GABLE

Creating a platform
for sustainable growth

Gable Holdings Inc
Annual report
and financial statements
for the year ended
31 December 2012

Contents

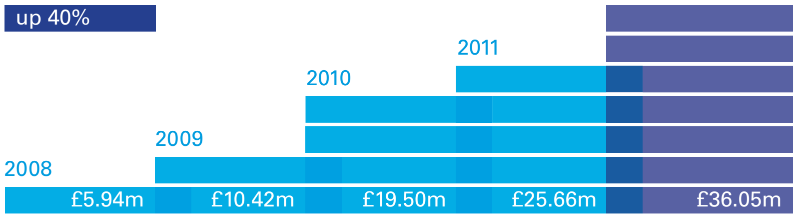
About Gable

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

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

Highlights

Total written premiums



Financial highlights

- Profit before tax £5.71 million (2011: £0.04 million as restated)
- Earnings per share 4.32 pence (2011: 0.19 pence as restated)
- Total premiums written £36.0 million (2011: £25.7 million as restated)
- Earned premiums £30.9 million (2011: £22.6 million as restated)
- Net insurance result £9.4 million (2011: £4.4 million as restated)
- Net loss ratio of 42.8% (2011: 51.0%)
- Combined Operating Ratio of 67.4% (2011: 78.8%)
- Prior year results restated following review of accounting policies and practices
- Underlying insurance results in 2010 and 2011 remained strong

Business overview 2012

- Launched first product in German market with Tenant Deposit Guarantee product.
- Launched first product in Danish market with Property Liability product.
- New ATE insurance programmes launched:
  - commercial litigation disputes and
  - pecuniary loss product.

Current year

- £70m agreement over 5 years signed with Towergate Underwriting ('Towergate') which commenced in January 2013.
- Launched first product in Italian market providing bid and performance bonds for companies participating in tenders to provide services to state and public corporations, launch of Commercial Combined product in Italy.
- Lance Ranger to retire from the Board as Non-Executive Chairman at the time of the Company's forthcoming AGM. Michael Sofaer will succeed Lance as Non-Executive Chairman at that time
- Sukie Harrar joins operational management team as Chief Actuary and Christoph Birchler as a General Manager of Gable Insurance AG in Gable's European headquarters.
- Two additional Board appointments in process – Group Finance Director and Non-Executive Director.
- Significant growth in new business during first quarter of 2013.

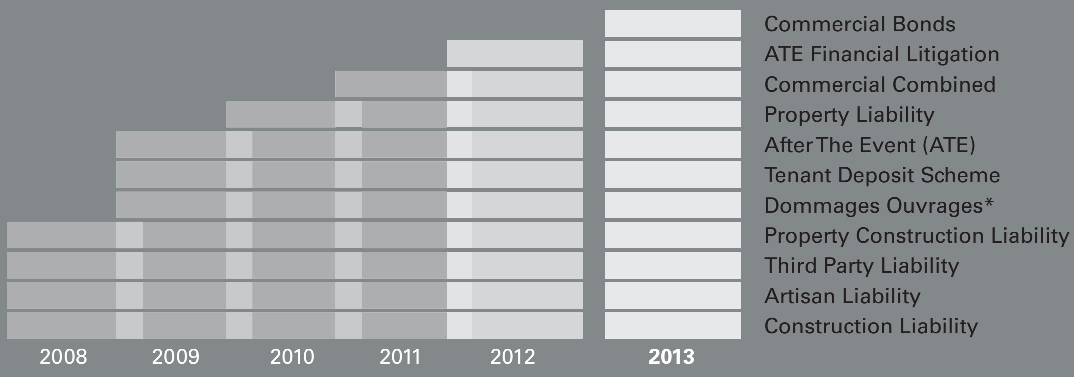
Commenting, William Dewsall, Chief Executive, said:

"2012 produced significant profits for the Company and during the second half the Group successfully positioned the business for its next phase of growth as Gable continued to expand its distribution network in both the UK and Europe.

"In the current year we have already witnessed a significant increase in new business during the first quarter as we see the benefits of the Towergate agreement flowing through in to the UK and the new business coming on-stream following the new product launches in Denmark, Germany and most recently, Italy.

"During the past year we have significantly strengthened the management team with further appointments in process and appointed Ernst & Young as auditors. We continue to hold reserves within a range as recommended by our independent actuaries, Grant Thornton and have reviewed accounting policies and practices, following which adjustments have been made to the 2010 and 2011 financial statements. This leaves us with a greater level of confidence in our financial policies and processes and our ability to continue to deliver significant profitable growth to our shareholders. As a specialty niche SME insurer focused on the UK and Europe, the outlook of Gable continues to be market-leading both in terms of underwriting performance and growth."

Products



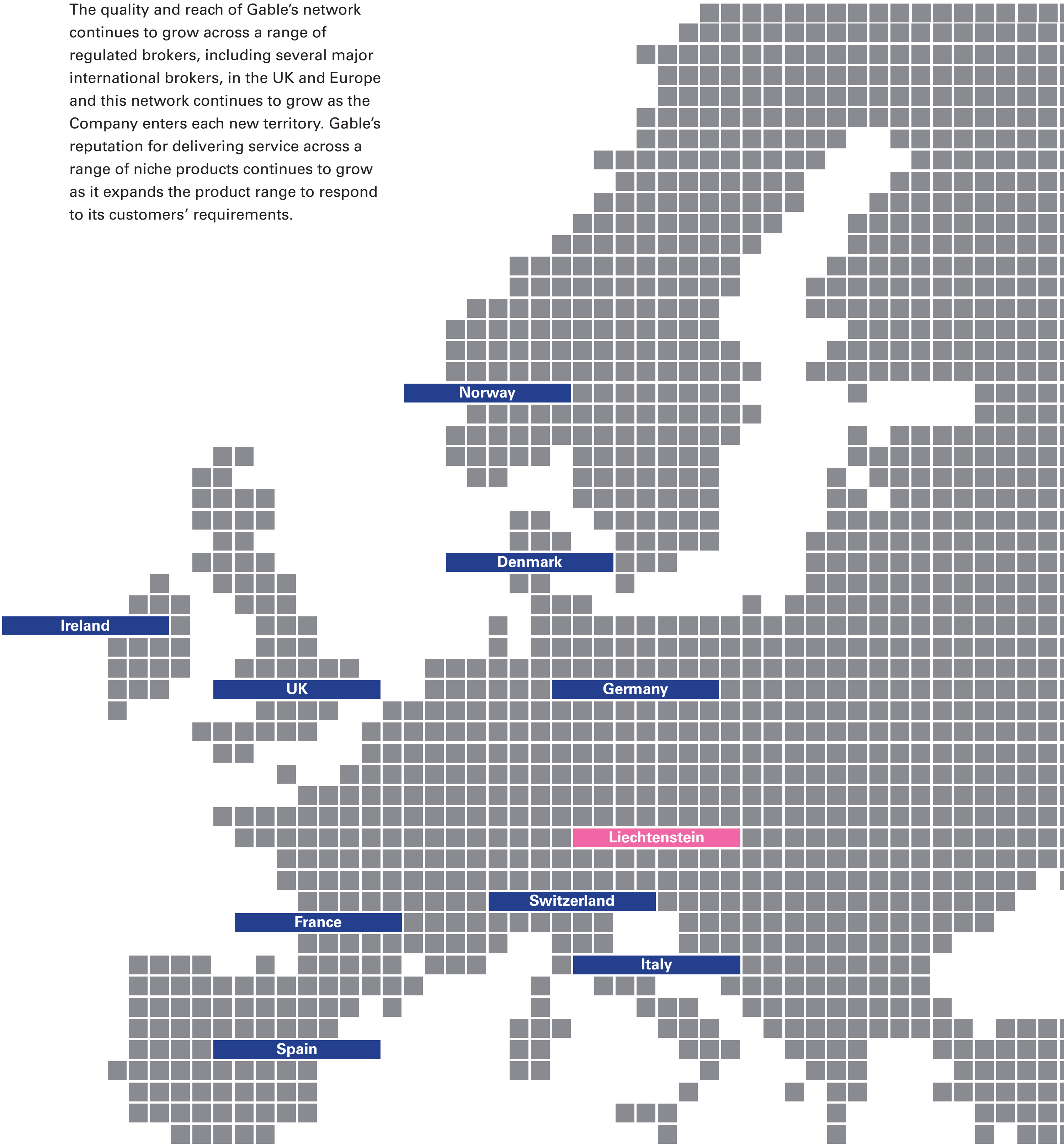
Territories

* A French insurance policy for building defects in a new builder renovated French property

Products

Building European network

The quality and reach of Gable's network continues to grow across a range of regulated brokers, including several major international brokers, in the UK and Europe and this network continues to grow as the Company enters each new territory. Gable's reputation for delivering service across a range of niche products continues to grow as it expands the product range to respond to its customers' requirements.



