



CLAIMS SOLUTIONS PLC

Providing ethical solutions to claims

The complete claims solutions provider

Ai Claims Solutions PLC
Annual Report and Accounts 2011

What we do:

We manage motor claims from the initial incident to final resolution for a growing number of leading insurance companies, brokers, bodyshops, motor manufacturers and fleet companies across the UK.

Our focus:

We put our customers at the heart of everything we do, ensuring swift resolutions and maintaining consistently high service levels. We work hard to contain and minimise costs for our clients.

Our mission:

We aim to be the UK's leading outsourcer for the management of motor claims. Ethical, proactive and open in our service delivery, we provide end-to-end solutions that deliver market-leading customer service, underpinned by our ethos to control claims cost inflation.

About Ai Claims Solutions



IFC Our Services and Brands
01 How Does Ai Deliver Ethical Services?
02 Our Customer Focus
04 Our Systems and Supply
06 Our People
08 Our Communities

Business Review



10 Highlights and Performance Overview
12 Chairman's Statement
14 Operating and Financial Review
20 Board of Directors
21 Remuneration Report
22 Directors' Report
25 Independent Auditor's Report to the Members of Ai Claims Solutions PLC

Financial Statements



26 Consolidated Statement of Comprehensive Income
27 Consolidated Statement of Financial Position
28 Consolidated Statement of Cash Flows
29 Consolidated Statement of Changes in Equity
30 Notes to the Consolidated Financial Statements
49 Company Balance Sheet
50 Company Cash Flow Statement
51 Notes to the Company Financial Statements

Investor Information



57 Five Year Summary
58 Notice of Annual General Meeting
IBC Officers and Professional Advisors

Our Services

Claims Referral

State-of-the-art contact centre
Our referral partners include insurance companies, brokers, bodyshops, motor manufacturers and fleet companies. Our expertise and technology ensure that all calls are handled with outstanding efficiency in line with these partners' requirements, with the aim of making contact (on 100% of all our referrals) within one hour of receiving them.

Mobility Solutions

Keeping policyholders on the road
Ai differentiates itself by proactively managing the hire period with the repairer to ensure that it consistently puts policyholders back to the road faster than the market average, so reducing costs. Its automated booking systems, via real-time IT links with our strategic rental partners, provide quicker vehicle access from a fleet that is unrivalled in the UK credit hire market – with access to over 300,000 vehicles from 1,600 locations across the UK.

Vehicle Repair Management

Guaranteed work, rapid response
Ai has built a trusted network of 150 PAS 125 kitemark accredited repairers across the UK where our vehicles are given priority status. Ai has a dedicated team of qualified engineers who use industry standard estimating controls such as Audatex and Glassmatix to ensure every repair is progressed in a timely manner and charged for on a fair and reasonable basis.

Claims Administration

Returning a customer back to normal
Ai uses a system developed in-house (CARS) to support its end-to-end business processes. This application underpins Ai's business model and supports operations staff in providing an efficient customer journey. This ensures that Ai keeps close control of the costs it bills, supporting both its sustainability and its ethical leadership in the market.

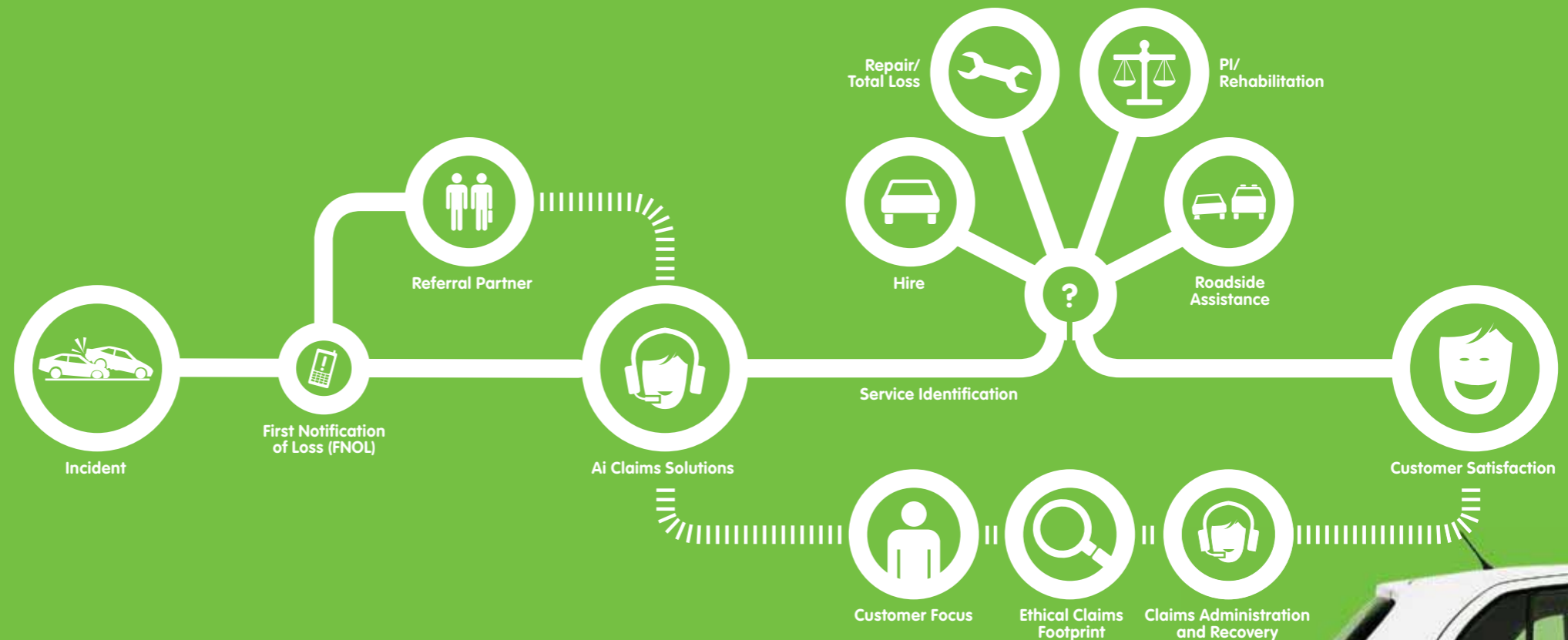
Claims Recovery

Fair and reasonable charges which can be fully justified
We ensure that the appropriate needs of claimants are quickly and efficiently satisfied. Claims submitted by Ai are settled on a timely basis by the market because they are fair and reasonable. This approach has earned Ai the confidence of both claimants and insurers who know that claims managed by Ai are fair, appropriate and comprehensive.

Ethical Claims Footprint

Stamping down claims costs
Ai enforces a 'claims footprint' across all its services, effectively stamping down on unethical practices throughout the industry. In its simplest form, our aim is to get claimants back on the road as quickly as possible with no fuss and minimal cost.

We put our customers at the heart of everything we do, ensuring swift resolutions and maintaining consistently high service levels. We work hard to contain and minimise costs for our clients.



Our Brands



Ai's non fault mobility repair solution designed for insurers. It provides replacement hire vehicles, together with repair services, for non-fault claimants referred by their own insurers, with costs recovered from the 'at fault' insurer. Using Ai's core first notification of loss software (FNOL), we provide fast and accurate decisions on liability and achieve market leading conversion rates.

An equivalent service to Mobilisa but tailored for the specific needs of brokers. It provides a solution to brokers for the provision of replacement vehicles, repair services and claims management services to its non-fault claimant customers. Ai can provide either a fully outsourced claims management service to referral partners or tailor its range of services in line with the broker's needs to improve customer satisfaction and aid retention.

Ai's third party intervention solution. Referrals are received from 'at fault' insurers, looking to control the cost of the third party claim. The team has identified a number of areas where claims costs can escalate excessively and implemented effective solutions to protect our referral partners from unnecessary charges.

Ai's automotive service offers a full range of accident management services for bodyshops, dealers, fleet providers and manufacturers. Ai's referral partners include several of the UK's leading manufacturers.

Defenda protects insurers against excessive credit hire bills by remotely overseeing third party credit hire claims for our referral partners and keeping costs down with expert independent scrutiny.



How Does Ai Deliver 'Ethical' Services?

We put our customers at the heart of everything we do.

Our customer focus

find out more on page 02

Our people

find out more on page 06

Our systems and supply

find out more on page 04

Our communities

find out more on page 08



Our Customer Focus

Having an accident can often be traumatic for all parties involved. At Ai, our approach is to try and remove any additional stresses and strains that the aftermath of an accident can unfortunately generate. We keep each customer fully mobile while organising the optimal repair or financial compensation for their vehicle. By keeping our customers informed throughout their claim, we meet our over-riding objective of complete customer satisfaction.

Our focus is to get customers back to normal quickly and with little fuss.



Treating customers fairly (TCF)

...and respecting their individuality.

TCF, with its focus on consumer outcomes, is key to ensuring that Ai's customers get a fair deal. This provides confidence to customers, stakeholders and the wider community that the fair treatment of customers is at the heart of Ai's culture.

Complete customer satisfaction

Ai provides a high quality end-to-end service to both its customers and other stakeholders.

The business has recently undertaken a comprehensive back to basics programme to examine all areas where Ai touches the customer journey. Ai aims to be the market leader for customer service so we put significant focus on our core customer activities. We are committed to improving our customer journey and delivering a service which each of our customers find satisfactory (at the very least) and excellent (as standard).





“We use our energy and excellence on every call to ensure that the stresses and strains associated with the aftermath of an accident are kept to a minimum.”

Efficient, ethical and cost effective claims management

Ai puts its customers at the heart of everything it does...

ensuring a swift resolution and maintaining consistently high service levels. This reduces the costs for our clients and insurers. Through creative strategies to shorten downtime, Ai cut costs at every stage, reinforcing our reputation for ethical claims, stamping down on claims costs and removing unethical practice throughout the industry.

18 days

Average hire durations. 18% below industry averages

Our Systems and Supply

Ai benefits from a bespoke claims administration and recovery system (CARS). CARS was developed and built by our in-house engineers using advanced workflow software. From this leading edge platform, we work closely with both suppliers and customers, integrating our IT systems where practical, to achieve high standards of service and cost excellence.

Ai's customers have access to over 300,000 hire vehicles from an extensive national network.



UK-wide repair network

Repair times are kept to a minimum, avoiding excessive hire periods.

Thanks to one of the largest repair networks in the UK, Ai has a dedicated team of qualified engineers who ensure each repair is carried out in a timely manner. We were the first accident management company to mandate the BSi kitemark. Our network of 150 approved repairers are all PAS 125 accredited and are contracted to ensure that work referred to them by Ai is prioritised.

Unrivalled vehicle access

Our unique partnerships with some of the UK's leading rental partners give Ai automated access to the largest combined fleet in the UK credit hire market.

We work closely with leading UK car rental companies to ensure that all GTA groups and options are available to our customers. Our industry leading Service Level Agreements (SLAs) ensure, on certain contracts, access for our end customers to most car groups within two hours. Exceptional customer service is maintained by the regular monitoring of comprehensive management information for our activity in this area.

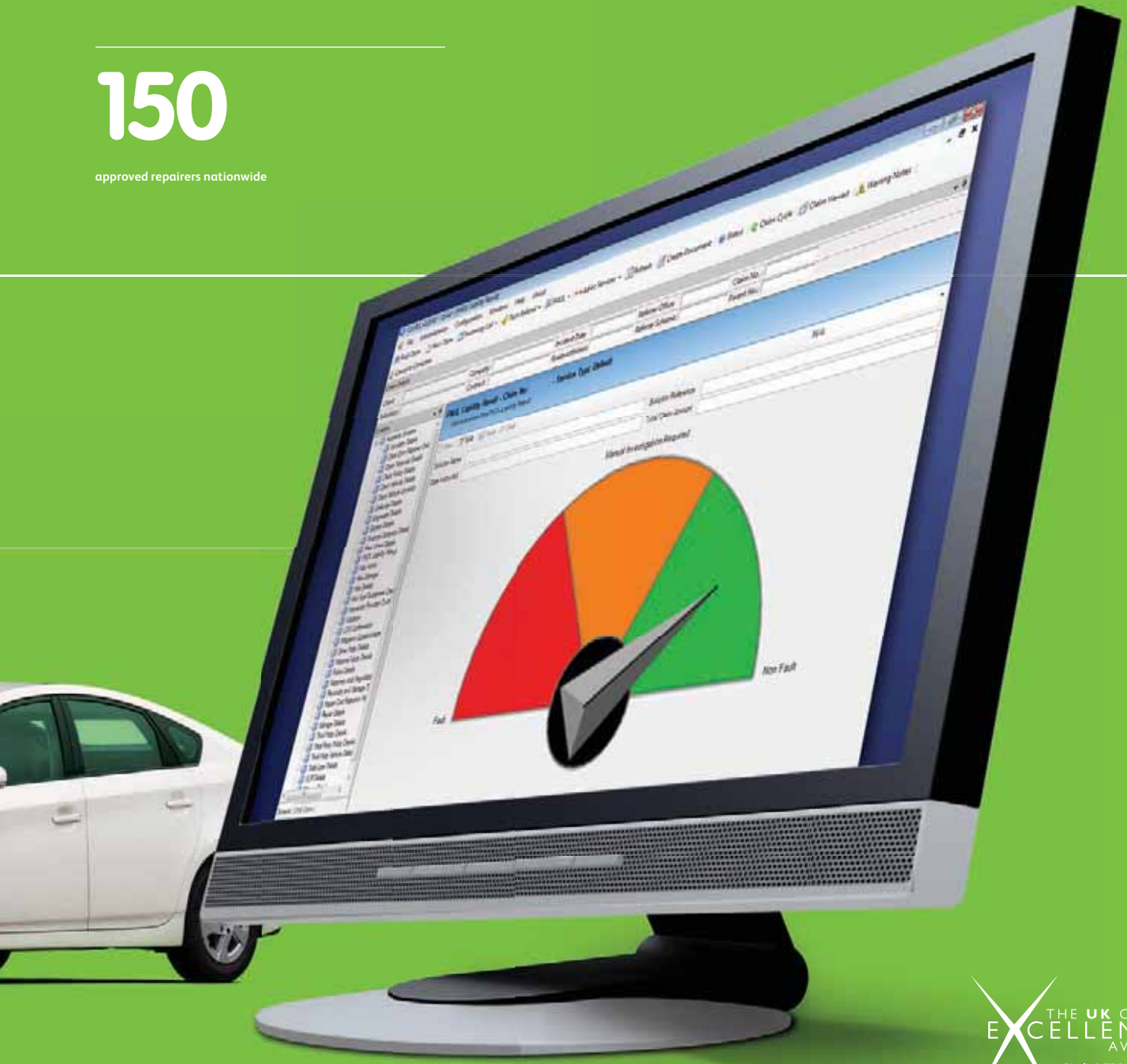
AVIS

Europcar

NEXUS
NEW THINKING

150

approved repairers nationwide



Investing in technology

Ai's first notification of loss (FNOL) technology has been shortlisted for three awards.

We lead the industry, creating innovative systems and techniques to navigate through the problems and pitfalls of making a claim. Our powerful, flexible IT allows instant access to the information we need to execute swift and accurate claims management. We prioritise continuous development of a technology infrastructure that makes business easier and faster.

“Our real time working IT links with Avis mean that we can locate, reserve and confirm car hire within seconds.”

Our People

Our team of highly experienced staff ensure that Ai operates to its full potential. Always working efficiently, they provide the energy which characterises Ai as an innovative organisation and keeps it moving forward. We are proud to operate from Blackpool, where our purpose built campus houses c500 employees. The campus is one of the largest technologically advanced call centre facilities on the Fylde Coast, in the north west of England.

Award-winning people delivering award-winning customer service.



Investing in our people

We have achieved Investor In People status since 2003 and, in 2010, were awarded Silver Status.

The Silver Status award is one that only 5-10% of those businesses that have the Investor In People status manage to achieve. The Investors In People assessor noted that "it was clear that the organisation has developed and communicated an ambitious but realistic strategy for continued growth ... people appreciated the openness of the Directors in communicating the future aims (of Ai)."

Rewarding dedicated staff

Ai recognises those members of staff who have shown their dedication to the Company over a significant period of time.

As well as rewarding staff on an ongoing basis for specific achievements, Ai also recognises the efforts made by staff throughout their service. We hold a long service award scheme to acknowledge staff with achievements of 5 and 10 years service.



£12,100

EBITDA profit per employee, 8% up on 2009/10

“Without the right people, we wouldn’t have been able to achieve the success we have.”



Setting the standard

Individuals are actively encouraged to gain recognised qualifications.

We provide support for externally accredited programmes and also have our own in-house training facility so that Ai, through the endeavours of its dedicated people, can offer customers an even better service. We continue to recruit, train and retain the best staff in the industry.

Our Communities

As well as supporting local charities such as Donna's Dream House, Ai are proud supporters of UK Youth (a leading national youth work charity). Ai have been supporting UK Youth since 2010 when they provided the support vehicles to aid Nigel Mansell's UK cycling tour, to help mark UK Youth's centenary year.

Committed to our communities and working towards mutual benefits.



AVIS

CO₂ Savings

Through strong and proactive management to keep the hire duration as short as possible.

