GABLE HOLDINGS INC.
INTERIM REPORT
FOR THE SIX MONTHS ENDED 30 JUNE 2006

GABLE

INTERIM REPORT
for the six months ended 30 June 2006

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CHIEF EXECUTIVE'S STATEMENT

for the six months ended 30 June 2006

The Board of Gable is pleased to present its unaudited results for the six months ended 30 June 2006. These are the first results announced by the Company which incorporate the results from Gable's insurance company, Gable Insurance AG.

The Group has also, for the purposes of these financial statements, adopted International Financial Reporting Standards for the first time and the effect of this on the prior period results is explained in the notes below.

BUSINESS REVIEW

Following the Company's acquisition of Brown Duke AG in December 2005, an insurance company registered and regulated in Liechtenstein (subsequently renamed Gable Insurance AG), the Group offers the insurance products of Gable Insurance in Great Britain and Ireland. Gable Insurance wrote its first business in January 2006, albeit later than anticipated as the Group awaited final regulatory confirmation in the UK to commence underwriting business. As a result the Company was not in a position to benefit from the significant early January window for renewals.

As a new insurance Group, the primary objective has been to start to build a stable and profitable insurance book. The Board is pleased with the progress made in this regard, both in the six months ended 30 June 2006 but also since that time. Clearly building a new business with this objective will take time and the results will only be fully seen as the claims position crystallises over time. Notwithstanding this, the Board would like to provide the following summary information on how Gable Insurance's book is being developed:

- The Company is currently offering products to the construction industry in Great Britain and Ireland, namely:
    - Contractors' All Risks (CAR)
    - Employers' Liability (EL)
    - Public Liability (PL)
    - Commercial Combined (COM)
- A network comprising over 40 brokers has been established and is growing, from which Gable has received very strong support
- To date Gable Insurance has seen over £85 million of potential business, and quoted over £70 million, considerably higher than anticipated when trading commenced

CHIEF EXECUTIVE'S STATEMENT
continued

- Gable's internet based quotation system has proved very successful providing one of the lowest fixed cost bases in the industry and a scaleable platform as the business grows
- Gable's system enables full data entry for each prospective risk by the brokers and enables Gable Insurance to fully manage risk assessment and premium quotation, through to automatic policy documentation

Prior to commencing writing business in January 2006, Gable Insurance purchased a appropriate reinsurance programme to provide suitable protection given its underwriting risk. Gable Insurance has continued to work with its reinsurers throughout the period to ensure that this programme continues to meet its requirements as its business builds. All the reinsurers supporting the programme are A rated.

RESULTS

The results for the six months ended 30 June 2006 show gross written premium of £4.1 million, but as this is the first period of account, £3.2 million of this amount is unearned. As such, the insurance results are based on gross earned premium of £0.9 million.

The net insurance result for the period is a profit of £366,000, which is comprised as follows:

	£000s
Gross earned premium	**918**
Reinsurance	(107)
Claims incurred	(115)
Acquisition costs	(230)
Other direct expenses	(100)
	366

At the date of this announcement, incurred claims equate to less than 1 per cent of gross written premium, however for the purposes of these results , the Board has considered it prudent to reserve a total of 12.5 per cent of premiums earned for unreported and incurred claims. Even allowing for this, the net insurance result equates to a profit of approximately 40 per cent on gross earned premium (against a market estimate of 20 per cent).

CHIEF EXECUTIVE'S STATEMENT
continued

BOARD AND SENIOR MANAGEMENT

The Board has announced today that Geoffrey Conway-Henderson has been appointed to the Board as Non-Executive Chairman with immediate effect. Geoffrey, age 60, has over 35 years experience in the finance industry, having worked in the money markets as bank trader and then as a broker, dealing primarily in derivatives, interest rate swaps and options. From 1973 until 1987 he was Managing Director at Harlow Meyer & Co. Following this he became a director of Intercapital Brokers Limited, a subsidiary of Intercapital PLC, one of the world's largest interdealer brokers, until his retirement in October 2003.

