



THE ETHICAL AFTER ACCIDENT SERVICE PROVIDER

ANNUAL REPORT AND ACCOUNTS
For the year ended 30 June 2010



CLAIMS SOLUTIONS PLC



WE TRANSFORM THE WAY THAT MOTOR INSURANCE CLAIMS ARE HANDLED.

We provide services that benefit insurers, policyholders, vehicle repair centres, the automotive sector, insurance brokers and the wider insurance market.



£91.9m

revenue

£2.7m

adjusted profit

300,000

vehicles accessible through our rental partners

c.180

repairers nationwide

100%

of pre 30 June 2008 reported income collected

17 days

average hire duration

BUSINESS REVIEW

Report from the Directors on the key financial and operational highlights of 2009/10 and our future plans.

01	Contents	17	Board of Directors
02	About Ai Claims Solutions	18	Remuneration Report
04	Our Business Model	19	Directors' Report
06	How Have We Performed?	23	Independent Auditor's Report to the Members of Ai Claims Solutions PLC
08	Chairman's Statement		
10	Operating and Financial Review		

FINANCIAL STATEMENTS

Statements presenting our financial figures for 2009/10.

24	Consolidated Statement of Comprehensive Income	28	Notes to the Consolidated Financial Statements
25	Consolidated Statement of Financial Position	54	Company Balance Sheet
26	Consolidated Statement of Cash Flows	55	Company Statement of Cash Flows
27	Consolidated Statement of Changes in Equity	56	Notes to the Company Financial Statements

INVESTOR INFORMATION

65	Five Year Summary	68	Officers and Professional Advisors
66	Notice of Annual General Meeting		

ABOUT Ai CLAIMS SOLUTIONS: WE DELIVER ETHICAL END-TO-END CLAIMS MANAGEMENT SOLUTIONS.

We are one of the fastest growing companies in the market today, offering an increasing number of products to a growing number of companies.

MISSION AND VALUES

To be the UK's leading outsourcer for the management of motor claims. Ethical and proactive and open in our service delivery, we work with insurers, brokers, fleet owners and automotive clients to provide end-to-end claims management solutions, which provide market leading customer service with an ethos to control claims cost inflation.

OUR SERVICES

We manage motor claims, from the initial incident to final resolution, referred to us by a growing number of leading insurance companies, brokers, bodyshops, motor manufacturers and fleet companies in the UK. We also act for insurance companies where they have insured the negligent party, providing cost-predictable claims services, avoiding unnecessary cost escalation.

A BRIEF HISTORY

- Listed on AIM in December 1999
- First accident management company to subscribe to the ABI GTA
- Founder member of the National Association of Credit Hire Organisations
- Investor in People accredited
- FSA regulated and compliant
- Regulated by the Ministry of Justice

CLAIMS FOOTPRINT

Ai enforces a 'claims footprint' across all its services, effectively stamping down on unethical practices throughout the industry.

We target areas where costs can escalate unnecessarily and focus on avoiding common causes of extended hire periods. We achieve minimal repair costs by using an authorised network of trusted repairers, all of which are PAS 125 accredited.

Here at Ai we resolve claims and settle payments swiftly avoiding delays and preventing the hassle of litigation.

In its simplest form – our aim is to get claimants back on the road as quickly as possible, with no fuss and minimal cost.

WHAT DO WE MEAN BY ETHICAL? ULTIMATELY, THE COST OF CLAIMS IS PAID FOR BY POLICYHOLDERS.

We ensure that the justified needs of claimants are quickly and efficiently satisfied. Claims that we submit for payment are settled quickly by the market because they are 'fair and reasonable'. This approach has earned us the confidence of claimants and the paying insurers who know that a claim managed by Ai is fair, justified and comprehensive.

1: CLAIMS REFERRAL



State-of-the-art contact centre

Following motoring accidents, insurance companies, brokers, automotive companies, bodyshops and fleet managers refer their customers to the Ai Claims Solutions Contact Centre. We then manage these claims according to the requirements of our referrers.

Ai Claims Solutions' Contact Centre staff have the expertise and technology to ensure that calls are handled with outstanding efficiency. Our aim is to make contact with 100% of our referred cases within one hour.

2: VEHICLE REPAIR MANAGEMENT



Guaranteed work, rapid response

Our Vehicle Repair Management services actively manage the workflow through our c. 180 network of approved repairers. These strategic partnerships achieve consistent standards as they are managed through Service Level Agreements and regular repairer audits, in conjunction with industry standard estimating controls such as Audatex and Glassmatix. Ai Claims Solutions became the first motor claims management company to mandate the new PAS 125 Kitemark accreditation for its repair network.