Ai saves approximately 1,200 tonnes of CO₂ emissions annually on the equivalent hires with competitors. In addition, our main vehicle supply partner (Avis), offers a carbon neutral program where CO₂ emissions are offset by a £1 donation from the hirer, making a further footprint reduction.

Ai Community Crew

Ai volunteer some of their staff's time every two months (as part of its Community Crew) to Donna's Dream House.

This was founded in 1996 by Len and Barbara Curtis after the loss of their daughter, Donna, and is a holiday home for children with life-threatening or terminal illnesses, their recently bereaved siblings and their families. Ai helps out around the site (which is situated in the heart of Blackpool) with clerical, maintenance, cleaning and co-ordination of donation collections. Additionally, Ai has also taken part in fund raising for the charity and has in the past donated a car and a van full of non perishable products.





- I
- II
- III
- IV

£50,000

Sponsorship to date that Ai has helped to raise for the UK Youth charity

“We are one of the largest youth charities in the UK and every day we challenge young people to do all sorts of new and exciting things in order to raise their aspirations and realise their potential!”

Nigel Mansell OBE, 1992 F1 World Champion, 1993 CART Indy Car World Series Champion and President of UK Youth



Supporting the UK Youth Challenge

Ai's support means we can do more work with disadvantaged young people across the UK.

“Ai has been a wonderful partner and supporter for UK Youth over a number of years. This year, a team of Ai staff cycled from London to Paris to support the charity – a wonderful achievement which raised over £15,000. Next year, they're talking about starting from the Blackpool Tower to make it an even bigger challenge – a perfect example of how Ai are always looking to go the extra mile for the charity. Along with golf teams, gala dinners and supporting Team UK Youth (our British cycling team), we couldn't ask more from a corporate sponsor.” Charlotte Hill, CEO, UK Youth.

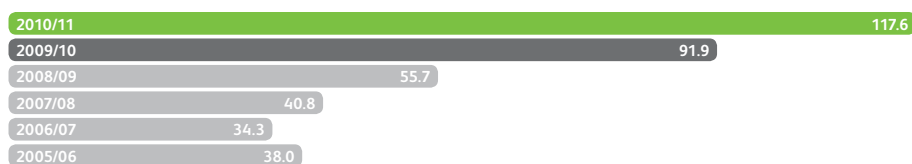
Magnus Bäckstedt,
Vice President of UK Youth

Highlights and Performance Overview

We have delivered growth over the last six years and continue to provide an attractive return for investors.

Group revenue (£m)

£117.6m +28%



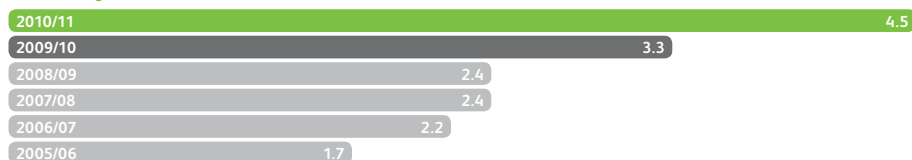
Adjusted profit¹ (£m)

£3.8m +40%



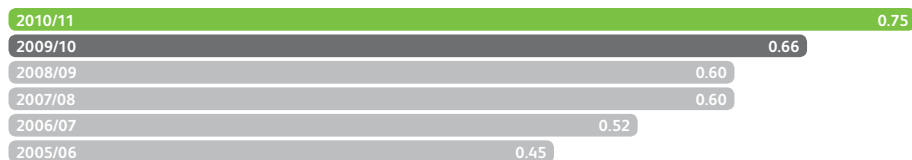
Adjusted basic earnings per share¹ (p)

4.5p +36%



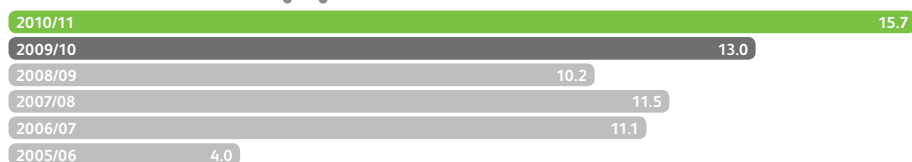
Dividend per share (p)

0.75p +14%



Return on capital employed² (%)

15.7% +2.7pp



2005/06–2010/11 The timeline of our growth.

2005/06

- Commenced two new key schemes
- Launch of the Ai Talent Academy to train claims handlers and develop the management community

2006/07

- The Ai repair network was the first UK network to mandate the new industry kitemark
- Ai's dedicated legal service, Ai Law, became fully operational
- Awarded major fleet accident repair contract
- New Defenda product launched
- Build completed for Ai's Claims Administration and Recovery System (CARS)

2007/08

- New innovative major non fault contract scheme (with a top 3 insurer) implemented
- Agreed two year fixed price contracts with multiple vehicle suppliers
- Expanded into a third building on Ai's Blackpool campus

2008/09

- Commenced five new key schemes
- Developed a fault repair based offering for insurers
- Developed an in-house engineering function

2009/10

- Doubled working capital funding facilities from £15.0m to £30.0m
- New major broker based scheme successfully implemented
- Retained the business of four key referral providers
- Secured the renewal of Ai's main vehicle rental partnership arrangement for a further two years
- Developed and implemented, as part of Ai's operating platform, a first notification of loss (FNOL) capability

2010/11

- New major broker based scheme successfully implemented
- Retained the business of six key referral providers
- First forward payment protocol arrangement implemented
- Secured the 'Investors In People' Silver Award

Financial Summary

	2010/11 £000	2009/10 £000	Change
Revenue	117,621	91,929	+28 %
Gross margin	18.5%	18.1 %	
Adjusted profit ¹	3,811	2,722	+40 %
Profit before taxation	3,737	2,630	+42 %
Taxation	(1,084)	(708)	+53 %
Profit for the period	2,653	1,922	+38 %
Dividends	(428)	(385)	+11 %
Earnings per share (note 9):			
– Adjusted basic ¹	4.46p	3.29p	+36 %
– Basic	4.34p	3.14p	+38 %
Dividend per share	0.75p	0.66p	+14 %

Financial Highlights

- Revenue increased by 28% to £117.6m from £91.9m
- 40% increase in adjusted profits¹ to £3.8m (2009/10: £2.7m)
- Earnings² before interest, taxation, depreciation and amortisation (EBITDA) up 38% to £5.8m (2009/10: £4.2m)
- Gross margin of 18.5% (2009/10: 18.1%)
- Adjusted profit¹ margin of 3.2% (2009/10: 3.0%)
- 2.7 percentage points increase in return² on shareholders funds (ROCE – Equity) to 15.7% (2009/10: 13.0%)
- Proposed final dividend of 0.42p per share (2009/10: 0.37p per share)
- Interim & final dividend in respect of 2010/11 is increased at 0.75p per share (2009/10: 0.66p per share)

Operational Highlights

- Successful implementation of a major broker based scheme which commenced on 1 July 2010
- Retained the business of three vehicle manufacturer clients and three other referral providers
- Settlement reached with a major insurer to settle £4.9m of GTA³ debt due with no diminution to the carrying value of the debt. Forward payment protocol also entered into with this insurer
- Work-in-Progress (WiP) days reduced by 17 days to 22 days (30 June 10: 39 days) as a result of process improvements
- Non GTA³ debtor days reduced by 11 days to 41 days (30 June 10: 52 days). GTA³ debtor days increased by 22 days to 145 days (30 June 10: 123 days)
- Strengthened commercial repair terms with the Ai Repair network (AIR) and introduced an effective fast-track repair solution
- Ai's First Notification Of Loss (FNOL) technology shortlisted for three awards
- Developing Ai's fully outsourced claims handling capabilities (for both brokers and insurers) to launch in 2011/12 for a pilot and a new scheme
- Secured the 'Investors In People' Silver Award

1 Adjusted profit represents profit before taxation excluding IFRS2 share option charges (note 4)

2 Based on profit for the period excluding IFRS share option charges

3 The Association of British Insurers' (ABI) General Tariff Agreement

Chairman's Statement

I am confident that Ai will be able to continue on its path in a solid, resilient manner.

I am pleased to report that, while the market has become tougher in the second half, it has been a record year for Ai. The Group has delivered a profit before taxation (and before IFRS2 charges) of £3.8m for the year ending 30 June 2011, in line with management's expectations. The key highlights are:

- Further revenue growth by 28% to £117.6m (2009/10: £91.9m)
- Record adjusted profits¹ up 40% to £3.8m (2009/10: £2.7m) with EBITDA level profits 38% higher at £5.8m (2009/10: £4.2m)
- Adjusted basic earnings per share up 36%
- Strong start to the year due to a new broker referred contract followed by a challenging second half due to the fall off in accident frequencies
- Settlement with a major insurer (covering 9% of Ai's GTA debt) with no diminution of its carrying value and the implementation of a payment protocol arrangement for future claims

Market Background

Ai positions itself as the leading ethical motor claims solution provider. We continue to focus on satisfying the needs of claimants as quickly, efficiently, and cost effectively as possible in order to facilitate timely claims payment by insurers and minimise their claims settlement uncertainty. The foundations for delivering such a service are our experienced and talented people and our technologically advanced workflow software. The latter incorporates Ai's automated decision making functionality which has significantly improved the speed and accuracy of its liability decisions.

After a record start to the year, referrals fell in the second half of the year by 15-20% as a result of a UK-wide fall in accident frequencies. The industry has also received a lot of bad publicity by being implicated in the public discussions around claims inflation, in particular referral fees on personal injury (PI) cases. Ai is well placed in this regard as our business model places minimal reliance on PI referral fees and we do not sell any personal data.

There is some uncertainty around when, or if, the accident frequency rate will recover. In our plans for the next few years, we have taken a prudent view on when this will happen so, as well as continuing to explore growth opportunities, we are reviewing all our processes to get the basics right for our customers and our people to realise further shareholder value.

Results

Record revenue of £117.6m has been reported this year which represents an uplift of 28% on last year. The new broker schemes (one starting in the second half of 2009/10 and the other at the start of this year) have largely contributed to this but their impact has been offset by the fall in referrals in the second half of this year.

These new schemes have strengthened Ai's presence in the credit hire market with services provided on credit hire and repair cases increasing by 17% to 96,000 (2009/10: 82,000). Gross margin of £21.7m was 30% higher than last year (2009/10: £16.7m), driven largely by volume improvements (20% more core services provided) and also, to a lesser extent, by margin improvements on both Ai's hire (0.5 percentage points higher this year at 19.5%) and repair (2.1 percentage points higher at 11.8%) services.

We continue to place significant management focus on improving our level of WiP and trade debtors.

During the year, we achieved a settlement with one major insurer of all their outstanding debt (equivalent to 9% of Ai's GTA debt at that time). This settlement was achieved with no diminution in value in the carrying value of the debt and provides significant assurance that Ai's revenue recognition and provisioning policies are robust and realistic.

We have also entered into a (forward) protocol arrangement with this insurer. This establishes a contractual relationship (as opposed to an adversarial one) with the insurer whereby claims made by Ai for hires provided to non-fault parties (where the at-fault party is insured by this major insurer) are charged at a fixed (protocol) amount. Agreed settlement terms apply to this debt.

In the first year of this arrangement, we expect to be close to a break-even position, i.e. where the amounts billed under the protocol arrangement in the first year are in line with the amounts that could have been billed to this insurer under the GTA.

Debtor days with this insurer prior to the block settlement and establishment of the protocol arrangement were 233 days and are now 57 days – a 176 day (76%) improvement. We are in discussions with several other insurers to develop similar arrangements and also exploring other methods of expediting settlement of our claims.



Our billing processes have also been improved and this is demonstrated by the 17 day reduction in WiP days to 22 days (30 June 10: 39 days). Non-GTA debtor days have also improved – by 11 days to 41 days (30 June 10: 52 days). Continued slow payment by insurers has contributed to the 22 days increase in GTA debtor days to 145 days (30 June 10: 123 days).

Strategy

Our core values of Service, Innovation and Ethics are as important to Ai today as they have ever been. Our conversion levels are up 14 percentage points to 88%. We are looking to expand into new markets (such as full claims outsourcing) to diversify our portfolio and capitalise on our claims handling expertise. Given the wider regulatory pressure to reduce premiums and thereby claims costs there are opportunities for our cost saving intervention product, Reserva, which would deliver added benefit to Ai given its less intensive working capital requirements. Our low hire durations support our ethical focus and continue to be well below the industry average. We have also, this year, invested in certain systems and processes specifically to ensure that we continue to benefit our customers by shortening downtime and reducing costs at every stage.

In addition through strategic partnering with major car rental providers, Ai customers have access to over 300,000 vehicles from an extensive national network. This is a key differentiator for Ai and provides it with a flexible low cost business model that gives it a competitive advantage over its peers.

Board

Following the expiry of my initial two year incentivisation arrangement (under which I took no fees but was remunerated solely by a share incentive scheme based upon an increase in the share price over the period to 2010), I was re-appointed Chairman under a new agreement which reflected my continued confidence in the Group's ability to create value for shareholders. Under this agreement, part of my remuneration is based on the appreciation of the Company's shares from a base figure of 20.0p (but only if the Company's share price exceeds 35.0p for a specified period during the vesting period) under an unapproved share option agreement.

Bob Newton, who joined the board in 2008 as a Non-Executive Director, has indicated that he does not wish to seek re-election at the forthcoming Annual General Meeting (AGM), owing to the pressures of his other business commitments. I would like to thank Bob on behalf of the Board for his significant contribution to the Company.

Future Prospects and Dividends

Three manufacturer schemes have recently been renewed and Ai is also undertaking two ventures in the full claims outsourcing arena: a pilot scheme with a broker and a full claims handling service to an insurer. We expect additional growth opportunities to continue to become available but also value the strong relationships that we have with our current referral partners. We will continue to invest our time, expertise and commitment to ensure their requirements are put at the heart of everything we do. In addition, we are re-examining all our processes with a view to improving the bottom line through additional cost savings.

The Board is recommending a final dividend of 0.42 pence per share, making a full year dividend of 0.75 pence, an increase of 14.0% over the previous year. This dividend is covered 6 times by the profit for the period. Subject to approval at the AGM, the dividend will be paid on 11 January 2012 to shareholders on the register at 9 December 2011.

It is a tough trading environment, with lower accident frequencies, mounting government and press scrutiny of the industry, insurer frustration and ongoing economic uncertainty and this will continue to challenge the business. I am, however, confident that Ai, with its unique and flexible operating model and its experienced management team, will be able to continue on its path in a solid, resilient manner. As well as further growth potential, there are also opportunities to identify and realise efficiencies in processes and costs by maintaining its strong focus on margin and costs. It is through the commitment and endeavour of our people that this solid set of results has been achieved in such testing times so I would like to say a personal thank you to all of them.

Steve Broughton

Chairman

26 September 2011

Operating and Financial Review

With its limited exposure to the PI claims industry, Ai continues to hold a competitive advantage over its peer group.

We are ethical, proactive and transparent in our service delivery providing market leading customer service with an ethos to control claims cost inflation. We continue to put our customers at the very heart of everything that we do, ensuring swift resolutions and maintaining consistently high service levels; we work hard to contain and minimise costs for our clients.

Business and Commercial Development

Ai has steadily built up long term strategic partnerships with certain key vehicle rental providers which gives access to over 300,000 vehicles to its customers whilst allowing its teams to focus on controlling what they should be controlling – claims and cost.

The business continues to benefit from its bespoke claims administration and recovery system (CARS). This was built in house using technologically advanced workflow software and has allowed the business to build from this strong, scalable platform. The system continues to be developed to enable the creation of innovative solutions and to facilitate new business opportunities. It allows our staff to provide services quickly and efficiently, returning customers to normal as soon as possible thereby keeping claims costs under control.

To capitalise on its expertise in the claims handling arena to exploit opportunities in new markets, Ai has also begun to develop its full claims outsourcing capabilities for launch in the latter part of 2011 for a new pilot scheme for a broker and also a new scheme for an insurer.

Ai has successfully implemented a significant non-fault broker referred scheme which commenced at the start of the financial year and the business has expanded its presence in this sector. In addition, Ai has retained the business of three vehicle manufacturers and continues to work with others to develop their branded accident management schemes. We also continue to develop relationships and products with car dealer groups in order to increase Ai's penetration in that sector.

Following agreement of a bulk settlement arrangement with a major insurer in the second half of the year, Ai took proactive steps to establish a payment protocol arrangement with that insurer in order to provide more assurance over cash collection. Other insurers have also showed an interest in such an arrangement and so these are currently being explored. Whilst providing efficiencies in our collection process, such arrangements bring new risks to Ai's business model so we are developing our systems, processes and MI to ensure that such arrangements deliver their intended benefits.

People

Our headcount grew to an average of 471, from 375 in the previous year, a 26% increase. This reflects our underlying business growth and is largely driven by the two significant non-fault broker referred schemes that have recently been implemented – one at the end of the last financial year and one at the start of this one. Attrition rates have been maintained at a similar level to the prior year – 25% (2009/10: 23%).

