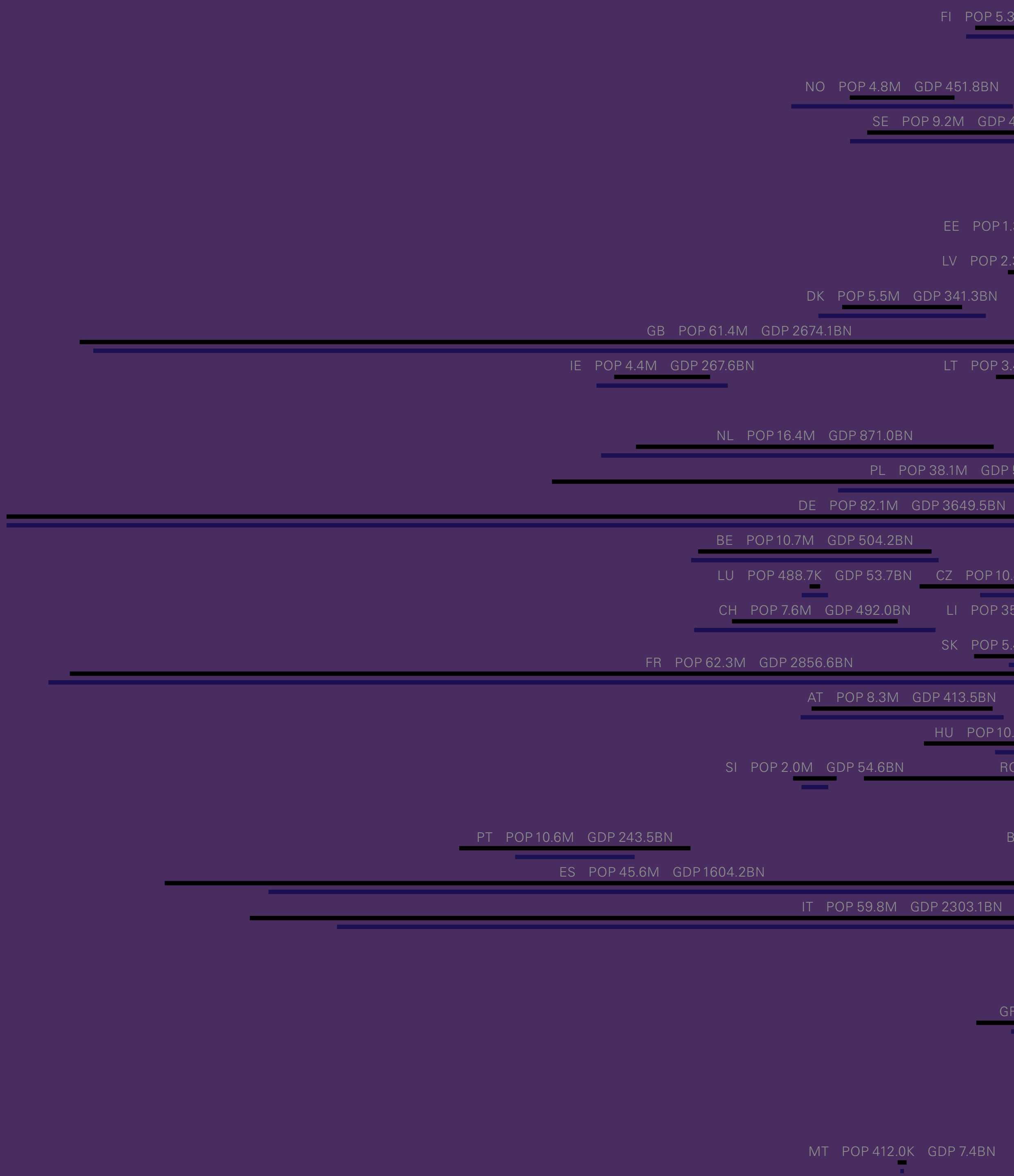
G A B L E

Gable Holdings Inc.

Annual Report and Financial Statements
for the Year Ended 31 December 2010




M GDP 272.7BN
79.0BN
3M GDP 23.4BN
3M GDP 33.8BN
4M GDP 47.3BN
527.9BN
4M GDP 215.5BN
5.6K GDP 4.2BN
4M GDP 98.5BN
0M GDP 154.7BN
D POP 21.5M GDP 200.1BN
G POP 7.6M GDP 49.9BN
R POP 11.2M GDP 355.9BN
CY POP 862.4K GDP 24.9BN

The Gable Group

Gable is a European non-life insurance company underwriting a comprehensive range of specialist policies for the commercial sectors in the UK, France, 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 (AIM: GAH).
For further information please visit www.gableholdings.com.

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Highlights

Financial

	2010 £m	2009 £m	
Written Premium	19.5	10.4	Up 87.5%
Gross Earned Premium	17.0	8.0	Up 112.5%
Combined Operating Ratio	*63%*	*65%*	
Operating Profit before Goodwill Impairment	3.3	1.5	Up 120.0%
PBT	2.7	1.5	Up 80.0%
EPS	*2.31p*	*1.26p*	*Up 83.3%*

Business

- Premium written in 2010 comprised 56% UK (2009: 49%) and 44% (2009: 51%) in other European markets
- Growth has been achieved across all products in 2010, particularly increased premiums in UK portfolio and the French Artisan programme
- First full year of underwriting our commercial after the event ("ATE") product, which is performing well ahead of initial expectations
- Launched a new product in April 2010 – a French property liability scheme

Comment and Outlook

William Dewsall, Chief Executive

"These exceptional results reflect the continued success of our European growth strategy. Furthermore, the growth achieved in premium written is organic across the Group's whole product range. We have seen recovery in premium written in the UK market and continued growth in our French products. Our commercial ATE product, launched in 2009, has performed well and is expected to develop further in the current year.

"The Board is delighted with the growth being achieved in the current financial year and continues to review opportunities to launch new products complementary to our existing range and geographic presence."

Chairman's Statement

The results for 2010 are testament to the Group's strategy to focus on growth as a European insurance company. We continue to seek to strengthen our existing products in terms of premium written, without compromising on the levels of profitably that we expect to achieve from each.

We continue to review opportunities for new products and new markets, taking advantage of our European-wide licensing, under the European passporting legislation.

We have, during the last financial year and as a continuing exercise until its formal implementation, expended an increased resource on the proposed Solvency II legislation. At this time, we believe that no additional capital will be required to meet the proposed requirements of Solvency II in light of the forecast growth in our business. We are also embarking on a complete review of the business to ensure that we have suitable procedures and controls in place to adhere to the risk management and reporting requirements of Solvency II.

The Board remains very optimistic about the prospects for the Group in the current and future financial years.

Lance Ranger

Chairman

30 June 2011

Chief Executive's Review

The Board of Gable Holdings Inc is pleased to present its consolidated results for the year ended 31 December 2010.

The reported result for the year shows profit before taxation of £2.71 million (2009: £1.54 million) and basic and diluted eps of 2.31p (2009: 1.26p). At the end of the period, net assets were £13.9 million (2009: £11.1 million) and cash balances were £6.4 million (2009: £4.3 million).