Peter Williams has been Group Financial Controller of the Company since its inception and has also fulfilled the role of Finance Director. The Board believes that the corporate and financial experience that Peter offers has and continues to best suit the needs of Gable, particularly during the Group's current phase of growth. The Board continuously reviews the need for a full-time Finance Director and will make a suitable appointment as and when the situation changes.

OUTLOOK

The level of business being offered to the Group has exceeded our expectations, despite a market which has remained competitive throughout the period. Gable continues to increase the business written in accordance with its stated objective of underwriting profitable business, with reference to prudent risk management.

Gable Insurance will shortly launch a new range of products, both complimentary to its existing product range and also within new markets. Gable Insurance is also seeking to expand its geographic markets by extending its authorisation to Germany, France, Spain and Italy, where it will aim to replicate its broker network.

The Board is excited with the progress the Group has made over the last six months, in particular, the quality of the insurance book written to date which has provided a solid foundation for the Group going into 2007. As the Group enters the last quarter, which is a key renewal season for the industry, we are confident that we will continue to see an increasing amount of quality business. Looking further out we believe that as tendering work commences for the 2012 London Olympics we will start to see additional potential business in the UK market.

WILLIAM DEWSALL
Chief Executive

27 September 2006

CONSOLIDATED INCOME STATEMENT

for the six months ended 30 June 2006

	Notes	Six months ended 30 June 2006 £000s unaudited	Seven months ended 30 June 2005 £000s unaudited	Thirteen months ended 31 December 2005 £000s audited
Gross written premiums		**4,131**	**–**	**–**
Change in provision for gross unearned premiums		(3,213)	–	–
Gross earned premiums		**918**	–	–
Outward reinsurance premiums		(480)	–	–
Change in provision for unearned premiums – reinsurers' share		373	–	–
Net earned premiums		**811**	**–**	**–**
Net investment return	5	44	12	24
Total revenue from operations		**855**	**12**	**24**
Gross claims paid		–	–	–
Movement in gross technical provisions		(115)	–	–
Gross claims incurred		(115)	–	–
Reinsurers' share of gross claims paid		–	–	–
Movement in reinsurers' share of technical provisions		–	–	–
Reinsurers share of claims incurred		–	–	–
Net claims incurred		**(115)**	**–**	**–**
Expenses incurred in insurance activities	6	(330)	–	–
Other operating expenses		(453)	(213)	(600)
Total operating charges		(783)	(213)	(600)
Loss from operations and before taxation		**(43)**	**(201)**	**(576)**
Taxation	7	(3)	–	–
Loss for the period attributable to equity holders of the Company	9	**(46)**	**(201)**	**(576)**
Loss per share – Basic	8	(0.04p)	(0.57p)	(1.44p)

All operations are continuing.

CONSOLIDATED BALANCE SHEET
at 30 June 2006

	Notes	30 June 2006 £000s unaudited	30 June 2005 £000s unaudited	31 December 2005 £000s audited
Assets				
Intangible assets		4,250	–	4,250
Tangible fixed assets		338	75	75
Reinsurers' share of technical provisions		373	–	–
Deferred acquisition costs		803	–	–
Prepayments and accrued income		939	–	–
Trade and other receivables		2,920	64	24
Financial assets		3,930	–	–
Cash and cash equivalents		106	743	4,858
Total assets		**13,659**	**882**	**9,207**
Equity				
Share capital		279	106	279
Share premium account		5,308	803	5,308
Share based premium reserve		20	20	20
Other reserves		3,875	–	3,875
Retained earnings		(622)	(201)	(576)
Total equity attributable to equity holders and total equity	9	**8,860**	**728**	**8,906**
Liabilities				
Technical provisions		3,328	–	–
Accruals and deferred income		190	–	–
Trade and other payables		1,281	154	301
Total liabilities		**4,799**	**154**	**301**
Total liabilities and shareholders' funds		**13,659**	**882**	**9,207**
Net asset value per ordinary share	8	7.95p	3.31p	7.99p

CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30 June 2006

	Notes	Six months ended 30 June 2006 £000s unaudited	Seven months ended 30 June 2005 £000s unaudited	Thirteen months ended 31 December 2005 £000s audited
Cash flows from operating activities				
Cash generated from operations	10	(569)	(123)	(323)
Interest received		47	12	24
Net cash flows from operating activities		**(522)**	**(111)**	**(299)**
Cash flows from investing activities				
Purchases of financial assets		(3,930)	–	–
Purchase of tangible fixed assets		(300)	(75)	(75)
Net cash flows from investing activities		**(4,230)**	**(75)**	**(75)**
Acquisitions and disposals				
Acquisition of subsidiary		–	–	(312)
Net cash acquired with subsidiary		–	–	15
Net cash flows from acquisitions and disposals		**–**	**–**	**(297)**
Cash flows from financing activities				
Shares issued		–	1,075	5,805
Share issue costs		–	(146)	(276)
Net cash flows from financing activities		**–**	**929**	**5,529**
Net (decrease)/increase in cash and cash equivalents	11	**(4,752)**	**743**	**4,858**
Cash and cash equivalents at period beginning		4,858	–	–
Cash and cash equivalents at period end		**106**	**743**	**4,858**

NOTES TO THE INTERIM FINANCIAL STATEMENTS

for the six months ended 30 June 2006

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 UK Accounting Standards and apply the Companies Act 1985 when preparing its annual financial statements.

The Board have now resolved that Gable Holdings Inc. will adopt International Financial Reporting Standards ("IFRS") for the first time in its Group financial statements for the year ending 31 December 2006. This interim financial report has therefore been prepared under the historical cost convention and in accordance with International Accounting Standard 34 "Interim Financial Reporting" and the requirements of International Financial Reporting Standard 1 "First Time Adoption of International Reporting Standards" relevant to interim reports.

The transition to IFRS reporting has resulted in a number of changes in the reported financial statements, notes thereto and accounting principals compared to the previous annual report. Note 3 provides further details on the transition from UK GAAP to IFRS.

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 plus costs directly attributable to the acquisition. 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 the excess of the cost of acquired businesses over the fair value of the net assets acquired, and is deemed to have an infinite useful life, since, in the current business strategy, the Group will benefit from the activities of Gable Insurance for as long as it carries on business.

Goodwill is recognised on the balance sheet 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 operates. The consolidated financial statements are presented in sterling being the presentation currency for the Group.

Monetary items are translated at period end rates, any exchange differences arising from the change in rates of exchange are recognised in the income statement.

Translation differences arising on non-monetary investments held at fair value through profit and loss are reported as part of the fair value gain or loss on those investments.

Transactions and non-monetary assets and liabilities in foreign currencies, including deferred acquisition costs and unearned premiums, are recorded in sterling at monthly average rates prevailing at the time of the transaction.

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:

(i) 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;

(ii) Unearned premiums represent the proportion of the premiums written in that year that relate to unexpired terms of policies in force at the balance sheet date;

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

(iv) Acquisition costs, which represent commission and other related expenses, are deferred over the period in which the related policies are earned;

(v) 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.

(vi) 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 balance sheet date, including provisions for claims incurred but not reported, less any amounts paid in respect of those claims. Claims outstanding are reduced by anticipated recoveries. The ultimate cost of outstanding claims is estimated based on experience and current business conditions. Significant delays can be experienced in the notification and settlement of claims. Certain claims, and accordingly the ultimate cost of such claims, cannot be known with certainty at the balance sheet date. 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; and

(vii) 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.

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 balance sheet date.

Deferred income tax is generally provided on temporary differences arising 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 the balance sheet date 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.

Cash and cash equivalents

Cash and cash equivalents on the balance sheet represent cash balances and money market deposits lodged with banks and short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value. Investments with an original maturity date of less than three months are treated as cash equivalents.