3: MOBILITY SOLUTIONS



Keeping policyholders on the road

Ai's Mobility services are managed through our rental partners. Through these we have real-time access to more than 300,000 vehicles.

A distinction of the Ai service is the proactive management of the hire period with the repairer ensuring we consistently return policyholders back to the road faster than the market average which saves costs.

4: PERSONAL INJURY CLAIMS



Rehabilitation services

Our Personal Injury Claims Management services provide policyholders and other injured parties with access to necessary rehabilitation. Claims are handled professionally and sympathetically. Unnecessary claims are avoided and legal costs are managed through our arrangement with Ai Law and other Panel firms.

We comply with the Solicitors' Introduction and Referral Code published by the Law Society.

5: CLAIMS RECOVERY



Claims recovery

Our Claims Management service ensures that all costs are recovered swiftly. Our strong relationship with the insurance market means we deliver outstanding results – evidenced by market leading debtor days.

6: CLAIMS ADMINISTRATION



Claims administration

We also handle elements of the claims cycle where we earn an administration fee for performing our services.

OUR BUSINESS MODEL: AN INDUSTRY LEADING SERVICE TO THE MOTOR INSURANCE SECTOR.

We put the customer at the very heart of our business, assuring swift claims resolutions, resulting in consistently high service levels. We also work hard to achieve optimal cost containment through our innovative claims management services.



Mobilisa 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. Ai's partnership with its rental providers ensures access to a professionally managed fleet with delivery to any UK address.



Reserva referrals come from at fault insurers looking to control the cost of the third party claim. Ai manages the repair process, arranges a courtesy or hire vehicle and mitigates injury claims through solicitor referral.



Defenda protects insurers against excessive credit hire billing by managing and controlling the duration and cost of the rental period to ensure claims don't escalate unfairly.



BrokerAid delivers an outstanding motor claims handling service to brokers looking to improve customer satisfaction and aid retention.



Ai Automotive manages motor claims, from the initial incident through to final resolution, referred to Ai by a growing number of leading automotive companies, bodyshops and fleet companies across the UK.



£91.9m revenue

65% increase on 2008/09

17 days
average hire duration



PEOPLE

- Technically skilled team
- Investing in future talent



DISTRIBUTION

- Insurers
- Brokers
- Manufacturers
- Automotive companies



SYSTEMS

- Flexible bespoke IT platform (CARS)
- Develop tailored system solutions
- Advanced workflow software
- Business to business connectivity
- Automated liability decision making software (ADS)



CLAIMS SOLUTIONS PLC



INSURER RELATIONS

- Low and sustainable hire durations
- Cost saving product range – Reserva and Defenda
- Low average debtor days compared to the market



VEHICLE SUPPLY

- Partnership approach with leading rental companies
- No fleet holding costs or direct risk of falling residuals
- Price certainty
- Nationwide access to vehicles



REPAIR NETWORK

- c. 180 approved repairers
- Mandated kitemark PAS 125 accreditation
- Proven cost savings against insurers' own repairer networks

HOW HAVE WE PERFORMED?

FINANCIAL HIGHLIGHTS

- Revenue increased by 65% to £91.9m from £55.7m
- 35% increase in adjusted profits¹ of £2.7m (2008/09: £2.0m)
- Earnings² before interest, taxation, depreciation and amortisation (EBITDA) up 27% to £4.2m (2008/09: £3.3m)
- Gross margin of 18% (2008/09: 26%) reflecting change in mix of business
- 3 percentage points increase in the return² on shareholders' funds. (ROCE – Equity) to 13% (2008/09: 10%)
- Adjusted basic EPS of 3.29p (2008/09: 2.36p)
- Proposed final dividend of 0.37p per share (2008/09: 0.34p per share). Interim and final dividend in respect of 2009/10 is increased at 0.66p (2008/09: 0.60p).

OPERATIONAL HIGHLIGHTS

- Doubled working capital funding facilities agreed from £15.0m to £30.0m
- Commenced three new intermediary relationships and are piloting products with a large self insured organisation
- Retained the business of a large automotive client and continue to work with vehicle manufacturers to develop their branded accident management schemes
- Significant growth in Ai's BrokerAid product – now a major player in this market sector in under two years
- Developed and implemented, as part of Ai's operating platform, a first notification of loss (FNOL) capability
- Debtor days of 103 days (30 June 09: 95 days) are higher than the prior year due to the ever challenging environment but are still considerably better than the industry's averages owing to the strong relationships that Ai maintains with insurance companies.