Results

A summary of the results for the year ended 31 December 2010 are set out in the table below:

	2010 £000s	2009 £000s
Gross written premiums	**19,503**	**10,420**
Change in provision for gross unearned premiums	(2,484)	(2,423)
Gross earned premiums	**17,019**	**7,997**
Net earned premiums	**17,334**	**7,047**
Net claims incurred	(6,113)	(2,197)
Expenses incurred in insurance activities	(4,841)	(2,393)
Net insurance result	**6,380**	**2,457**
Combined operating ratio	*63.2%*	*65.1%*
Profit from operations (before impairment of goodwill and taxation)	**3,307**	**1,536**
Impairment of goodwill	(600)	–
Profit before taxation	**2,707**	**1,536**
Taxation	(88)	(117)
Profit for the period attributable to equity holders of the Company	**2,619**	**1,419**
Earnings per share – basic and diluted	2.31p	1.26p

The premium written in 2010 comprised 56% UK (2009: 49%) and 44% (2009: 51%) in other European markets. In premium terms, growth has been achieved in all products in 2010, particularly increased premiums in UK portfolio and our French Artisan programme and a full year of underwriting our commercial ATE product. This increase in business written has been achieved without any compromise to our insurance margin.

We launched a new product in 2010, a French property liability scheme, on which we commenced underwriting in April 2010.

Chief Executive's Review

Business review

The table below shows how our product base has diversified since we started writing business in 2006. We have diversified our business both in product range and geographic representation, but also in the risk profile of the products we offer, balancing liability products with short tail property portfolios.

Country	Product	2006	2007	2008	2009	2010
France	Property liability					✓
UK	After The Event				✓	✓
Norway	Tenant deposit scheme				✓	✓
France	Dommages Ouvrages*				✓	✓
Spain	Property construction liability			✓	✓	✓
Spain	Third party liability			✓	✓	✓
France	Artisan liability			✓	✓	✓
UK	Construction liability	✓	✓	✓	✓	✓

**a French insurance policy for building defects in a new build or renovated French property*

Solvency management, utilisation and risk have always been of primary importance in managing the Group's financial performance. With the advent of Solvency II this remains the case and an increased resource is being utilised to ensure compliance with the proposed provisions of Solvency II, both in terms of capital and also risk management and reporting. Under the current proposals for Solvency II insurance capital, the Board does not currently believe that additional capital will need to be raised to meet these proposed requirements given the Board's expectation of growth over the current and forthcoming financial years. At 31 December 2010, solvency capital was 130% (2009: 201%).

Gable has continued to adopt a prudent approach to its solvency capital management, holding its deposits in cash and, in view of the diversification of the Group's income into a number of currencies, matching its potential insurance liabilities (insurance losses) to the currency in which the income is derived.

In managing Gable Insurance AG's ("GIAG") risk exposure, Gable continues to monitor its on-going reinsurance requirements. GIAG continues to purchase reinsurance for its UK construction account and now has an automatic facultative protection programme with Hannover Re and with other major reinsurers for certain Dommages Ouvrages risks in France. As the business develops the requirements for reinsurance will also intensify. This is a necessary cost for risk management.

The Directors retain the objective to declare an inaugural dividend at the earliest opportunity, commensurate with the Group's capital requirements. Given the Group's continued and significant expansion and the uncertainty over the final Solvency II requirements, it is believed that the retention of profit to build the Group's overall capital base is of more importance.

Chief Executive's Review

Current trading and outlook

Growth has continued strongly into the first quarter and looking at both the UK and European markets, the Board is confident of another year of strong growth for 2011.

The combination of strong organic growth, combined with the new product launches which are now positively impacting our results we are particularly encouraged by the buoyant market in which we operate.

There is scope to roll out our products in other European countries and we are particularly encouraged by the potential we see in France, Germany and Italy.

William Dewsall
Chief Executive

30 June 2011

Board of Directors

The Board of directors of Gable is comprised as follows:

Lance Ranger, Non-Executive Chairman

Lance Ranger, aged 51, 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 50, 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 54, 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 a 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 Economics and Political Science from McGill University, Montreal.

Blaise Craven, Non-Executive Director

Blaise Craven, aged 55, 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 nonexecutive director of Conival plc.

Lucas Slob, Non-Executive Director

Lucas Slob, aged 57, 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.

Report of the Directors

The directors present their annual report together with the audited financial statements for the year ended 31 December 2010.

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 7 to 9.

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 19. The Group profit for the year after taxation was £2,619,000 (2009: £1,419,000). The directors do not recommend the payment of a dividend (2009: 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 7 to 9.

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 main risks and uncertainties facing the Group are detailed in note 3 to these financial statements.

Environmental matters

The directors do not consider 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.

Report of the Directors

Directors

Details relating to the directors who served during the period are set out below.

	Ordinary shares of 0.25p each 31 December 2010 Number	Ordinary shares of 0.25p each 31 December 2009 Number
Lance Ranger	–	–
William Dewsall	23,950,000	23,950,000
J Blaise Craven	–	–
Lucas Slob	–	–
Michael Sofaer	–	–

Ian Tickler retired from the Board on 17 February 2011 and Micheal Sofaer was appointed on that date.

Substantial shareholdings

Apart from the interests of the directors, the only interests in excess of 3% of the issued share capital of the Company which have been notified as at 29 June 2011 were as follows:

	Ordinary shares of 0.25p each Number	Percentage of capital %
Helium Special Situations Fund	26,065,000	23.00
Pershing Keen Nominees	12,686,000	11.19
Lynchwood Nominees	9,896,217	8.73
Barclayshare Nominee	6,408,825	5.66
Seymour Pierce	4,316,500	3.81

Charitable and political donations

During the year the Group made no charitable or political donations (2009: nil).

Key performance indicators

The principal performance indicators monitored by the Group are premium written and net insurance margin, which includes implicitly monitoring of claims performance. In addition, exposure to specific industry risks is also monitored.

	Year ended 31 December 2010 £000s	Year ended 31 December 2009 £000s
Gross premium written	19,503	10,420
Gross claims incurred	6,113	2,197
Net insurance result	6,380	2,457
Combined operating ratio	63%	65%

Report of the Directors

Payment to suppliers

It is the Group's policy to agree appropriate terms and conditions for its transactions with suppliers by means ranging from standard terms and conditions to individually negotiated contracts and pay suppliers according to agreed terms and conditions, provided that the supplier meets those terms and conditions. The Group does not have a standard or code, dealing specifically with the payment of suppliers.

Trade creditors at the year end amounted to 152 days (2009: 103 days) of average supplies for the period.

Statement of directors' responsibilities

The Directors are responsible for preparing the Directors' report and the Financial Statements in accordance with applicable law and regulations. The Group has agreed to adopt the UK Companies Act 2006 when preparing its 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 and Parent Company 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 Company and of the profit or loss of the Group for that period. In preparing these Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently; 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 comply with 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.

As stated in note 1 to these accounts, the board has resolved to apply the Companies Act 2006 when preparing its financial statements. The board of directors are therefore responsible for ensuring that the Report of the Directors is prepared in accordance with company law in the United Kingdom.

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.

Report of the Directors

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. In addition the company has maintained a margin over the minimum regulatory capital requirements in both this and prior years, and on the basis of the currently available information, there are no indications that the position will change. 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 auditors

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 which the Group auditors are 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 auditors are aware of that information.

Auditors

A resolution will be proposed at the forthcoming Annual General Meeting to reappoint Littlejohn LLP as auditors.

ON BEHALF OF THE BOARD

Kitwell Consultants Limited
Company Secretary

30 June 2011

Corporate Governance

The Company has, since admission to the AIM Market of the London Stock Exchange plc (AIM), applied 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 Lucas Slob 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 auditors and reviewing any reports from the auditors 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.