Platform

Chairman's statement

During the year ended 31 December 2012 Gable has continued to build on its product range and the number of countries in which the Company writes business. In 2012 Gable launched new products for the first time in Denmark and Germany and in Q4 signed a £70 million, five year agreement with Towergate Underwriting, the UK's largest Managing General Agent, with Gable gaining preferred supplier status to Towergate and its very significant network of brokers across the UK.

More recently, in the current year, Gable announced its first product launch in Italy, providing bid and performance bonds for companies participating in tenders to provide services to state and public corporations. Gable now writes business across seven European countries within the EU, providing a range of products via its network of selected brokers. The UK market remains its single largest contributor by gross written premiums.

During my tenure on the Board and as Chairman I have been delighted to work with William and his team as they have developed and grown the business and in the last eighteen months the business has successfully undergone formative change which will stand it in very good stead as it enters its next phase of growth. I will leave the Board in the very experienced and capable hands of Michael Sofaer and wish everyone in Gable the very best for the future.

Lance Ranger
Chairman
28 June 2013

Chief Executive's review

2012 produced significant profits for the Company and during the second half the Group successfully positioned the business for its next phase of growth as Gable continued to expand its distribution network in both the UK and Europe. This was a year of substantial development for Gable, not just significant progress on expanding the business activities but also in terms of a proactive internal review of the business written to date. These measures will ensure that the Company is well positioned to take on the significant future growth expected from various business initiatives as we expand both the product base and the number of countries in Europe in which Gable writes business. One key element of this review has been a thorough examination of accounting policies and practices, following which the Board decided to change its accounting treatment of the HUAL transaction set out in the 2010 accounts, making an immediate write-off rather than spreading forward the cost of the transaction and refining its policy on recognising success-based elements of ATE policies. These changes result in a material prior year adjustment reflected in these statements. The Board continues to endorse the policy of holding reserves supporting its insurance liabilities within a range recommended by the retained independent actuaries Grant Thornton. For the year ended 31 December 2012, net insurance profit was £5.05 million (2011, as restated: £0.57 million) on increased Gross Written Premiums of £36.0 million (2011, as restated: £25.7 million). Profit before tax was £5.7 million (2011, as restated: £0.04 million) giving fully diluted earnings per share of 4.32p (2011, as restated: 0.19p).

Business review

During the year we continued to launch new products, tailored to our customers' requirements, providing them with the flexibility and exacting service levels with which Gable has become increasingly associated, delivering the benefits of an innovative and lower cost delivery platform across a range of insurance products.

We continued to expand our wholesale distribution network through a stringent and selective process which has once again resulted in building very strong commercial relationships. During the year we commenced writing new business for the first time in Germany with the launch of our Tenant Guarantee product, available through Heiko Doll Versicherungsmakler, via its online broker platform and designed for residential property landlords, through property management agencies, to provide to tenants as they renew their lease each year. We also launched our first product in Denmark with Gable's Property Liability product. In Denmark we are working alongside Husejernes Forsikring Assurance Agentur AS, whose management team has over 25 years' experience in the insurance sector, with the highly respected Howden Insurance Brokers AB and claims lawyers, Trønne & Lundgren Law firm, one of the largest and most experienced law firms in this area in Denmark.

Throughout the year we continued to build on our business in the UK and in France where Gable benefits from its strong broker relationships. Once again, we were able to write levels of business which delivered good levels of profitable business in both markets, despite overall rates remaining relatively static.

The After The Event (ATE) market in the UK has remained buoyant with a very strong performance during 2012 from this short tail business. Gable made good progress with two programmes commencing during the year which we anticipate will provide a solid platform for continued growth in shorter tail business over the next two to three years. It is equally worth noting that Gable only writes business for commercial ATE and not personal injury business and we remain highly selective on a case-by-case basis when writing this class. We anticipate that Gable's UK ATE account will also benefit as the impact of the Jackson reforms flow through, following their introduction scheduled for July 2013, as these reforms will have the effect of discouraging the more speculative claims from entering the ATE market. We believe the net result of the reforms around claimant costs will have a favourable impact on the claims experience of our ATE customers.

In November 2012 we were delighted to formalise our relationship with Towergate Underwriting, the UK's largest MGA and part of the Towergate Group, with a five year agreement, commencing January 2013 with Gable providing exclusive capacity for a range of standard and non-standard products which will be available to all of Towergate Underwriting's broker customers. This agreement marked a formative stage in the development of our UK business which we believe is very well positioned to support future growth and continue to deliver the high levels of service which our team has always delivered. We are working closely with the teams at Towergate to develop a broad range of traditional, bespoke and exclusive products for their UK clients.

In overall terms the Gable business has both managed its organic growth during the year and put in place the platforms to write business in three new countries: Denmark and Germany during 2012 and most recently Italy with the launch of our Commercial Bond product. During this most recent period the management team has also implemented the necessary infrastructure through enhanced broker network contacts which enables continuity in service levels as the business starts to benefit from the additional inflows of new business following the new product launches in Germany and Denmark and most notably via the Towergate agreement for the UK business.

We continue to have excellent support from our reinsurance partners in both London and internationally, and we are always monitoring and, as appropriate, amending Gable's reinsurance cover which most suitably matches the requirements of the business.

Looking at the balance of the business we write today, we believe that we will continue to see a progressive shift towards an increasing level of shorter tail business. We can see this most recently with the increase in European business which Gable is writing, based predominantly around commercial material damage type risk. Whilst this remains balanced by longer tail liabilities, it is none-the-less a preferred blend of risk for any insurance business.

As always, we are mindful of the prudent management of the cost base and, as anticipated by management team overall operating costs have inevitably increased as we prepared for the next phase of growth in the business. Costs are in line with the growth in the business we are now seeing during the current year.

Group results for the year ended 31 December 2012

The reported result for the year shows profit before taxation of £5.7 million (2011, as restated: £0.04 million) and basic earnings per share of 4.32p (2011, as restated: 0.19p) on weighted number of ordinary shares in issue during both periods of 113,332,000.

Summary of Group financials and key ratios

Year ended 31 December

	2012 £000s	As restated 2011 £000s
Gross written premiums	**36,045**	**25,659**
Change in provision for gross unearned premiums	(2,516)	(1,324)
Gross earned premiums	**33,529**	**24,335**
Net earned premiums	**30,869**	**22,605**
Net claims incurred	(13,200)	(11,527)
Expenses incurred in insurance activities	(8,278)	(6,635)
Net insurance result	**9,391**	**4,443**
Loss ratio	*42.8%*	*51.0%*
Expense ratio	*24.7%*	*27.8%*
Combined operating ratio	*67.4%*	*78.8%*
Profit before taxation	**5,708**	**37**
Taxation	(817)	175
Profit for the period attributable to equity holders of the Company	**4,891**	**212**
Earnings per share – basic	4.32p	0.19p
Earnings per share – diluted	4.09p	0.19p

At the end of the period, net assets were £14.8 million (2011: £9.5 million as restated) and cash balances were £9.6 million (2011: £10.9 million).

Reserving policy

Since inception, the Group has used a consistent, simplified formulaic approach to calculate reserves in respect of its insurance liabilities at the balance sheet date. The approach is based on a fixed percentage of premium 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 continues to obtain an independent actuarial assessment of its reserves (consistently using Grant Thornton) which has provided a 'best estimate' and a range of possible level of reserves either side of this estimate. In the absence of its own mature experience, this assessment has necessitated the use of market level benchmark data, hence such an independent review can never fully capture the impact of the Group's 'niche underwriting' strategy, tight policy wording and beneficial impact of a proactive and efficient claim handling process.

The Board has always been satisfied as to the adequacy of its reserves and for the above reasons, to differentiate between the niche underwriting strategy of the Group and the estimates derived from market level benchmarks, the Board has historically targeted held reserves below the independent best estimate, but within the independent range. Indeed experience shows that settlements are generally below the case reserve which increases the best estimate calculations, which take the case reserves as a starting point.

The Group's business has now grown to a point where it is appropriate for Gable to move towards a reserving policy based on an internal, class-specific actuarial assessment and Gable has recently appointed its own in-house Chief Actuary to perform this task on a quarterly basis. The internal assessment will be based on a more granular, bottom-up approach, taking into account coverage, claims reporting patterns and wording restrictions and over time the Board expects a convergence of the respective internal and external best estimates as the Group becomes better equipped to articulate its position.

The Group has experienced strong growth in 2013 from initiatives announced in 2012 and early 2013 and is actively investigating significant additional opportunities in new business classes. As a result of this strong start and the expectation that this will continue throughout the year and beyond, it is anticipated that the Group will explore commercially attractive options to increase available solvency capital.