We continue to recruit, train and retain the best people in the industry. Ai has enjoyed 'Investor In People' status since 2003 and, in November 2010, we were awarded the IIP Silver Status. We constantly monitor and review staffing levels to ensure that our customers receive an excellent standard of service and we continue to provide significant investment in training to improve staff skills. Our call centre won Best Contact Centre in the Call North West 2010 awards and Ai have been shortlisted in three categories in the Call North West 2011 awards.



Principal Risks and Uncertainties

Risk is an accepted part of doing business and has the potential to impact financial performance or hinder the achievement of business objectives.

If we do not manage these risks effectively we could miss potential opportunities to further develop and expand our business. A successful risk management process balances risks and rewards and relies on a sound judgement of their likelihood and consequences. The Board has overall responsibility for risk management and internal control within the context of achieving the Group's objectives. The key risks faced by the Group and relevant mitigating factors are set out below.

	Impact	Mitigation
Customers and reduction in demand	The Group services motor claims. Economic and environmental factors may impact on the number of vehicles on the road and their accident frequency, which may impact revenues and profitability.	The Group operates with a highly variable cost base with no fixed investment being required for a vehicle fleet infrastructure or a repair garage infrastructure. Volumes are monitored closely to understand any shortfall against expectations.
Bought in costs in managing a claim	The cost of bought in supplies has a direct effect on gross margins.	The Group contracts with suppliers, principally hire companies and repairers. The Group seeks to match its revenue and cost exposure and secures rental rates over a 2-3 year period.
Competition	The Group operates in a competitive sector.	<p>The Group seeks to develop long term relationships with customers and protect these with contracts and the development of innovative products.</p> <p>The Group also reviews the performance of its accounts to ensure it remains competitive. Financial and operational barriers to entry exist to develop a significant market presence.</p>
Access to capital	The Group requires capital to fund working capital and to support the investment in infrastructure. In order to continue to access its credit facilities, the Group needs to remain compliant with its bank covenants. Bank facilities consist of a property loan and overdraft. They are reviewed each year and will next be reviewed at the end of 30 September 2012. Failure to remain within covenants or extend bank facilities beyond 30 September 2012 could potentially materially affect the prospects of the Group.	Bank covenants are modelled and stress tested against the Group's business plan. Covenants are reviewed on a monthly basis to ensure ongoing compliance. If there was a shortfall in cash generated from operations, the Group would reduce its capital requirement.
Interest rate risk	The Group borrows to principally fund its working capital needs. Interest rates are at a low level currently and the Group's profitability would be affected by an increase in interest rates.	When pricing for contracts, headroom is built into funding rate estimates. The Group has hedged part of its exposure to significant increases in interest rates.

Operating and Financial Review (continued)

Principal Risks and Uncertainties (continued)

	Impact	Mitigation
Settlement estimation of claims	The realisable values of credit hire and repair claims can be subject to dispute, which may result in a loss to the Group.	The Group makes an initial estimate of receivable amounts based on relevant experience and settlement trends. This initial estimate is reviewed throughout the life-cycle of the claim to ensure the carrying value of debt is appropriate.
Credit risk	Credit risk arises if a party paying the Group's debt is unable to meet its obligations.	Debts are due from insurance companies. The capitalisation of insurers is regulated by the Financial Services Authority. The financial services industry operates a compensation scheme to alleviate the impact of the failure of an insurance company.
Maintenance and compliance with the GTA	The GTA is a voluntary code of conduct between companies providing credit hire and repair services, and insurance companies. Vehicle rates and terms of payment are covered in this code.	The Group takes an active part in the GTA development and compliance and maintains positive and productive relationships with insurance companies. Internal controls support the Group's compliance with the GTA.
IT systems	The Group's business involves a high volume of transactions, supported by diligent and detailed case notes. Reliance is placed on the availability and proper functioning of IT systems for the effective running of the operation. Any interruption would have a material impact on the business.	The Group seeks to minimise the risk of business interruption through controls over change and operating an effective IT general control environment. Reviews are carried out by Internal Audit and external consultants as appropriate. Additionally the Group has a disaster recovery plan.

Key Performance Indicators

Indicator	Target	Performance
ROCE – Equity In a capital intensive business, post tax return on capital is a more important measure of performance than profitability alone.	> 15.0%	15.7% (2009/10: 13.0%) ROCE is maximised through a combination of managing net margin and working capital requirement within banking facilities and a sustainable gearing level.
EPS Basic EPS is a key short term measure of performance used by shareholders.	The target is to maximise shareholder value by increasing EPS in the short term alongside ROCE – Equity.	4.34p (2009/10: 3.14p)
Referrals Key driver of growth, business mix and capital requirement.	To best utilise the skills of our experienced staff and IT platform, the target is to maximise opportunities for converting leads.	131,000 (2009/10: 132,000) This represents a 2% decrease on the previous year. (excludes accident damage and courtesy car schemes)
Conversion into service Key customer service indicator and revenue generator.	> 80%	88% (2009/10: 74%) A 14 percentage points increase compared to last year. (excludes accident damage and courtesy car schemes)
Customer service index Key measure of overall customer satisfaction.	> 85%	84% (2009/10: 83%) Where Ai's service has been rated as 'Very Good' or 'Excellent'.
Claims recovery ultimate Estimated ultimate recovery is a key driver in a longer cash cycle business for converting initially reported revenue into cash.	> 100%	100% (30 June 2010: 100%)
WiP days A key controllable working capital investment driver.	< 45 days	22 days (30 June 2010: 39 days)
Debtor days – GTA Not fully controllable as dependent upon insurers' payment efficiency in a claimant situation.	< 90 days	145 days (30 June 2010: 123 days)
Debtor days – other More controllable as debt should be payable within agreed payment terms.	< 60 days	41 days (30 June 2010: 52 days)
Hire duration Key customer service indicator and indicator of control of cases.	< 18 days	18 days (2009/10: 17 days)

Operating and Financial Review (continued)

Operational Performance

The majority of referrals continue to come from insurance companies – twelve of the top twenty motor insurers are served by Ai – but to expand Ai's distribution platform, our commercial teams continue their extra focus on building relationships with insurance brokers, car body shops, car manufacturers, fleet operators and affinity scheme partners. Broker referrals doubled this year and now represent 30% (2009/10: 15%) of all referrals.

131,000 referrals (excluding accident damage and courtesy car schemes) were received by the business – in line with the prior year (2009/10: 132,000 cases). The additional referrals received from the two new broker referred schemes were offset by the drop in accident frequencies in the second half of the year. The latter was caused by the spike in petrol prices earlier this year which, when combined with the general economic climate we are currently experiencing, has had a significant impact upon driving habits, miles travelled and average speed.

Although referrals were level, core services provided (hire, repair and other service fees) increased by 20% on last year to 116,000 cases (2009/10: 97,000) as Ai significantly improved its conversion rate this financial year by 14 percentage points to 88% (2009/10: 74%).

Ai continues to report below-average hire durations. However, due to the mix of referrals received from the two new broker schemes, Ai's average hire period on credit hire during the year increased by 1 day to 18 days (2009/10: 17 days) which is still well below the industry average of 22 days. This, together with Ai's policy to avoid, wherever possible, costly litigation to secure payment of claims by insurers reinforces Ai's ethical stance on claims management – key differentiators between Ai and its competitors, who generally view hire periods as a source of revenue and profit. Although our GTA debtor days increased from 123 days to 145 days, this continues to reflect payment backlogs witnessed at most insurers. Our non-GTA debtor days fell by 11 days to 41 days. Debt collection performance continues to be a key focus of senior management and is significantly better than that of most credit hire organisations.

We are making progress in our engagement with insurers to ensure they have sufficient resources to deal with our claims and this is bringing tangible results. During the year, we agreed terms with a top insurer to bring their account up to date (at no diminution to the value of Ai's debt) and to enter into a fixed protocol arrangement. Similar discussions continue to be held with other companies.

Financial Review

Revenue was £117.6m (2009/10: £91.9m) and this represented an increase of 28% over the previous year.

Hire revenue from cases increased by £16.9m (29%) to £76.0m (2009/10: £59.1m) and repair revenue increased by £9.3m (31%) to £38.9m (2009/10: £29.6m). PI related revenue decreased by £0.3m (23%) to £1.0m (2009/10: £1.3m). Service only based income reduced by £0.1m (5%) to £1.8m (2009/10: £1.9m).

Hire and repair income levels are in line with last year and now represent 65% (2009/10: 64%) and 33% (2009/10: 32%) of revenue respectively. The revenue growth has been achieved with a small uplift in gross margin to 18.5% (2009/10: 18.1%).

Full time employees increased by 28% this year to accommodate the higher activity at the start of the year. Staff costs saw a similar increase – they were 29% up on last year. Administrative expenses increased by £3.5m (26%) to £17.1m (2009/10: £13.6m). Operating margin (based on EBITDA) increased by 0.3 percentage points from 4.6% to 4.9%. EBITDA profit per employee increased by 8% to £12,100 (2009/10: £11,200).

The Group generated a pre-tax profit of £3.7m in the year (2009/10: £2.6m). Adjusted profits were £3.8m (2009/10: £2.7m).

Despite the slow settlement of debts in this sector, Ai's experience shows that it recovers the amounts it initially recognises in its financial statements when it bills insurers. It has a proven model, underpinned by its technologically advanced workflow software, which involves the continued monitoring of trade debtors, developing market relationships, actively managing its claims process and adopting a prudent revenue recognition policy. 101% (30 June 10: 100%) of income initially recognised prior to 30 June 2008 has been collected to date, 97% (30 June 10: 93%) of all income initially recognised prior to 30 June 2009 has been settled, 93% (30 June 10: 83%) of all income initially recognised prior to 30 June 2010 has been settled and, as this data continues to mature, we expect to recover the remaining 3% and 7% respectively in due course.

Financing

Financial expenses increased by 89% to £0.8m as a result of additional working capital to fund the growth in revenue with the increased mix of credit hire. Financial expenses are covered 6 times by operating profit (2009/10: 7 times).

Taxation

The effective tax rate was 29.0% (2009/10: 28.0%) which is higher than the applicable standard rate of corporation tax of 27.5% as depreciation is in excess of capital allowances and there are a number of permanent differences.

Earnings Per Share

Basic EPS increased by 1.20p to 4.34p (2009/10: 3.14p). Adjusted basic EPS, which measures EPS before the IFRS 2 share option charge, increased by 1.17p to 4.46p (2009/10: 3.29p).

Dividends

The dividend charge of £428,000 relates to the payment of a final dividend in respect of the year ended 30 June 2010 of 0.37p per share (£227,000) together with the payment of an interim dividend in respect of this financial year of 0.33p per share (£202,000). The Board have proposed the payment of a final dividend for the year of £256,000 (0.42p per share) payable on 11 January 2012 to shareholders on the register at 9 December 2011. The total dividend in respect of the financial year ended 30 June 2011 of £458,000 is covered 6 times by the profit for the period.

Statement of Financial Position

ROCE – Equity was 15.7% (2009/10: 13.0%). Total assets less total liabilities at 30 June 2011 were £18.5m (30 June 10: £16.3m), equivalent to 30.3p per share (30 June 10: 26.5p per share).

Intangible assets increased by £0.4m to £3.9m during the year, largely in respect of new MI systems developed internally less amortisation. A further £0.3m was invested in property, plant and equipment, primarily computer equipment.

Net debt increased by £3.0m from £19.4m to £22.4m due to new business growth and slow settlement by insurers. Whilst there has again been an extension to debtor days, this has been mitigated by a further reduction in WiP days from 39 days to 22 days. The net overdraft of £21.2m remains comfortably within the facility of £30.0m.

Cash Flow

Net cash outflow from operating activities was £1.4m (2009/10: £8.1m) which was largely driven by an increase in GTA debtor days from 123 days to 145 days.

Capital Structure and Financing

Gearing¹ at 30 June 2011 was 121% (30 June 10: 119%) as the business has maintained the utilisation of its working capital funding in line with last year.

The financing arrangements with Yorkshire Bank provide the business with a committed secured overdraft facility of £30.0m together with a mortgage loan of £0.8m (30 June 10: £1.0m). The overdraft facility is reviewed annually and this is next scheduled for review on or after 30 September 2012. At 30 June 2011, the net overdraft was £21.2m (30 June 10: £18.3m). The mortgage loan is secured over freehold property.

The committed overdraft available for drawdown is limited to 80% of trade receivables which are less than 240 days old.

The borrowing facilities are subject to financial covenants as follows:

1. Interest cover ratio

A minimum cover ratio of PBIT to interest of 3, tested monthly and on a rolling annual basis. Interest cover for the year ended 30 June 2011 was 6 (2009/10: 7).

2. Mortgage loan to property value

A maximum loan to property value of 70% must be maintained. At 30 June 2011, the loan to property value was 40% (30 June 10: 49%).

3. Achievement of internal forecasts for adjusted profit

The Group submits annual budgets and periodic re-forecasts to Yorkshire Bank. The covenant requires the Group to operate above 85% of budgeted or re-forecast adjusted profit on a year to date basis. The Group met this covenant at 30 June 2011.

Capital Management

The Group's objective is to maintain a balance sheet structure that is efficient in terms of providing long term returns to shareholders and safeguards the Group's financial position through economic cycles.

The Group's business model allows for the procurement of services required to service claims without owning a vehicle fleet and infra-structure or repair businesses. Its capital structure is geared towards funding working capital and fixed asset investment.

The Group can choose to adjust its capital structure by varying the scale and mix of its trading activities to reduce the requirement to fund trade debtors. The Board believes that it would be able to convert tranches of trade debtors into cash by agreement with insurance company debtors, although there is likely to be a cost in the form of discount. It can also choose to vary the amount it pays by way of dividend to shareholders, by issuing new shares or adjusting the level of capital expenditure.

Liquidity and Funding

The Group has sufficient funding to meet its normal funding requirements in the medium term to fund its business plan. Covenants attached to those facilities are not restrictive to the Group's operations.

David B Sandhu
Chief Executive Officer

Peter J Harrison
Chief Financial Officer
26 September 2011

¹ Net debt as a percentage of closing shareholders' funds.

Board of Directors

Non-Executive Directors

1. Steve Broughton Chairman

Steve was appointed Chairman on 1 July 2008, having previously been Deputy Chairman, and joined the Board in January 2005. He has held main board positions with Royal & Sun Alliance UK, Polaris UK Limited, Swinton Insurance Limited and Motor Insurers Bureau (MIB) and is currently a Non-Executive Director on the boards of Ageas UK, Tesco Underwriting Limited, Direct Group Limited and Ingenie Limited and also a Trustee of the British Horseracing Pension Fund. Steve is a member of the Audit, Remuneration and Nominations Committees.

2. Christopher Baker MBE Non-Executive Director

Chris is an experienced corporate strategist with more than 20 years experience at director level with Hill Samuel, Coopers & Lybrand, Littlewoods and Business Liverpool. He joined the Board of Ai in October 2002. He is Chairman of the Aintree NHS Foundation Trust and the Training and Development Agency for Schools, Deputy Chairman of Jacques Vert plc and a Non-Executive Director of Park Group plc. Chris is the Senior Independent Director and chairs the Audit Committee and is a member of the Remuneration and Nominations Committees.

3. Robert Newton Non-Executive Director

Bob joined Ai as a Non-Executive Director on 1 November 2008. He is a former Director of Norwich Union Insurance, CGU Insurance and General Accident (UK), all now part of Aviva plc, was Deputy Chief Executive of NFU Mutual Insurance and a Non-Executive Director of the Insurance Ombudsman's Bureau and the General Insurance Standards Council. He is currently a Non-Executive Director of Co-operative Banking Group Limited and UIA (Insurance) Limited and Reclaim Fund Limited and Chairman of Silentair Group Limited along with other business and pro bono interests. Bob chairs the Remuneration and Nominations Committees and is also a member of the Audit Committee.

Executive Directors

4. David Sandhu Chief Executive Officer

David became CEO in July 2006 having previously been Group Managing Director (from July 2005) and Director of Claims and Operations. Prior to joining Ai in October 2000 he spent twelve years working in the claims teams of various insurers including Bishopsgate, GRE, AGF and Ageas – specifically dealing with complex claims. In the two years prior to joining Ai he was responsible for Ageas' policy on credit hire. A statistician by background, David has a particular interest in operational research.

5. Peter Harrison FCA Chief Financial Officer

Peter joined Ai as Group Finance Director in September 2005. He qualified with Touche Ross & Co and as a senior manager had a broad portfolio of plc clients. He has extensive financial services and general insurance expertise gained with Aviva where, as a Director of Finance, he was responsible for the financial management and control of the UK insurance business, playing a leading role in the integration of the Norwich Union and CGU businesses and the acquisition of London & Edinburgh Insurance. Peter also led the commercial finance team in the UK Life business prior to joining Royal & Sun Alliance as UK Financial Control and Reporting Director.



Remuneration Report

The remuneration policy of Ai is to operate a salary and benefits package that enables the Company to attract and retain high calibre directors who will enable it to achieve its goal of creating substantial value for shareholders. The remuneration package for Executive Directors comprises the following elements:

1. Basic salary
2. Benefits, principally private medical insurance for the Directors and their families
3. Pension allowance
4. Participation in an annual bonus scheme
5. Participation in longer term incentivisation arrangements

Remuneration for the Executive Directors is determined by a Remuneration Committee, which is a committee of the Board established with written terms of reference. Robert Newton is Chairman of the Committee and, during the year, its other members were Steve Broughton and Christopher Baker. David Sandhu, as Chief Executive Officer, attends the Committee by invitation.