Corporate Governance

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 open underwriting years, particularly with regard to additional claims received and the development of claims for the new products launched in 2010; and
- 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.

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.

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 Lance Ranger. 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 2010

	L Ranger £000s	W Dewsall £000s	J Craven £000s	L Slob £000s	I Tickler £000s	Total £000s
Salary and fees	22	350	20	15	12	419
Bonus	–	400	–	–	–	400
Total	**22**	**750**	**20**	**15**	**12**	**819**
Annual salary and fees	22	350	20	15	12	419

Year ended 31 December 2009

	L Ranger £000s	W Dewsall £000s	J Craven £000s	L Slob £000s	I Tickler £000s	Total £000s
Salary and fees	22	350	16	15	12	65
Bonus	–	–	10	–	–	10
Total	**22**	**–**	**26**	**15**	**12**	**75**
Annual salary and fees	22	350	20	15	12	419

The salary, fees and bonuses (see below) for William Dewsall for the year ended 31 December 2009 were paid by Hogarth Underwriting Agencies Limited ("HUAL") as is set out in note 23, related party transactions. HUAL previously provided inter alia, underwriting and claims handling services to GIAG. For financial periods commencing 1 January 2010 and as a result of the related party transaction set out in note 23 to the financial statements, all future payments have been made by the Group.

Remuneration Report

Bonuses

The service agreement with William Dewsall provides for a performance related bonus of £100,000 per quarter. The performance criteria for the year ended 31 December 2010 were met in full and Mr Dewsall was paid a bonus of £400,000 (2009: £nil) by the Company.

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 includes, inter alia, consolidated 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.

Consolidated Income Statement

for the year ended 31 December 2010

	Note	2010 £000s	2009 £000s
Gross written premiums		**19,503**	**10,420**
Change in provision for gross unearned premiums	13	(2,484)	(2,423)
Gross earned premiums		**17,019**	**7,997**
Outward reinsurance premiums		(1,038)	(892)
Return of reinsurance premium		1,237	–
Change in provision for unearned premiums – reinsurers' share	13	116	(58)
Net earned premiums		**17,334**	**7,047**
Net investment return	6	86	143
Total revenue from operations		**17,420**	**7,190**
Gross claims paid		(3,201)	(1,264)
Movement in gross technical provisions		(2,912)	(933)
Gross claims incurred		(6,113)	(2,197)
Reinsurers' share of gross claims paid			–
Movement in reinsurers' share of technical provisions		–	–
Reinsurers share of claims incurred		–	–
Net claims incurred		**(6,113)**	**(2,197)**
Expenses incurred in insurance activities		(4,841)	(2,393)
Impairment of goodwill		(600)	–
Other operating expenses		(3,159)	(1,064)
Total operating charges		(8,600)	(3,457)
Profit from operations and before taxation	5	**2,707**	**1,536**
Taxation	8	(88)	(117)
Profit for the period attributable to owners of the parent		**2,619**	**1,419**
Earnings per share – basic and diluted	9	2.31p	1.26p

All operations are continuing.

The notes on pages 26 to 45 form part of these financial statements.

Consolidated Statement of Financial Position

at 31 December 2010

	Note	2010 £000s	2009 £000s
Assets			
Intangible assets	10	7,641	4,250
Property, plant and equipment	12	414	60
Deferred acquisition and reinsurance costs	13	3,345	2,361
Prepayments and accrued income	14	1	970
Trade and other receivables	15	14,126	9,290
Cash and cash equivalents	16	6,387	4,341
Total assets		**31,914**	**21,272**
Equity			
Share capital	17	283	281
Share premium account	17	5,516	5,406
Share based payment reserve	18	20	20
Other reserves	18	3,875	3,875
Retained earnings	18	4,201	1,521
Total equity attributable to owners of the parent	19	**13,895**	**11,103**
Liabilities			
Technical provisions	13	13,578	8,081
Accruals and deferred income		112	112
Deferred taxation		82	82
Trade and other payables	20	4,247	1,894
Total liabilities		**18,019**	**10,169**
Total liabilities and equity		**31,914**	**21,272**
Net asset value per ordinary share	9	12.26p	9.89p

The financial statements have been signed by the Board and authorised for issue on 30 June 2011.

The notes on pages 26 to 45 form part of these financial statements.

Company Statement of Financial Position

at 31 December 2010

	Note	2010 £000s	2009 £000s
Assets			
Investments	11	4,315	4,315
Property, plant and equipment	12	45	60
Prepayments and accrued income	14	1	14
Trade and other receivables	15	2,777	2,777
Cash and cash equivalents	16	1	7
Total assets		**7,139**	**7,173**
Equity			
Share capital	17	283	281
Share premium account	17	5,516	5,406
Share based payment reserve	18	20	20
Retained earnings	18	(1,209)	(924)
Total equity		**4,610**	**4,783**
Liabilities			
Accruals and deferred income		50	50
Trade and other payables	20	2,479	2,340
Total liabilities		**2,529**	**2,390**
Total liabilities and equity		**7,139**	**7,173**

The financial statements have been signed by the Board and authorised for issue on 30 June 2011.

The notes on pages 26 to 45 form part of these financial statements.

Statement of Cash Flows

for the year ended 31 December 2010

	Note	Group 2010 £000s	Group 2009 £000s	Company 2010 £000s	Company 2009 £000s
Cash flows from operating activities					
Cash generated from operations	24	2,341	(43)	(118)	77
Interest received		86	143	–	–
Tax paid		(70)	(23)	–	–
Net cash flows from operating activities		**2,357**	**77**	**(118)**	**77**
Cash flows from investing activities					
Purchase of tangible fixed assets		(423)	–	–	(90)
Net cash flows from investing activities		**(423)**	**77**	**–**	**(90)**
Cash flows from financing activities					
Shares issued		112	–	112	–
Net cash flows from financing activities		**112**	**–**	**112**	**–**
Net increase/(decrease) in cash and cash equivalents		**2,046**	**77**	**(6)**	**(13)**
Cash and cash equivalents at period beginning		4,341	4,264	7	20
Cash and cash equivalents at period end	16,25	**6,387**	**4,341**	**1**	**7**

The notes on pages 26 to 45 form part of these financial statements.

Statement of Comprehensive Income

for the year ended 31 December 2010

Group	Note	2010 £000s	2009 £000s
Profit for the year		2,619	1,419
Other comprehensive income			
Currency translation differences		61	(22)
Other comprehensive income for the year		61	(22)
Total comprehensive income for the year attributable to owners of the parent	18,19	**2,680**	**1,397**

The notes on pages 26 to 45 form part of these financial statements.