1 Adjusted profit represents profit before taxation excluding IFRS 2 share option charges

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

Group revenue (£m)

2010	91.9
2009	55.7
2008	40.8
2007	34.3

Adjusted profit (£m)

2010	2.7
2009	2.0
2008	2.2
2007	1.6

Dividend per share (p)

2010	0.66
2009	0.60
2008	0.55
2007	0.48



Commercial Development

- Commenced three new intermediary relationships and piloting products with a large self-insured organisation.
- Developed and implemented, as part of Ai's operating platform, a first notification of loss (FNOL) capability.

FINANCIAL SUMMARY

	2009/10 £000	2008/09 £000
Revenue	91,929	55,744
Gross margin	18%	26%
Adjusted profit ¹	2,722	2,016
Profit before taxation	2,630	1,874
Taxation	(708)	(573)
Profit for the period	1,922	1,301
Dividends	(385)	(368)
Earnings per share (EPS):		
– Adjusted basic ²	3.29p	2.36p
– Basic	3.14p	2.13p
Dividend per share	0.66p	0.60p

CHAIRMAN'S STATEMENT

Our business model has always been different from those of our leading competitors and, whilst we have at times struggled to get that message across to the industry and to investors, the evidence of the last 12 months suggests it is a message that is now more clearly understood. In the last year, our share price has performed well relative to our quoted competitors.

Record Revenues, Record Profits & Record Start To New Year

I am delighted to announce the results for the year ending 30 June 2010. The key highlights are:

- Record revenues of £91.9m up 65% (2008/09: £55.7m)
- Record adjusted profits of £2.7m up 35% (2008/09: £2.0m). EBITDA level profits up 27% to £4.2m
- Adjusted basic earnings per share up 39%
- New contract effective from 1 July 2010 has meant a strong start to our new financial year
- Extended bank facilities to accommodate working capital for further profitable growth
- Improving debtor position with several leading insurers

Market Background

Our business model has always been different from those of our leading competitors and, whilst we have at times struggled to get that message across to the industry and to investors, the evidence of the last 12 months suggests it is a message that is now more clearly understood. In the last year, our share price has performed well relative to our quoted competitors.

The credit hire industry is now firmly established, and it is strategically important that companies in the market continue to develop co-operative relationships with insurers who are striving to restore profitability and so are actively managing their claims costs.

Ai, by positioning itself as the 'ethical' provider of accident solutions, is perfectly placed in this regard and continues 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 its claims settlement uncertainty.

Results

Several new contracts during the year have led to revenues of £91.9m which is 65% ahead of last year's performance. This has driven the 35% increase in adjusted profits. Costs in the business were increased by the need to resource for the new contract that began on 1 July 2010.

Ai continues to strengthen its presence in the credit hire market with services provided on Mobilisa cases increasing by 34% to 59,000 (2008/09: 44,000); Ai's other products continue to strengthen – non-Mobilisa services now represent 40% of total services on cases (2008/09: 36%), thereby broadening the revenue opportunities available to the company.

Ai's debtor days averaged 103 days this year (2008/09: 95 days) which, although higher than the last year end, continues to be substantially better than our quoted competitors as we continue to work closely with the insurance industry to expedite settlement of claims in this challenging environment. There is some evidence that insurers have not staffed their claims departments to meet the increased volumes they are processing; in addition they are resisting claims with excessive hire durations being made by some of our competitors. This has slowed down the process of settling claims and, in turn, has increased the resource we have needed to apply to chase debt. Of the five leading insurers, our discussions have been positive although there have been material difficulties with one insurer. We are generally loathe to pursue claims in court as we expect to reach amicable agreement because we handle claims in an ethical manner. Nonetheless we are prepared to resort to the courts where insurers act unreasonably.

Whilst it is taking longer to collect our debt, our experience is that we ultimately recover at least 100% of the amounts we initially recognise in our financial statements; at the balance sheet date we had collected over 100% of income initially recognised prior

to 30 June 2008. At the end of June 2010 we had also collected 93% of all income initially recognised prior to 30 June 2009.

This collection rate continues to mature by circa 3% per quarter. Whilst market conditions are challenging and insurers are slowing payments and challenging the amounts they pay, it does show that Ai's approach has served it well and we have not therefore seen the periodic write downs that many competitors have witnessed across the last few years. This also demonstrates that Ai's revenue recognition and provisioning policies are robust and realistic.

In May 2010, despite the tough credit markets, Ai secured agreement on competitive terms from its bankers to expand its bank facilities from £15.0m to £30.0m. This was to meet the increased working capital funding requirement of the business from the recent growth in revenues as well as in anticipation of further growth during 2010/11. These facilities will provide Ai with a strong platform going forward and demonstrates the confidence our bank has in both Ai's business model and future prospects.

Strategy

Our strategy continues to focus on being an ethical provider of accident management services that are based on a low cost and lean balance sheet model, supported by an efficient operating and financial platform. Our £4.7m investment in our operating platform is now bearing fruit and is able to deliver scale efficiencies as we expand and ensure our claims are well controlled, which minimises the risk of write offs.

