Ai CLAIMS SOLUTIONS PLC

Interim Report for the 6 months ended 31 December 2009

FINANCIAL OVERVIEW

- Revenue increased by 59% to £38.2m (2008: £24.0m).
- EBITDA increased by 26% to £1.548m (2008: £1.225m).
- Adjusted PBT increased by 27% to £906k before IFRS 2 charges (2008: £713k).
- Earnings per share increased by 31% to 0.97p (2008: 0.74p).
- Interim dividend per share increased by 12% to 0.29p per share (2008: 0.26p per share)
- Annualised return on shareholders funds (post tax and interest) increased by 21% to 8.0% from 6.6%.
- Total net borrowings of £12.753m (30 June 2009: £9.128m).
- Debtor days of 101 days (30 June 2009 : 95 days). WIP days of 37 days (30 June 2009 : 46 days)

OPERATIONAL HIGHLIGHTS

- Successful negotiation of a significant non fault intermediary referral source and agreement of satisfactory terms for additional working capital bank funding.
- Renewal of vehicle rental partnership arrangement, providing security of supply and pricing for a further two years.
- Migration from the Legacy IT System continued with all new business expected to be written on the new platform by the year end.
- Implementation of full outsource scheme for an insurer in run off, handling first notification of loss (FNOL), fault and non fault claims.
- Implementation of 2 broker schemes providing FNOL and non-fault services.
- Selection as bilateral partner for large insurer.
- Agreement finalised with major insurer post period end for the settlement of outstanding debt.

For further information, please contact:

David Sandhu, Chief Executive -	0844 571 3108
Peter Harrison, Group Finance Director -	0844 571 3200
Dru Danford, Shore Capital & Corporate Ltd -	0207 408 4090
Stephane Auton, Shore Capital & Corporate Ltd -	0207 408 4090

CHAIRMAN'S STATEMENT

I am pleased to report a strong growth in revenue and profit against a backdrop of structural challenges affecting our competitors and from which our distinctive business model gives us a good measure of protection.

Referrals have already begun from a major intermediary source with whom we expect to sign a contract imminently. This will produce growth in hire and new repair business with a significant impact on next year's forecast.

Our focus over the past few months has been on improving the debtor position and we have been in extensive and constructive discussions with all the leading insurers. Since the period end agreement has been reached with one leading insurer and good progress made with several others.

RESULTS OVERVIEW

	6 months to 31 December 2009 Unaudited £'000	6 months to 31 December 2008 Unaudited £'000	Year ended 30 June 2009 Audited £'000
Revenue	**38,151**	24,017	55,744
Profit before taxation and IFRS2 charge (Adjusted Profit Before Tax)	**906**	713	2,016
IFRS 2 charge	**(51)**	(45)	(142)
Profit before taxation	**855**	668	1,874
Tax on profit on ordinary activities	**(261)**	(214)	(573)
Profit after taxation	**594**	454	1,301

Ai's overall revenue increased by 59% from £24.0m to £38.2m. Hire revenue increased from £16.2m to £25.5m (57%) to comprise 66.8% of total revenue (2008: 67.6%). The hire performance benefited from the roll out of new business across the insurer and broker channels.

Repair related income increased from £5.7m to £11.0m (93%) to represent 29.0 % of total revenue (2008: 23.6%). Again this represents new business implementations across the insurer and broker sectors for both fault and non-fault services.

Other income lines declined overall from £2.1m to £1.7m (24%) to represent 4.2% of revenue (2008: 8.8%). We continue to develop innovative new services for our partners, usually in pilot mode, which may or may not lead to longer term business. The nature of this work means that volume levels, whilst representing a relatively small share of our overall account, will fluctuate.

Gross margin in the period was 19.2% (2008: 30.4%). Our operating margin was 2.7% (2008:3.2%). Both were in line with our management budget, which takes into account changes in the scale and mix of our business reported in my previous statement and certain costings which are weighted to the first half of the year.

Administrative costs reduced from 27.3% of revenue to 16.5% of revenue. a reduction of 10.8%.This is attributable to efficiency improvements from the new IT system and leveraging the fixed cost base together with a reduction in staff costs associated with pilot activity.

Annualised return (post tax and interest) on shareholders funds of 8% improved from 6.6% in the comparative period, a 21% increase. Our efficient operating platform enables us to deliver a reasonable rate of return in the current economic climate.