Statement of Changes in Equity

for the year ended 31 December 2010

Group	Note	Share capital £000s	Share premium £000s	Share based payment reserve £000s	Other reserves £000s	Retained earnings £000s	Total equity £000s
At 1 January 2010		281	5,406	20	3,875	1,521	11,103
Comprehensive income							
Profit for the period		–	–	–	–	2,619	2,619
Other comprehensive income							
Currency translation differences		–	–	–	–	61	61
Total comprehensive income		**–**	**–**	**–**	**–**	**2,680**	**2,680**
Transactions with owners							
Shares subscribed during the year		2	110	–	–	–	112
Total transactions with owners		**2**	**110**	**–**	**–**	**–**	**112**
At 31 December 2010	17,18,19	**283**	**5,516**	**20**	**3,875**	**4,201**	**13,895**

Group	Note	Share capital £000s	Share premium £000s	Share based payment reserve £000s	Other reserves £000s	Retained earnings £000s	Total equity £000s
At 1 January 2009		281	5,406	20	3,875	124	9,706
Comprehensive income							
Profit for the period		–	–	–	–	1,419	1,419
Other comprehensive income							
Currency translation differences		–	–	–	–	(22)	(22)
Total comprehensive income		**–**	**–**	**–**	**–**	**1,397**	**1,397**
Transactions with owners							
Shares subscribed during the year		–	–	–	–	–	–
Total transactions with owners		**–**	**–**	**–**	**–**	**–**	**–**
At 31 December 2009	17,18,19	**281**	**5,406**	**20**	**3,875**	**1,521**	**11,103**

The notes on pages 26 to 45 form part of these financial statements.

Statement of Changes in Equity

for the year ended 31 December 2010

Company	Note	Share capital £000s	Share premium £000s	Share based payment reserve £000s	Retained earnings £000s	Total Equity £000s
At 1 January 2010		281	5,406	20	(924)	4,783
Comprehensive income						
Loss for the period		–	–	–	(285)	(285)
Other comprehensive income						
Currency translation differences		–	–	–	–	–
Total comprehensive income		**–**	**–**	**–**	**(285)**	**(285)**
Transactions with owners						
Shares subscribed during the year		2	110	–	–	112
Total transactions with owners		**2**	**110**	**–**	**–**	**112**
At 31 December 2010	17,18,19	**283**	**5,516**	**20**	**(1,209)**	**4,610**

Company	Note	Share capital £000s	Share premium £000s	Share based payment reserve £000s	Retained earnings £000s	Total Equity £000s
At 1 January 2009		281	5,406	20	(886)	4,821
Comprehensive income						
Profit for the period		–	–	–	(38)	(38)
Other comprehensive income						
Currency translation differences		–	–	–	–	–
Total comprehensive income		**–**	**–**	**–**	**–**	**(38)**
Transactions with owners						
Shares subscribed during the year		–	–	–	–	–
Total transactions with owners		**–**	**–**	**–**	**–**	**–**
At 31 December 2009	17,18,19	**281**	**5,406**	**20**	**(924)**	**4,783**

The notes on pages 26 to 45 form part of these financial statements.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2010

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 2010. 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.

The Company has elected to take the exemption under Section 408 of the UK Companies Act 2006 from presenting the Parent Company Income Statement and Statement of Comprehensive Income. The loss for the parent company for the year was £285,000 (2009: £38,000).

In relation to the preparation of these financial statements, the directors have been cognisant of the particular uncertainties outlined in notes 3 and 23. 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 directors' report on page 11.

International financial reporting standards

The following standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2010. The adoption of these standards does not have a material impact on the Group's Financial Statements.

New and amended standards adopted by the Group:

- IFRS 3 (revised) "Business Combinations" and consequential amendments to IAS 27 "Consolidated and Separate Financial Statements"
- IAS 36 (amendment) "Impairment of Assets" (effective 1 January 2010)

New and amended standards and interpretations mandatory for the first time for the financial year beginning 1 January 2010 but not currently relevant to the Group (although they may effect the accounting for future transactions and events):

- IAS 1 (amendment) "Presentation of Financial Statements" (effective 1 January 2010)
- IAS 27 (revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill gains or losses
- IAS 28 "Investments in Associates"
- IAS 31 "Interests in Joint Ventures"
- IAS 38 (amendment) "Intangible Assets" (effective 1 January 2010)
- IAS 39 "Financial Instruments: Recoginition and Management" (effective 1 January 2009)
- IFRIC 9 "Reassessment of Embedded Derivatives"
- IFRIC 16 "Hedges of a Net Investment in a Foreign Operation" (effective 1 July 2009)
- IFRIC 17 "Distribution for Non-Cash Assets to Owners" (effective on or after 1 July 2009
- IFRIC 18 "Transfers of Assets from Customers" (effective for transfers of assets received on or after 1 July 2009)
- IFRS 2 (amendment) "Group Cash-settled Share-based Payment Transactions" (effective on or after 1 July 2009)
- IFRS 5 (amendment) "Non-current Assets Held for Sale and Discounted Operations" (effective 1 January 2010)

At the date of preparation of these consolidated financial statements a number of standards and other interpretations had been published by the International Accounting Standards Board but were not yet effective and have therefore not been adopted in these consolidated financial statements. These are:

- IFRS 9 Financial Instruments
- IAS 24 (Revised) Related Party Disclosures
- Amendments to IFRS 7 Financial Instruments: Disclosures
- Amendments to IAS 12 Income Taxes
- Amendments to IAS 32 Financial Instruments: Presentation
- IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments
- IFRIC 14 (Revised) The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The impact of IFRS 9 is still being evaluated. The Directors do not anticipate that the adoption of the other standards will have a material impact on the Group financial statements.

2 Principal accounting policies

Business combinations

Acquisitions of businesses are accounted for using the purchase 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 on 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

The functional currency used in the financial statements is sterling, being the currency of the primary economic environment in which Gable Insurance AG operates. The consolidated financial statements are presented in sterling being the functional currency for the Group.

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, 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 and the opening net assets held in currency by each UK insurance company subsidiary 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;

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 the related policies are earned;

4 Acquisition costs, which represent commission and other related expenses, are deferred over the period in which 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;

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. Claims outstanding are reduced by anticipated recoveries;

7 Reserves are set based upon an expectation that there will not be a subsequent release or deficit. In arriving at this estimate allowance is made for the inherent uncertainty involved in setting of reserves; and

8 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 net profit 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 from the tax bases of assets and liabilities and the carrying value in the consolidated financial statements. However, if the deferred income tax arises from the initial recognition of goodwill, goodwill for which amortisation is not deductible for tax purposes, or the initial recognition of an asset and liability in a transaction other than a business combination that at the time of the transaction affects neither accounting or taxable profit or loss, it is not accounted for.

Deferred income tax is determined using tax rates enacted or substantively enacted at end of the reporting period and expected to apply when the related tax is affected.

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 for 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.

Trade receivables and payables

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.

Provisions and contingencies

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events and 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 probable.

Share based payments

All services received in exchange for the grant of any share-based remuneration are measured at their fair values. These are indirectly determined by reference to the fair value of the share options/warrants awarded. Their value is appraised at the grant date and excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets).

Share-based payments are ultimately recognised as an expense in profit or loss or included as part of the cost of share issues with a corresponding credit to the share based payment reserve, net of deferred tax where applicable. If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options/warrants expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised, if there is any indication that the number of share options/warrants expected to vest differs from previous estimates. No adjustment is made to the expense or share issue cost recognised in prior periods if fewer share options/warrants ultimately are exercised than originally estimated.

Upon exercise of share options/warrants, the proceeds received net of any directly attributable transaction costs up to the nominal value of the shares issued are allocated to share capital with any excess being recorded as share premium.

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 facilitates 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. 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 consolidated financial statements are fairly stated.

Set out in note 23 is an explanation of the historic relationship between GIAG and HUAL. In formulating the proposals for the arrangements between these two companies, the directors, having made reasonable enquiry, relied on a number of assumptions regarding future business streams. Given the forecasts and the assumptions therein, the directors are comfortable that the agreements described in note 23 were undertaken in the Group's best interests.