We are continuing to invest in our product offering and distribution footprint. To ensure our growth is managed and sustainable, we have strengthened our management team, processes and control environment and also appointed Ernst & Young LLP as our internal auditors.

By securing vehicles through strategic partnering with major car rental providers (rather than the industry preference for ownership), Ai also avoids the impact on its results of both the vagaries of the used car market and the costs associated with non utilisation of a car fleet, whilst maintaining a national network of vehicle locations with an extensive range of vehicle types available to meet our customers' requirements rapidly and efficiently.

Future Prospects & Dividends

Two significant schemes with a major intermediary started in 2009/10 and initial performance on these contracts is promising with the first two months of the financial year, which are traditionally quiet summer holiday months, producing a record start. These contracts should produce substantial growth in hire and repair business within the next year. We expect additional growth opportunities to continue to become available.

The year ahead will have its challenges given the current pressures faced across the economy as a whole. I am, however, confident that Ai, with its collaborative approach to the market and lower risk and lean financial model, will continue to deliver an excellent performance for its customers and an attractive return to investors. I would like to take this opportunity to thank all of Ai's employees for their hard work during the last year.

The Board is recommending a final dividend of 0.37 pence per share, making a full year dividend of 0.66 pence, an increase of 10.0% over the previous year. This dividend is covered 5 times by the profit for the period.

The dividend will be paid on 12 January 2011 to shareholders on the register at 10 December 2010.

Chairmanship

I assumed the chair in mid 2008 under an 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 remain confident in the Company's ability to create value for shareholders and I have therefore agreed in principle to extend these arrangements for a further two year period.

Steve Broughton

Chairman

27 September 2010



I am confident that Ai, with its collaborative approach to the market and lower risk and lean financial model, will continue to deliver an excellent performance for its customers and an attractive return to investors.

Steve Broughton
Chairman

OPERATING AND FINANCIAL REVIEW

Ai Claims Solutions manages motor claims from the initial incident through to final resolution, including replacement vehicles and repairs for several of the leading insurance companies, brokers, fleet companies and automotive businesses across the UK.

We are ethical, proactive and open in our service delivery providing market leading customer service with an ethos to control claims cost inflation.

Business and Commercial Development

The successful agreement of additional working capital funding during the financial year has provided a solid foundation to support Ai's future growth plans.

Rental of its hire fleet is a key differentiator between Ai and most of the other major players in the credit hire market who own their vehicles so have the added complexity of factoring used car prices and utilisation rates into their business models. During the year we secured the renewal of our main vehicle rental partnership arrangement for a further two years, providing security of supply and pricing for the future.

Our migration away from our Legacy IT System is now nearly complete and, except for one broker scheme (which is in run off), all other new business is being written on our new platform. In addition, a number of new modules have been released, in particular the roll out of Ai's automated decision making software which has significantly improved the speed and accuracy of Ai's liability decisions. This provides Ai with an FNOL service which it was unable to offer previously.

A new claims strategy has been implemented and we expect this to have a significant impact on our future results, efficiency and performance.

We also undertook a full product refresh for both Ai's Reserva and Defenda products which has enhanced our ethical and proactive capabilities and will lead to further savings for our insurer customers.

In terms of major contract wins, Ai has successfully negotiated a significant non-fault broker referral source which has expanded our presence in this sector. We have also commenced three new intermediary broker schemes (providing FNOL and non-fault services for both credit hire and repair) and are piloting products with a large self insured organisation.

We have implemented a full outsource scheme for an insurer in run off, handling FNOL (fault and non-fault) claims. This scheme has delivered repair volumes in excess of those initially anticipated and has also resulted in increased demand from existing key referral sources. Ai has also been selected as a bilateral partner for a large insurer.

Ai has retained the business of a large automotive client and continues to work with vehicle manufacturers to develop their branded accident management schemes.

We also continue to develop relationships and products with car dealer groups to increase Ai's penetration in that sector.

People

Our headcount grew to an average of 375, from 368 in the previous year, a 2% increase. This reflects underlying business growth together with efficiency improvements realised from the roll out of our CARS system and also improvements to other key efficiency drivers, such as attrition and sickness. We have been able to continue to make improvements to our attrition rate reducing this by 3 percentage points to 23% this year. Since the year end, Ai has been able to grow its workforce to over 460 employees in line with its continuing growth.

We continue to invest in providing effective training and a wealth of opportunities for all our staff. This has been recognised by the inclusion of our 'Getting Connected' course in the shortlist for the 'Best Training Programme' in the North West Contact Centre 2010 Awards. This follows on from the success in 2007 when Ai won this award for its industry leading 'Talent Academy' programme.