Remuneration for the Non-Executive Directors is determined by the whole Board. Non-Executive Directors do not receive benefits apart from fees and do not participate in any bonus schemes; the Board exceptionally agreed a share based remuneration package for Steve Broughton as Chairman; this is described more fully below.

The Remuneration Committee met four times during the year.

Basic Salary, Benefits and Allowances

Basic salary and benefits packages for the Executive and Non-Executive Directors are included in note 6 to the financial statements. Service contracts for the Executive Directors are currently 12 months.

Annual Bonus and Longer Term Incentivisation Arrangements

The Company's policy is to have an annual bonus scheme supplemented by longer term incentivisation arrangements, which together reward Executive Directors for achieving growth in the short, medium and longer term.

An annual bonus scheme was established for 2010/11 based on achieving targeted levels of profit before taxation, share-based remuneration and exceptional items. This bonus scheme would pay up to a maximum of 75% of base salary if the defined profit before taxation measure reaches a predetermined amount. Executive Directors participate in this scheme pro rata to the period in which they are full-time employees. For 2010/11 bonuses totalling £224,000 were payable to the Executive Directors.

As part of the Company's longer term incentivisation arrangements, the Executive Directors are encouraged to acquire a meaningful equity stake in the business. With this objective:

- a grant of shares under the Company's Long Term Incentive Plan (LTIP) was made on 8 November 2010
- a grant of options under the Company's 2011 Unapproved Share Option Scheme (USOP) was made on 1 March 2011

These were both subject to the performance conditions shown in detail in notes 6 and 17 to the financial statements. The LTIP awards granted will vest on the third anniversary of the grant, subject to the Executive Director remaining in post and the performance conditions being met.

Remuneration Arrangements for the Chairman

The Company settled its obligations under the terms of the letter of appointment of Steve Broughton, Chairman, dated June 2008. In line with the terms of his appointment, the 2,750,000 phantom options that had vested were settled by the Company for a cash consideration of £66,000 payable to the Chairman.

In March 2011, in order to also align his interests with those of the shareholders, an individual share option arrangement was entered into with the Chairman, under which he has been awarded 2,000,000 options with the same performance criteria, vesting conditions and exercise price as the other awards noted above as being made under the 2011 USOP. This award was made after consultation with major shareholders.

Robert Newton

Remuneration Committee Chairman

26 September 2011

Directors' Report

The Directors present their report and audited financial statements for the year ended 30 June 2011.

Principal Activities

The Group provides a range of services covering all the key aspects of any motor insurance claim. These include the provision of accident management services, cost containment, claim recovery, vehicle repair, replacement vehicles and personal injury claims management.

Business Review

A detailed review of the business is contained throughout the Financial and Operational Highlights (page 11), the Financial Summary (page 11), the Chairman's Statement (pages 12 to 13) and the Operating and Financial Review (pages 14 to 19).

Dividends

The Directors have proposed a final ordinary dividend in respect of the current financial year of 0.42p per share. This has not been included within other payables as it was not approved before the year end.

Dividends paid during the year comprise a final dividend of 0.37p per share in respect of the previous year (2009/10) and the interim dividend in respect of 2010/11 of 0.33p per share.

Property, Plant and Equipment

In the opinion of the Directors, the market value of the land and buildings of the Group exceeds the book values of these assets at 30 June 2011 by £0.3m (30 June 10: £0.3m).

Donations

Charitable donations of £14,000 (2009/10: £7,000) were made during the year. No political contributions were made during the year.

Principal Risk and Uncertainties

A detailed review of the business' principal risks and uncertainties is provided in the Operating and Financial Review (pages 14 to 19).

Directors

The Directors who served during the year and to the date of this report are:

Steve Broughton
Christopher Baker
Peter Harrison
Robert Newton
David Sandhu

The biographical details of the Directors appear on page 20. The Directors retiring by rotation are Christopher Baker and Peter Harrison who, being eligible, offer themselves for re-election at the forthcoming AGM. Robert Newton has indicated that he does not wish to seek re-election at the forthcoming AGM.

The Group maintains insurance policies for the Directors in respect of their duties as Directors of the Company and the Group.

Substantial Interests

The Company has been notified of the following interests exceeding 3% in the share capital of the Company as at 26 September 2011.

	Number of shares	Percentage of issued share capital
Bluehone Investors LLP	16,587,619	27.2%
Mr Charles Anthony Good	9,977,440	16.4%
Mr Ari Zaphiriou-Zarifi	8,708,930	14.3%
Mr David Michael Gorton	6,656,302	10.9%
Mr John Spiers	4,136,600	6.8%
Chelverton Growth Fund	2,375,000	3.9%

Supplier Payment Policy

The Group's policy for all suppliers is to fix terms of payment when agreeing the terms of each business transaction to ensure that the supplier is aware of these terms and to abide by the agreed terms of payment. Trade payables for the Group and the Company as at 30 June 2011 were equivalent to 48 days purchases (30 June 10: 45 days).

Corporate Governance

As the Company is listed on the Alternative Investment Market at the London Stock Exchange, the UK Corporate Governance Code disclosures are not compulsory and consequently the Directors and auditors do not report on compliance with the Code. Disclosures are given indicating selective aspects relating to the Code, but non-compliances are not disclosed.

The Board currently comprises the Non-Executive Chairman, two Executive Directors and two other Non-Executive Directors.

The Directors have established an Audit Committee to receive reports from management and the auditors on the interim and the annual financial statements. A Remuneration Committee and a Nominations Committee have also been established and details of Directors' remuneration are shown in note 6 to the financial statements. Membership of the committees is shown on page 20.

Risk Management

The Directors are responsible for the Group's system of internal control and for reviewing its effectiveness whilst the role of management is to implement Board policies on risk management and control. It should be recognised that the Group's system of internal control is designed to manage rather than eliminate the risk of failure to achieve the Group's business objectives and can only provide reasonable, and not absolute, assurance against material misstatement and loss.

The controls operated include, but are not limited to, the annual planning and budgeting process, a clearly defined organisational structure with authorisation limits, reviews by senior management of weekly operating information and weekly and monthly financial data compared with planned activity.

The Group has identified and manages its key business risks and has a Business Continuity Plan in place.

Financial Instruments and Working Capital Management

Other than the interest rate hedge detailed in note 20 to the financial statements, the Group does not enter into derivative transactions and does not trade in financial instruments.

A review of both:

- the Group's objectives, policies and process for managing capital and
- the risks arising from interest rates, credit, liquidity and funding

is provided in the Operating and Financial Review (pages 14 to 19) in the 'Principal Risks and Uncertainties', 'Financial Review', 'Capital Management' and 'Liquidity and Funding' sections which should be read together with note 20 to the financial statements.

The Group enters into contracts with customers, for which vehicle provision and repair labour prices may be prescribed for set periods. The Group secures supply arrangements with rental companies and repairers to mitigate the impact of volatility in prices over broadly similar periods. In relation to non-fault hires, the Group is a subscriber to the Association of British Insurers' GTA. GTA rates are agreed between insurers and credit hire companies annually. When pricing contracts, the Group takes account of key potential risks and sensitivities.

The Group's financial instruments comprise some borrowings, cash and various items such as trade receivables and payables that arise directly from its operations. These are discussed in further detail in notes 19 and 20 to the financial statements.

Disabled Persons Policy

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged. It is the policy of the Group and Company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employee Consultation

The Group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the factors affecting the performance of the Group and Company, through regular meetings of a Staff Forum and Director Presentations.

Directors' Report (continued)

Going Concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Operating and Financial Review (pages 14 to 19) together with note 20 to the financial statements.

The Group has recently secured the continuation of its working capital funding for its future development and growth and the Group's forecasts show that it will be able to operate within the levels of its banking and other financing facilities for the foreseeable future. The Group's bankers have, subject to satisfactory ongoing financial performance and covenant compliance, confirmed availability of the current facilities up until at least 30 September 2012, when the next review will be performed.

After making enquiries, the directors have a reasonable expectation that the Company and the Group as a whole have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Statement of Directors' Responsibilities for the Annual Report

The Directors are responsible for preparing the Annual Report and Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have to prepare the Group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs) and the financial statements of the Company in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws). Under 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 and profit and loss of the Company and Group for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable IFRSs and, with regard to the Company financial statements, whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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.

In so far as each of the Directors is aware:

- there is no relevant audit information of which the Company's auditors are unaware; and
- the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Auditors

In accordance with Section 489 of the Companies Act 2006, a resolution for the re-appointment of Grant Thornton UK LLP as auditor of the Company is to be proposed at the forthcoming Annual General Meeting.

Approval

The Report of the Directors was approved by the Board on 26 September 2011 and signed on its behalf by:

Peter J Harrison
Chief Financial Officer
26 September 2011

Independent Auditor's Report to the Members of Ai Claims Solutions PLC

We have audited the financial statements of Ai Claims Solutions PLC for the year ended 30 June 2011, which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Cash Flows, the Consolidated Statement of Changes in Equity, the Company Balance Sheet, the Company Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 Statement of Directors' Responsibilities as set out on page 24, 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 (APB's) Ethical Standards for Auditors.

Scope of the Audit of the Financial Statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

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 30 June 2011 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on Other Matters 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

We have nothing to report in respect of the following matters where 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.

Kevin Engel

Senior Statutory Auditor

for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Manchester

26 September 2011

Consolidated Statement of Comprehensive Income for the year ended 30 June 2011

	Note	2010/11 £'000	2009/10 £'000
Revenue	3	117,621	91,929
Cost of sales		(95,902)	(75,265)
Gross profit		21,719	16,664
Administrative expenses		(17,163)	(13,600)
Operating profit	4	4,556	3,064
Financial expenses	7	(819)	(434)
Profit before taxation		3,737	2,630
Income tax	8	(1,084)	(708)
Profit for the period		2,653	1,922
Profit and total comprehensive income for the period		2,653	1,922
Basic earnings per ordinary share	9	4.34p	3.14p
Diluted earnings per ordinary share	9	4.21p	3.11p

All income arises from continuing operations.

The profit and total comprehensive income for the period is fully attributable to the equity holders of the parent.

Consolidated Statement of Financial Position

at 30 June 2011

I

II

III

IV

	Note	30 June 11 £'000	30 June 10 £'000
Assets			
Non-current assets			
Goodwill	11	6,726	6,726
Other intangible assets	11	3,860	3,530
Property, plant and equipment	10	2,196	2,463
Deferred tax asset	12	128	111
		12,910	12,830
Current assets			
Trade and other receivables	13	63,682	55,998
Cash at bank and in hand		57	183
		63,739	56,181
Total assets		76,649	69,011
Liabilities			
Current liabilities			
Interest bearing loans and borrowings	15	(21,506)	(18,582)
Trade and other payables	16	(35,282)	(32,646)
Income tax liability	16	(533)	(479)
		(57,321)	(51,707)
Non-current liabilities			
Interest bearing loans and borrowings	15	(871)	(1,001)
Total liabilities		(58,192)	(52,708)
Total assets less total liabilities		18,457	16,303
Shareholders' equity			
Share capital	18	6,142	6,142
Share premium account		1,579	1,579
Other reserves		238	269
Retained earnings		10,626	8,341
Treasury shares		(128)	(28)
Total shareholders' equity		18,457	16,303

These financial statements were approved by the Board of Directors on 26 September 2011 and were signed on its behalf by:

David B Sandhu
Director

Peter J Harrison
Director

Registered Number: 1492207

Consolidated Statement of Cash Flows

for the year ended 30 June 2011

	Note	2010/11 £'000	2009/10 £'000
Cash flows from operating activities			
Profit for the period		2,653	1,922
<i>Adjustments for:</i>			
Depreciation of property, plant and equipment		544	453
Amortisation of other intangibles		634	604
Share compensation charge		74	92
Cash settled share options		(98)	–
Share options exercise		–	26
Financial expense		819	434
Taxation		1,084	708
Increase in trade and other receivables		(7,684)	(24,687)
Increase in trade and other payables		2,435	13,552
Interest paid		(819)	(434)
Taxation paid		(994)	(753)
Net cash outflow from operating activities		(1,352)	(8,083)
Cash flows from investing activities			
Purchases of property, plant and equipment		(84)	(154)
Purchases of other intangible assets		(964)	(1,089)
Net cash outflow from investing activities		(1,048)	(1,243)
Cash flows from financing activities			
Purchase of treasury shares		(100)	–
Repayment of borrowings		(81)	(216)
Finance lease principal repayments		(199)	(93)
Dividends paid		(227)	(385)
Net cash outflow from financing activities		(607)	(694)
Net decrease in cash and cash equivalents		(3,007)	(10,020)
Cash and cash equivalents at 1 July	14	(18,146)	(8,126)
Cash and cash equivalents at 30 June	14	(21,153)	(18,146)

Consolidated Statement of Changes in Equity for the year ended 30 June 2011

	Attributable to owners of the parent					Total £'000
	Share capital £'000	Share premium £'000	Other reserves £'000	Treasury shares £'000	Retained earnings £'000	
At 1 July 2009	6,142	1,579	345	(54)	6,624	14,636
Profit and total comprehensive income for the year	-	-	-	-	1,922	1,922
<i>Transactions with owners:</i>						
Share based payments	-	-	(76)	26	168	118
Tax on items charged to equity	-	-	-	-	12	12
Dividends to equity holders	-	-	-	-	(385)	(385)
At 30 June 2010	6,142	1,579	269	(28)	8,341	16,303
Profit and total comprehensive income for the year	-	-	-	-	2,653	2,653
<i>Transactions with owners:</i>						
Share based payments	-	-	(31)	-	8	(23)
Purchase of treasury shares	-	-	-	(100)	-	(100)
Tax on items charged to equity	-	-	-	-	52	52
Dividends to equity holders	-	-	-	-	(428)	(428)
At 30 June 2011	6,142	1,579	238	(128)	10,626	18,457

Notes to the Consolidated Financial Statements

1 ACCOUNTING POLICIES

Ai Claims Solutions PLC ('the Company') is a company incorporated in the United Kingdom and is listed on the Alternative Investment Market at the London Stock Exchange. The address of the registered office is provided on the inside back cover.

The Consolidated Financial Statements consolidate those of the Company and its subsidiaries (together referred to as 'the Group'). The Consolidated Financial Statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the EU (IFRS). The Company has elected to prepare its parent company financial statements in accordance with UK GAAP. As such, these are required to be presented separately and are set out on pages 49 to 56.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these Consolidated Financial Statements.

Measurement Convention

The financial statements are prepared under the historical cost convention.

Basis of Consolidation

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the Consolidated Financial Statements from the date that control commences until the date that control ceases.

There are no unrealised gains and losses on transactions between the Group and its subsidiaries. The amounts reported in the financial statements of subsidiaries are consistent with the accounting policies adopted by the Group.

Going Concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Operating and Financial Review (pages 14 to 19) together with note 20 to the financial statements.

The Group has recently renewed its working capital funding and the Group's forecasts show that it will be able to operate within the levels of its banking and other financing facilities for the foreseeable future. The Group's bankers have, subject to satisfactory ongoing financial performance and covenant compliance, confirmed availability of the current facilities up until at least 30 September 2012, in advance of which the next review will be performed.

Current trading is in line with market forecasts and so the future outlook remains unchanged. It is, therefore, the Board's current expectation that the Group will be able to negotiate new facilities under acceptable terms on renewal of the Group's current facilities.

After making enquiries, the Directors have a reasonable expectation that the Company and the Group as a whole have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Intangible Assets and Goodwill

Subject to the transitional relief in IFRS 1, all business combinations are accounted for by applying the purchase method. Goodwill represents amounts arising on acquisition of subsidiaries. In respect of business acquisitions that have occurred since 1 July 2006, goodwill represents the difference between the fair value of consideration transferred and the fair value of the net identifiable assets acquired. Identifiable intangibles are those which can be sold separately or which arise from legal rights regardless of whether those rights are separable.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but is tested annually for impairment.

IFRS 1 grants certain exemptions from the full requirements of Adopted IFRS in the transition period. The Group elected not to restate business combinations that took place prior to 1 July 2006. In respect of acquisitions prior to 1 July 2006, goodwill is included at the transition date on the basis of its deemed cost, which represents the amount recorded under UK GAAP which was broadly comparable save that only separable intangibles were recognised and goodwill was amortised.

Expenditure on research activities is recognised in the profit or loss as an expense as incurred.

Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group intends, has the technical ability and has sufficient resources to complete development and if the Group can measure reliably the expenditure attributable to the intangible asset during its development. The expenditure capitalised is specific to software and includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the income statement as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses. Amortisation is recorded within the administrative expenses within the income statement.

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and impairment losses.

Amortisation is charged to the income statement through administrative expenses on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Other intangible assets are amortised from the date they are available for use. The estimated useful life of capitalised development costs is 7 years.

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Leases in which the Group assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Leased assets acquired by way of finance lease and similar hire purchase contracts are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses. Lease payments are accounted for as described below.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives are as follows:

– Leasehold buildings	30 years/over the period of the lease
– Leasehold improvements	over the period of the lease
– Computer equipment and telephone systems	20% to 33% per annum
– Plant, fixtures and equipment	20% per annum

Residual values of assets and their useful lives are reviewed annually.