Segmental 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.

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 prudent reserving position at each year end. Continued monitoring of the position has been and will be carried out for each underwriting year.

During 2009 and 2010, 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. The total reserve based upon management assumptions is within this range, although at the lower end and below Grant Thornton's best estimate by approximately £6 million.

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 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 on claims 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 technical provision would increase/decrease profit by £130,000.

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 2010 is the fourth year of underwriting, users of the financial statements are cautioned against extrapolating the below as representative of future claims development.

The Group believes that the estimate of total claims outstanding at 31 December 2010 is adequate.

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

	2006 £000s	2007 £000s	2008 £000s	2009 £000s	2010 £000s	Total £000s
Initial estimate of gross and net provision	1,600	1,523	1,555	2,837	6,757	14,272
One year on	–	–	(72)	–	–	(72)
Two years on	–	(57)	–	–	–	(57)
Three years on	–	–	–	–	–	–
Four years on	–	–	–	–	–	–
Current estimate of gross and net provision	1,600	1,466	1,483	2,837	6,757	14,143
Cumulative payments to date	(1,378)	(1,325)	(765)	(964)	(1,522)	(5,954)
Gross and net outstanding claims	222	141	718	1,873	5,235	8,189

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. GIAG has determined that the potential additional exposures from its first reinsurance programme, running from 1 January 2006 to 30 June 2007 are minimal and that it would be economic for the company to commute its reinsurance programme for this year. Whilst no formal agreement is in place at the date of these financial statements, negotiations are in progress with reinsurers and the Board believes that it is appropriate to accrue for a potential return premium in this regard of £1,237,000, which amounts to approximately 35% of the reinsurance paid for this period. No reinsurance claim has been made for this period.

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 2010 there were no balances due from reinsurers (2009: nil).

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: 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.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2010

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 2010, all premium income was denominated in GBP, Euro or Norwegian Kroner and claims arising there from 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:

	2010 £000s	2009 £000s
Euro	2,008	620
Norwegian Kroner	94	–
Swiss Francs	140	61
	2,242	681

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 as at 31 December 2010.

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.

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.

The Group has insurance receivables that are past due but not impaired at the reporting date. Management are of the opinion that impairment of these receivables is not appropriate on the basis of the subsequently collected and anticipated collection of the amounts owed.

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 2010					
Amounts due from policyholders	1,829	2,022	1,721	6,601	12,173
31 December 2009					
Amounts due from policyholders	1,167	790	604	2,977	5,538

The ageing of debtors reflects the payment terms on the products offered. In respect of French premium written, payments are made on either a quarterly, bi-annual or annual basis and in respect of ATE insurance, part of the premium payable is deferred until case settlement. The directors have made certain assumptions in respect of the recoverability of long-term debtors, which they consider to be reasonable.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2010

Capital 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 the 31 December 2010, the solvency ratio of GIAG was 171% (2009: 201%), as compared to a minimum requirement of 100%.

Without 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. Under the current proposals for Solvency II insurance capital, the Board does not believe that additional capital will need to be raised to meet the proposed requirements and the Board's expectation of growth over the current and forthcoming financial years.

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.

Investment risk

The amendments to IFRS 7 'Financial Instruments' require the disclosure of how we classify our investments. All of the Group's investments are held in cash deposits and, therefore, there is no need to analyse them further in this regard.

4 Segmental reporting

The Group has adopted International Financial Reporting Standard 8 'Operating Segments' ("IFRS 8"). 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. Following adoption of 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	2010 £000s	2009 £000s
Profit before taxation from insurance activities		
Gross earned premiums	17,019	7,997
Outward reinsurance premiums	315	(950)
Net claims incurred	(6,113)	(2,197)
Net investment return	86	143
Expenses incurred in insurance activities	(4,841)	(2,393)
Other operating expenses	(2,726)	(775)
Profit before taxation	**3,740**	**1,825**
Loss before taxation from Group and administrative activities		
Net investment return	–	–
Impairment of goodwill	(600)	–
Other operating expenses	(433)	(289)
Loss before taxation	(1,033)	(289)
Profit before taxation	**2,707**	**1,536**

4 Segmental reporting continued

Segment information – other information

	Insurance activities £000s	Group administration activities £000s	Consolidation adjustments £000s	Total £000s
As at 31 December 2010				
Segment assets	28,608	7,139	(3,833)	31,914
Segment liabilities	18,547	2,529	(3,057)	18,019
Capital expenditure	–	–	–	–
Depreciation	22	60	–	82
As at 31 December 2009				
Segment assets	16,628	7,173	(2,530)	21,271
Segment liabilities	10,396	2,480	(2,707)	10,169
Capital expenditure	–	–	–	–
Depreciation	54	15	–	69

	2010 £000s	2009 £000s
Gross premium written		
UK	10,819	5,197
Europe	8,684	5,223
	19,503	**10,420**
Net insurance result		
UK	2,937	1,427
Europe	3,443	1,030
	6,380	**2,457**

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/(crediting):

	2010 £000s	2009 £000s
Impairment of goodwill	600	–
Depreciation of tangible assets	69	82
Foreign exchange	–	–
Fees payable to Company's auditors, Littlejohn LLP		
Statutory audit of the Company's consolidated accounts	28	28
Fees payable to other auditors (audit of overseas subsidiary)	25	20

Notes to the Consolidated Financial Statements

for the year ended 31 December 2010

6 Net investment return

	2010 £000s	2009 £000s
Interest income on financial investments	68	102
Bank interest receivable	18	41
	86	**143**

7 Directors and employees

	2010 £000s	2009 £000s
The average number of employees (including directors) employed by the Group was	13	8

The total wages, salaries and staff costs incurred (including directors' fees) in the year ended 31 December 2010 were £951,000 (2009: £163,000). Details of the directors' emoluments are set out in the Report on Remuneration.

8 Taxation on profit on ordinary activities

The tax charge for the period relates to local taxation in Liechtenstein on Gable Insurance AG. GHI does not operate in the UK and, as such, there is no UK tax charge arising on its operation. UK taxes arise on the result of Gable Services (London) Limited.

	2010 £000s	2009 £000s
Profit on ordinary activities before taxation	2,707	1,536
Profit on ordinary activities multiplied by standard rate of tax 28% (2009: 28%)	758	430
Effect of:		
Losses carried forward	–	–
(Profits)/losses not subject to corporation tax	(758)	(430)
Deferred taxation	–	(47)
Overseas taxation payable	(88)	(70)
Tax charge for the period	**(88)**	**(117)**

A deferred tax liability has been accrued in respect of overseas taxation on bad debt provisions, allowable as a tax deduction for local tax purposes.

9 Earnings and net asset value per share

The calculation of the basic and diluted earnings per share is based on the net profit of £2,619,000 (2009: £1,419,000) divided by the weighted average number of shares in issue during the year of 113,309,704 (2009: 112,200,000).

The net asset value per share is calculated by dividing the shareholders' funds of £13,895,000 (2009: £11,102,000) by the number of shares in issue at the end of the period 113,322,000 (2009: 112,200,000).

There is no difference between the basic and diluted earnings and net asset value per share. However, details of potentially dilutive instruments are set out in note 17.