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 infra-structure or a repair garage infra-structure. 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 company 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.	The Group seeks to develop long term relationships with customers and protect these with contracts and the development of innovative products. 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.
Access to capital	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. Bank facilities consist of a property loan and overdraft. They are reviewed each year and will next be reviewed at the end of September 2011. Failure to remain within covenants or extend bank facilities beyond September 2011 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 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.
Credit risk	Credit risk arises if a party paying the Group's debt was unable to meet its obligations.	Debts are due from insurance companies. The capitalisation of insurers is regulated by the Financial Services Authority. The insurance industry operates a policy holders' protection scheme to alleviate the impact of the failure of an insurance company.
Maintenance and compliance with General Terms of Agreement (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.

The successful agreement of additional working capital funding during the financial year has provided a solid foundation to support Ai's future growth plans.

Key Performance Indicators

Indicator	Performance	Target
ROCE – Equity In a capital intensive business, post tax return on capital is a more important measure of performance than profitability alone.	13%. ROCE is maximised through a combination of managing net margin and working capital requirement within banking facilities and a sustainable gearing level.	> 15%
EPS Basic EPS is a key short term measure of performance used by shareholders.	3.14p. Basic EPS of 3.14p compares to 2.13p in the previous year.	The target is to maximise shareholder value by increasing EPS in the short term alongside ROCE – Equity.
Referrals Key driver of growth, business mix and capital requirement.	158,000. This represents a 10% increase on the previous year (2008/09: 143,000).	To best utilise the skills of our experienced staff and IT platform, the target is to maximise opportunities for converting leads.
Conversion into service Key customer service indicator and revenue generator.	80%. A 4 percentage points increase compared to last year (2008/09: 76%).	> 80%
Customer service index Key measure of overall customer satisfaction.	83%. Where Ai's service has been rated as 'Very Good' or 'Excellent'.	> 85%
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%
WIP days A key controllable working capital investment driver.	39 days	< 45 days
Debtor days – GTA Not fully controllable as dependent upon insurers payment efficiency in a claimant situation.	123 days	< 90 days
Debtor days – other More controllable as debt should be payable within agreed payment terms.	52 days	< 60 days
Hire duration Key customer service indicator and indicator of control of cases.	17 days	< 18 days

OPERATING AND FINANCIAL REVIEW

continued

Operational Performance

The majority of referrals still come from insurance companies – twelve of the top twenty motor insurers are served by Ai – but to expand its distribution platform, our commercial team have started to put more emphasis on building relationships with insurance brokers, car body shops, car manufacturers and fleet operators.

Referrals in the year were up 10% to 158,000 cases (2008/09: 143,000 cases). Ai provided 126,000 core services (hire, repair, personal injury (PI) or service fee) on cases referred, up 16% on the previous year (2008/09: 108,000). This represents a service conversion of 80%, up from 76% in the previous year. Average revenue per service increased from £516 to £729 during the year due to changes in business mix.

Ai continues to report below-average hire durations – Ai's average hire period on credit hire is 17 days compared to an industry average of 21 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 debtor days increased from 95 days to 103 days, this largely reflects payment backlogs witnessed at most insurers. Debt collection performance continues to be significantly better than most credit hire organisations and this is down to Ai's ethical approach to working in partnership with the insurance sector and the effective control of claims submitted for payment. Ai's claims remain very well controlled and our average hire duration on credit hire remains around 17 days (2008/09: 16 days).

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 4 insurer to bring their account up to date and accelerate payment at no diminution to the value of Ai's debt. Similar discussions continue to be held with other companies.

Financial Review

Revenue of £91.9m (2008/09: £55.7m) increased by 65% over the previous year due to growth in Ai's core vehicle replacement and repair services.

The Group has witnessed a change in business mix during the year, which has increased the revenue generated from cases managed, as noted above. Hire revenue from cases increased by £20.5m (53%) to £59.1m (2008/09: £38.6m) and repair revenue increased by £16.0m (117%) to £29.6m (2008/09: £13.6m). PI related revenue increased by £0.6m (86%) to £1.3m (2008/09: £0.7m). Service only based income reduced by £0.9m (32%) to £1.9m (2008/09: £2.8m). The increase in hire, repair and PI income is attributable to growth in both Non Fault and Fault related business. The reduction in service only based income is attributable to the cessation of certain pilot schemes and the Group's decision not to develop a strategic IT solution for another product.

Repair income now represents 32% of revenue (2008/09: 24%) and hire income accounts for 64% of revenue (2008/09: 69%). The change in mix towards lower margin fault and non fault repair work contributed to a reduction in gross margin from 26% to 18%.