Our debtor days, which we calculate using the countback method deteriorated slightly to 101 days, from 95 days at June 2009. Whilst this is significantly lower than the sector (which averages over 200 days), it is relatively high for Ai. Ai's claims remain very well controlled and our average hire duration remains around 16 days.

Whilst competitors have been litigating against insurers to recover payment on credit hire cases, Ai remains committed to working positively with insurers to recover amounts due. We do however see significant variability between insurers in the payment of credit hire claims under the GTA protocol for the same population of claims. Where settlement time is unreasonable and there is a failure to engage then Ai will resort to litigation. Although claims are taking slightly longer to settle, we are not experiencing any deterioration in the amounts collected.

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. We have recently agreed terms with a top 4 insurer to bring their account up to date and accelerate payment at no diminution to the value of Ai's debt. Similar discussions are being held with other companies.

Net debt increased by £3.7m to £12.8m from £9.1m. Of the increase, £0.8m was attributable to capital expenditure with the balance of £2.9m being attributable to operational cash outflow. The operational cash outflow arose predominantly from new business growth. Whilst there has been an extension to debtor days this has been mitigated by a reduction in work in progress days from 46 days to 37 days. The net overdraft of £11.7 m remains comfortably within the existing facility of £15m.

Prospects and Dividends

We have agreed terms for 2 significant schemes with a major intermediary, one starting on 1st March and one on 1st July. Working capital funding has been approved and the contracts will be signed imminently with referrals having already started.

We expect additional growth opportunities to continue to become available and are confident that the Group has made a breakthrough to become an operation of significantly greater scale. As in previous years, we anticipate that our profit will be weighted towards the second half of the year.The Board is pleased to announce an interim dividend of 0.29p per share (2008: 0.26p), an increase of 12%. The dividend will be paid on 1st April 2010 to shareholders on the register at 12th March 2010.

Steve Broughton
Chairman
1 March 2010

CONSOLIDATED STATEMENT OF INCOME

	Note	**6 months ended 31 December 2009 Unaudited £'000**	6 months ended 31 December 2008 Unaudited £'000	Year ended 30 June 2009 Audited £'000
Revenue		**38,151**	24,017	55,744
Cost of sales		**(30,839)**	(16,701)	(41,470)
Gross profit		**7,312**	7,316	14,274
Administrative expenses		**(6,281)**	(6,546)	(12,178)
Operating profit		**1,031**	770	2,096
Financial expenses		**(176)**	(102)	(222)
Profit before taxation		**855**	668	1,874
Taxation	4	**(261)**	(214)	(573)
Profit for the period		**594**	454	1,301
Basic earnings per share	3	**0.97p**	0.74p	2.13p
Diluted earnings per share	3	**0.96p**	0.73p	2.11p

All operations are continuing.

There are no items to be recognised in a separate consolidated statement of comprehensive income and accordingly no such statement has been included.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	**31 December 2009 Unaudited £'000**	31 December 2008 Unaudited £'000	30 June 2009 Audited £'000
Non current assets				
Goodwill		**6,726**	6,726	6,726
Other intangible assets		**3,376**	3,002	2,894
Property, plant and equipment		**2,238**	2,410	2,463
Deferred tax asset		**28**	30	27
		12,368	12,168	12,110
Current assets				
Trade and other receivables	6	**38,748**	22,077	31,096
Cash and cash equivalents		**103**	41	130
		38,851	22,118	31,226
Total assets		**51,219**	34,286	43,336
Current liabilities				
Financial liabilities - borrowings	7	**(11,938)**	(5,136)	(8,379)
Trade and other payables	8	**(22,575)**	(14,154)	(18,988)
Current tax liabilities		**(715)**	(142)	(454)
		(35,228)	(19,432)	(27,821)
Non current liabilities				
Financial liabilities - borrowings	7	**(918)**	(995)	(879)
		(918)	(995)	(879)
Total liabilities		**(36,146)**	(20,427)	(28,700)
Net assets		**15,073**	13,859	14,636
Shareholders' equity				
Share capital		**6,142**	6,142	6,142
Share premium account		**1,579**	1,579	1,579
Other reserves		**275**	248	345
Retained earnings		**7,077**	5,890	6,570
Total shareholders' equity		**15,073**	13,859	14,636