The gain or loss arising from the disposal of an item of property, plant and equipment is calculated as the difference between the net disposal proceeds and the carrying value of the item, and is included in the profit or loss.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances and call deposits.

Financial Assets and Liabilities

Financial assets and liabilities are recognised on the Group's Consolidated Statement of Financial Position as and when the Group becomes a party to the contractual provisions of the instrument.

All financial assets are categorised as loans and receivables. Financial assets are initially recognised at fair value plus transaction costs. Subsequent measurement for financial assets and liabilities (including short term receivables and payables) is at amortised cost less any impairment provision.

Financial liabilities are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the profit or loss over the period of the borrowings on an effective interest basis.

Impairment

The carrying amounts of the Group's intangible assets and property, plant and equipment are reviewed at each statement of financial position date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For intangible assets that are not yet available for use, the recoverable amount is estimated at each statement of financial position date. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the profit or loss.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then to reduce the carrying amount of the other assets in the unit on a pro rata basis. A cash generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Calculation of recoverable amount

The recoverable amount is the greater of fair value less cost to sell and value in use. In assessing value in use, the 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 an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Reversals of impairment

An impairment loss in respect of goodwill is not reversed.

In respect of other assets, an impairment loss is reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Employee Benefits

Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement as incurred.

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Notes to the Consolidated Financial Statements (continued)

1 ACCOUNTING POLICIES (continued)

Share-based payment transactions

The grant date fair value of options and phantom options granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which unconditional entitlement occurs. The fair value of the options granted is measured using an option valuation model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options expected to vest.

The Group took advantage of the option available in IFRS 1 to apply IFRS 2 only to equity instruments that were granted after 7 November 2002 and that had not vested by 1 July 2006.

Upon the exercise of share options, the proceeds received net of attributable transaction costs are credited to share capital, and where appropriate share premium.

Revenue

Revenue is measured at the fair value of the consideration received and represents amounts receivable for services provided in the normal course of business, net of discounts and VAT. The Group acts as principal on the provision of its services as it fully takes on the associated risks.

The Group manages motor claims and there are different components to this service and each such component is considered separately for the purpose of revenue recognition as set out below.

Hire income is recognised on a daily basis in accordance with charge out rates under the GTA or in line with specific contractual terms. The hire cost is known, generally being based on prices agreed with the third party hire car supplier.

Repair revenue is recognised based on the estimated stage of completion at the statement of financial position date. The repair work is conducted by third parties and the stage of completion is estimated based on information provided by these suppliers. Repair revenue can be reliably estimated based on prices agreed with insurers. Repair costs, likewise, can be reliably measured and are either based on the (third party repairer supplied) estimated cost to repair the vehicle provided or, if the service is complete, the repairer's invoice.

Amounts are set aside for settlement adjustments which insurers, in certain limited circumstances (e.g. due to administrative delays) seek to negotiate. Such amounts are recognised within revenue as they relate to revisions of income estimates, not collectability (credit risk).

Other income arising from claims management is recognised when services are completed. Revenue and any third party costs can be reliably estimated based on rates agreed with customers and suppliers.

The accounting policy for identifying segments is now based on internal management reporting information that is regularly reviewed by the chief operating decision maker.

Finance Lease Payments

Leases in which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Operating Lease Payments

An operating lease is any lease other than a finance lease.

Payments made under operating leases are recognised in the profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense over the course of the lease.

Where land and buildings are held under leases, the accounting treatment of the land is considered separately from that of the buildings.

Net Financing Costs

Net financing costs comprise interest payable, finance charges on finance leases and interest receivable on funds invested, that are recognised in the income statement.

Interest income and interest payable is recognised in the income statement as it accrues, using the effective interest method.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the statement of financial position date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided in full using the liability method (with no discounting) on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax base. The following temporary differences are not provided for:

- the initial recognition of goodwill;
- the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination; and
- differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Capital and Reserves

Called up share capital represents the nominal value of equity shares.

Share premium account represents the excess over the nominal value of consideration received for equity shares, net of the expenses of the share issue.

Other reserves held relate to equity settled share compensation schemes.

Retained earnings reserves represent retained earnings.

Treasury shares relates to the purchase by the Company of its own shares.

Dividends

Dividend distributions payable to equity shareholders are included in current liabilities where the dividends are approved in general meeting prior to the statement of financial position date.

New Accounting Standards

At the date of authorisation of these financial statements, the following Standards and Interpretations (which we anticipate would have an impact on the Group) have not been applied in these financial statements but were in issue and have not yet come into effect:

IFRS 9 Financial Instruments (effective 1 January 2013)

IFRS 10 Consolidated Financial Statements (effective 1 January 2013)

IAS 24 (Revised 2009) Related Party Disclosures (effective 1 January 2011) – EU endorsed

Improvements to IFRS issued May 2010 (some changes effective 1 July 2010, others effective 1 January 2011)

The Directors anticipate that the adoption of these Standards and Interpretations in future periods will principally be reflected by disclosure changes and will have no material impact on the results of the Group.

2 ACCOUNTING ESTIMATES AND JUDGEMENTS

In the process of applying the Group's accounting policies, the Group is required to make certain estimates, judgements and assumptions that it believes are reasonable based upon the information available. These estimates and assumptions affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period presented.

On an ongoing basis, the Group evaluates its estimates using historical experience and other methods considered reasonable in the particular circumstances. Actual results may differ from the estimates, the effect of which is recognised in the period in which the facts that give rise to the revision become known. The following paragraphs detail the estimates and judgements the Group believes to have the most significant impact on the annual results under IFRS.

Revenue Recognition

The Group recognises revenue as described in the revenue recognition accounting policy, when it is reasonably certain that the revenue has been earned. Income is derived from claims made against fault parties and recovered from insurers, with each claim subject to settlement agreement. The Group uses past experience to determine a fair value of each claim and recognise the revenue accordingly. Adjustments are made to revenue as and when new facts arise.

Fair Value of Share Options

The Group operates several share based compensation plans for its employees and Directors, as described in note 17. As required by IFRS 2, the Group's share options are measured at fair value, using a suitable valuation model, and this fair value is recognised as an expense over the performance period. The determination of the fair values involves a significant amount of estimation and application of judgement.

The assumptions are based on the Directors' best estimates of the expected share price volatility, dividend yield and the expected life of the options as well as including factors such as the risk free rate, the vesting period, the effects of exercise restrictions and behavioural considerations and, where applicable, the expected probability of achieving market based and non-market based performance criteria. These assumptions may differ from actual results due to changing market and economic conditions as well as differences in actual behaviour to that assumed by the Directors. This may have a positive or negative impact on operating profit. Volatility is determined at the date of the grant in reference to the historical volatility of the Company's share price over a length of time.

Goodwill

The Group records all assets and liabilities acquired in purchase acquisitions, at fair value. Goodwill is not amortised but is subject, at a minimum, to annual tests for impairment. Impairment analysis requires management to make subjective judgements concerning the fair value of cash-generating units, which are determined using discounted cash flow analysis based upon the Group's latest approved plans and forecasts.

Notes to the Consolidated Financial Statements (continued)

3 SEGMENTAL INFORMATION

The Group operates in one operating segment, being the delivery of accident management and other solutions to the automotive and insurance sectors, conducted wholly in the United Kingdom.

Accordingly no segmental information for operating segments is disclosed. Management information is provided to the chief operating decision maker on the type of service provided at a gross profit level being hire or repair. However, discrete financial information is not available and it is not possible to allocate costs to a sufficient level to allow this information to be used to make decisions about resources to be allocated or to assess performance.

4 OPERATING PROFIT

Operating profit is arrived at after charging:

	2010/11 £'000	2009/10 £'000
Amortisation of other intangible assets	634	453
Depreciation of property, plant and equipment		
Owned assets	378	531
Leased assets	166	73
Operating lease rentals		
Plant and machinery	227	207
Land and buildings	258	259

Auditor's Remuneration

	2010/11 £'000	2009/10 £'000
Audit of these financial statements	6	7
Amounts receivable by the auditor in respect of:		
Audit of financial statements of subsidiaries pursuant to legislation	51	52
Other services pursuant to such legislation	40	6

Adjusted Profit

	2010/11 £'000	2009/10 £'000
Profit before taxation	3,737	2,630
Share based payments	74	92
Adjusted profit before taxation	3,811	2,722
Taxation	(1,084)	(708)
Adjusted profit after taxation	2,727	2,014

5 STAFF NUMBERS AND COSTS

The average number of persons employed by the Group (including Directors) during the year, analysed by category, was as follows:

	Number of employees	
	2010/11	2009/10
Operations and claims	338	286
Administration and selling	133	89
	471	375

The aggregate employee costs of these persons were as follows:

	2010/11 £'000	2009/10 £'000
Wages and salaries	10,484	8,068
Share based payments (see note 17)	74	92
Social security costs	943	744
Other pension costs	272	219
	11,773	9,123

6 DIRECTORS' REMUNERATION

2010/11	Basic salary £'000	Bonus £'000	Benefits- in-hand £'000	Phantom options settlement £'000	Contributions to money purchase pension plans £'000	Total £'000
Christopher Baker	39	-	-	-	-	39
Steve Broughton	45	-	-	66	-	111
Peter Harrison	160	97	2	-	24	283
Robert Newton	37	-	-	-	-	37
David Sandhu	210	127	2	-	32	371
	491	224	4	66	56	841

2009/10	Basic salary £'000	Bonus £'000	Benefits- in-hand £'000	Contributions to money purchase pension plans £'000	Total £'000
Christopher Baker	39	-	-	-	39
Steve Broughton	-	-	-	-	-
Peter Harrison	146	72	2	21	241
Robert Newton	37	-	-	-	37
David Sandhu	180	90	9	27	306
	402	162	11	48	623

Notes to the Consolidated Financial Statements (continued)

6 DIRECTORS' REMUNERATION (continued)

Directors' rights to subscribe for shares in or debentures of the Company and its subsidiaries are indicated below:

	At 1 Jul 10	At 30 Jun 11	Exercise price (pence)	Normally exercisable
DB Sandhu	67,500	67,500	25.00	2005 to 2012
DB Sandhu	150,000	150,000	27.50	2006 to 2013
DB Sandhu	100,000	100,000	30.50	2007 to 2014
DB Sandhu	500,000	500,000	20.00	2011 to 2018
DB Sandhu ^A	225,000	225,000	–	2011 to 2018
DB Sandhu ^B	–	243,000	–	2013 to 2020
DB Sandhu ^C	–	2,000,000	20.00	2013 to 2021
PJ Harrison	500,000	500,000	20.00	2011 to 2018
PJ Harrison ^A	173,500	173,500	–	2011 to 2018
PJ Harrison ^B	–	75,000	–	2013 to 2020
PJ Harrison ^C	–	1,600,000	20.00	2013 to 2021
SW Broughton ^D	2,750,000	–	20.00	2010
SW Broughton ^E	–	2,000,000	20.00	2013 to 2021

Please see below for accompanying footnotes A – E.

During the period, the Chairman exercised his phantom options – see footnote E below. The market price of the shares at 30 June 2011 was 26.00p and the high and low for the year were 30.25p and 20.75p respectively.

A These share awards were granted during 2008/09 under the Group's LTIP. The conditions for the shares to vest in full will be the achievement of:

Either:

- 2010/11 Adjusted EPS calculated under UK GAAP of at least 6.10p or
- the share price (based on average mid market prices derived from the Stock Exchange Daily Official List) for the 90 days preceding the preliminary announcement of the result for 2010/11 being at least 60.00p.

A 50% vesting of matching shares would take place with an EPS of 4.07p and share price of 40.00p. Vesting slides on a pro-rata basis between these points. These awards are subject to a 3 year performance period.

The 2010/11 Adjusted EPS reported in these financial statements was 4.46p which will result in the following shares vesting to the Directors under the LTIP on 3 November 2011: DB Sandhu (134,100) and PJ Harrison (103,406).

B These share awards were granted during 2010/11 under the Group's LTIP. The conditions for the shares to vest in full will be the achievement of:

Either:

- 2012/13 Adjusted EPS calculated under UK GAAP of at least 6.50p or
- the share price (based on average mid market prices derived from the Stock Exchange Daily Official List) for the 90 days preceding the preliminary announcement of the result for 2012/13 it being at least 40.00p.

A 50% vesting of matching shares would take place with an EPS of 5.00p and share price of 30.00p. Vesting slides on a pro-rata basis between these points. These awards are subject to a 3 year performance period.

C These share options were granted during 2010/11 under the Group's Unapproved Share Option Scheme (USOP). The options will only vest if the following criteria are met:

- Complete vesting of the options would take place with the achievement of an average share price of 40.00p (based on mid market prices derived from the Stock Exchange Daily Official List) for any rolling 30 day period between the 2nd anniversary and the 3rd anniversary after the date of the award.
- A 50% vesting of these option awards would take place with the achievement of an average share price (on the same basis and during the same period as noted above) of 35.00p.

Once vested, the options will be able to be exercised, subject to certain conditions, up until the 10th anniversary after the date of the award.

D These are phantom options which were granted to the Chairman, Steve Broughton, during 2008/09 rather than receiving any remuneration. Phantom options over 2,500,000 shares of the Company were granted initially. A further 250,000 options were also granted to the Chairman as the Company met its target for EPS in 2007/08. The phantom options were settled by cash in December 2010.

E These share options were granted during 2010/11 under an individual option agreement with the Chairman. The vesting criteria are the same as those for the options granted under the Group's USOP in 2010/11 ^C.

7 FINANCIAL EXPENSES

	2010/11 £'000	2009/10 £'000
Interest expense on bank loans and overdrafts	802	423
Interest expense on obligations under finance lease and similar hire purchase contracts	17	11
	819	434

8 INCOME TAX

Analysis of expense for the year:

	2010/11 £'000	2009/10 £'000
Current tax expense:		
Current year	1,074	777
Prior year adjustment	(25)	3
	1,049	780

Deferred tax expense/(credit):		
Prior year deferred tax expense/(credit) adjustments	90	(39)
Origination and reversal of temporary differences	(55)	(33)
	35	(72)
Total tax in the statement of comprehensive income	1,084	708

Reconciliation of effective tax rate:

	2010/11 £'000	2009/10 £'000
Profit for the period	2,653	1,922
Total tax expense	1,084	708
Profit excluding taxation	3,737	2,630
Tax using the UK corporation tax rate of 27.5% (2009/10: 28.0%)	1,027	736
Non-deductible expenses	37	45
Ineligible depreciation	27	27
Research and development relief	(66)	(52)
Adjustments for under provision of tax charge in prior year	(25)	3
Adjustments to deferred tax to reflect changes to prior charge	90	(39)
Adjustments to deferred tax to reflect changes to future tax rate	3	–
Deferred tax on share schemes	(4)	(7)
Marginal relief	(5)	(5)
Total tax expense	1,084	708

Notes to the Consolidated Financial Statements (continued)

9 EARNINGS PER SHARE

Basic Earnings Per Ordinary Share

The calculation of basic earnings per ordinary share at 30 June 2011 is based on the profit for the period attributable to equity holders of the parent and a weighted average number of ordinary shares outstanding during the year, calculated as follows:

	2010/11	2009/10
Profit for the year attributable to ordinary shareholders	£2,653,000	£1,922,000
Weighted average number of ordinary shares	61,165,454	61,151,965
Basic earnings per share	4.34p	3.14p

Diluted Earnings Per Ordinary Share

The calculation of diluted earnings per ordinary share at 30 June 2011 is based on the profit for the period attributable to equity holders of the parent and a weighted average number of ordinary shares outstanding during the year including share options with a dilutive effect, calculated as follows:

	2010/11	2009/10
Profit for the year attributable to ordinary shareholders	£2,653,000	£1,922,000
Weighted average number of ordinary shares – diluted	63,055,833	61,709,295
Diluted earnings per share	4.21p	3.11p

Adjusted Basic Earnings Per Ordinary Share

The calculation of basic adjusted earnings per ordinary share at 30 June 2011 is based on the profit for the period attributable to equity holders of the parent and a weighted average number of ordinary shares outstanding during the year, calculated as follows:

	2010/11	2009/10
Profit for the year attributable to ordinary shareholders (note 4)	£2,727,000	£2,014,000
Weighted average number of ordinary shares	61,165,454	61,151,965
Adjusted basic earnings per share	4.46p	3.29p

10 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings £'000	Computer equipment £'000	Plant, fixtures and equipment £'000	Total £'000
Cost				
Balance at 1 July 2009	2,120	1,294	766	4,180
Additions	–	570	34	604
Balance at 30 June 2010	2,120	1,864	800	4,784
Additions	10	213	54	277
Disposals	–	(393)	(69)	(462)
Balance at 30 June 2011	2,130	1,684	785	4,599
Depreciation and impairment				
Balance at 1 July 2009	421	805	491	1,717
Charge for the year	98	405	101	604
Balance at 30 June 2010	519	1,210	592	2,321
Charge for the year	98	350	96	544
Disposals	–	(393)	(69)	(462)
Balance at 30 June 2011	617	1,167	619	2,403
Net book value				
At 1 July 2009	1,699	489	275	2,463
At 30 June 2010	1,601	654	208	2,463
At 30 June 2011	1,513	517	166	2,196

Leased Plant and Machinery

Property, plant and equipment includes computer and telecommunications equipment held under finance lease agreements. At 30 June 2011 the net book value of all such assets was £404,000 (30 June 10: £377,000); the depreciation charge in the year relating to such assets was £166,000 (30 June 10: £73,000).