Ai is well positioned with its unique and flexible operating model to meet the needs of the diverse range of both current and potential customers.

As noted above, referrals and service volumes increased by 10% and 16% respectively. This growth was managed with a relatively modest increase in full time employees and staff costs which increased by 2% and 8% respectively. The increase in volume has been transacted on the new IT platform, bringing efficiency benefits, and the increased scale enables greater leverage of central costs. Administrative expenses increased by £1.4m (11%) to £13.6m (2008/09: £12.2m). Operating margin (based on EBITDA) reduced by 1 percentage point from 6% to 5%. EBITDA profit per employee increased by 25% to £11,200 (2008/09: £9,000). The Group generated a pre-tax profit of £2.6m in the year (2008/09: £1.9m). Adjusted profits were £2.7m (2008/09: £2.0m).

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. Over 100% of income initially recognised prior to 30 June 2008 has been collected to date, 93% of all income initially recognised prior to 30 June 2009 has been settled and, as this data continues to mature by circa 3% per quarter, we expect to recover the remaining 7% in due course.

Financing

Financial expenses increased by 95% to £0.4m as a result of additional working capital to fund the growth in revenue. Financial expenses are covered 7 times by operating profit (2008/09: 9 times).

Taxation

The effective tax rate was 27% (2008/09: 31%). The effective rate benefits from enhanced Research and Development relief being agreed by HM Revenue and Customs for prior periods.

Earnings Per Share

Basic EPS increased by 1.01p to 3.14p (2008/09: 2.13p). Adjusted EPS, which measures EPS before the IFRS 2 share option charge, increased by 0.93p to 3.29p (2008/09: 2.36p).

Dividends

The dividend charge of £385,000 relates to the payment of a final dividend in respect of the year ended 30 June 2009 of 0.34p per share (£208,000) together with the payment of an interim dividend in respect of this financial year of 0.29p per share (£177,000). The Board have proposed the payment of a final dividend for the year of £227,000 (0.37p per share) payable on 12 January 2011 to shareholders on the register at 10 December 2010. The total dividend in respect of the financial year ended 30 June 2010 of £404,000 is covered 5 times by the profit for the period.

Return On Capital Employed

Return on shareholders' funds, post tax, was 13% (2008/09: 10%). The Group was able to secure additional borrowing facilities to service increased working capital resulting from growth.

Balance Sheet

Total assets less total liabilities at 30 June 2010 were £16.3m (30 June 09: £14.6m), equivalent to 26.5p per share (30 June 09: 23.8p per share).

Intangible assets increased by £0.6m to £3.5m during the year, in respect of new modules added to the CARS system less amortisation. A further £0.6m was invested in property, plant and equipment, primarily computer equipment.

Net debt increased by £10.3m from £9.1m to £19.4m predominantly as a result of 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 48 days to 39 days. The net overdraft of £18.3m remains comfortably within the recently extended facility of £30.0m.

Cash Flow

Net cash outflow from operating activities was £8.1m (2008/09: £5.0m). This was driven by growth in revenue of 65% and an increase in debtor days from 95 days to 103 days.

Capital Structure and Financing

Gearing¹ at 30 June 2010 was 119% (30 June 09: 62%), as additional working capital funding was provided through increased borrowing facilities.

New financing arrangements with Yorkshire Bank came into effect in September 2009 when the committed secured overdraft facility was increased from £10.0m to £15.0m and again in May 2010 when the limit was increased by a further £15.0m to £30.0m. The facility is reviewed annually and this is next scheduled for review on or after 30 September 2011. At 30 June 2010, the net overdraft was £18.3m (30 June 09: £8.2m).

¹ net debt as a percentage of closing shareholders' funds

OPERATING AND FINANCIAL REVIEW

continued

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

In addition to the committed overdraft facility the group has a mortgage loan with Yorkshire Bank secured over freehold property. At 30 June 2010, the remaining loan was £1.0m (30 June 09: £1.2m).

The borrowing facilities are subject to financial covenants as follows:

1. Interest cover ratio

A minimum cover ratio of PBIT to interest of 1.75, tested monthly and on a rolling annual basis. Interest cover for the year ended 30 June 2010 was 7.1.

2. Mortgage loan to property value

A maximum loan to property value of 70% must be maintained. At 30 June 2010, the loan to property value was 49%.

3. Average debt turn ratio

The bank calculates debt turn on a 3 monthly rolling annual basis. The debt turn should not exceed 135 days. At 30 June 2010 the calculated debt turn was 106 days. The consequence of failing this covenant would be for the bank to reduce their advance percentage from 80% by 1% for each 1 day by which the debt turn exceeds 135 days.

4. 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 2010.

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.