10 Intangible assets

Group	2010 £000s	2009 £000s
Goodwill		
At 1 January	4,250	4,250
Arising in the period	3,991	–
Impairment of goodwill	(600)	–
At 31 December	**7,641**	**4,250**

The brought forward goodwill arises from consolidation of the Group's insurance subsidiary. An impairment review has been carried out on this asset and no impairment has been recognised. When testing for impairment of goodwill the recoverable amount of a relevant cash generating asset is determined based on cash flow projections. These cash flow projections are based on the financial forecasts approved by management covering a two year period together with an estimate of activity in future years. Management does not believe that a change in any of the key assumptions would cause the carrying value of its cash generating subsidiary to materially exceed its recoverable amount. A 0.5% change in the discount rate would increase/decrease the discounted valuation by approximately 2.5%.

Goodwill arising on the restructuring arrangements set out in note 23 was acquired during the period. An impairment review has been carried out in respect of the carrying value of goodwill as at 31 December 2010 and, in respect of the goodwill arising in the period and acknowledging the diminishing time frame for certain of the cash flows to which it relates, an impairment charge of £600,000 has been recognised. The key assumptions used in the calculations and the rationale therefore are as follows:

- Premium income is forecast to grow from £19.5m in 2010 to £25.0m for the year ending 31 December 2013. This assumption has been formulated on a conservative basis given the level of growth achieved in the last two years in premium written.
- Overhead costs of approximately 3% of premium income are deducted from the future commission flows. The amounts are £780k, £811k and £843k for 2011, 2012 and 2013 respectively. These costs are estimates of the direct costs incurred by GIAG in managing these accounts.
- The discount factors that have been used for each relevant income line are between 15.0% and 50.0%. Where a higher degree of certainty of income (based on historic performance and longevity) is perceived then a lower discount factor is used and, where the converse applies, a higher discount factor has been applied.
- The commission payable on UK construction business introduced was 15% and is calculated to annuity. A 30% weighting is applied to this annuity to reflect the likely cost to GIAG to transfer this income stream to another introducing agent.

Sensitivity to changes in these assumptions has been considered. The sensitivity to premium income is considered low as the majority of GIAG's premium is annually renewable business. Given the level of income growth estimated, overhead costs will not need to dramatically increase to meet the income estimates. The discount factors are considered to have been prudently applied. Even at the lower end of the discount factor range, there is scope for reducing the factors rather than increasing them. In applying a weighting to the annuity commission, this is considered a very prudent approach as the annuity commission could be expected to continue at 100% of its value with HUAL.

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

Notes to the Consolidated Financial Statements

for the year ended 31 December 2010

11 Investments

Company	2010 £000s	2009 £000s
At 1 January	4,315	4,315
At 31 December	**4,315**	**4,315**

The carrying amounts disclosed above reasonably approximate the fair value at the balance sheet date.

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

Group	IT systems and software £000s	Fixtures and fittings and leasehold improvements £000s	Motor vehicles £000s	Total £000s
Cost				
At 1 January 2010	75	256	15	346
Additions	–	423	–	423
At 31 December 2010	**75**	**679**	**15**	**769**
Depreciation				
At 1 January 2010	60	221	5	286
Charge for the year	15	50	4	69
At 31 December 2010	**75**	**271**	**9**	**355**
Net book value				
31 December 2010	**–**	**408**	**6**	**414**
31 December 2009	15	35	10	60

Company	IT systems and software £000s	Fixtures and fittings £000s	Motor vehicles £000s	Total £000s
Cost				
At 1 January 2010	75	90	–	165
Additions	–	–	–	–
At 31 December 2010	**75**	**90**	**–**	**165**
Depreciation				
At 1 January 2010	60	45	–	105
Charge for the year	15	–	–	15
At 31 December 2010	**75**	**45**	**–**	**120**
Net book value				
31 December 2010	**–**	**45**	**–**	**45**
31 December 2009	15	45	–	60

13 Insurance assets and liabilities

Group	2010 £000s	2009 £000s
Deferred acquisition and reinsurance costs		
Acquisition costs deferred	2,855	1,987
Provision for unearned reinsurance premium	490	374
	3,345	**2,361**

Group	2010 £000s	2009 £000s
Technical provisions		
Claims reserve	6,190	3,278
Unearned premium	7,287	4,803
	13,477	**8,081**

Group	2010 £000s	2009 £000s
Claims paid	**3,201**	**1,264**
At 1 January	3,278	2,401
Claims notified and reserved in year	5,823	3,427
Incurred but not reported movement in year	(2,911)	(2,550)
At 31 December	**6,190**	**3,278**

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

The total reserve for the year ended 31 December 2010 has been assessed by management after an internal review and an external actuarial review. Given the claims experience at the date of these financial statements and the new products introduced in the year, estimation of these reserves carries a higher degree of uncertainty than would otherwise be the case. However, the directors believe that the claims reserve has been established at an appropriate level in respect of all open underwriting years.

Group	2010 £000s	2009 £000s
Movement in provision for unearned premium (gross)		
At 1 January	4,803	2,380
Movement in provision for the year	2,484	2,423
At 31 December	**7,287**	**4,803**

Group	2010 £000s	2009 £000s
Movement in provision for unearned reinsurance premium		
At 1 January	374	432
Movement in provision for the year	116	(58)
At 31 December	**490**	**374**

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 Bornhuetter-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.

13 Insurance assets and liabilities continued

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

- The Group's claims experience for the five years ended 31 December 2009 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 estimate 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. A one per cent. movement in the expected loss ratio would result in a £80,000 (2009: £75,000) change in the insurance contract provisions.

14 Prepayments and accrued income

	Group 2010 £000s	Group 2009 £000s	Company 2010 £000s	Company 2009 £000s
Reinsurance	–	–	–	–
Other prepayments	1	970	1	14
	1	**970**	**1**	**14**

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

15 Trade and other receivables

	Group 2010 £000s	Group 2009 £000s	Company 2010 £000s	Company 2009 £000s
Amounts due from subsidiary undertakings	–	–	2,777	328
Receivable from direct insurance operations	12,173	5,538	–	–
Other debtors	1,953	3,752	–	2,449
	14,126	**9,290**	**2,777**	**2,777**

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

Included in other debtors is an amount of £1,237,000 in respect of return of reinsurance premium, details of which are set out in note 3.

Included in other debtors is an amount of £716,000 in respect of an employer's liability claim settled by GIAG. The claim relates to an incident in 2003, the responsibility for the claim settlement of which has been transferred to GIAG. Under UK legislation, all employer's liability claims have to be settled by an insurer even in circumstances where the insured party is in breach of the terms of its insurance contract. GIAG has reached an agreement for settlement of this claim at an amount above that at which it is carried in these financial statements, the first scheduled payment having been received. As at the date of this report, the directors expect that the amount recoverable is not less than the amount shown in the financial statements. In the event that the amount recoverable by GIAG is less than the amount shown at the end of the reporting period then GIAG has been indemnified by William Dewsall.

16 Cash and cash equivalents

	Group 2010 £000s	Group 2009 £000s	Company 2010 £000s	Company 2009 £000s
Cash at bank and with third parties	6,387	4,341	1	7
	6,387	**4,341**	**1**	**7**

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

Cash balances with third parties relate to the balances held by GIAG's representatives on their direct accounts in respect of net premiums collected.

17 Share capital and premium

	Number of shares	Ordinary shares £000s	Share premium £000s	Total £000s
At 1 January 2010	112,200,000	281	5,406	5,687
Shares subscribed during the year	1,122,000	2	110	112
At 31 December 2010	**113,322,000**	**283**	**5,516**	**5,799**

The total authorised number of shares is 4,000 million (2009: 4,000 million), with a nominal value of 0.25p. All issued shares are fully paid.