11 INTANGIBLE ASSETS

	Goodwill £'000	Software* £'000	Total £'000
Cost			
At 1 July 2009	6,726	3,568	10,294
Additions*	–	1,089	1,089
At 30 June 2010	6,726	4,657	11,383
Additions*	–	964	964
Balance at 30 June 2011	6,726	5,621	12,347
Amortisation			
At 1 July 2009	–	674	674
Charge for the year	–	453	453
At 30 June 2010	–	1,127	1,127
Charge for the year	–	634	634
Balance at 30 June 2011	–	1,761	1,761
Net book value			
At 1 July 2009	6,726	2,894	9,620
At 30 June 2010	6,726	3,530	10,256
At 30 June 2011	6,726	3,860	10,586

* all relate to internally generated development costs

Software

Internally generated software development costs that meet the recognition criteria of IAS 38 Intangible Assets are capitalised at cost. They are amortised on a straight line basis over their estimated useful economic life of 7 years.

Goodwill

The goodwill arising on acquisition of businesses is allocated, at acquisition, to the cash generating units (CGUs) that are expected to benefit from the business combination. As disclosed in note 3, the Group has one operating segment, being the delivery of accident management and other solutions to the automotive and insurance sectors. The Directors have assessed the Company and the goodwill has been allocated to one CGU (the Group). Impairment testing has been carried out in accordance with this one CGU.

The Group test goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired. The recoverable amounts of the CGUs are determined using value in use calculations which use cash flow projections based on financial budgets and plans approved by management for the forthcoming year. The weighted average cost of capital used is 8.0% (30 June 10: 6.9%) and it is assumed that the Group will continue trading for at least 10 years (30 June 10: 10 years). In line with a prudent view, and the review undertaken at the last year end, no growth was assumed over the period.

Notes to the Consolidated Financial Statements (continued)

12 DEFERRED TAX ASSETS AND LIABILITIES

Recognised Deferred Tax Assets and Liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities	
	30 June 11 £'000	30 June 10 £'000	30 June 11 £'000	30 June 10 £'000
Property, plant and equipment	28	65	–	–
Provisions	5	7	–	–
Share based payments	95	39	–	–
Deferred tax assets	128	111	–	–

Movement in deferred tax during the year:

	1 July 10 £'000	Recognised in income £'000	Recognised in equity £'000	30 June 11 £'000
2010/11				
Property, plant and equipment	65	(37)	–	28
Provisions	7	(2)	–	5
Share based payments	39	4	52	95
	111	(35)	52	128

Movement in deferred tax during the prior year:

	1 July 09 £'000	Recognised in income £'000	Recognised in equity £'000	30 June 10 £'000
2009/10				
Property, plant and equipment	(3)	68	–	65
Provisions	10	(3)	–	7
Share based payments	20	7	12	39
	27	72	12	111

13 TRADE AND OTHER RECEIVABLES

	30 June 11 £'000	30 June 10 £'000
Trade receivables	52,497	40,956
Other receivables	1,725	1,617
Prepayments and accrued income	9,460	13,425
	63,682	55,998

Trade receivables are held at amortised cost less any impairment provisions and this equates to their recoverable value. Amounts set aside for settlement adjustments, which insurers in certain limited circumstances (e.g. due to administrative delays) seek to negotiate, are based on historical experience. The resulting settlement adjustments are recognised within revenue as they relate to revisions of income estimates, not collectability (credit risk). Movements in the impairment provision relating to credit risk are recognised within administrative expenses as bad debt expenses.

	30 June 11 £'000	30 June 10 £'000
GTA trade receivables	49,911	35,426
Non-GTA trade receivables	2,586	5,530
	52,497	40,956

IFRS 7 requires the Group to disclose overdue trade receivables. However, since the GTA trade receivables do not carry a due date this requirement is not considered relevant. Instead the Group monitors the number of days credit taken by receivables; debtor days for the GTA trade receivables were 145 days (30 June 10: 123 days) and for the non-GTA receivable were 41 days (30 June 10: 52 days). Debtor days are based on billings, not revenue, and are calculated on a count back basis to provide a more accurate presentation at the statement of financial position date given the growth experienced by the business.

The non-GTA receivables can be analysed as:

	30 June 11 £'000	30 June 10 £'000
Amounts not yet due	1,096	2,510
Amounts past due		
Less than 90 days	257	1,259
90 – 180 days	257	435
180 – 365 days	464	719
More than 365 days past due	512	607
	2,586	5,530

14 CASH AND CASH EQUIVALENTS

The net cash and cash equivalents position is as follows:

	30 June 11 £'000	30 June 10 £'000
Cash at bank and in hand	57	183
Bank overdraft	(21,210)	(18,329)
	(21,153)	(18,146)

Included within cash and cash equivalents are amounts held on behalf of clients totalling £8,000 (30 June 10: £15,000).

Notes to the Consolidated Financial Statements (continued)

15 FINANCIAL LIABILITIES – BORROWINGS

This note provides information about the contractual terms of the Group's and Company's interest-bearing loans and borrowings. For more information about the Group's and Company's exposure to interest rate risk, see note 20.

	30 June 11 £'000	30 June 10 £'000
Current liabilities		
Current portion of secured bank loans	84	103
Current portion of finance lease liabilities	212	150
Bank overdraft	21,210	18,329
	21,506	18,582
Non-current liabilities		
Bank loans	714	776
Finance lease liabilities	157	225
	871	1,001

Terms and Debt Repayment Schedule

	Currency	Nominal interest rate	Year of maturity	Carrying amount 30 June 11 £'000	Carrying amount 30 June 10 £'000
Bank loan	GBP	1.50% above LIBOR rate	2020	798	879
Bank overdraft	GBP	2.75% above Bank base rate	N/A	21,210	18,329
				22,008	19,208

The Group has a bank overdraft incorporating a revolving credit facility and property loan with Yorkshire Bank. These are secured by a fixed and floating charge over the assets of the Group.

Finance Lease Liabilities

Finance lease liabilities are payable as follows:

	Minimum lease payments 30 June 11 £'000	Interest 30 June 11 £'000	Principal 30 June 11 £'000	Minimum lease payments 30 June 10 £'000	Interest 30 June 10 £'000	Principal 30 June 10 £'000
Less than one year	234	22	212	164	14	150
One to five years	191	34	157	236	11	225
	425	56	369	400	25	375

16 TRADE AND OTHER PAYABLES AND CURRENT TAX LIABILITIES

	30 June 11 £'000	30 June 10 £'000
Current liabilities		
Trade payables	13,637	12,914
Other taxes and social security costs	10,445	5,822
Other payables	780	609
Dividend declared	201	–
Accruals and deferred income	10,219	13,301
	35,282	32,646
Current tax liabilities	533	479
	35,815	33,125

17 EMPLOYEE BENEFITS

Defined Contribution Pension Plan

The Group operates a defined contribution pension plan. The total expense relating to the plan in the current year was £272,000 (2009/10: £219,000).

Share Based Payments

As noted in both the Remuneration Report and note 6 to these financial statements, the Group grants options to certain directors and employees under the LTIP, the Chairman's incentivisation programme (the phantom options arrangement) and has entered into approved individual option agreements and unapproved options as shown in the tables on the following page. An unapproved share option is an option defined by HM Revenue and Customs as one which does not attract tax relief on exercise.

Approved and unapproved options

These options are exercisable at a price equal to the average quoted market price of the Company's shares at the date of grant. The vesting period is generally 3 years. If these options remain unexercised after a period of 10 years from the date of the grant, the options expire. Furthermore, these options would be forfeited if the employee leaves the Group before the options vest.

Unlike the other approved and unapproved options, there are two options awards that had performance criteria attached to them:

300,000 approved options with an exercise price of 16.0 pence were granted on 4 November 2008. The conditions for these options to vest in full would be the achievement of either:

- 2010/11 Adjusted EPS calculated under UK GAAP of at least 6.10p or
- the share price (based on average mid market prices derived from the Stock Exchange Daily List) for the 90 days preceding the preliminary announcement of the result for 2010/11 being at least 60.00p.

A 50% vesting of these options would take place with an Adjusted EPS of 4.07p and a share price of 40.00p. Vesting slides on a pro-rata basis between these two points. The 2010/11 Adjusted EPS reported in these financial statements was 4.46p which means that 178,818 of the 300,000 options have now vested. The remaining 121,182 options have lapsed.

4,780,000 options with an exercise price of 20.00p were granted on 1 March 11 under the Group's USOP. The options will only vest if the following criteria are met:

- Complete vesting of the options would take place with the achievement of an average share price of 40.00p (based on mid market prices derived from the Stock Exchange Daily Official List) for any rolling 30 day period between the 2nd anniversary and the 3rd anniversary after the date of the award.
- A 50% vesting of these option awards would take place with the achievement of an average share price (on the same basis and during the same period as noted above) of 35.00p.

Once vested, the options will be able to be exercised, subject to certain conditions, up until the 10th anniversary after the date of the award.

A further 2,000,000 unapproved options were granted on the same day under an individual option agreement with the Chairman. The vesting criteria are the same as those for the options granted under the Group's USOP on that day.

LTIP awards

A total of 535,941 matching awards were granted on 2 November 2007; 522,000 matching awards were granted on 4 November 2008 and 606,000 matching awards were granted on 8 November 2010 and these are the only matching awards to be granted under the LTIP plan. The vesting period is generally 3 years. These awards are forfeited if the employee leaves the Group before the awards vest.

The LTIP awards granted on 2 November 2007 have now all lapsed due to the vesting conditions not being met.

For the LTIP awards granted on 4 November 2008, the conditions for the shares to vest in full was the achievement of either:

- 2010/11 Adjusted EPS calculated under UK GAAP of at least 6.10p or
- the share price (based on average mid market prices derived from the Stock Exchange Daily Official List) for the 90 days preceding the preliminary announcement of the result for 2010/11 being at least 60.00p.

A 50% vesting of matching shares would take place with an Adjusted EPS of 4.07p and share price of 40.00p. Vesting slides on a pro-rata basis between these points.

The 2010/11 Adjusted EPS reported in these financial statements was 4.46p which will result in 311,112 shares vesting under the LTIP on 3 November 2011.

Notes to the Consolidated Financial Statements

(continued)

17 EMPLOYEE BENEFITS (continued)

Phantom options

These are phantom options which were granted to the Chairman, Steve Broughton, during 2008/09 rather than receiving any remuneration. Phantom options over 2,500,000 shares of the Company were granted initially. A further 250,000 options were also granted to the Chairman as the Company met its target for EPS in 2007/08. The phantom options were settled in December 2010.

Details of the options outstanding during the period are as follows:

	2010/11		2009/10	
	Number of options 000's	Weighted average exercise price	Number of options 000's	Weighted average exercise price
Approved and unapproved				
Outstanding at the beginning of the period	2,768	24.69p	4,438	26.10p
Granted during the period	6,780	20.00p	–	–
Forfeited during the period	(398)	17.46p	(1,512)	34.30p
Exercised during the period	–	–	(158)	16.60p
Expired during the period	(57)	26.51p	–	–
Outstanding at the end of the period	9,093	20.71p	2,768	20.37p
Exercisable at the end of the period	2,012	23.81p	1,418	24.69p
LTIP				
Outstanding at the beginning of the period	522	0.00p	1,005	0.00p
Granted during the period	606	0.00p	–	–
Forfeited during the period	–	–	(483)	0.00p
Exercised during the period	–	–	–	–
Expired during the period	–	–	–	–
Outstanding at the end of the period	1,128	0.00p	522	0.00p
Exercisable at the end of the period	–	–	–	–
Phantom options				
Outstanding at the beginning of the period	2,750	20.00p	2,750	20.00p
Granted during the period	–	–	–	–
Forfeited during the period	–	–	–	–
Exercised during the period	(2,750)	20.00p	–	–
Expired during the period	–	–	–	–
Outstanding at the end of the period	–	–	2,750	20.00p
Exercisable at the end of the period	–	–	–	–

There were 9,093,000 outstanding approved and unapproved options at the year end with exercise prices ranging from 16.0p to 30.5p and a weighted average remaining term of 8 years 5 months.

In 2010/11, matching awards and options were granted on 10 November 2010 and 1 March 2011 respectively. The aggregate of the estimated fair values of the options granted on those dates was £143,000. In 2009/10, no options were granted.

The options granted in 2010/11 were fair valued using the Black Scholes model and adjusted for management expectations of non-market conditions where non-market conditions arise (as noted above). The inputs for the Black Scholes model were as follows – these have not been provided for 2009/10 as no options were granted in that year:

	2010/11
Weighted average share price	26.71p
Weighted average exercise price	18.36p
Expected volatility	18% – 22%
Expected life	2 – 10 years
Risk free rate	0.50%
Dividend yield	0.85% – 2.44%

Expected volatility was determined by calculating the historical volatility of the Group's share price over the previous year. The total expenses recognised for the period arising from share based payments are as follows:

	2010/11 £'000	2009/10 £'000
Equity settled share based payment expense	74	92

The aggregate current and deferred tax relating to items that are charged or credited to equity is £52,000 credit (2009/10: £12,000 credit).

18 SHARE CAPITAL

	30 June 11 000's	Ordinary shares of 10p each 30 June 10 000's
On issue at 1 July and at 30 June	61,416	61,416
	30 June 11 £'000	30 June 10 £'000
Authorised 85,000,000 ordinary shares of 10p each (30 June 09: 85,000,000)	8,500	8,500
Allotted, called up and fully paid 61,416,189 ordinary shares of 10p each (30 June 09: 61,416,189)	6,142	6,142
Shares classified as equity	6,142	6,142

Included within the ordinary share capital, as at 30 June 2011, are 471,667 treasury shares (30 June 10: 141,667 treasury shares) of 10p each with a carrying value of £128,000 (30 June 10: £28,000). In 2010/11, 330,000 treasury shares were acquired by the Company.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. Treasury share holders are not entitled to receive dividends nor are they entitled to vote at meetings of the Company.

Dividends

	2010/11 £'000	2009/10 £'000
0.70p (2009/10: 0.63p) per qualifying ordinary share	428	385

After the statement of financial position date dividends of 0.42p per qualifying ordinary share (2009/10: 0.37p) were proposed by the Directors. The proposed dividend of £256,000 (2009/10: £227,000) has not been included as a liability.

19 FINANCIAL ASSETS AND LIABILITIES

Carrying Values

	30 June 11 £'000	30 June 10 £'000
Financial assets (all loans and receivables)		
Cash	57	183
Trade receivables	52,497	40,956
Other receivables	1,725	1,617
	54,279	42,756
Financial liabilities (at amortised cost)		
Trade payables	13,637	12,914
Bank overdraft	21,210	18,329
Bank loans	798	879
Accruals	10,219	13,301
Other payables	780	609
	46,644	46,032

Notes to the Consolidated Financial Statements (continued)

20 FINANCIAL RISK FACTORS

The main financial risks faced by the Group relate to access to capital, interest rates, credit and liquidity. These risks are managed as described below. The consolidated statement of financial position is representative of the position for the majority of the year.

Capital Risk

The Group's objective is to maintain a balance sheet structure that is efficient in terms of providing long term returns to shareholders and safeguards the Group's financial position through economic cycles.

The Group requires capital to fund working capital and to support the investment in infra-structure. In order to continue to access its credit facilities the Group needs to remain compliant with its bank covenants (as described in the Operating and Financial Review on pages 14 to 19).

Bank facilities consist of a property loan and overdraft. They are reviewed each year and will next be reviewed in advance of their expiry on 30 September 2012. Failure to remain within covenants or extend bank facilities beyond 30 September 2012 could potentially materially affect the prospects of the Group.

The Group manages this risk by modelling and stress testing the bank covenants against the Group's business plan. In addition, covenants are reviewed on a monthly basis to ensure ongoing compliance. If there was (or there was expected to be) a shortfall in cash generated from operations the Group would reduce its capital requirement.

The Group can choose to adjust its capital structure by varying the scale and mix of its trading activities to reduce the requirement to fund trade debtors. The Board believes that it would be able to convert tranches of trade debtors into cash by agreement with insurance company debtors, although there is likely to be a cost in the form of discount. It can also choose to vary the amount it pays by way of dividend to shareholders, by issuing new shares or adjusting the level of capital expenditure.

The Group's objectives, policies and processes for managing capital are included in the Operating and Financial Review on pages 14 to 19.

The overdraft arrangement operates on the lines of an invoice discounting facility. As such, it is more flexible (in response to trading changes) than a term loan facility and more aligned to the Group's needs given the high levels of debt due from insurance companies.

Working capital management is a key focus for the business and management are set objectives to ensure this is effectively managed.

The new finance leases incepted during the year were used to fund capital expenditure on computer equipment.

Interest Rate Risk

The Group borrows principally to fund its working capital needs. Interest rates are at a low level currently and the Group's profitability would be affected by an increase in interest rates.

