

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
Gable Management Limited	UK	100%	Dormant

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 2014	295	477	110	882
Additions	45	25	—	70
Disposals	—	—	—	—
Foreign Exchange movements	(2)	—	—	(2)
At 1 January 2015	**338**	**502**	**110**	**950**
Additions	64	16	45	125
Disposals	—	—	(68)	(68)
Foreign Exchange movements	2	—	(1)	1
At 31 December 2015	**404**	**518**	**86**	**1,008**
Depreciation				
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 1 January 2015	**126**	**285**	**97**	**508**
Charge for the year	55	50	17	122
Elimination on disposal	—	—	(67)	(67)
Foreign Exchange movements	2	(1)	—	1
At 31 December 2015	**183**	**334**	**47**	**564**
Net book value				
31 December 2015	**221**	**184**	**39**	**444**
31 December 2014	212	217	13	442

Depreciation is charged to other operating expenses.

Notes to the Group Financial Statements continued

13. Insurance assets and liabilities

	2015 £000s	2014 £000s
Insurance assets		
Deferred acquisition costs	16,231	13,153
Provision for unearned reinsurance premium	15,197	3,022
Reinsurers' share of technical provisions	17,452	3,200
	48,880	**19,375**

	2015 £000s	2014 £000s
Insurance liabilities		
Technical provisions	70,670	40,685
Provisions for unearned premium	65,841	47,307
Reinsurers' share of deferred acquisition costs	2,776	—
	139,287	**87,992**

	2015 £000s	2014 £000s
At 1 January	37,485	24,465
Net Claims notified and reserved in year	37,924	33,851
Claims paid in the year net of reinsurance recoveries	(34,004)	(20,787)
Incurred but not reported movement in year – net of reinsurer's share	11,850	490
Exchange movement	(37)	(534)
At 31 December	**53,218**	**37,485**

At 31 December 2015 the Group has set reserves at the actuarial best estimate as set by our in-house Actuary on a basis subject to independent peer review by Grant Thornton.

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 prepares an actuarial best estimate (which is subject to an independent actuarial peer review) of its reserves which has provided a "best estimate". Historically, 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.

For the current year and beyond, Gable carries reserve at actuarial best estimate and 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 is 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.

Notes to the Group Financial Statements continued

13. Insurance assets and liabilities continued

	2015 £000s	2014 £000s
Movement in reinsurers' share of technical provisions		
At 1 January	3,200	—
Movement in provision for the year	14,293	3,200
Exchange movement	(41)	—
At 31 December	**17,452**	**3,200**

	2015 £000s	2014 £000s
Movement in provision for unearned premium (gross)		
At 1 January	47,307	24,554
Movement in provision for the year	18,534	22,753
At 31 December	**65,841**	**47,307**

	2015 £000s	2014 £000s
Movement in deferred acquisition costs		
At 1 January	13,153	6,948
Movement in provision for the year	3,078	6,205
At 31 December	**16,231**	**13,153**

	2015 £000s	2014 £000s
Movement in provision for unearned reinsurance premium		
At 1 January	3,022	921
Movement in provision for the year	12,175	2,101
At 31 December	**15,197**	**3,022**

	2015 £000s	2014 £000s
Movement in reinsurers' share of deferred acquisition costs		
At 1 January	—	—
Movement in provision for the year	2,776	—
At 31 December	**2,776**	—

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.

Notes to the Group Financial Statements continued

13. Insurance assets and liabilities continued

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

- The Group's claims experience for the ten years ended 31 December 2015 can be used to project future claims development factors; and
- 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).

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. The expected loss ratio is the ratio of expected claims to premiums.

As at 31 December 2014 the estimated gross reserve on an underwriting year basis (that is encompassing both business that is earned and business that his unearned at the time of valuation) was £74.2m. In the year ending 31 December 2015, an amount equal to 33.3% of this reserve was paid out as claims settlements for claims relating to underwriting years 2014 and prior.

An analogous review undertaken as at 31 December 2014 indicated that just over 20% of the estimated gross reserve as at 31 December 2013 was paid out as claims in the year ending 31 December 2014. Taking these two assessments, we might expect in excess of 20% of the technical provisions as at 31 December 2015 to be settled by 31 December 2016.