Financial assets

The Group's financial assets represent financial investment assets to be held to maturity. All financial assets are recognised on their settlement date and are initially recognised at fair value, plus transaction costs. Interest and other cash flows resulting from holding financial assets are accrued over the life of the asset.

Tangible fixed assets

Tangible fixed assets 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

Impairment of assets

At each balance sheet date, 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. An intangible asset with an indefinite life is tested for impairment annually and whenever 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 to 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.

Long term assets and liabilities

Where assets and liabilities are payable or recoverable in more than one year, they are initially recognised at their fair value which is the discounted nominal value of the asset or liability. The unwinding of the related discount is subsequently recognised in the income statement.

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 of the amount to be reimbursed.

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 share-based payment arrangements are recognised in the financial statements. The Group does not currently operate equity-settled share-based remuneration plans for remuneration of its employees. However, the first quarter bonus paid to the Chief Executive was settled by the issue of new ordinary shares (after 30 June 2006) and the Company has issued a share warrant.

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.

Any subsequent inadequacies or surpluses are adjusted and recognised in the income statement.

3. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

The transition from previous UK GAAP to IFRS has been made in accordance with IFRS 1, "First-time Adoption of International Financial Reporting Standards". The Group's financial statements for the six months ended 30 June 2006 and the comparatives presented for the periods ended 30 June 2005 and 31 December 2005 comply with all presentation recognition and measurement requirements of IFRS applicable for accounting periods commencing on or after 1 January 2005.

The following reconciliations and explanatory notes thereto describe the effects of the transition for the financial period 2005. All explanations should be read in conjunction with the IFRS accounting policies of the Group.

Since Gable Holdings Inc. was incorporated on 30 November 2004 that is the transition date to IFRS. As that was the date of incorporation of the Company no reconciliation of equity is required at that date.

The re-measurement of balance sheet items as at 30 June 2005 and 31 December 2005 may be summarised as follows:

	UK GAAP £000s	Effect of Transition £000s	IFRS £000s
Reconciliation as at 30 June 2005			
Share premium	823	(20)	803
Share based payment reserve	–	20	20
Total adjustment to assets and equity	**823**	**–**	**823**
Reconciliation as at 31 December 2005			
Share premium	5,328	(20)	5,308
Share based payment reserve	–	20	20
Total adjustment to assets and equity	**5,328**	**–**	**5,328**

There is no difference between the profit and loss reported under UK GAAP for the periods ended 30 June 2005 and 31 December 2005 and the profit and loss as reported under IFRS.

The Group has modified its former balance sheet and income statement structure on transition to IFRS. The only change is to recognise the share based payment in connection with the warrants issued to the Group's Nominated Advisor as part of their fee for services provided in connection with the Admission of the Company to the AIM market in January 2005.

4. SEGMENTAL INFORMATION

The Group's business is the provision of construction insurance products and it has, in the six months to 30 June 2006, derived its business from Great Britain and Ireland.

5. NET INVESTMENT RETURN

	Six months ended 30 June 2006 £000s unaudited	Seven months ended 30 June 2005 £000s unaudited	Thirteen months ended 31 December 2005 £000s audited
Interest income	47	12	24
Realised and unrealised gains and losses	(3)	–	–
Net Investment return	**44**	**12**	**24**

The issue of shares by the Company in December 2005 was used to subscribe for shares in its wholly-owned insurance subsidiary, incorporated in Liechtenstein, Gable Insurance AG and to provide it with sufficient regulatory and solvency capital to commence trading as an insurance company. On the basis that Gable Insurance AG is regulated in Liechtenstein and reports its regulatory capital position in Swiss Francs, the capital of Gable Insurance AG has been invested in a Swiss Franc denominated bond portfolio. The portfolio will, on a hold to maturity basis, yield a total return of approximately 2% per annum.