Outlook

Ai's reputation and standing in the credit hire and repair markets continues to go from strength to strength whilst others are falling by the way side, struggling within the current economic climate or are finding operating conditions tough.

We believe Ai, even given the tough challenges the whole economy is facing, will continue to capitalise on its industry leading hire durations, strong debtor collection performance and recently introduced claims strategy (supported by its technologically advanced workflow software) to make further inroads in all the markets it operates in.

Ai is well positioned with its unique and flexible operating model to meet the needs of the diverse range of both current and potential customers who require hire, repair and claims management services and we are continuing to develop our product offerings to make Ai the partner of choice in these markets.

David B Sandhu
Chief Executive Officer

Peter J Harrison
Chief Financial Officer
27 September 2010

BOARD OF DIRECTORS

1.



2.



3.



4.



5.



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 Fortis UK, Tesco Underwriting Limited, Direct Group Limited and Sun Alliance & London Pension Fund Limited. 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 Financial Services Limited and UIA (Insurance) Limited and a member of the Financial Services Advisory Board of Accenture (UK) 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.

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.

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 Fortis – specifically dealing with complex claims. In the two years prior to joining Ai he was responsible for Fortis policy on credit hire. A statistician by background, David has a particular interest in operational research.

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 when he became the 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 Directors' emoluments 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 2009/10 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 100% 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. During 2009/10 a bonus totalling £162,000 was paid 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.

Remuneration Arrangements for the Chairman

After consultation with major shareholders, the Board decided in April 2008 that it would be appropriate to remunerate Steve Broughton, the Chairman, in a way that aligned his interests closely with those of shareholders. Steve Broughton will therefore receive no remuneration for his role, but will instead be granted phantom options over 2,500,000 shares in Ai, exercisable at 20.00p in October 2010, which were to be increased to 3,250,000 provided the Company met targets for earnings per share in each of the financial years from 2007/08 to 2009/10; these targets are set out in full in note 6 to the financial statements. The target for earnings per share was met for 2007/08 and therefore during 2008/09 a further 250,000 phantom options were granted. The target for earnings per share for 2008/09 and 2009/10 have not been met. These phantom options were to be settled in a mixture of cash and shares in October 2010. The Board has now agreed in principle for this settlement not to take place but, instead, to extend this arrangement for a further 2 years subject to further negotiation and consultation with major shareholders.

Robert Newton

Remuneration Committee Chairman

27 September 2010

DIRECTORS' REPORT

The Directors present their report and audited financial statements for the year ended 30 June 2010.

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 6), the Financial Summary (page 7), the Chairman's Statement (pages 8 to 9) and the Operating and Financial Review (pages 10 to 16).

Dividends

The Directors have proposed a final ordinary dividend in respect of the current financial year of 0.37p 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 0.34p per share in respect of the previous year (2008/09) and the interim dividend in respect of 2009/10 of 0.29p 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 2010 by £0.3m (30 June 09: £0.3m).

Donations

Charitable donations of £7,000 (2008/09: £2,000) 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 10 to 16).

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 17. The Directors retiring by rotation are Steve Broughton and David Sandhu who, being eligible, offer themselves for re-election at the forthcoming Annual General Meeting.

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

DIRECTORS' REPORT

continued

Substantial Interests

The Company has been notified of the following interests exceeding 3% in the share capital of the Company as at 27 September 2010.

	Number of shares	Percentage of issued share capital
Bluehone Investors LLP	16,587,619	27.0%
Mr Charles Anthony Good	9,977,440	16.2%
Mr Ari Zaphiriou-Zarifi	8,708,930	14.2%
Mr David Michael Gorton	6,656,302	10.8%
Mr John Spiers	4,136,600	6.7%
Chelverton Growth Fund	2,175,000	3.5%

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 2010 were equivalent to 45 days purchases (30 June 09: 31 days).

Corporate Governance

As the Company is listed on the Alternative Investment Market at the London Stock Exchange, the Combined 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-Executives.

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 17.

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 10 to 16) 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 Question Time.

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 10 to 16) together with note 20 to the financial statements.

The Group has recently secured additional 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 2011, 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 elected to prepare Group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS) and the financial statements of the Company in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The financial statements are required by law to give a true and fair view of the state of affairs of the Group and the Parent Company and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable IFRS Accounting Standards, 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.

DIRECTORS' REPORT

continued

Statement of Directors' Responsibilities for the Annual Report continued

The Directors are responsible for keeping adequate accounting records that 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 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 27 September 2010 and signed on its behalf by:

Peter J Harrison

Chief Financial Officer

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 2010, 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 for the Annual Report & Financial Statements set out on pages 21 and 22, 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 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/UKNP.

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 2010 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.