14. Prepayments and accrued income

	2015 £000s	2014 £000s
Prepayments	659	126
	659	**126**

15. Trade and other receivables

	2015 £000s	2014 £000s
ATE premiums not yet due	21,933	30,512
Non-ATE premiums due	32,830	30,208
Receivable from direct insurance operations	54,763	60,720
Balances held by brokers as claims provisions	544	643
Other debtors	6,637	5,011
	61,944	**66,374**

Following the receipt of new information in respect of an ATE Insurance policy relating to a US litigation case, the Board have determined to write off in full the premium not yet due of £7.9 million, which was shown in the 2014 report and accounts. Previously the premium receivable by the Group for this policy consists of an initial fixed premium (which has been collected) plus a variable element calculated on a fixed percentage of the award receivable by the plaintiff. The US Court initially awarded damages in 2012 for breach of contract and the Group recognised a recoverable balance of $5.5m based on this initial award. Since that court ruling substantial further information on quantum of this settlement was discovered and in light of this information, Management revised its best estimate of the amount likely to be recovered through further judicial process to the US$12.6 million (£7.9m) historically recorded in the financial statements.

Notes to the Group Financial Statements continued

15. Trade and other receivables continued

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 2015. A hearing to finally determine quantum was set for October 2015 but the parties reached a private settlement immediately prior to the hearing taking place. The Board took steps to determine the nature of the private agreement and the quantum agreed and, at the end of May 2016, obtained information that the settlement had been agreed at an amount substantially below that of even the initial award. Accordingly, and after further consultation, the Board has decided it will be prudent to write down the recoverable amount to £nil (2014: £7.9 million) to reflect this new information. Management is dissatisfied with the outcome of this case, not least because the terms of the policy required the parties to consult the Group on any proposed settlement and this did not occur. The Group is taking steps to seek additional recoveries for, amongst other reasons, breach of contract but there remains uncertainty regarding the amount and the timing of any additional premium recoverable by the Group.

The amount and timing of receipt of other 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. ATE Insurance policies are no longer being written.

All other trade and receivables are due within one year.

16. Cash and cash equivalents

	2015 £000s	2014 £000s
Cash at bank	46,509	42,358
	46,509	**42,358**

17. Share capital and premium

	Number of ordinary shares of 0.25p	Ordinary shares £000s	Share premium £000s
At 1 January 2014	133,404,833	334	15,859
New shares issued	1,915,000	4	331
Share issue costs		—	—
At 1 January 2015	135,319,833	338	16,190
New shares issued	—	—	—
Share issue costs		—	—
At 31 December 2015	**135,319,833**	**338**	**16,190**

The total authorised number of shares is 4,000 million (2014: 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 2014. 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. The performance conditions were not met during the year and the Board consider it unlikely that these options will ever vest, accordingly the charge made in the prior year has been reversed. Subject to vesting, 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.

Notes to the Group Financial Statements continued

17. Share capital and premium continued

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 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 1 January 2015			
2010 Options	8,788,912	7.3078	17.5
2014 Options	2,000,000	26.5084	82.5

No options or warrants were either granted or exercised during the year

At 31 December 2015			
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 vested after 24 months subject to performance conditions. 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. No warrants were either granted or exercised during the year and the existing warrants can be summarised as follows:

	Fair value pence	Weighted average exercise price pence	Number of warrants No.
At 1 January 2014: Granted 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
At 31 December 2014 and 2015:			
Granted 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**

Notes to the Group Financial Statements continued

18. Other reserves

	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 £000s	Other reserves £000s	Retained earnings £000s
At 1 January 2015	950	3,875	5,956
Retained loss for the period	—	—	(24,209)
Share based payments	(74)	—	—
Transfer on exercise of options	—	—	—
At 31 December 2015	**876**	**3,875**	**(18,253)**

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 no options were exercised (2014: options were exercised over 1,915,000 shares). During 2014, the accumulated share based payment reserve represented by shares issued on exercise of options amounting to £186,000 was transferred to retained earnings.

The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest.

The credit in the statement of profit or loss represents the movement in cumulative expense recognised as at 31 December 2015 as a result of vesting conditions not being likely to be met.