6. EXPENSES INCURRED IN INSURANCE ACTIVITIES

	Six months ended 30 June 2006 £000s unaudited	Seven months ended 30 June 2005 £000s unaudited	Thirteen months ended 31 December 2005 £000s audited
Gross acquisition costs	1,033	–	–
Change in gross deferred acquisition costs	(803)	–	–
	230	–	–
Other expenses	100	–	–
	330	**–**	**–**

7. TAX

Companies within the Group pay tax in the jurisdiction in which they operate. The relationship between the expected tax income at 30% and the tax income actually recognised in the income statement can be reconciled as follows:

	Six months ended 30 June 2006 £000s unaudited	Seven months ended 30 June 2005 £000s unaudited	Thirteen months ended 31 December 2005 £000s audited
Loss for the period	(43)	(201)	(576)
Tax rate	30%	30%	30%
Expected tax income	13	60	173
Losses not recognised as deferred tax asset	(16)	(60)	(173)
Actual tax expense	**(3)**	**–**	**–**

8. LOSS AND NET ASSET VALUE PER SHARE

The calculation of the basic loss per share is based on the net loss of £46,000 (period ended 30 June 2005: loss £201,000, period ended 31 December 2005 : loss £576,000) divided by the weighted average number of shares in issue during the period of 111,400,000 (period ended 30 June 2005: 35,113,208, period ended 31 December 2005 : 39,892,929).

The net asset value per share is calculated by dividing the shareholders' funds of £8,860,000 (30 June 2005: £728,000, 31 December 2005: £8,906,000) by the number of shares in issue at the end of the period – 111,400,000 (30 June 2005: 22,000,220, 31 December 2005: 111,400,000).

9. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Six months ended 30 June 2006 £000s unaudited	**Seven months ended 30 June 2005 £000s unaudited**	**Thirteen months ended 31 December 2005 £000s audited**
Loss for the period	(46)	(201)	(576)
Issue of ordinary share capital (net of issue costs)	–	929	9,482
Net (decrease)/increase in shareholders' funds	(46)	728	8,906
Equity shareholders' funds brought forward	8,906	–	–
Equity shareholders' funds carried forward	**8,860**	**728**	**8,906**

10. RECONCILIATION OF LOSS FOR THE PERIOD BEFORE TAXATION TO NET CASH FLOWS FROM OPERATING ACTIVITIES

	Six months ended 30 June 2006 £000s unaudited	Seven months ended 30 June 2005 £000s unaudited	Thirteen months ended 31 December 2005 £000s audited
Loss for the period before taxation	(43)	(201)	(576)
Interest received	(47)	(12)	(24)
Depreciation of tangible fixed assets	37	–	–
Increase of technical provisions	3,328	–	–
Increase of reinsurers' share of technical provisions	(373)	–	–
Increase in deferred acquisition costs	(803)	–	–
Increase in debtors	(3,835)	(64)	(24)
Increase in creditors	1,167	154	301
Net cash flows from operating activities	**(569)**	**(123)**	**(323)**

11. RECONCILIATION OF NET CASH FLOWS TO MOVEMENT IN NET FUNDS

	Six months ended 30 June 2006 £000s unaudited	Seven months ended 30 June 2005 £000s unaudited	Thirteen months ended 31 December 2005 £000s audited
Change in cash for the period	(4,752)	743	4,858
Change in net funds resulting from cash flows	(4,752)	743	4,858
Net funds brought forward	4,858	–	–
Net funds carried forward	**106**	**743**	**4,858**

NOTES TO THE INTERIM FINANCIAL STATEMENTS

for the six months ended 30 June 2006

12. GENERAL INFORMATION

The information for the period ended 30 June 2006 does not constitute statutory accounts as defined in Section 240 of the Companies Act 1985. The figures for the period ended 31 December 2005 have been extracted from the 2005 statutory financial statements prepared under UK GAAP and adjusted where necessary in order to comply with IFRS as shown in note 3. The auditors' report on those accounts was unqualified and did not contain a statement under section 237(2) of the Companies Act 1985.

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