Dividend policy

It is the Board's firm belief that shareholders' interests are currently better served if the Company reinvests earnings and refrains from the commencement of dividend payments at this time. The Board will continue to review its dividend policy as it is appropriate for the business and its shareholders.

Auditor

Your Board was pleased to announce the appointment of Ernst & Young LLP as auditor to the Company at the end of September 2012 and we are delighted to be working with their respective teams across our business.

Management and Board

Michael Sofaer joined the Board in February 2012 as Non-Executive Director and today Gable is delighted to announce his appointment as Non-Executive Chairman with effect from the Company's forthcoming AGM, at which point Lance Ranger will be retiring from the Board.

Michael founded Sofaer Capital in Hong Kong in 1986, the first hedge fund management company to be launched in Asia. He launched Sofaer Capital Global Hedge Fund in 1987 and the Sofaer Capital Asian Hedge Fund in 1989, operating with a highly experienced Asian, European and global investment management teams. Prior to this he was a securities analyst with Schroders Investment Management in London and head of research in Hong Kong.

Our thanks to Lance Ranger who retires from the Board and who has been Non-Executive Chairman of the Board during a period of significant change and growth in the Company. We wish Lance all our very best wishes for the future.

It is the Board's intention to make two further appointments, that of Group Finance Director and an additional Non-Executive Director. This process is underway and we look forward to announcing both Board appointments in due course.

In September 2012, Michael Hirschfield, BSc (Econ) FCA was appointed head of Group Finance. Mike is a Director of Kitwell Consultants, company secretary to Gable Holdings Inc. since its incorporation. As Company Secretary he has supported the management team since Gable's formation and as head of the Group Finance operations and has worked closely with Ernst & Young over the past six months. Mike was a founding member of Gable and is an experienced public company director with particular expertise working with growth companies.

In addition, further recent senior non-board management appointments include Sukie Harrar who has joined Gable as Chief Actuary. He qualified as an actuary with Ernst & Young in 1997 and has held posts as Group Actuarial Director with Whittington Insurance Markets and Group Actuary at Amtrust. Christoph Birchler has recently joined Gable as a General Manager in Gable's European headquarters to complement the existing operational team. He joins from Ernst & Young in Zurich where he was a Manager in its Financial Accounting Services Division and has extensive experience in the insurance sector both in Europe and the US.

Current trading and outlook

Since the start of 2013 Gable has seen the strongest pattern of new business and organic growth in its history, notably as our partnerships with Towergate Underwriting in the UK has come on stream in its first full year of the five year agreement and internationally with Arthur J. Gallagher International and Willis International, which are substantial brokers and their support is testament to Gable's growing status in the insurance market. I am delighted with the level and quality of business now coming through our UK business and we look forward to developing further bespoke products for our UK and European broking clients.

Our new Danish business is performing steadily with good commercial traction and we have now added to our rental guarantee product with the introduction of a latent defects product, which is similar to our successful product introduced into the French market in early 2012. In Germany, we have established our business platform with two products: the launch of our commercial combined product and our tenant guarantee product and to date we are writing business in line with our anticipated levels for 2013, the first full year of business in the German market.

I am delighted to have established new agreements with major international brokers with the launch of our Commercial Bond product in Italy and today we announce the introduction of a new commercial combined product for the Italian market. We believe that the Italian market provides significant potential for Gable and we look forward to making further progress in this new market for the Group during the current year.

In overall terms rates in the UK and Europe remain stable, albeit the provision of over capacity remains as it has for some years now, particularly in the UK market. As a niche provider we operate from a highly efficient cost base and are therefore not unduly influenced by this particular issue. We anticipate achieving further significant growth across each of our markets during the current year, particularly as we continue to reinforce the depth of Gable's broker relationships in each market. I am delighted with the quality and growth of our distribution network across a range of regulated brokers in the UK and Europe and we continue to build on Gable's expanding European network as we enter each new country market. Gable's reputation for delivering service across a range of niche products continues to grow as we expand our product range to meet customers' requirements.

Whilst we remain ever diligent and focused on achieving profitable growth, the current year is most certainly benefiting from the refining of the business that was undertaken during the latter half of 2012 and I believe that Gable is in a very strong position to once again achieve significant growth in 2013.

The Board would like to thank all its employees for their excellent work during 2012. We have started the current year in a strong position and are highly encouraged by the momentum that the significant new business agreements and new product launches will deliver. We look forward to another successful year of growth for Gable, its commercial partners and shareholders.

William Dewsall
Chief Executive
28 June 2013

Board

Board of Directors

The Board of Directors of Gable is composed as follows:

Lance Ranger
Non-Executive Chairman

Lance Ranger, aged 52, is an international trust lawyer based in Switzerland. He has over 20 years' experience in the area advising a range of international clients. He currently is a director of Attendus Trust Company AG and prior to this spent seven years with the solicitors, Clyde & Co.

William Dewsall
Chief Executive

William, aged 52, 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 Ireland on behalf of various insurers operating in the Lloyds of London market. William has also been instrumental in developing policy wordings for the Contractors and Liability insurance sector.

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

Michael Sofaer
Non-Executive Director

Michael Sofaer, aged 55, founded Sofaer Capital in Hong Kong in 1986, the first hedge fund management company to be launched in Asia. He launched the flagship Sofaer Capital Global Hedge Fund in 1987 and the Sofaer Capital Asian Hedge Fund in 1989, operating with highly experienced Asian, European and global investment management teams. Before launching his international hedge fund management group, Michael was a securities analyst with Schroders Investment Management in London and then headed up its research department in Hong Kong. Michael has a BA in Economics and Political Science from McGill University, Montreal.

Blaise Craven
Non-Executive Director

Blaise Craven, aged 57, 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.

Lucas Slob
Non-Executive Director

Lucas Slob, aged 60, has over 20 years' non-life insurance experience working with Zurich Group, throughout the world, focussing on risk engineering, risk management and systems. Prior to this Lucas worked in loss control for Asconed and Cigna in Holland. Lucas currently works for Attendus in Switzerland as compliance and due diligence officer.

Company Secretary –
Kitwell Consultants Limited
Mike Hirschfield

Kitwell Consultants Limited has acted as Company Secretary since the Company's formation and is a founder shareholder. Director, Mike Hirschfield Bsc(Econ) FCA, aged 49, has been seconded to Gable on a part time basis since September 2012 to provide the services of Chief Financial Officer. Mike has considerable experience as a director and senior executive of a number of AIM and main market listed companies and is currently a director of AIM listed CloudTag Inc, Sirius Petroleum plc and Tri-Star Resources plc.

Report of the Directors

The Directors present their annual report together with the audited financial statements for the year ended 31 December 2012.

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 8 to 13.

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 22. The Group profit for the year after taxation was £4,891,000 (2011: £212,000, as restated). The Directors do not recommend the payment of a dividend (2011: nil).

An indication of the performance of the Group and its potential for future development is contained in the Chief Executive's review on pages 8 to 13.

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 note 3 and note 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.

Lance Ranger
William Dewsall
J Blaise Craven
Lucas Slob
Michael Sofaer

Substantial shareholdings

Interests in excess of 3% of the issued share capital of the Company which have been notified as at 26 June 2013 were as follows:

	Ordinary shares of 0.25p each Number	Percentage of capital %
Helium Special Situations Fund	24,990,000	22.05
William Dewsall	24,599,022	21.71
Barclayshare Nominees Limited	11,531,919	10.18
Lynchwood Nominees Limited	10,002,000	8.83
Pershing Nominee Limited	7,936,500	7.00

Charitable and political donations

During the year the Group made no charitable or political donations (2011: nil).

Key performance indicators

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

	Year ended 31 December 2012 £000s	As restated Year ended 31 December 2011 £000s
Gross premium written	36,045	25,659
Net claims incurred	13,200	11,527
Net insurance result	9,391	4,443
Combined operating ratio	68%	79%
Profit before taxation	5,708	37
Basic Earnings per share	4.32p	0.19p

Statement of directors' responsibilities

The Directors are responsible for preparing the Directors' report and the Financial Statements in accordance with applicable law and regulations. As stated in note 1 to the financial statements, the Directors have resolved to apply the United Kingdom Companies Act 2006 when preparing the Directors' report and 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 the financial position of the Company and consider that the underwriting activities are being conducted in an orderly manner and the company has adequate resources to meet its insurance and other liabilities as they fall due for payment as outlined further below on page 19. In addition the Directors believe that the Company has a margin over the minimum regulatory capital requirements, and on the basis of the currently available information, has the necessary actual and potential resources to maintain this position. Therefore the Directors have reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future.

Disclosure of information to auditor

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

Auditor

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

ON BEHALF OF THE BOARD

Kitwell Consultants Limited
Company Secretary

28 June 2013

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 one Executive Director, who holds the key operational position in the Group, and four Non-executive Directors, who bring a breadth of experience and knowledge. This provides a balance whereby the Board's decision making cannot be dominated by an individual. The Group's insurance business is run by William Dewsall.