The Group has in place a policy of minimising finance charges on overdraft and loan balances via the monitoring and offsetting of cash balances across the Group and by forecasting and financing its working capital requirements. In addition, when pricing for contracts, headroom is built into funding rate estimates.

Interest bearing assets consisted of cash balances which earned interest at variable rates. The Group has hedged part of its exposure to significant increases in rates. No charge has been recognised in the financial statements as it is not material.

Finance lease arrangements are contracted on fixed rate terms.

Sensitivity analysis

In managing interest rate risk the Group aims to reduce the impact of short-term fluctuations on the Group's earnings. Over the longer term, however, permanent changes in interest rates would have an impact on consolidated earnings.

At 30 June 2011, it is estimated that a general increase of one percentage point in interest rates would decrease the Group's profit before tax and its equity by approximately £220,000 (2009/10: £183,000). A LIBOR interest rate swap was purchased covering £15.0m of the available banking facility. The interest rate swap expires in May 2012.

Credit Risk

Credit risk arises if a party paying the Group's debt was unable to meet its obligations.

Debts are largely due from insurance companies. The capitalisation of insurers is regulated by the FSA. The insurance industry operates a policy holders' protection scheme to alleviate the impact of the failure of an insurance company.

Credit risk is therefore spread across major UK based motor insurers in proportion to their respective share of the market. No credit insurance is taken out given the regulated nature of these entities. The average credit period taken by debtors is 131 days (30 June 10: 103 days).

Liquidity Risk

The Group actively forecasts, manages and reports its working capital requirements on a regular basis to ensure that it has sufficient funds for its operations. The timing of the receipt of funds from the insurer of the party from whom the Group seeks to recover its charges is uncertain and can be protracted. This is the primary financial risk covered by the Group's financial risk management process and underpins the Directors' financing strategies.

The following tables show the Group's remaining contractual maturity for its financial liabilities based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows, including estimated interest costs yet to be incurred.

	Total £'000	< 1 year £'000	1 to 2 years £'000	2 to 5 years £'000	5 years and over £'000
30 June 2011					
Secured bank loans: Mortgage	(855)	(99)	(99)	(298)	(359)
Finance lease liabilities	(425)	(234)	(191)	–	–
Bank overdrafts	(21,210)	(21,210)	–	–	–
Trade payables	(13,637)	(13,637)	–	–	–
Other payables	(780)	(780)	–	–	–
	(36,907)	(35,960)	(290)	(298)	(359)
30 June 2010					
Secured bank loans: Mortgage	(958)	(112)	(99)	(298)	(449)
Finance lease liabilities	(400)	(164)	(236)	–	–
Bank overdrafts	(18,329)	(18,329)	–	–	–
Trade payables	(12,914)	(12,914)	–	–	–
Other payables	(609)	(609)	–	–	–
	(33,210)	(32,128)	(335)	(298)	(449)

The overdraft facility available to the Group is based on 80% of trade receivables which are less than 240 days old. At 30 June 2011 £27.6m of the overdraft facility was available (30 June 10: £20.0m), of which £21.2m (30 June 10: £18.3m) was utilised at that date.

Fair Values

There is no material difference between the fair values and book values of the Group's financial instruments which comprise financial assets and liabilities as disclosed above, either in the current or prior year.

Notes to the Consolidated Financial Statements (continued)

21 OPERATING LEASES

Non-cancellable operating lease rentals are payable as follows:

	30 June 11 £'000	30 June 10 £'000
Land and buildings		
Less than one year	6	–
Between one and five years	246	250
	252	250
Plant and equipment		
Less than one year	100	28
Between one and five years	94	166
	194	194

The Group holds two of its buildings under operating leases. The operating leases classified within plant and equipment consist mainly of computer equipment and photocopiers for use within the business.

During the year £485,000 was recognised as an expense in the income statement in respect of operating leases (2009/10: £466,000).

22 CAPITAL COMMITMENTS

As at 30 June 2011, the Group had entered into a contract to purchase property, plant, equipment and software for £115,000 (June 10: £125,000). These commitments are expected to be settled in the following financial year.

23 RELATED PARTIES

Transactions with Key Management Personnel

Directors of the Company and their immediate relatives control 0.7% of the voting shares of the Company. The compensation of key management personnel (including the Directors) is as follows:

	2010/11 £'000	2009/10 £'000
Key management emoluments including social security costs	2,034	1,648
Company contributions to money purchase pension plans	133	106
Share related awards and settlement	67	–
	2,234	1,754

Company Balance Sheet

at 30 June 2011

I

II

III

IV

	Note	30 June 11 £'000	30 June 10 £'000
Fixed assets			
Intangible assets	B2	174	192
Tangible assets	B3	1,337	1,394
Investments	B4	3,642	3,622
		5,153	5,208
Current assets			
Debtors	B5	5,350	4,539
Cash at bank and in hand		21	–
		5,371	4,539
Creditors: Amounts falling due within one year	B6	(720)	(410)
Net current assets		4,651	4,129
Total assets less current liabilities		9,804	9,337
Creditors: Amounts falling due after one year	B7	(714)	(776)
Net assets		9,090	8,561
Capital and reserves			
Called up share capital	B8 & B9	6,142	6,142
Share premium account	B9	1,579	1,579
Other reserves	B9	238	269
Treasury shares	B9	(128)	(28)
Profit and loss account	B9	1,259	599
Shareholders' funds	B9 & B11	9,090	8,561

The Financial Statements were approved by the Board of Directors on 26 September 2011 and signed on its behalf by:

David B Sandhu
Director

Peter J Harrison
Director

Registered Number: 1492207

Company Cash Flow Statement for the year ended 30 June 2011

	Note	2010/11 £'000	2009/10 £'000
Cash flows from operating activities			
Operating profit		1,306	590
<i>Adjustments for:</i>			
Depreciation of property, plant and equipment		57	58
Amortisation of other intangible assets		18	19
Share compensation charge		56	85
Cash settled share options		(98)	–
Share options exercise		–	26
Increase in debtors		(811)	(85)
Increase/(decrease) in creditors		127	(45)
Net cash inflow from operating activities		655	648
Returns on investments and servicing of finance			
Interest paid		(17)	(19)
Taxation		(209)	(141)
		429	488
Equity dividends paid		(227)	(385)
		202	103
Management of liquid resources			
Purchase of treasury shares		(100)	–
Financing			
Repayment of bank loan		(81)	(103)
Increase in cash	812	21	–

Notes to the Company Financial Statements

B1 ACCOUNTING POLICIES

Basis of Accounting

The Financial Statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted are described below. A separate profit and loss account for the Parent Company is not presented as permitted by section 408 of the Companies Act 2006. The Company made a profit after tax of £1,079,000 (2009/10: £451,000).

Accounting Convention

The Financial Statements are prepared under the historical cost convention.

Goodwill

Positive goodwill is the excess of the cost of an acquired entity over the aggregate of the fair values of that entity's identifiable assets and liabilities. Positive goodwill relating to acquisitions made since 1 January 1999 is shown in the balance sheet as an asset. Positive goodwill, where treated as an asset, is amortised evenly over its estimated useful economic life subject to a maximum of 20 years. Periods between 12 and 20 years are used for all existing goodwill. In addition to systematic amortisation, the book value is written down to recoverable amount when any impairment is identified.

Tangible Fixed Assets

Depreciation is provided on cost less residual value in equal annual instalments over the estimated useful lives of assets in use. Where there is evidence of impairment, fixed assets are written down to recoverable amounts. Any such write down would be charged to operating profit.

The rates of depreciation are as follows:

Leasehold land and buildings 30 years

Related Party Transactions

The Company has taken advantage of the exemption in FRS 8 Related Party Disclosures and has not disclosed transactions with Group undertakings.

Pensions

The Company operates a defined contribution pension scheme for Directors and staff. The assets of the scheme are invested and managed independently of the Company. The pension cost charge represents the contributions paid and payable in the year.

Deferred Taxation

The payment of taxation is deferred or accelerated because of timing differences between the treatment of certain items for accounting and taxation purposes. Full provision for deferred taxation is made under the liability method, without discounting, on all timing differences that have arisen but not reversed by the balance sheet date, unless such provision is not permitted by FRS 19. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax balances are not discounted.

Investments

Fixed asset investments are stated at cost less provision for impairment. Share options granted to employees of subsidiary companies are debited to the cost of investment in accordance with FRS 20.

Capital and Reserves

Called up share capital represents the nominal value of equity shares.

Share premium account represents the excess over the nominal value of consideration received for equity shares, net of the expenses of the share issue.

Other reserves held relate to the equity settled share compensation schemes.

Profit and loss account represents retained earnings and treasury shares acquired.

Dividends

Dividend distributions payable to equity shareholders are included in current liabilities when the dividends are approved in general meeting prior to the balance sheet date.

Financial Assets and Liabilities

Financial assets and liabilities are recognised on the Company balance sheet as and when the Company becomes a party to the contractual provisions of the instrument.

Share Based Payments

The Group has applied the requirements of FRS 20 Share Based Payments. The Group issues equity settled share based payments to certain directors and employees. The fair value of these payments is expensed over the vesting period based on an estimate of when shares will eventually vest and adjusted for the effect of non-market-based vesting conditions.

Fair value is measured by the Black Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

Notes to the Company Financial Statements (continued)

B2 INTANGIBLE ASSETS

	Goodwill £'000
Cost	
At 1 July 2010 and 30 June 2011	366
Amortisation	
At 1 July 2010	174
Charge for the year	18
At 30 June 2011	192
Net book value	
At 30 June 2010	192
At 30 June 2011	174

B3 TANGIBLE FIXED ASSETS

	Leasehold land and buildings £'000
Cost	
At 1 July 2010 and 30 June 2011	1,719
Depreciation	
At 1 July 2010	325
Charge for the year	57
At 30 June 2011	382
Net book value	
At 30 June 2010	1,394
At 30 June 2011	1,337

B4 INVESTMENTS

	FRS 20 related investment in subsidiary £'000	Shares in group undertakings £'000	Total £'000
Cost			
At 1 July 2010	13	4,414	4,427
Additions	20	–	20
At 30 June 2011	33	4,414	4,447
Provisions			
At 1 July 2010 and 30 June 2011	–	805	805
Net book value			
At 1 July 2010	13	3,609	3,622
At 30 June 2011	33	3,609	3,642

The FRS 20 related investment in the subsidiary relates to the share based payments made to subsidiary employees. The additions in the year related to the FRS 20 charge for the year.

	Country of incorporation	Class of shares held	Ownership 30 June 11	Ownership 30 June 10
Ai Claims Solutions (UK) Limited	UK	Ordinary	100%	100%
Colegate Vehicle Hire Limited	UK	Ordinary	100%	100%
Colegate Accident Assistance Limited	UK	Ordinary	100%	100%
Auto Indemnity (UK) Limited	UK	Ordinary	100%	100%

Ai Claims Solutions (UK) Limited provides a range of services covering all the key aspects of any motor insurance claim. These include the management of accident management services, cost containment, claims recovery, vehicle repair, replacement vehicles and personal injury claims management.

All companies are incorporated in England and Wales.

Ai Claims Solutions (UK) Limited has a year end consistent with Ai Claims Solutions PLC. Colegate Vehicle Hire Limited, Auto Indemnity (UK) Limited and Colegate Accident Assistance Limited, which are dormant companies, also have a year end consistent with Ai Claims Solutions PLC.

B5 DEBTORS

	30 June 11 £'000	30 June 10 £'000
Amounts owed by group undertakings	5,284	4,439
Other debtors	60	65
Prepayments	6	35
	5,350	4,539

B6 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	30 June 11 £'000	30 June 10 £'000
Bank loan	84	103
Trade creditors	5	7
Other taxation and social security	24	18
Dividend declared	201	–
Accruals	285	162
Income tax liability	121	120
	720	410

The Company has a property loan with Yorkshire Bank. This is secured by a fixed and floating charge over the assets of the Group.

The Company has entered into an unlimited cross guarantee with a subsidiary company and a legal mortgage and mortgage debenture in relation to banking facilities with Yorkshire Bank. At 30 June 2011 borrowings subject to this guarantee amounted to £21.2m (30 June 10: £18.3m).

The bank loan is repayable over 9 years and 6 months and interest is payable at 1.5% over the LIBOR rate.

B7 CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR

	30 June 11 £'000	30 June 10 £'000
Bank loan	714	776

The maturities of obligations on the bank loan are as follows:

	30 June 11 £'000	30 June 10 £'000
Within one year	84	103
Within one to two years	84	103
Within two to five years	240	310
After five years	390	364
	798	880

Notes to the Company Financial Statements (continued)

B8 SHARE CAPITAL

	30 June 11 £'000	30 June 10 £'000
Authorised 85,000,000 ordinary shares of 10p each (30 June 10: 85,000,000)	8,500	8,500
Allotted, called up and fully paid 61,416,189 ordinary shares of 10p each (30 June 10: 61,416,189)	6,142	6,142

Included within the ordinary share capital, as at 30 June 2011, are 471,667 treasury shares (30 June 10: 141,667 treasury shares) of 10p each with a carrying value of £128,000 (30 June 10: £28,000). In 2010/11, 330,000 treasury shares were acquired by the Company.

B9 CAPITAL AND RESERVES

	Share Capital £'000	Share Premium account £'000	Other reserve £'000	Treasury shares £'000	Profit and loss account £'000	Total £'000
At 1 July 2010	6,142	1,579	269	(28)	599	8,561
Profit for the period	–	–	–	–	1,080	1,080
Dividends to equity holders	–	–	–	–	(428)	(428)
Share based payments	–	–	(31)	–	8	(23)
Purchase of treasury shares	–	–	–	(100)	–	(100)
At 30 June 2011	6,142	1,579	238	(128)	1,259	9,090

B10 SHARE OPTIONS

As noted in both the Remuneration Report and note 6 to these financial statements, the Group and Company grants options or matching awards to certain directors and employees under the LTIP, the Chairman's incentivisation programme (the phantom options arrangement) and has entered into approved individual option agreements and unapproved options as shown in the tables on the following page. An unapproved share option is an option defined by HM Revenue and Customs as one which does not attract tax relief on exercise.

Approved and Unapproved Options

These options are exercisable at a price equal to the average quoted market price of the Company's shares at the date of grant. The vesting period is generally 3 years. If these options remain unexercised after a period of 10 years from the date of the grant, the options expire. Furthermore, these options would be forfeited if the employee leaves the Group before the options vest.

3,600,000 options with an exercise price of 20.00p were granted on 1 March 11 under the Group's USOP. The options will only vest if the following criteria are met:

- Complete vesting of the options would take place with the achievement of an average share price of 40.00p (based on mid market prices derived from the Stock Exchange Daily Official List) for any rolling 30 day period between the 2nd anniversary and the 3rd anniversary after the date of the award.
- A 50% vesting of these option awards would take place with the achievement of an average share price (on the same basis and during the same period as noted above) of 35.00p.

Once vested, the options will be able to be exercised, subject to certain conditions, up until the 10th anniversary after the date of the award.

A further 2,000,000 unapproved options were granted on the same day under an individual option agreement with the Chairman. The vesting criteria are the same as those for the options granted under the Group's USOP on that day.

LTIP Awards

A total of 311,600 matching awards were granted on 2 November 2007, 398,500 matching awards were granted on 4 November 2008 and 318,000 matching awards were granted on 8 November 2010 and these are the only matching awards to be granted under the LTIP plan. The vesting period is generally 3 years. These awards are forfeited if the employee leaves the Group before the matching award vests.

The LTIP awards granted on 2 November 2007 have now all lapsed due to the vesting conditions not being met.

For the LTIP awards made on 4 November 2008, the conditions for the shares to vest in full was the achievement of either:

- 2010/11 Adjusted EPS calculated under UK GAAP of at least 6.10p or
- the share price (based on average mid market prices derived from the Stock Exchange Daily Official List) for the 90 days preceding the preliminary announcement of the result for 2010/11 being at least 60.00p.

A 50% vesting of matching shares would take place with an Adjusted EPS of 4.07p and share price of 40.00p. Vesting slides on a pro-rata basis between these points.

The 2010/11 Adjusted EPS reported in these financial statements was 4.46p which will result in 237,506 shares vesting under the LTIP on 3 November 2011.

Phantom Options

These are phantom options which were granted to the Chairman, Steve Broughton, during 2008/09 rather than receiving any remuneration. Phantom options over 2,500,000 shares of the Company were granted initially. A further 250,000 options were also to the Chairman as the Company met its target for EPS in 2007/08. The phantom options were settled by cash in December 2010.