On 4 January 2010, a warrant issued to Strand Associates Limited in respect of 1% of the issued share capital at the date of exercise, was exercised. As a result, 1,122,200 new ordinary shares were issued by the Company at a subscription price of 10p per share.

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 includes, inter alia, consolidated profit targets for the Group for the next three years.

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

Group	Weighted average exercise price pence	Number of options No.
At 1 January 2010	–	–
Granted during the year	17.5	11,332,200
At 31 December 2010	**17.5**	**11,332,200**

At the grant date, the Directors did not believe the fair value of the options to be material. The options outstanding at 31 December 2010 had a weighted average remaining contractual life of 9.5 years.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2010

18 Other reserves

Group	Share based payment reserve £000s	Other reserves £000s	Retained earnings £000s
At 1 January 2010	20	3,875	1,521
Retained profit for the period	–	–	2,619
Currency translation differences	–	–	61
At 31 December 2010	**20**	**3,875**	**4,201**

Group	Share based payment reserve £000s	Other reserves £000s	Retained earnings £000s
At 1 January 2009	20	3,875	124
Retained profit for the period	–	–	1,419
Currency translation differences	–	–	(22)
At 31 December 2009	**20**	**3,875**	**1,521**

Company	Share based premium reserve £000s	Other reserves £000s	Retained earnings £000s
At 1 January 2010	20	3,875	(924)
Retained loss for the period	–	–	(285)
At 31 December 2010	**20**	**3,875**	**(1,209)**

Company	Share based premium reserve £000s	Other reserves £000s	Retained earnings £000s
At 1 January 2009	20	3,875	(886)
Retained loss for the period	–	–	(38)
At 31 December 2009	**20**	**3,875**	**(924)**

Share based payment reserve

On 22 December 2004, a warrant was issued to Strand Associates Limited in respect of 1% of the issued share capital at the date of exercise, was exercised. The warrant was exercised on 4 January 2010.

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 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 Reconciliation of movements in shareholders funds

	Group 2010 £000s	Group 2009 £000s	Company 2010 £000s	Company 2009 £000s
Retained profit for the period	2,619	1,419	(285)	(38)
Shares issued in the year	112	–	112	–
Currency translation differences	61	(23)	–	–
Net increase in shareholders' funds	2,792	1,396	(173)	(38)
Equity shareholders' funds brought forward	11,103	9,706	4,783	4,821
Equity shareholders' funds carried forward	**13,895**	**11,103**	**4,610**	**4,783**

20 Trade and other payables

	Group 2010 £000s	Group 2009 £000s	Company 2010 £000s	Company 2009 £000s
Trade creditors	3,420	1,452	86	83
Amounts due to subsidiary undertakings	–	–	2,393	2,257
Taxation (including insurance taxes)	827	421	–	–
Deferred taxation	82	82	–	–
Other creditors	–	21	–	–
	4,247	**1,894**	**2,479**	**2,340**

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

The deferred taxation liability has arisen as a result of differences between local GAAP and IFRS by GIAG.

21 Contingent liabilities

Save for the provision for insurance claims (note 13), there were no contingent liabilities as at 31 December 2010 (2009: nil).

22 Capital commitments

There were no capital commitments as at 31 December 2010 (2009: nil).

23 Related party transactions

Hogarth Underwriting Agencies Limited

On 28 June 2010, the Company entered into a transaction with Hogarth Underwriting Agencies Limited ("HUAL"), a company wholly-owned by William Dewsall, a director of the Company, whereby it bought out the future financial benefits receivable by HUAL from its underwriting and claims handling agreement with GIAG. It had been determined by the Board that it was in the best interests of the Group to restructure these arrangements and it was agreed to buy-out the future commission streams to be received by HUAL. This transaction resulted in an intangible asset of the Company of £3.99 million. The asset being acquired relates to future finite cash flows to have been paid by the Group for the period 2010 to 2013. The value of the future commission stream prepared by the independent directors of the Board was independently reviewed by a third party. The Group has conducted an impairment review of the intangible asset created at the end of the period and will conduct further impairment reviews at the end of each reporting period. The financial effects on the Group as a result of this transaction have given rise to an increase in the costs borne by the Group, a charge for goodwill impairment as described above but a reduction in the commission payable on premium written.

23 Related party transactions continued

As HUAL is wholly-owned by William Dewsall, Chief Executive of the Company, the transaction was a related party transaction for the purpose of AIM Rule 13 of the AIM Rules for Companies (the "AIM Rules"), as Mr Dewsall is a director of the Company. The independent directors of the Company, having consulted with Arden Partners plc ("Arden Partners") the Company's nominated adviser at that time, considered that the terms of the transaction were fair and reasonable insofar as the Company's shareholders are concerned.

As part of this restructuring, GHI incorporated a new UK service company, Gable Services (London) Limited ("GSLL"), on 12 February 2010, which is responsible for all costs, which previously had been HUAL's responsibility but which otherwise were Group costs. Following the implementation of this transaction, HUAL continues to act as the FSA-regulated insurance intermediary for the Group's UK construction account for which it receives a commission based on business introduced. GSLL will seek appropriate approval from the FSA in due course, which will obviate any further requirement on HUAL to act as an insurance intermediary on GIAG's behalf. At such time, the Company will give the requisite one month's notice to HUAL to terminate all agreements in place at that time. For the year ended 31 December 2010, HUAL received commission of £330,000 in respect of business introduced following implementation of these arrangements.

24 Reconciliation of profit after taxation to net cash flows from operating activities

	Group 2010 £000s	Group 2009 £000s	Company 2010 £000s	Company 2009 £000s
Profit on ordinary activities after taxation	2,619	1,419	(285)	(128)
Interest received	(86)	(143)	–	–
Non-cash exchange movements	62	(23)	–	–
Purchase of intangible assets	(3,991)	–	–	–
Depreciation of tangible fixed assets	69	82	15	60
Impairment of goodwill	600	–	–	–
Increase of technical provisions	5,497	3,301	–	–
Decrease in deferred acquisition and reinsurance costs	(984)	(1,260)	–	–
(Increase)/decrease in debtors	(3,868)	(4,684)	13	(705)
Increase in creditors	2,423	1,355	139	850
Cash flow from operations	**2,341**	**47**	**(118)**	**77**

25 Reconciliation of net cash flow to movement in funds

	Group 2010 £000s	Group 2009 £000s	Company 2010 £000s	Company 2009 £000s
Change in cash for the period	2,046	77	(6)	(13)
Change in net funds resulting from cash flows	2,046	77	(6)	(13)
Net funds brought forward	4,341	4,264	7	20
Net funds carried forward	**6,387**	**4,341**	**1**	**7**

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 2010 which comprise the Group and Parent Company Statements of Financial Position, the Group Statement of Comprehensive Income, the Group and Parent Company Cash Flow Statements, the Group and Parent Company Statements of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent Company Financial Statements, as applied in accordance with the provisions of the Companies Act 2006.

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

Respective responsibilities of Directors and Auditors

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Financial Statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the Financial Statements sufficient to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Group's and the Parent Company's circumstances, and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Directors, and the overall presentation of the Financial Statements.