Relations with shareholders

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

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

Internal control

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

Going concern

After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The enquiries made by the Directors include:

- A review of the financial performance of the Group post year end, including profitability and cash generation;
- A review of the claims development for all products and underwriting years, particularly with regard to additional claims received and the development of claims for the new products launched in 2011 and 2012;
- 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;
- A review of the working capital position of the Group to ensure sufficient cash funds are available to meet the business requirements; and
- A review of the available capital resources and options to meet future regulatory requirements.

Having made these enquiries, which form part of ongoing management monitoring undertaken by the Directors at Board meetings of Gable Holdings Inc. and its insurance company subsidiary, Gable Insurance AG, the Directors believe that it is appropriate to adopt the going concern basis in preparing the financial statements. Details of uncertainties considered by the Directors in making this statement are set out in note 3 and note 15 to the financial statements.

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 chaired by Lucas Slob. The remuneration committee meets at such time as may be required to carry out its remit of the determination and review of, amongst others, the remuneration of executives on the Board and any share incentive plans of the Company.

The remuneration of the Directors was as follows:

Year ended 31 December 2012

	L Ranger £000s	W Dewsall £000s	J Craven £000s	L Slob £000s	M Sofaer £000s	Total £000s
Salary and fees	13	370	23	11	30	437
Bonus	–	50	–	–	–	50
Share based payment charge	–	66	7	–	–	73
Total	**13**	**486**	**30**	**11**	**30**	**560**

Year ended 31 December 2011

	L Ranger £000s	W Dewsall £000s	J Craven £000s	L Slob £000s	I Tickler £000s	Total £000s
Salary and fees	22	350	20	15	20	427
Bonus	–	–	–	–	–	–
Share based payment charge	–	66	7	–	–	73
Total	**22**	**416**	**27**	**15**	**20**	**500**

Bonuses

The service agreement with William Dewsall provides for a performance related bonus of £100,000 per quarter. Mr Dewsall only drew £50,000 of his bonus entitlement for the year ended 31 December 2012 (2011: £Nil). The remaining £350,000 has been waived by Mr Dewsall.

Pensions

There are no pension schemes in operation.

Benefits in kind

The directors do not receive benefits in kind.

Notice periods

William Dewsall's service agreement is terminable by six months' notice on either side. The Non-executive Directors have letters of appointment which are terminable on three months' notice on either side.

Share option incentives

On 9 July 2010, the Company issued 11,332,200 share options to Directors, management and employees, representing 10.0% of the issued share capital of the Company.

The vesting of such options is subject to performance criteria which include, inter alia, profit targets for the Group for the next three years. 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 the Company issued 2,000,000 warrants to an external consultant, Mike Hirschfield, representing 1.76% of the issued share capital of the Company at an exercise price of 25.125 pence per share, being the middle market closing price on 4 September 2012. The warrants are subject to certain performance conditions.

Group income statement

for the year ended 31 December 2012

	Note	2012 £000s	As restated 2011 £000s
Gross written premiums		**36,045**	**25,659**
Change in provision for gross unearned premiums	13	(2,516)	(1,324)
Gross earned premiums		**33,529**	**24,335**
Reinsurance written premiums		(2,814)	(1,779)
Change in provision for unearned premiums – reinsurers' share	13	154	49
Net earned premiums		**30,869**	**22,605**
Net investment return	6	72	51
Total revenue from operations		**30,941**	**22,656**
Gross claims paid		(10,166)	(4,777)
Movement in gross technical provisions		(3,412)	(10,315)
Gross claims incurred		(13,578)	(15,092)
Reinsurers' share of gross claims paid		–	–
Movement in reinsurers' share of technical provisions	13	378	3,565
Reinsurers' share of claims incurred		378	3,565
Net claims incurred		**(13,200)**	**(11,527)**
Expenses incurred in insurance activities		(8,278)	(6,635)
Other operating expenses		(3,755)	(4,457)
Total operating charges		(12,033)	(11,092)
Profit from operations and before taxation	5	**5,708**	**37**
Taxation	8	(817)	175
Profit for the year attributable to owners of the Parent		**4,891**	**212**
Earnings per share – basic	9	4.32p	0.19p
Earnings per share – diluted	9	4.09p	0.19p

All operations are continuing.

The notes on pages 27 to 45 form part of these financial statements.

Group statement of comprehensive income

for the year ended 31 December 2012

	Note	2012 £000s	As restated 2011 £000s
Profit for the year		4,891	212
Other comprehensive income		–	–
Currency translation differences	18	–	(27)
Other comprehensive income for the year		–	(27)
Total comprehensive income for the year attributable to owners of the parent		**4,891**	**185**

The notes on pages 27 to 45 form part of these financial statements.

Group statement of financial position

at 31 December 2012

	Note	2012 £000s	As restated 2011 £000s	As restated 2010 £000s
Assets				
Intangible assets	10	4,250	4,250	4,250
Property, plant and equipment	12	348	412	414
Deferred acquisition and reinsurance costs	13	3,083	2,782	3,543
Provision for unearned reinsurance premium	13	704	550	501
Reinsurers' share of technical provisions	13	3,943	3,565	–
Prepayments and accrued income	14	665	1,138	1
Trade and other receivables	15	30,907	17,338	11,916
Deferred taxation	8	–	448	–
Cash and cash equivalents	16	9,654	10,874	6,387
Total assets		**53,554**	**41,357**	**27,012**
Equity				
Share capital	17	283	283	283
Share premium account	17	5,516	5,516	5,516
Share based payment reserve	18	782	414	138
Other reserves	18	3,875	3,875	3,875
Exchange differences	18	(322)	(322)	(295)
Retained earnings	18	4,642	(249)	(461)
Total equity attributable to owners of the parent		**14,776**	**9,517**	**9,056**
Liabilities				
Technical provisions	13	18,951	16,646	6,384
Provision for unearned premium	13	10,263	8,242	7,128
Accruals and deferred income		387	700	50
Current taxation		–	208	111
Deferred taxation	8	82	82	82
Trade and other payables	19	9,095	5,962	4,201
Total liabilities		**38,778**	**31,840**	**17,956**
Total liabilities and equity		**53,554**	**41,357**	**27,012**
Net asset value per ordinary share	9	13.04p	8.40p	

The financial statements have been signed by the Board and authorised for issue on 28 June 2013.

Blaise Craven
Director

The notes on pages 27 to 45 form part of these financial statements.

Group statement of cash flows

for the year ended 31 December 2012

	Note	Group 2012 £000s	As restated Group 2011 £000s
Cash flows from operating activities			
Cash generated from operations	23	(1,118)	4,670
Interest received		72	51
Tax paid		(143)	(153)
Net cash flows from operating activities		**(1,189)**	**4,568**
Cash flows from investing activities			
Purchase of tangible fixed assets		(31)	(81)
Net cash flows from investing activities		**(31)**	**(81)**
Cash flows from financing activities			
Shares issued		–	–
Net cash flows from financing activities		**–**	**–**
Net increase/(decrease) in cash and cash equivalents		**(1,220)**	**4,487**
Cash and cash equivalents at beginning of year		10,874	6,387
Cash and cash equivalents at end of year	16	**9,654**	**10,874**

The notes on pages 27 to 45 form part of these financial statements.

Group statement of changes in equity

for the year ended 31 December 2012

Group	Note	Share capital £000s	Share premium £000s	As restated Share based payment reserve £000s	Other reserves £000s	As restated Exchange difference £000s	As restated Retained earnings £000s	As restated Total equity £000s
At 1 January 2011		283	5,516	138	3,875	(295)	(461)	9,056
Comprehensive Income								
Profit for the period		–	–	–	–	–	212	212
Other Comprehensive Income								
Currency translation differences		–	–	–	–	(27)	–	(27)
Total Comprehensive Income		**–**	**–**	**–**	**–**	**(27)**	**212**	**185**
Transactions with Owners								
Shares subscribed during the year		–	–	–	–	–	–	–
Share based payments		–	–	276	–	–	–	276
Total Transactions with Owners		**–**	**–**	**276**	**–**	**–**	**–**	**276**
At 31 December 2011	17,18	**283**	**5,516**	**414**	**3,875**	**(322)**	**(249)**	**9,517**
Comprehensive Income								
Profit for the period		–	–	–	–	–	4,891	4,891
Other Comprehensive Income								
Currency translation differences		–	–	–	–	–	–	–
Total Comprehensive Income		**–**	**–**	**–**	**–**	**–**	**4,891**	**4,891**
Transactions with Owners								
Shares subscribed during the year		–	–	–	–	–	–	–
Share based payments		–	–	368	–	–	–	368
Total Transactions with Owners		**–**	**–**	**368**	**–**	**–**	**–**	**368**
At 31 December 2012	17,18	**283**	**5,516**	**782**	**3,875**	**(322)**	**4,642**	**14,776**

The notes on pages 27 to 45 form part of these financial statements.