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. Loan notes and derivatives

	2015 £000s	2014 £000s
Loan notes	3,898	—
Embedded derivatives	68	—
At 31 December	**3,966**	—

Notes to the Group Financial Statements continued

19. Loan notes and derivatives continued

On 18 December 2015 the Company issued Loan Notes with a base value of £3.96 million for cash. IAS39 requires the Loan Notes to be considered as containing a hybrid instrument with an embedded derivative "conversion feature" within the host instrument. The value of this embedded derivative has been calculated using the Black Scholes method as having a value of £68,000 (2014: £Nil) and this is disclosed separately on the Group Statement of Financial Position. The embedded derivative will be re-measured at fair value at each reporting date. The liability host component (being the balancing amount of £3,982,000 (2014: £Nil)) was recorded as a liability at the date of issue of the Loan Notes. Between the date of issue and the year end IAS39 requires the Loan Notes to be amortised over their expected life with a corresponding charge to the Income statement. This charge amounted to £6,000 during the period (2014: £Nil) with a corresponding liability being added to the carrying value of the Loan Note liability (hence increasing the value to £3,988,000 (2014: £Nil). On conversion the company will recognise a gain or loss determined by reference to the fair value of the shares issued, effectively reversing the charges recognised in 2015.

The Convertible Loan Note Instrument has a term of three years under which Loan Notes may be issued up to a maximum aggregate value of £10 million. A coupon of 7.5% p.a. is payable on a six monthly basis. The Loan Notes may be converted into new ordinary shares at any time as follows:

- At the noteholder's request at the lower of prevailing market price or 15p;
- At the Company's request at the lower of a 10% discount to prevailing market price or 15p; or
- At the Company's request if triggered by an external factor (such as a regulatory change) at the lower of a 20% discount to the prevailing market price and 15p.

In each of the situations above there is a minimum conversion price of 10p.

As noted above, the Company has issued Loan Notes amounting to £3.96 million under this Loan Note Instrument. The subscribers for the Loan Notes include existing investors in Gable as well as certain directors of Gable as disclosed in note 23.

20. Trade and other payables

	2015 £000s	2014 £000s
Trade payables	22,339	12,716
Other taxation (including insurance taxes)	3,907	3,371
Other payables	434	341
At 31 December	**26,680**	**16,428**

Included in trade payables above is £5.554m (2014: £6.033m) relating to commissions payable on ATE policies.

All trade and other payables are due within one year.

21. Contingent liabilities

Other than the provision for insurance claims (note 13), there were no contingent liabilities as at 31 December 2015 (2014: nil).

Notes to the Group Financial Statements continued

22. Capital commitments

There were no capital commitments as at 31 December 2015 (2014: nil).

23. Related party transactions

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. HUAL will assist Gable in the transfer of business to new carriers as part of the implementation of the Strategic Restructuring Plan.

The net commission and administration costs payable for services provided by HUAL for 2015 were set in an agreement reached in 2013 on a commercial basis and amounted to £1,897,000 (2014: £1,816,000). The balance outstanding due from HUAL at 31 December 2015, which is not subject to interest charges, was £3.996m (2014: £3.445m). On 28 June 2013, as part of the audit for the 2012 Report and Accounts, the HUAL director provided a letter of guarantee relating to the debt due from HUAL. As part of implementing the Strategic Restructuring Plan, debt and related service arrangements between HUAL and Gable will be reviewed. In addition to this balance due from HUAL, at 31 December 2015 HUAL held an amount of £0.86m (2014: £0.58m) 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 £36,000 (2014: £48,000) to Kitwell Consultants Limited, a company beneficially owned by Mike Hirschfield and his family, for Company Secretarial, advisory and accountancy services. These services terminated in September 2015 and no further transactions have been conducted. No amounts remain outstanding between the parties at the end of the year (2014: £Nil).

During the year Company issued Loan Notes with a base value of £3.96 million for cash as outlined in note 19. The subscribers to the loan notes included William Dewsall, Chief Executive of Gable (£1,000,000), plus Kevin Alcock (£400,000) and Andrew Trott (£100,000), both Non-Executive directors of Gable.