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital £'000	Share premium account £'000	Other reserve £'000	Profit and loss account £'000	Total equity £'000
Balance at 31 December 2007	**6,142**	**1,579**	**193**	**4,881**	**12,795**
Total recognised income and expense	-	-	-	895	895
Dividends	-	-	-	(160)	(160)
Deferred tax on share options	-	-	-	15	15
Equity settled share based payment transactions	-	-	78	-	78
Balance at 30 June 2008	**6,142**	**1,579**	**271**	**5,631**	**13,623**
Total recognised income and expense	-	-	-	454	454
Dividends	-	-	-	(209)	(209)
Equity settled share based payment transactions	-	-	45	-	45
Transfer between reserves upon lapse of share based payment options	-	-	(68)	68	-
Purchase of own treasury shares	-	-	-	(54)	(54)
Balance at 31 December 2008	**6,142**	**1,579**	**248**	**5,890**	**13,859**
Total recognised income and expense	-	-	-	847	847
Dividends	-	-	-	(159)	(159)
Deferred tax on share options	-	-	-	(8)	(8)
Equity settled share based payment transactions	-	-	97	-	97
Balance at 30 June 2009	**6,142**	**1,579**	**345**	**6,570**	**14,636**
Total recognised income and expense	-	-	-	594	594
Dividends	-	-	-	(208)	(208)
Equity settled share based payment transactions	-	-	51	-	51
Transfer between reserves upon lapse of share based payment options	-	-	(121)	121	-
Balance at 31 December 2009	**6,142**	**1,579**	**275**	**7,077**	**15,073**

CONSOLIDATED STATEMENT OF CASH FLOW

	6 months ended 31 December 2009 Unaudited £'000	6 months ended 31 December 2008 Unaudited £'000	Year ended 30 June 2009 Audited £'000
Cash flows from operating activities			
Profit for the period	**594**	454	1,301
Adjustments for:			
Depreciation of property, plant and equipment	**225**	219	432
Amortisation of other intangible assets	**292**	236	503
Gain on sale of property, plant and equipment	**-**	-	(2)
Share compensation charge	**51**	45	142
Financial expense	**176**	102	222
Taxation	**261**	214	573
Increase in trade and other receivables	**(7,652)**	(4,631)	(13,650)
Increase in trade and other payables	**3,539**	934	5,762
Interest paid	**(176)**	(102)	(222)
Taxation paid	**-**	-	(51)
NET CASH UTILISED IN OPERATING ACTIVITIES	**(2,690)**	(2,529)	(4,990)
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment	**-**	-	3
Purchases of property, plant and equipment	**(230)**	(247)	(286)
Purchases of other intangible assets	**(545)**	(330)	(718)
Net cash used in investing activities	**(775)**	(577)	(1,001)
Cash flows from financing activities			
Purchase of treasury shares	**-**	(54)	(54)
Dividends paid	**(160)**	-	(368)
Proceeds of borrowings	**-**	-	215
Increase/(Repayment of borrowings)	**39**	(31)	(82)
Increase/(Payment) of finance lease liabilities	**35**	(30)	(50)
Net cash used in financing activities	**(86)**	(115)	(339)
Net decrease in cash and cash equivalents	**(3,551)**	(3,221)	(6,330)
Cash and cash equivalents at beginning of period	**(8,126)**	(1,796)	(1,796)
Cash and cash equivalents at end of period	**(11,677)**	(5,017)	(8,126)

NOTES TO THE INTERIM REPORT TO 31 DECEMBER 2009

1 BASIS OF PREPARATION

The results for the six months ended 31 December 2009, which are unaudited, have been prepared on a basis consistent with the recognition and measurement principles of International Financial Reporting Standards (IFRS); this is consistent with the accounting policies set out in the audited annual accounts.

The financial information set out in this interim report does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. The Group's statutory financial statements for the year ended 30 June 2009, have been filed with the Registrar of Companies. The auditor's report on those financial statements was unqualified and did not contain statements under Section 498(2) or Section 498(3) of the Companies Act 2006.

2 SEGMENT REPORTING

The Group operates in one business 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 business segment or geographical segment is required.