Notes to the Group financial statements

for the year ended 31 December 2012

1 Basis of preparation

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

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

The Group financial statements consolidate the financial statements of Gable Holdings Inc. and subsidiary undertakings made up to 31 December 2012. Subsidiaries are entities over which the Group has control. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities. The Group obtains and exercises control through voting rights.

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

In relation to the preparation of these financial statements, the Directors have been cognisant of the particular uncertainties outlined in note 3 and note 15. Notwithstanding, the financial statements have been prepared on a going concern basis and it is the opinion of the Directors, based upon the information available that GIAG and the Group will be able to maintain its solvency requirements and meet its liabilities when they fall due. A statement as to going concern is set out in the Report of the Directors on page 18.

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

The financial statements are presented in sterling.

2 Principal accounting policies

Business combinations

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

Goodwill

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

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

Foreign currency translation

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

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

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

Foreign exchange differences arising from retranslation of the opening net assets of overseas subsidiaries are recognised initially in comprehensive income and subsequently in the income statement in the year in which the entity is disposed of.

Underwriting transactions

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

1 Premiums written comprise the premiums on contracts incepting in the financial year, together with any differences in premiums between booked premiums for prior years and those previously accrued, and include estimates of premiums due but not yet receivable or notified, less allowance for cancellations;

2 Unearned premiums represent the proportion of the premiums written in that year that relate to unexpired terms of policies in force at the end of the reporting period. For ATE business, premium is earned at inception where the premium is fixed, or on determination of the event where the premium is dependent on the outcome of such a future event where the premium is variable, such as a court award of damages;

3 Reinsurance premiums and any related reinsurance recoveries are accounted for in the same accounting period as premiums and claims incurred. Reinsurance premiums are earned over the period in which premiums on the related policies are earned;

4 Acquisition costs, which represent commission and other related expenses, are deferred and recognised over the period in which premiums from the related policies are earned;

5 Claims incurred represent claims and related expenses paid in the year and changes in the provisions for outstanding claims, including provisions for claims incurred but not reported and related expenses, together with any adjustments to claims from prior years. Where applicable, deductions are made for recoveries due from reinsurers;

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.

Investments in subsidiary undertakings

Investments in subsidiary undertakings disclosed in the Company statement of financial position are valued at cost less any impairment.

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
Furniture and fittings:	20% per annum
Leasehold improvements	term of lease, up to a maximum of 10 years

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

Impairment of assets

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

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

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

Financial instruments

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

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

Provisions and contingencies

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

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

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

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

Segment information

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

Share based payments

Options

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

Warrants

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

Critical accounting estimates and judgements in applying accounting policies

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

The most critical accounting estimate made by the Group is the estimate of the ultimate claims liability under insurance contracts underwritten. The estimation of the liability considers historical data, with most relevance given to recent data, of claims experience. The ultimate cost of outstanding claims is estimated based on experience and current business conditions. Whilst claims need to be notified without delay, the settlement of claims and accordingly the ultimate cost of such claims cannot be known with certainty at the end of the reporting period. In particular, estimates of technical provisions inevitably contain inherent uncertainties because significant periods of time may elapse between the occurrence of an insured loss, the reporting of that claim, payment of the claim and the receipt of reinsurance recoveries. While the Directors consider that the estimate of claims is fairly calculated, on the basis of the information currently available to them, the ultimate liability remains inherently uncertain and may change as a result of subsequent information and events which may result in the eventual cost of settling these liabilities being higher or lower than the amount calculated. When estimating the required level of provisions, management will consider the results of a variety of actuarial techniques. The projections given by the various methodologies assist in setting the range of possible outcomes and facilitate management's selection of the most appropriate estimation technique taking into account the development of the Group's book of business.

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

Over the last few years, GIAG has launched a number of new products in Europe, which remain at early stages of development, both in premium written and claims experience. In respect of the former in relation to ATE business, the Directors make assumptions as to the best estimate of any variable premium, which in the future maybe higher or lower than the amounts recognised. With regard to the latter, the Directors have made a number of assumptions as to what the ultimate claims experience might be. With regard to the UK business, 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 that the amounts currently provided in the financial statements. Having regard to this significant uncertainty inherent in the business of the insurance subsidiary and in the light of the information presently available, in the opinion of the Directors the provisions for outstanding claims and IBNR in the Group financial statements are fairly stated.

3 Risk management

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

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

Claims reserving and significant uncertainty

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

During the last four years, GIAG launched a number of new products and has, therefore, begun the process of claims monitoring for these products. In addition, GIAG commissions an annual actuarial review of its year end reserving position from Grant Thornton. The Grant Thornton report evaluates the reserving position of GIAG for its products and markets based on the information provided to it by GIAG and provides a range of possible ultimate loss outcomes based on its experience of the market as a whole. The Board believes that its focus on niche areas of business and tight underwriting policies expose the group to lower ultimate loss ratios than the market as a whole and, whilst its reserving position is below that which might be appropriate for a much larger business facing whole market risks, the Board believes that its experience has been that reserves are adequate. The total reserve based upon management assumptions is at the low end of the range calculated by Grant Thornton, and below their best estimate by approximately £15.2m (2011: £11.7m).

At the date of these financial statements, GIAG's claims experience for all products, even those launched in the UK in 2006, has been developed over a short period of time. For those launched more recently and, in particular, in the last financial year the claims development experience carries an even higher degree of uncertainty. For any insurance entity, it takes a reasonable period of time, firstly, to determine an actual result for a particular underwriting year and, secondly, and more importantly, to develop an experience of a particular book of business such that claims reserving trends can be identified and applied. Whilst specific underwriting years may be close to establishing a result (i.e. 2006), it takes a much longer period to draw definitive conclusions against which future underwriting years may be judged. The Directors believe that a reasonable approach has been taken to reserving, as described in Note 13, for each of GIAG's underwriting years but in doing this, acknowledge that the significant uncertainty outlined above will remain with the Group's reserving conclusions for the immediate future. The conclusions drawn by the Directors rely on a number of assumptions. These, inter alia, include an assumption that future claim settlements will follow a similar trend to those experienced on settled claims to date. In addition, the performance of the new products launched in the year is dependent on a future claims development profile. Whilst the Directors believe that a reasonable approach has been taken in this first period of account for these products, the ultimate claims experience will have a high degree of uncertainty until the claims experience has developed further. A 1% movement in the gross loss ratio will increase/decrease profit by £335,294 (2011: £243,350).

Claims development information is disclosed in order to illustrate the sources of significant uncertainty outlined above. The table compares ultimate claims estimates with the payments made to date. The first section of the table shows current estimates of cumulative claims and demonstrates how these claims have developed at subsequent year ends. Given that 2012 is only the sixth year of underwriting and volume/ business mix has changed as the Group has grown, users of the financial statements are cautioned against extrapolating the below as representative of future claims development.

The Board believes that the estimate of total claims outstanding at 31 December 2012 is adequate.

Analysis of ultimate claims development – gross, business written in relevant year	2006 £000s	2007 £000s	2008 £000s	2009 £000s	2010 £000s	2011 £000s	2012 £000s	Total £000s
Initial estimate of gross provision	1,600	1,523	1,555	2,837	6,757	15,932	9,547	39,751
One year on	–	–	(72)	–	–	(896)		(968)
Two years on	–	(57)	–	–	(54)			(111)
Three years on	–	–	–	1,101				1,101
Four years on	–	295	176					471
Five years on	41	609						650
Five years +	20							20
Current estimate of gross and net provision	1,661	2,370	1,659	3,938	6,703	15,036	9,547	40,914
Cumulative payments to date	(1,661)	(2,370)	(1,659)	(3,938)	(4,256)	(4,807)	(521)	(19,212)
	–	–	–	–	2,447	10,229	9,026	21,702

Reinsurance

GIAG manages its potential loss exposure by purchasing suitable reinsurance programmes for its products.

Within the UK construction industry there are a number of rare but substantial losses that could be incurred under the categories of insurance that GIAG writes. As such, GIAG purchases a reinsurance programme designed to mitigate the potential financial impact of these substantial losses. GIAG purchases an annual programme running from 1 July to 30 June.

During the year and in consideration of a new product launched in France, GIAG has entered in to a new Treaty Protection Programme for potential large losses.

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 2012 the balance due from reinsurers was £3.943 million (2011: £3.565 million).

In addition, the Group is exposed to a number of more general business risks. The impact of these risks and the management thereof is explained below.

Underwriting

The essential underwriting risk is to fully understand the risk that is being assessed both in terms of the risk profile and also the financial scale.