24. Cash generated from operations

	2015 £000s	2014 £000s
(Loss)/profit before tax	(24,256)	(5,437)
Interest received	(673)	(99)
Depreciation of property, plant and equipment	122	118
Amortisation of derivatives	6	—
Share based payment charge	(74)	132
Impairment of goodwill	4,250	—
Increase in insurance liabilities	48,519	38,973
Increase in reinsurers' share of technical provisions	(14,252)	(3,200)
Increase in deferred acquisition and reinsurance costs	(3,078)	(6,205)
Increase in reinsurers' share of deferred acquisition costs	2,776	—
Increase in provision for unearned reinsurance premium	(12,175)	(2,101)
Increase in receivables	3,897	(9,622)
Increase in payables	9,842	2,828
Cash generated from operations	**14,904**	**15,387**

Notes to the Group Financial Statements continued

25. 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. During 2015 the Group's lease on offices in Lime Street, London was subject to a rent review under which the annual rent increased from £225,000 per annum to £260,000 per annum and, in return for not exercising a break clause, the Group will benefit from a six month rent free period in 2016. The lease on the property expires on 20 April 2020.

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

	2015 £000s	2014 £000s
Not later than one year	173	289
After one year but not more than five years	867	962
After five years	—	225
	1,040	**1,476**

Independent Auditor's Report to the Members of Gable Holdings Inc.

We were engaged to audit the financial statements of Gable Holdings Inc. for the year ended 31 December 2015 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 25. 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 4 May 2016. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 8, 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.

Basis for disclaimer of opinion on financial statements

The audit evidence available to us was limited because the Strategic Restructuring Plan referred to in the going concern section of the Directors' Report and note 3 is not sufficiently progressed in respect of pricing and terms to provide sufficient certainty that it can be executed and, if executed, that it would resolve the regulatory solvency position of Gable Insurance AG and therefore achieve its objectives. Therefore we have been unable to obtain sufficient appropriate audit evidence as to the applicability of the basis of preparation of these accounts on a going concern basis.

Disclaimer of opinion on financial statements

Because of the significance of the matter described in the Basis for Disclaimer of Opinion on Financial Statements paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly we do not express an opinion on the financial statements.

Emphasise of Matter – Uncertainty over ATE receivables and technical provisions

Notwithstanding our disclaimer of opinion we have considered the adequacy of disclosure made in note 15 to the financial statements in respect of the ATE receivables 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.

Ernst & Young LLP
London

15 July 2016

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	Jost Pilgrim *(Non Executive Chairman)* William Dewsall *(Chief Executive Officer)* Mike Hirschfield *(Group Finance Director)* J Blaise Craven *(Non Executive)* Andrew Trott *(Non Executive)* Julian Connerty *(Non-Executive)* Kevin Alcock *(Non-Executive)*
Secretary	Mike Hirschfield
Nominated Adviser & Broker	Zeus Capital Limited 41 Conduit Street London W1S 2YQ
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 25 Churchill Place Canary Wharf London E14 5EY

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 24 August 2016 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 2015.
2. To re-elect Mike Hirschfield 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 Julian Connerty as a director who was appointed since the last annual general meeting and who being eligible offers himself for re-election.
4. To re-elect Kevin Alcock 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 1.48% 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 1.48% of the company's issued share capital at the date of this notice;
   e. the allotment of equity securities pursuant to the conversion of rights granted by the 2015 Loan Note Instrument issued on 9 December 2015 up to an aggregate nominal amount of £99,000 being the maximum possible conversion rights over Loan Notes issued as at the date of this notice;
   f. 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
   g. the allotment of equity securities, otherwise than in accordance with paragraphs 6(a), 6(b), 6(c), 6(d), 6(e) and 6(f), 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

Mike Hirschfield
Secretary

Registered office:
190 Elgin Avenue
George Town KY1-9005
Grand Cayman
Cayman Islands

15 July 2016

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 Depository, 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 11:00 a.m. (BST) on 19 August 2016 or 72 hours (excluding weekends and UK Bank Holidays) for any adjourned meeting.

Printed by Michael Searle & Son Limited

GABLE

Gable Holdings Inc.
Registered Office
190 Elgin Avenue
George Town
Grand Cayman
KY1–9005
Cayman Islands

Gable Insurance AG
Pflugstrasse 20
9490 Vaduz
Liechtenstein

Telephone +423 237 4730
Facsimile +423 237 4739

Gable Services (London) Limited
UK Contact Office
34 Lime Street
London EC3M 7AT

Telephone +44 (0)20 7337 7460
Facsimile +44 (0)20 7337 7461

www.gableholdings.com
www.gableinsurance.com

AIM: GAH