3 EARNINGS PER SHARE

	6 months ended 31 December 2009 Unaudited £'000	6 months ended 31 December 2008 Unaudited £'000	Year ended 30 June 2009 Audited £'000
These have been calculated on earnings of:	**594**	454	1,301
The weighted average number of shares used was:-	**'000**	'000	'000
Basic	**61,116**	61,116	61,201
Dilutive effect of share options	**561**	858	561
Diluted	**61,677**	61,974	61,762

4 TAXATION

	6 months ended 31 December 2009 Unaudited £'000	6 months ended 31 December 2008 Unaudited £'000	Year ended 30 June 2009 Audited £'000
Current year tax charge	**261**	214	573

The tax charge is based on the estimated expected tax rate for the period. The effective tax rate for the six months ended 31 December 2009 is 30.5% (six months ended 31 December 2008: 32.0%). The effective rate of tax for the 12 months ended 30 June 2009 was 30.5%. This varies from the basic rate of corporation tax (six months ended 31 December 2009: 28%; six months ended 31 December 2008: 28%) as a result of non deductible expenditure.

5 EARNINGS BEFORE INTEREST, TAX, DEPRECIATION & AMORTISATION

Earnings before interest, tax, depreciation and amortisation (EBITDA) have been calculated are follows:

	6 months ended 31 December 2009 Unaudited £'000	6 months ended 31 December 2008 Unaudited £'000	Year ended 30 June 2009 Audited £'000
Operating profit	**1,031**	770	2,096
Depreciation	**225**	219	432
Amortisation	**292**	236	503
EBITDA	**1,548**	1,225	3,031

6 TRADE AND OTHER RECEIVABLES

	31 December 2009 Unaudited £'000	31 December 2008 Unaudited £'000	30 June 2009 Audited £'000
Trade receivables	**24,492**	12,893	19,752
Other receivables	**2,763**	601	1,066
Prepayments and accrued income	**11,493**	8,583	10,278
	38,748	22,077	31,096

7 FINANCIAL LIABILITIES - BORROWINGS

	31 December 2009 Unaudited £'000	31 December 2008 Unaudited £'000	30 June 2009 Audited £'000
Current liabilities			
Current portion of secured bank loans	**104**	39	104
Current portion of finance lease liabilities	**54**	39	19
Bank overdraft	**11,780**	5,058	8,256
	11,938	5,136	8,379
Non current liabilities			
Bank loans	**826**	995	879
Finance lease liabilities	**92**	-	-
	918	995	879

8 TRADE AND OTHER PAYABLES

	31 December 2009 Unaudited £'000	31 December 2008 Unaudited £'000	30 June 2009 Audited £'000
Current liabilities			
Trade payables	**7,439**	4,916	4,943
Other taxation and social security	**3,717**	1,718	3,023
Other payables	**407**	432	355
Dividend declared	**208**	209	-
Accruals	**10,804**	6,879	10,667
	22,575	14,154	18,988

9 INTERIM REPORT

This interim report was approved by the Board on 1 March 2010.

INDEPENDENT REVIEW REPORT TO Ai CLAIMS SOLUTIONS PLC

Introduction

We have been engaged by the company to review the financial information in the half-yearly financial report for the six months ended 31 December 2009 which comprises the consolidated statement of income, consolidated statement of financial position, consolidated statement of changes in equity and the consolidated statement of cash flow and the related notes 1 to 9. We have read the other information contained in the half-yearly financial report which comprises the Financial Overview, Operational Highlights and Chairman's Statement and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with guidance contained in ISRE (UK and Ireland) 2410, 'Review of Interim Financial Information performed by the Independent Auditor of the Entity'. Our review work has been undertaken so that we might state to the company those matters we are required to state to them in a review 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, for our review work, for this report, or for the conclusion we have formed.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the Directors. The AIM rules of the London Stock Exchange require that the accounting policies and presentation applied to the financial information in the half-yearly financial report are consistent with those which will be adopted in the annual accounts having regard to the accounting standards applicable for such accounts.

As disclosed in Note 1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The financial information in the half-yearly financial report has been prepared in accordance with the basis of preparation in Note 1.

Our responsibility

Our responsibility is to express to the Company a conclusion on the financial information in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with ISRE (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the financial information in the half-yearly financial report for the six months ended 31 December 2009 is not prepared, in all material respects, in accordance with the basis of preparation described in Note 1.

GRANT THORNTON UK LLP
REGISTERED AUDITOR
MANCHESTER, UNITED KINGDOM **1 March 2010**