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

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

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

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

Claims

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

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

Credit risk

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

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

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

	Less than 30 days £000s	30-60 days £000s	60-90 days £000s	More than 90 days £000s	Total £000s
31 December 2012					
Amounts due from policyholders	3,693	695	1,117	5,965	11,470
31 December 2011					
Amounts due from policyholders	3,254	613	984	5,255	10,106

The ageing of debtors reflects the payment terms on the products offered. As part of its debtor management procedures, the Directors monitor past due debtors and undertake all requisite actions to recover these amounts. The Directors have, therefore, made certain assumptions in respect of the recoverability of long-term debtors, which they consider to be reasonable. In respect of premiums receivable the Group holds an impairment provision of £1.3m (2011: nil).

Currency risk

GIAG retains its policy income and settles claims in the currency in which the contract is made and, therefore, mitigates currency risk by matching assets and liabilities in the currency in which they originate. For the year ended 31 December 2012 and 2011, all premium income was denominated in GBP, Euro 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 designated in Euro, Norwegian Kroner and Swiss Francs at the year end were as follows:

	2012 £000s	2011 £000s
Euro	3,517	6,648
Norwegian Kroner	927	279
Swiss Francs	91	16
	4,535	**6,943**

A 10% increase/decrease in the exchange rate of any of the currencies above against GBP would not significantly impact the value of the Group's net assets and its profit or loss as at 31 December 2012. In addition, indirect foreign currency exposure exists from policies where the insured events are settled in other currencies.

Interest rate risk

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

Liquidity risk

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

Capital risk management

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 required as a regulated insurance company in Liechtenstein to meet the solvency requirements in that jurisdiction. As at 31 December 2012, the solvency ratio of GIAG was 120% (2011: 122%), as compared to a minimum requirement of 100%. The company meets with the regulator on a regular basis and are currently updating their capital plans for future years.

With the proposed implementation of Solvency II, the Board and management have instigated the process of conforming both to the proposed capital requirements and also the proposed risk management and reporting requirements.

Regulatory risk

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.

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

	2012 £000s	As restated 2011 £000s
Insurance activities		
Gross earned premiums	33,529	24,335
Outward reinsurance premiums	(2,660)	(1,730)
Net claims incurred	(13,200)	(11,527)
Net investment return	72	51
Expenses incurred in insurance activities	(8,278)	(6,635)
Other operating expenses	(3,069)	(3,557)
Profit before taxation from insurance activities	**6,394**	**937**
Group and administrative activities		
Net investment return	–	–
Other operating expenses	(686)	(900)
Loss before taxation from Group and administrative activities	**(686)**	**(900)**
Profit before taxation	**5,708**	**37**

Segment information – other information

	Insurance activities £000s	Group administration activities £000s	Consolidation adjustments £000s	Total £000s
As at 31 December 2012				
Segment assets	46,978	6,641	(65)	53,554
Segment liabilities	38,343	353	82	38,778
Capital expenditure	31	–	–	31
Depreciation	43	51	–	94
As at 31 December 2011 (as restated)				
Segment assets	34,603	6,957	(203)	41,357
Segment liabilities	30,810	398	632	31,840
Capital expenditure	81	–	–	81
Depreciation	31	52	–	83

	2012 £000s	2011 £000s
Gross premium written		
UK	19,348	12,079
Europe	16,697	13,580
	36,045	**25,659**
Net insurance result		
UK	929	162
Europe	8,462	4,281
	9,391	**4,443**

Except for recoveries detailed in note 15, 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:

	2012 £000s	2011 £000s
Depreciation of property, plant and equipment	95	83
Foreign exchange	542	–
Fees payable to Company's auditor, Ernst & Young LLP/Littlejohn LLP		
Statutory audit of the group accounts	119	77
Fees payable in respect of audit of subsidiary undertakings (2011: audit of overseas subsidiary)	61	47

6 Net investment return

	2012 £000s	2011 £000s
Bank interest receivable	72	51
	72	**51**

7 Directors and employees

	2012	2011
The average number of employees (including Directors) employed by the Group was:	16	15

The total wages, salaries and staff costs incurred (including Directors' fees) in the year ended 31 December 2012 were £990,000 (2011: £870,000). Details of the Directors' emoluments are set out in the Report on Remuneration.

8 Taxation

The tax charge for the period arises from local taxation in Liechtenstein and the UK, 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%.

	2012 £000s	As restated 2011 £000s
Tax on profits		
Current tax		
Charge for the year	369	273
Adjustment in respect of prior years	–	–
Deferred tax		
Origination and reversal of temporary differences in the current year	–	–
Impact of restatement to financial statements	448	(448)
Adjustment in respect of prior years	–	–
Tax charge/(credit) on profit for the period	**817**	**(175)**

8 Taxation continued

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

	2012 £000s	As restated 2011 £000s
Profit before taxation	5,708	37
Profit before taxation multiplied by standard rate of tax of 0% (2011:0%)	–	–
Effect of:		
Overseas taxation payable	278	273
Provision for potential penalties and interest	91	–
Impact of restatement to financial statements	448	(448)
Tax charge/(credit) on profit for the period	**817**	**(175)**

A deferred tax liability as at 31 December 2012 of £82,000 (2011: £82,000) has been recognised in the financial statements in respect of consolidation adjustments for temporary differences between Liechtenstein GAAP and IFRS. As at 31 December 2012, a deferred tax asset of nil (2011: £448,000) has been recognised for the impact of the prior year restatements in Gable Insurance AG.

9 Earnings and net asset value per share

The calculation of the basic and diluted earnings per share is based on the profit for the year of £4,891,000 (2011: £212,000, as restated) divided by the weighted average number of shares in issue during the year of 113,322,000 (2011: 113,322,000). The weighted average number of shares for the calculation of fully diluted earnings per share is 119,537,776 based on the basic weighted average number of shares in issue plus 6,215,776 dilutive shares calculated using the treasury stock method (2011: 114,423,945 based on basic weighted average number of shares in issue plus 1,101,945 dilutive shares).

The net asset value per share is calculated by dividing the total equity of £14,776,000 (2011: £9,517,000, as restated) by the number of shares in issue at the end of the period, 113,322,000 (2011: 113,322,000).

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

10 Intangible assets

	2012 £000s	As restated 2011 £000s
Goodwill		
At 1 January	4,250	4,250
Arising in the period	–	–
Impairment of goodwill	–	–
At 31 December	**4,250**	**4,250**

The goodwill brought forward from 1 January 2011 arose from the acquisition of the Group's insurance subsidiary, Gable Insurance AG. An impairment review has been carried out on this asset and no impairment has been recognised. The impairment review has been based on a fair value less costs to sell, with the fair value being determined using the most recent mid-market share price of the Group.

11 Investments

The following companies are part of the Group:

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

12 Property, plant and equipment

	IT systems and software £000s	Fixtures and fittings and leasehold improvements £000s	Motor vehicles £000s	Total £000s
Cost				
At 1 January 2011	75	679	15	769
Additions	6	–	75	81
At 1 January 2012	**81**	**679**	**90**	**850**
Additions	–	14	17	31
At 31 December 2012	**81**	**693**	**107**	**881**
Depreciation				
At 1 January 2011	75	271	9	355
Charge for the year	–	66	17	83
At 1 January 2012	**75**	**337**	**26**	**438**
Charge for the year	2	66	27	95
At 31 December 2012	**77**	**403**	**53**	**533**
Net book value				
31 December 2012	**4**	**290**	**54**	**348**
31 December 2011	6	342	64	412

Depreciation is charged to other operating expenses.

13 Insurance assets and liabilities

	2012 £000s	As restated 2011 £000s
Insurance assets		
Deferred acquisition and reinsurance costs	3,083	2,782
Provision for unearned reinsurance premium	704	550
Reinsurers' share of technical provisions	3,943	3,565
	7,730	**6,897**

	2012 £000s	2011 £000s
Insurance liabilities		
Technical provisions	18,951	16,646
Provisions for unearned premium	10,263	8,242
	29,214	**24,888**

	2012 £000s	2011 £000s
Net claims paid	**10,166**	**4,777**
At 1 January	13,081	6,384
Net claims notified and reserved in year	3,034	13,043
Incurred but not reported movement in year – net of reinsurer's share	(1,514)	(6,750)
Exchange movement	407	404
At 31 December	**15,008**	**13,081**

The carrying amounts disclosed above reasonably approximate the fair value at the end of the reporting period.

13 Insurance assets and liabilities continued

Since inception, the Group has used a consistent, simplified formulaic approach to calculate reserves in respect of its insurance liabilities at the balance sheet date. The approach is based on a fixed percentage of premium 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 continues to obtain an independent actuarial assessment of its reserves (consistently using Grant Thornton) which has provided a "best estimate" and a range of possible level of reserves either side of this estimate. In the absence of its own mature experience, this assessment has necessitated the use of market level benchmark data, hence such an independent review can never fully capture the impact of the Group's "niche underwriting" strategy, tight policy wording and beneficial impact of a proactive and efficient claim handling process.