Details of the options outstanding during the period are as follows:

	2010/11		2009/10	
	Number of options '000's	Weighted average exercise price	Number of options '000's	Weighted average exercise price
Approved and Unapproved				
Outstanding at the beginning of the period	2,261	20.06p	3,636	26.90p
Granted during the period	5,600	20.00p	–	–
Forfeited during the period	–	–	(1,242)	36.32p
Exercised during the period	–	–	(133)	16.75p
Expired during the period	–	–	–	–
Outstanding at the end of the period	7,468	20.94p	2,261	20.06p
Exercisable at the end of the period	1,868	23.74p	1,211	19.80p
LTIP				
Outstanding at the beginning of the period	398	0.00p	710	0.00p
Granted during the period	318	0.00p	–	–
Forfeited during the period	–	–	–	–
Exercised during the period	–	–	(312)	0.00p
Expired during the period	–	–	–	–
Outstanding at the end of the period	716	0.00p	398	0.00p
Exercisable at the end of the period	–	–	–	–
Phantom Options				
Outstanding at the beginning of the period	2,750	20.00p	2,750	20.00p
Granted during the period	–	–	–	–
Forfeited during the period	–	–	–	–
Exercised during the period	(2,750)	20.00p	–	–
Expired during the period	–	–	–	–
Outstanding at the end of the period	–	–	2,750	20.00p
Exercisable at the end of the period	–	–	–	–

In 2010/11, options were granted on 10 November 2010 and 1 March 2011. The aggregate of the estimated fair values of the options granted on those dates was £107,000. In 2009/10 no options were granted.

The options granted in 2010/11 were fair valued using the Black Scholes model and adjusted for management expectations of non-market conditions where non-market conditions arise (as noted above). The inputs for the Black Scholes model were as follows – these have not been provided for 2009/10 as no options were granted in that year:

	2010/11
Weighted average share price	26.71p
Weighted average exercise price	18.36p
Expected volatility	18% – 22%
Expected life	2 – 10 years
Risk free rate	0.50%
Dividend yield	0.85% – 2.44%

Notes to the Company Financial Statements (continued)

B10 SHARE OPTIONS (continued)

Expected volatility was determined by calculating the historical volatility of the Group's share price over the previous year. The total expenses recognised for the period arising from share based payments are as follows:

	2010/11 £'000	2009/10 £'000
Equity settled share based payment expense	56	85

No deferred tax assets have been recognised in respect of the share options.

Further and full details of share options in respect of Directors are included in note 6 to the financial statements.

B11 RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

	2010/11 £'000	2009/10 £'000
Profit for the period	1,079	451
Dividends to equity holders	(428)	(385)
Share based payments	(22)	36
Transfer/(purchase) of treasury shares	(100)	26
Increase in shareholders' funds	529	128
Opening shareholders' funds	8,561	8,433
Closing shareholders' funds	9,090	8,561

B12 NET DEBT

(a) Reconciliation of net cash flow to movement in net debt

	2010/11 £'000	2009/10 £'000
Increase in cash in the period	21	–
Cash to repay loan	81	103
Change in net debt	102	103
Net debt at 1 July	(879)	(982)
Net debt at 30 June	(777)	(879)

(b) Analysis of changes in net debt

	1 July 10 £'000	Cash flows £'000	Other Changes £'000	30 June 11 £'000
Cash in hand and at bank	–	21	–	21
Debt due within one year	(103)	81	(62)	(84)
Debt due after one year	(776)	–	62	(714)
Total	(879)	102	–	(777)

	1 July 09 £'000	Cash flows £'000	Other Changes £'000	30 June 10 £'000
Cash in hand and at bank	–	–	–	–
Debt due within one year	(104)	103	(102)	(103)
Debt due after one year	(878)	–	102	(776)
Total	(982)	103	–	(879)

Five Year Summary

All results reported below are presented under IFRS.

	2010/11 £'000	2009/10 £'000	2008/09 £'000	2007/08 £'000	2006/07 £'000
Revenue	117,561	91,929	55,744	40,835	34,326
Adjusted profit ¹	3,811	2,722	2,016	2,159	1,635
Profit before taxation	3,737	2,630	1,874	2,046	1,540
Profit for the period	2,653	1,922	1,301	1,389	1,232
Earnings per share:					
– Adjusted basic ²	4.46p	3.29p	2.36p	2.45p	2.16p
– Basic	4.34p	3.14p	2.13p	2.26p	2.01p
Dividend per share	0.75p	0.66p	0.60p	0.60p	0.52p

1 Adjusted profit represents profit before taxation, exceptional costs and IFRS 2 share option charges

2 Adjusted basic EPS is before IFRS2 share option charges and exceptional costs (note 4)

Notice of Annual General Meeting Ai Claims Solutions Plc

Company Number: 1492207

NOTICE IS HEREBY GIVEN THAT the 30th Annual General Meeting (AGM) of Ai Claims Solutions PLC ('the Company') will be held at the offices of Cobbetts LLP, 70 Gray's Inn Road, London WC1X 8BT on 1 December 2011 at 10.30 a.m. in order to consider and, if thought fit, pass the following Resolutions, of which Resolutions 1 to 8 (inclusive) will be proposed as Ordinary Resolutions and Resolutions 9 and 10 as Special Resolutions – an explanatory note for Resolutions 7 and 8 is provided on page 60:

Ordinary Resolutions

- 1 To receive, consider and adopt the Company's annual accounts for the financial year ended on 30 June 2011 together with the Directors' Report and Auditor's Report on these accounts.
- 2 To re-appoint Grant Thornton UK LLP as auditors of the Company from the conclusion of this meeting until the conclusion of the next general meeting at which accounts are laid before the Company and to authorise the Directors to determine their remuneration.
- 3 To re-appoint as a director Christopher Baker who is retiring by rotation in accordance with Article 78 of the Company's Articles of Association and who being eligible is offering himself for re-election.
- 4 To re-appoint as a director Peter Harrison who is retiring by rotation in accordance with Article 78 of the Company's Articles of Association and who being eligible is offering himself for re-election.
- 5 To declare a final dividend of 0.42p per ordinary share of 10 pence each in the capital of the Company (the 'Ordinary Shares') in respect of the year ended 30 June 2011. This dividend will be paid on 11 January 2012 to the holders of Ordinary Shares at 6:00 p.m. on 9 December 2011.
- 6 That the Directors be generally and unconditionally authorised pursuant to Section 551 of the Companies Act 2006 ('the Act') to exercise all or any of the powers of the Company to allot shares in the Company or to grant rights to subscribe for or convert into shares in the Company ('the Rights') up to an aggregate nominal amount of £2,047,206, provided that this authority shall, unless previously revoked or varied by the Company, expire on the earlier of 31 December 2012 and the conclusion of the Company's next AGM after the passing of this Resolution save that the Directors may before such expiry make an offer or agreement which would or might require shares to be allotted or Rights granted after such expiry and the Directors may allot shares or grant Rights in pursuance of such offer or agreement notwithstanding that the authority conferred by this Resolution has expired.

This authority is in substitution for all previous authorities conferred on the Directors in accordance with Section 551 of the Act.

- 7 That the Remuneration Committee be authorised to amend Rule 2.6 of the Company's Long Term Incentive Plan ('LTIP') so as to increase the limit on the awards that the Remuneration Committee may make under the LTIP, together with any other employee share plan established by the Company that shall require the issue of new shares, from 10% of the existing ordinary share capital of the Company in any rolling ten year period to 20% of the existing ordinary share capital of the Company in any rolling ten year period.
- 8 That, subject to approval being granted by HM Revenue and Customs, the Remuneration Committee be authorised to amend the limits in Rule 9.1 and Rule 9.2 of the Company's Approved Share Option Plan (the 'Plan') so as to:
 - 8.1 increase the limit in Rule 9.1 of the Plan on the aggregate number of shares in respect of which options may be granted (and which, if not exercised, have not ceased to be exercisable) under the Plan from 5% of the number of shares in issue as at the adoption of the Plan to 6% of the number of shares in issue as at the adoption of the Plan; and
 - 8.2 increase the limit in Rule 9.2 of the Plan on the total nominal value of shares over which options to subscribe for the Company's shares under the Plan at any time, when combined with the nominal value of all shares issued (or remaining issuable) within the previous 10 years under the Plan or any other employees share option scheme, or other option or right to acquire or subscribe for shares or share incentive plan or arrangements for employees of the Group (but excluding any options granted under any savings related share option scheme or approved profit sharing schemes), from 10% of the nominal amount of shares in issue immediately prior to the Date of Grant to 20% of the nominal amount of shares in issue immediately prior to the Date of Grant.

Special Resolutions

- 9 That, subject to the passing of Resolution 6, the Directors be given the general power to allot equity securities (as defined by Section 560 of the Act) for cash, either pursuant to the authority conferred by Resolution 6 or by way of a sale of treasury shares, as if Section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to:
 - 9.1 the allotment of equity securities in connection with an offer by way of a rights issue:
 - 9.1.1 to the holders of Ordinary Shares in proportion (as nearly as may be practicable) to their respective holdings; and
 - 9.1.2 to holders of other equity securities as required by the rights of those securities or as the Directors otherwise consider necessary,but subject to such exclusions or other arrangements as the Board may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates, legal or practical problems in or under the laws of any territory or the requirements of any regulatory body or stock exchange; and
 - 9.2 the allotment (otherwise than pursuant to paragraph 9.1 above) of equity securities up to an aggregate nominal amount of £307,081 (representing approximately 5 per cent of the issued share capital of the Company).

The power granted by this Resolution will expire on the earlier of 31 December 2012 and the conclusion of the Company's next AGM after the passing of this Resolution (unless renewed, varied or revoked by the Company prior to or on such date) save that the Company may, before such expiry make offers or agreements which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of any such offer or agreement notwithstanding that the power conferred by this Resolution has expired.

This authority is in substitution for all previous authorities conferred on the Directors in accordance with Section 561(1) of the Act but without prejudice to any allotment of equity securities already made or agreed to be made pursuant to such authorities.

- 10 To generally and unconditionally authorise the Company, in accordance with section 701 of the Act to make market purchases (within the meaning of section 693(4) of the Act) of Ordinary Shares provided that:
- 10.1 the maximum number of Ordinary Shares hereby authorised to be purchased is 6,141,619 (representing 10 per cent of the Company's issued ordinary share capital);
 - 10.2 the minimum price which may be paid for any such Ordinary Share is 10 pence (exclusive of expenses paid by the Company);
 - 10.3 the maximum price (exclusive of expenses paid by the Company) which may be paid for each Ordinary Share is an amount equal to 105 per cent of the average of the closing middle market price of the Ordinary Shares (derived from the published market price appearing in the AIM Appendix to the London Stock Exchange Daily Official List) for the five business days immediately preceding the date of purchase of the Ordinary Share; and
 - 10.4 the authority conferred by this Resolution shall expire on the earlier of 31 December 2012 and the conclusion of the next AGM of the Company, save that the Company may before the Resolution expires make a contract of purchase which will or may be executed wholly or partly thereafter, and a purchase of shares may be made in pursuance of such contract.

By Order of the Board
Peter J Harrison
 Secretary
 25 October 2011

Registered Office:
 Indemnity House
 Sir Frank Whittle way
 Blackpool
 FY4 2FB

Notes:

- 1 Members of the Company are entitled to appoint one or more proxies to exercise all or any of their rights to attend, speak and vote on their behalf at the AGM. A proxy need not be a member of the Company. A form of Proxy is enclosed for this purpose. A proxy has the right to call for a vote on a poll.
- 2 Completion and return of the form of proxy will not preclude members from attending or voting at the meeting, if they so wish.
- 3 A Form of Proxy is provided with this notice and instructions for use are shown thereon. To be effective the completed Form of Proxy together with any power of attorney or other authority (if any) under which it is signed or notarially certified copies of such power of attorney or authority must be received by the Registrars, Computershare Investor Services PLC at The Pavilions, Bridgwater Road, Bristol BS99 6ZY by no later than 48 hours before commencement of the meeting or any adjourned meeting.
- 4 In the case of joint holders, the signature of only one of the joint holders is required on the Form of Proxy but the vote of the first named on the register of members of the Company will be accepted to the exclusion of the other joint holders. Any alterations made to this proxy should be initialled.
- 5 If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.
- 6 In the case of a member which is a company, the Proxy Form must be executed under its common seal or signed on its behalf by an officer or attorney duly authorised.
- 7 If the Chairman, as a result of any proxy appointments, is given discretion as to how the votes subject of those proxies are cast and the voting rights in respect of those discretionary proxies, when added to the interest in the Company's securities already held by the Chairman, result in the Chairman holding such number of voting rights that he has a notifiable obligation under the Disclosure and Transparency Rules, the Chairman will make the necessary notifications to the Company and the Financial Services Authority. As a result, any member holding 3 per cent or more of the voting rights in the Company who grants the Chairman a discretionary proxy in respect of some or all of those voting rights and so would otherwise have a notification obligation under the Disclosure and Transparency Rules, need not make a separate notification to the Company and the Financial Services Authority.
- 8 A copy of the balance sheet and every document required by law to be annexed to it, which are to be laid before the above mentioned meeting, are enclosed.
- 9 The following documents will be available for inspection at the registered office of the Company from the date of this notice until the time of the AGM during normal business hours and at the place of the AGM from 10:30 a.m. until its conclusion:
 - 9.1 Copies of the Executive Directors' Service Contracts and the letters of appointment of the Non-Executive Directors;
 - 9.2 The Register of Directors' Interests required to be kept by the Act;
 - 9.3 The Rules of the Company's Long Term Incentive Plan; and
 - 9.4 The Rules of the Company's Approved Share Option Plan.
- 10 Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the time by which a person must be entered on the register of members in order to have the right to attend and vote at the AGM is 6:00 p.m. on 29 November 2011 (being not more than 48 hours prior to the time fixed for the Meeting) or, if the Meeting is adjourned, such time being not more than 48 hours prior to the time fixed for the adjourned meeting. Changes to entries on the register of members after that time will be disregarded in determining the right of any person to attend or vote at the Meeting.

Notice of Annual General Meeting Ai Claims Solutions PLC (continued)

Explanatory Note in respect of Resolutions 7 and 8 of the Notice of AGM (the "Notice") of the Company to be held on 1 December 2011 relating to the Company's

Long Term Incentive Plan and Approved Share Option Plan

Resolution 7 and 8.2 of Resolution 8 are required to bring the limit applied to the measure of share awards issued over the previous 10 years (when combined with all other option awards), expressed as a % of shares in issue at the date of award, more into line with Ai's 2011 Unapproved Share Option Plan limit of 18%. The proposed limits in these resolutions have been set at 20% to provide operational flexibility. 8.1 of Resolution 8 relates to an additional limit which only applies to approved option awards granted under Ai's Approved Share Option Plan and the proposed limit change under 8.1 results in a similar outcome (in terms of awards available to be made) as the limit changes proposed under 7 and 8.2. Without these changes, the Remuneration Committee are unable to make further awards under these schemes. These changes do not have any impact on past awards.

- 1 Rule 2.6 of the Rules of the Ai Claims Solutions PLC Long Term Incentive Plan (established by the Company in November 2007), provides that the Remuneration Committee may not, in any rolling ten year period, make awards that, together with any other employee share plan established by the Company, shall require the issue of shares comprising more than 10% of the existing ordinary share capital of the Company. Under Rule 15 the Remuneration Committee are able to amend the rules but, as part of the Company's commitment to good corporate governance and given that any such amendment could potentially be construed to be of advantage to the participants, the prior approval of the members is being sought to increase this limit to 20% of the existing ordinary share capital of the Company. Resolution 7 authorises (and thereby approves) the Remuneration Committee to amend Rule 2.6 so as to increase the relevant limit to 20% of the existing ordinary share capital of the Company.
- 2 The Rules of the Approved Share Option Plan, which were approved by the shareholders on 28 June 2002, place certain limits on the overall number of options that can be granted under the Plan. There are also statutory limits on the amount of options that can be granted to any eligible individual. The limits on the overall number of options that may be granted under the Plan have, as the Company has expanded both in terms of size and workforce, become unduly restrictive. Under Rule 14 of the Plan any amendments to the overall limits on the issue of shares under the Plan require the prior approval by ordinary resolution of the shareholders of the Company. The Rules also state that no amendment shall take effect without the prior approval of HM Revenue & Customs. Resolution 8 therefore authorises the Remuneration Committee, subject to approval by HM Revenue & Customs, to amend rules 9.1 and 9.2 of the Plan so as to:
 - a. increase the plan limits in relation to the aggregate number of shares over which options can be granted under the Plan from 5% of the Company's issued share capital as at the date of adoption of the Plan to 6% of the Company's issued share capital as at the date of adoption of the Plan; and
 - b. increase the plan limits in relation to the total nominal value of shares over which options can be granted under the Plan, when combined with all shares issued or remaining issuable under the Plan, the Long Term Incentive Plan or pursuant to any other option scheme or arrangement in the last ten years, from 10% of the Company's issued share capital as at the date of grant to 20% of the Company's issued share capital as at the date of grant.
- 3 Copies of the current Rules of each of the Company's Long Term Incentive Plan and the Company's Approved Share Option Plan will be available for inspection at the registered office of the Company during normal business hours from the date of the notice of the Annual General Meeting of the Company to be held on 1 December 2011 at 10:30 a.m. until the time of the AGM, and at the place of the AGM from 10:30 a.m. until its conclusion. Copies are also available on the Company's website (aiclaimssolutions.com).

Officers and Professional Advisors

Directors

S W Broughton – Non-Executive Chairman
D B Sandhu – Chief Executive Officer
P J Harrison – Chief Financial Officer
C J Baker – Non-Executive Director
R Newton – Non-Executive Director

Secretary

P J Harrison

Registered office

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Registered number

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Chartered Accountants
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Bankers

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