Opinion on Financial Statements

In our opinion:

- the Financial Statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2010 and of the Group's profit for the year then ended;
- the Group Financial Statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company Financial Statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the Financial Statements have been prepared in accordance with the requirements of the Companies Act 2006.

Independent Auditor’s Report

to the members of Gable Holdings Inc

Significant uncertainty – emphasis of matter in relation to technical provisions

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosures made in the financial statements as follows: As stated in note 3 of the financial statements under the heading “Claims reserving and significant uncertainty” there is significant uncertainty over the level of reserves established to settle future claims, in particular the reserves required to meet all future claims of new products launched in recent years. The Directors have commissioned an independent actuary to a provide a range of possible loss outcomes. The range of these reserves is determined by the assumptions made by the actuary and are subject to significant uncertainty given the short period of time that the company has been underwriting these risks. The Directors have elected to reserve at the lower end of this range and below the actuary’s best estimate. Should the assumption by the Directors prove not to be correct then the level of reserves established to settle future claims will have to be increased with a consequent effect on the company’s profitability and net assets.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors’ Report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements.

Matters on which we are required to report by exception

The Companies Act 2006 requires us to report to you if, in our opinion:

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

We have nothing to report in respect of the above matters.

Carmine Papa (Senior statutory auditor)
For and on behalf of Littlejohn LLP
Statutory auditor

1 Westferry Circus
Canary Wharf
London E14 4HD

30 June 2011

Note:
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.

Company Information

Registered office	Walker House Mary Street PO Box 908GT George Town Grand Cayman 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** 25 North Row London W1K 6DJ
Auditors	**Littlejohn LLP** Statutory Auditors 1 Westferry Circus Canary Wharf London E14 4HD

Notice of Annual General Meeting

Notice is herby 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, Liechtenstein on 3 August 2011 at 11:00 a.m. (local time) to consider and, if thought fit, to pass the following:

Ordinary resolutions

1 To receive the accounts and reports for the year ended 31 December 2010.

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

4 To elect Michael Sofaer as a director who was appointed to the Board since the company's last annual general meeting.

5 To authorise the Board of directors to appoint Littlejohn LLP as auditors to the company and to authorise the directors to determine their remuneration.

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

a the allotment of equity securities pursuant to the exercise of share options granted by the company up to an aggregate nominal amount of £28,328.00 being 10% of the company's issued share capital at the date of this notice; and

b the allotment of equity securities, otherwise than in accordance with paragraph 5(a), up to an aggregate nominal amount of £28,328.00 being 10% of the company's issued share capital at the date of this notice.

By order of the Board

Kitwell Consultants Limited
Secretary

Registered office:
Walker House
Mary Street
PO Box 908GT George Town
Grand Cayman
Cayman Islands

30 June 2011

Notice of Annual General Meeting

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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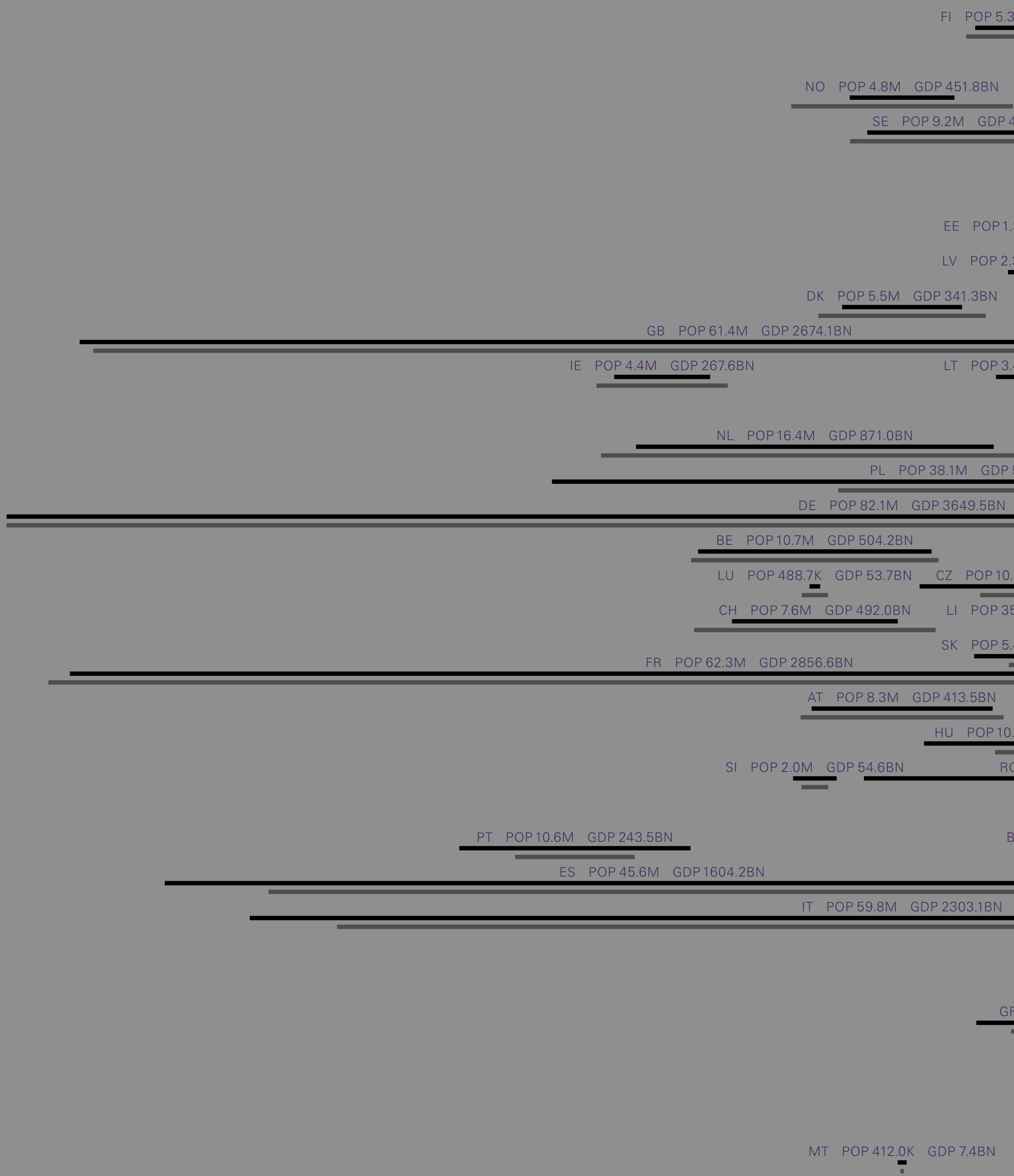
FI
NO POP 4.8M GDP 451.8BN
SE POP 9.2M
EE
LV
DK POP 5.5M GDP 341.3BN
GB POP 61.4M GDP 2674.1BN
IE POP 4.4M GDP 267.6BN
LT
NL POP 16.4M GDP 871.0BN
PL POP 38.1M
DE POP 82.1M GDP 3649.5BN
BE POP 10.7M GDP 504.2BN
LU POP 488.7K GDP 53.7BN
CZ
CH POP 7.6M GDP 492.0BN
LI
SK
FR POP 62.3M GDP 2856.6BN
AT POP 8.3M GDP 413.5BN
HU
SI POP 2.0M GDP 54.6BN
PT POP 10.6M GDP 243.5BN
ES POP 45.6M GDP 1604.2BN
IT POP 59.8M GDP 2303.1BN
MT POP 412.0K GDP 7.4BN

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