The Board has always been satisfied as to the adequacy of its reserves and for the above reasons, to differentiate between the niche underwriting strategy of the Group and the estimates derived from market level benchmarks, the Board has historically targeted held reserves below the independent best estimate, but within the independent range. Indeed experience shows that settlements are generally below the case reserve which increases the best estimate calculations that take the case reserves as a starting point.

The Group's business has now grown to a point where it is appropriate for Gable to move towards a reserving policy based on an internal, class-specific actuarial assessment and Gable has recently appointed its own in-house Chief Actuary to perform this task on a quarterly basis. The internal assessment will be based on a more granular, bottom-up approach, taking into account coverage, claims reporting patterns and wording restrictions and over time the Board expects a convergence of the respective internal and external best estimates as the Group becomes better equipped to articulate its position. In the meantime, for the reasons which have been set out above, the level of reserves held in Gable's insurance subsidiary, Gable Insurance AG ("GIAG"), remain below the independent best estimate.

	2012 £000s	2011 £000s
Movement in reinsurers' share of technical provisions		
At 1 January	3,565	–
Movement in provision for the year	378	3,565
At 31 December	**3,943**	**3,565**

The amount of £3.9 million, in respect of recoveries for claims incurred by the Group during 2011, relates to certain flood claims arising in France. There have been no other claims arising which have triggered a reinsurance recovery.

	2012 £000s	2011 £000s
Movement in provision for unearned premium (gross)		
At 1 January	8,242	7,128
Movement in provision for the year	2,516	1,324
Exchange movement	(495)	(210)
At 31 December	**10,263**	**8,242**

	2012 £000s	2011 £000s
Movement in deferred acquisition costs		
At 1 January	2,782	4,044
Movement in provision for the year	301	(1,262)
At 31 December	**3,083**	**2,782**

	2012 £000s	2011 £000s
Movement in provision for unearned reinsurance premium		
At 1 January	550	501
Movement in provision for the year	154	49
At 31 December	**704**	**550**

13 Insurance assets and liabilities continued

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 Bonhuetter-Ferguson method.

The Group has commissioned an independent actuarial assessment of its reserves to ensure that the reserves included in the year end results are within a range of possible outcomes.

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

- The Group's claims experience for the seven years ended 31 December 2012 can be used to project future claims development factors;
- Benchmarking exercises used in the assessment of ultimate claims provide a reasonable basis to compare against the Group's reserve position (after adjusting for differences in the business underwritten and the relevant factors); and
- Claims incurred but not reported will not reach the levels required to trigger a recovery due from reinsurers. This is consistent with experience to date, and as such these accounts do not include any reinsurance recoveries or reinsurer's share of technical provisions.

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.

14 Prepayments and accrued income

	2012 £000s	As restated 2011 £000s
Other prepayments	665	1,138
	665	**1,138**

15 Trade and other receivables

	2012 £000s	As rstated 2011 £000s
Receivable from direct insurance operations	28,863	16,543
Other debtors	2,043	795
	30,906	**17,338**

The carrying amounts disclosed above reasonably approximate the fair value at the end of the reporting period. Out of the total £28.9m receivable £16.3m (2011: £9.8m) related to the ATE business.

Included in debtors is an amount of US$8.9 million (£5.9 million) recognised in the year ended 31 December 2012 (2011: nil, as restated) in respect of additional premium due on an insurance policy issued in respect of a US litigation case. The premium receivable by the Group for this policy consists of an initial fixed premium plus a variable element calculated on a fixed percentage of the award receivable by the plaintiff. The US Court has awarded damages for breach of contract and, as such, the premium due to the Group has been recognised. At the time of the court ruling Management determined its best estimate to be $5.5m based on the damages initially determined by the court. Since the court ruling substantial further information on quantum of this settlement has been discovered and in light of this information Management has revised its best estimate of the amount likely to be recovered through further judicial process to the £5.9m recorded in the financial statements. However, there is uncertainty regarding the amount and the timing of any additional premium recoverable by the Group until all legal appeals have been exhausted or an alternative settlement is reached between the parties, which is currently expected in 2014. The Directors are confident that the amount currently accrued for will be recoverable in full.

16 Cash and cash equivalents

	2012 £000s	As restated 2011 £000s
Cash at bank and with third parties	9,654	10,874
	9,654	**10,874**

17 Share capital and premium

	Number Ordinary shares of 0.25p	Ordinary shares £000s	Share premium £000s
At 1 January 2011	113,322,000	283	5,516
At 1 January 2012	113,322,000	283	5,516
At 31 December 2012	**113,322,000**	**283**	**5,516**

The total authorised number of shares is 4,000 million (2010: 4,000 million), with a nominal value of 0.25p. All issued share are fully paid.

Share options

On 9 July 2010 share options were granted to Directors, management and key employees. The vesting of such options is subject to performance criteria, which include, inter alia, profit targets for the Group for the three years ending 31 December 2012. The options can be exercised from after three years from the date of grant until ten years from the date of grant, no options were capable of exercise as at 31 December 2012 (2011: nil). Options are settled in equity once exercised.

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

	Fair value pence	Weighted average exercise price pence
At 1 January 2012	7.3078	17.5
At 31 December 2012	**7.3078**	**17.5**

For those options granted to employees and directors where IFRS2 "Share based payment" is applicable, the fair values were calculated using the Black-Scholes model. The inputs for the model were as follows:

	Share options granted on 9 July 2010
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	5 years (based on a variety of economic and behavioural considerations)
Share price at date of grant	17.5p (mid-market closing price on day prior to grant)

Since 9 July 2010, no additional options have been granted and none have lapsed or been exercised. 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 reflecting 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.

17 Share capital and premium continued

Warrants

On 5 September 2012, warrants were issued to an external consultant in consideration for services provided for 2,000,000 shares, 1,000,000 of which vested immediately and the balance, which vest over two years, are dependent on performance conditions. These warrants have an exercise price of 25.125p, the closing mid-market price on the day prior to grant, 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 25.125p and the expected life is 24 months to coincide with the weighted average expected exercise date of options. The warrants can be summarised as follows:

	Fair value pence	Weighted average exercise price pence	Number of warrants No.
At 1 January 2012	–	–	–
At 31 December 2012	**7.9427**	**25.125**	**2,000,000**

18 Other reserves

	As restated Share based payment reserve £000s	Other reserves £000s	As restated Exchange difference £000s	As restated Retained earnings £000s
At 1 January 2011	138	3,875	(295)	(461)
Retained profit for the period	–	–	–	212
Share based payments	276	–	–	–
Currency translation differences	–	–	(27)	–
At 31 December 2011	**414**	**3,875**	**(322)**	**(249)**

	Share based payment reserve £000s	Other reserves £000s	Exchange difference £000s	Retained earnings £000s
At 1 January 2012	414	3,875	(322)	(249)
Retained profit for the period	–	–	–	4,891
Share based payments	368	–	–	–
Currency translation differences	–	–	–	–
At 31 December 2012	**782**	**3,875**	**(332)**	**(4,642)**

Share based payment reserve

The share based payment reserve relates to share options issued in 2010 and warrants issued in 2012, full details of which are provided in note 17.

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 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 has been credited to other reserves (£3,875,000).

19 Trade and other payables

	2012 £000s	As restated 2011 £000s
Trade payables	6,671	4,279
Amounts due to subsidiary undertakings	–	–
Other taxation (including insurance taxes)	2,376	1,624
Other payables	48	59
	9,095	**5,962**

20 Contingent liabilities

Save for the provision for insurance claims (note 13), there were no contingent liabilities as at 31 December 2012 (2011: nil).

21 Capital commitments

There were no capital commitments as at 31 December 2012 (2011: nil).

22 Related party tansactions

During the year, the Group traded with Hogarth Underwriting Agencies Limited ("HUAL"), a company wholly-owned by William Dewsall, Chief Executive of Gable. HUAL acts as an insurance intermediary for the Group's UK construction account. The net commission payable for services provided by HUAL for 2012 amounted to £422,000 (2011: £371,000). The balance outstanding due from HUAL at 31 December 2012 was £2.042m (2011: £0.735m).

During the year a bonus of £50,000 was paid to Mr Dewsall, he is entitled to an annual bonus of £400,000 under his service arrangements but the remaining £350,000 has been waived.

During the year the Group paid £40,000 (2011: £12,000) to Kitwell Consultants Limited a company beneficially owned by Mike Hirschfield for Company Secretarial and accounting services. In addition, warrants were issued to Mr Hirschfield which are discussed in note 17.

23 Cash generated from operations

	2012 £000s	As restated 2011 £000s
Profit for the year	4,891	212
Interest received	(72)	(51)
Non-cash exchange movements	–	(27)
Depreciation of property, plant and equipment	95	83
Share based payments	368	276
Increase of technical provisions	4,326	11,376
Increase in reinsurers' share of technical provisions	(532)	(3,614)
(Increase)/decrease in deferred acquisition and reinsurance costs	(301)	761
(Increase)/decrease in receivables	(12,648)	(7,007)
Increase/(decrease) in payables	2,612	2,411
Exchange rate movements on cash and cash equivalents	143	250
Cash generated from operations	**(1,118)**	**4,670**

24 Prior year adjustments

A number of changes have been introduced over the last nine months to support the next stage of growth in the business, including the appointment of Ernst & Young as auditors, the recruitment of a Chief Actuary, the strengthening of the operational and accounting team and the proposed appointment of a Finance Director to the Gable Holdings board following the Annual General Meeting.

As part of these changes, a review has been undertaken of accounting policies and practices and one of the most significant of the proposed changes, full details of which are set out in Note 13, is a move to an in-house actuarial assessment of technical reserves from the formulaic approach which has been historically applied.

In addition, the review of accounting policies and practice has led to the change of certain accounting policies and the correction of certain prior period errors. The effects of these adjustments are set out below and may be summarised in the following table:

	2010				2011					
	Original statements £000s	Share based payments £000s	HUAL transaction reversal £000s	As Restated £000s	Original statements £000s	Share based payments £000s	HUAL transaction reversal £000s	Grail ATE adjustment £000s	Balance sheet reallocations £000s	As Restated £000s
Assets										
Intangible assets	7,641	–	(3,391)	4,250	6,641	–	(2,391)	–	–	4,250
Tangible fixed assets	414	–	–	414	412	–	–	–	–	412
Reinsurers' share of claims reserve	–	–	–	–	3,565	–	–	–	–	3,565
Deferred acquisition costs	2,855	–	688	3,543	3,196	–	688	–	(1,102)	2,782
Provision for unearned reinsurance premium	490	–	11	501	539	–	11	–	–	550
Prepayments and accrued income	1	–	–	1	1	–	–	–	1,137	1,138
Trade and other receivables	14,126	–	(2,210)	11,916	23,180	–	(2,210)	(4,081)	449	17,338
Deferred tax assets	–	–	–	–	–	–	–	448	–	448
Cash and cash equivalents	6,387	–	–	6,387	11,584	–	–	–	(710)	10,874
Total assets	**31,914**	**–**	**(4,902)**	**27,012**	**49,118**	**–**	**(3,902)**	**(3,633)**	**(226)**	**41,357**
Equity										
Share capital	283	–	–	283	283	–	–	–	–	283
Share premium account	5,516	–	–	5,516	5,516	–	–	–	–	5,516
Share based payment reserve	–	138	–	138	–	414	–	–	–	414
Other reserves	3,875	–	–	3,875	3,875	–	–	–	–	3,875
Retained earnings	4,563	(138)	(4,886)	(461)	7,969	(414)	(3,886)	(3,633)	(285)	(249)
Exchange difference	(342)	–	47	(295)	(428)	–	47	–	59	(322)
Total equity attributable to equity holders	**13,895**	**–**	**(4,839)**	**9,056**	**17,215**	**–**	**(3,839)**	**(3,633)**	**(226)**	**9,517**

24 Prior year adjustments continued

	2010				2011					
	Original statements £000s	Share based payments £000s	HUAL transaction reversal £000s	As Restated £000s	Original statements £000s	Share based payments £000s	HUAL transaction reversal £000s	Grail ATE adjustment £000s	Balance sheet reallocations £000s	As Restated £000s
Liabilities										
Claims reserve	6,291	–	93	6,384	16,553	–	93	–	–	16,646
Provision for unearned premium	7,287	–	(159)	7,128	8,401	–	(159)	–	–	8,242
Accruals and deferred income	112	–	(62)	50	111	–	(62)	–	651	700
Current taxation	111	–	–	111	208	–	–	–	–	208
Deferred tax liability	82	–	–	82	82	–	–	–	–	82
Trade and other payables	4,136	–	65	4,201	6,548	–	65	–	(651)	5,962
Total liabilities	**18,019**	**–**	**(63)**	**17,956**	**31,903**	**–**	**(63)**	**–**	**–**	**31,840**
Total liabilities and shareholders' funds	**31,914**	**–**	**(4,902)**	**27,012**	**49,118**	**–**	**(3,902)**	**(3,633)**	**(226)**	**41,357**

As described in Note 17, a valuation has been prepared of the theoretical cost of share based payments and £138,000 of this charge relates to 2010 and a further charge of £276,000 relates to 2011 bringing the aggregate charge as at 31 December 2011 to £414,000. Adjustments have been made to correct these errors.

The second adjustment relates to the treatment of the 2010 acquisition of commission flows from HUAL. At the time, this transaction was treated as a business acquisition and the cost was effectively capitalised and amortised over time. Having reviewed this treatment, management are of the opinion that the transaction is better treated as a buy-out from an onerous contract which requires immediate write-off of the acquisition cost in 2010. Whilst the main impact of this is carried back to 2010, the accelerated write-off of this item has effectively reduced the net assets of the Group at 31 December 2012 to £1.4 million less that they would otherwise have been.

The third adjustment relates to the accounting treatment of the Group's commercial ATE policies and only impacts on 2011.

i Historically, all premium income from ATE policies was recognised on inception. As set out in the accounting policies in Note 2, the Group has adopted a policy under which fixed ATE premiums are recognised on inception with any potential discounts for early settlement treated as unearned premium until such time that it is clear that no such discount will apply. The impact of this change is to defer £1.0m of premium income which would otherwise have been recognised in 2012 into future years.

ii Where there is a success fee element of the ATE premium, this will only be recognised in the year in which the case is won. If the quantum of the success fee is not known at the balance sheet date, management's best estimate, as supported by third party evidence, will be used in the accounts. The 2011 accounts included the recognition of £4.1m in relation to an ATE policy where the case had been won prior to the approval of the accounts but after the year end. In accordance with the new accounting policy, this has been removed from 2011 and recorded in 2012.

Finally, a number of amounts were incorrectly recorded in the 2011 financial statements and adjustments have been made to correct these errors.

Independent auditor's report

to the members of Gable Holdings Inc

We have audited the financial statements of Gable Holdings Inc. for the year ended 31 December 2012 which comprise the Group Income Statement, the Group Statement of Financial Position, the Group Statement of Comprehensive Income, the Group Statement of Cash Flows, the Group Statement of Changes in Equity and the related notes 1 to 24. The financial reporting framework that has been applied in their preparation is International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with our engagement letter dated 24 September 2012. 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 17, 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. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 December 2012 and of the Group's profit for the year then ended; and
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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

In forming our opinion which is not modified, we have considered the adequacy of disclosure made in note 15 to the financial statements in respect of the outcome of a lawsuit where there is significant uncertainty regarding the amount and timing of the additional premium; and, in 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

29 June 2013

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 website.

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

Company information

Registered office	190 Elgin Avenue George Town Grand Cayman KY1-9005 Cayman Islands
Directors	**William Dewsall** (Chief Executive Officer) **Lance Ranger** (Non Executive Chairman) **Lucas Slob** (Non Executive) **Michael Sofaer** (Non Executive) **J Blaise Craven** (Non Executive)
Secretary	**Kitwell Consultants Limited** Kitwell House The Warren Radlett Hertfordshire WD7 7DU
Nominated adviser and broker	**Panmure Gordon & Co** Moorgate Hall 155 Moorgate London EC2M 6XB
Registrars	**Capita Registrars (Jersey) Limited** 12 Castle Street St Helier Jersey JE2 3RT
Solicitors	**Fladgate LLP** 16 Great Queen Street London WC2B 5DG
Auditor	**Ernst & Young LLP** Statutory Auditor 1 More London Place London SE1 2AF

Notice of annual general meeting

Notice is hereby given that the annual general meeting of the members of the company will be held at the offices of Gable Insurance AG, Pflugstasse 20, Vaduz, FL-9490 Liechtenstein on 30 July 2013 at 12:00 p.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 2012.

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

3 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.

4 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 £28,330.05 being 10% 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 1.76% of the Company's issued share capital at the date of this notice;

c 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 £100,000; and

d the allotment of equity securities, otherwise than in accordance with paragraphs 4(a), 4(b) and 4(c), up to an aggregate nominal amount of £28,330.05 being 10% of the company's issued share capital at the date of this notice.

Special resolution

5 To adopt new Articles of Association.

By order of the Board

Kitwell Consultants Limited
Secretary

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

28 June 2013

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 Registrars, 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 Registrars, The Registry, 34 Beckenham Road, Kent BR3 4TU during normal business hours. Completion of a form of proxy will not prevent a member from attending and voting in person.

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

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

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