Joanne Kearns

Senior Statutory Auditor

for and on behalf of Grant Thornton UK LLP

Statutory Auditor, Chartered Accountants

Manchester

27 September 2010

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2010

	Note	2009/10 £'000	2008/09 £'000
Revenue	3	91,929	55,744
Cost of sales		(75,265)	(41,470)
Gross profit		16,664	14,274
Administrative expenses		(13,600)	(12,178)
Operating profit	4	3,064	2,096
Financial expenses	7	(434)	(222)
Profit before taxation		2,630	1,874
Income tax	8	(708)	(573)
Profit for the period		1,922	1,301
Profit and total comprehensive income for the period		1,922	1,301
Basic earnings per ordinary share	9	3.14p	2.13p
Diluted earnings per ordinary share	9	3.11p	2.11p

All income arises from continuing operations.

There are no items to be recognised in a separate consolidated statement of comprehensive income and, accordingly, this statement has been combined with the consolidated statement of income in these financial statements.

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 2010

	Note	30 June 10 £'000	30 June 09 £'000
Assets			
Non current assets			
Goodwill	11	6,726	6,726
Other intangible assets	11	3,530	2,894
Property, plant and equipment	10	2,463	2,463
Deferred tax asset	12	111	27
		12,830	12,110
Current assets			
Trade and other receivables	13	55,998	31,096
Cash at bank and in hand		183	130
		56,181	31,226
Total assets		69,011	43,336
Liabilities			
Current liabilities			
Interest bearing loans and borrowings	15	(18,582)	(8,379)
Trade and other payables	16	(32,646)	(18,988)
Income tax liability	16	(479)	(454)
		(51,707)	(27,821)
Non-current liabilities			
Interest bearing loans and borrowings	15	(1,001)	(879)
Total liabilities		(52,708)	(28,700)
Total assets less total liabilities		16,303	14,636
Shareholders' equity			
Share capital	18	6,142	6,142
Share premium account		1,579	1,579
Other reserves		269	345
Retained earnings		8,341	6,624
Treasury shares		(28)	(54)
Total shareholders' equity		16,303	14,636

These financial statements were approved by the Board of Directors on 27 September 2010 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 2010

	Note	2009/10 £'000	2008/09 £'000
Cash flows from operating activities			
Profit for the period		1,922	1,301
<i>Adjustments for:</i>			
Depreciation of property, plant and equipment		453	432
Amortisation of other intangibles		604	503
Gain on sale of property, plant and equipment		–	(2)
Share compensation charge		92	142
Share options exercise		26	–
Financial expense		434	222
Taxation		708	573
Increase in trade and other receivables		(24,687)	(13,650)
Increase in trade and other payables		13,552	5,762
Interest paid		(434)	(222)
Taxation paid		(753)	(51)
Net cash outflow from operating activities		(8,083)	(4,990)
Cash flows from investing activities			
Proceeds from the sale of property, plant and equipment		–	3
Purchases of property, plant and equipment		(154)	(286)
Purchases of other intangible assets		(1,089)	(718)
Net cash outflow from investing activities		(1,243)	(1,001)
Cash flows from financing activities			
Purchase of treasury shares		–	(54)
Proceeds of borrowings		–	215
Repayment of borrowings		(216)	(82)
Finance lease principal repayments		(93)	(50)
Dividends paid		(385)	(368)
Net cash outflow from financing activities		(694)	(339)
Net decrease in cash and cash equivalents		(10,020)	(6,330)
Cash and cash equivalents at 1 July	14	(8,126)	(1,796)
Cash and cash equivalents at 30 June	14	(18,146)	(8,126)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2010

	Share capital £'000	Share premium £'000	Other reserves £'000	Attributable to owners of the parent		Total £'000
				Treasury shares £'000	Retained earnings £'000	
At 1 July 2008	6,142	1,579	271	–	5,631	13,623
Profit and total comprehensive income for the year	–	–	–	–	1,301	1,301
Share based payments	–	–	74	–	68	142
Purchase of treasury shares	–	–	–	(54)	–	(54)
Tax on items charged to equity	–	–	–	–	(8)	(8)
Dividends to equity holders	–	–	–	–	(368)	(368)
At 30 June 2009	6,142	1,579	345	(54)	6,624	14,636
Profit and total comprehensive income for the year	–	–	–	–	1,922	1,922
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

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 page 68.

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 54 to 64.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these Consolidated Financial Statements. A third statement of financial position has not been prepared as required by IAS 1 (revised) as the information is unchanged from the previously published 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.

IAS 27 Consolidated and Separate Financial Statements (Revised 2008) and IFRS 3 Business Combinations (Revised 2008) are effective for this period but have had no impact. These standards will be applied for future acquisitions.

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 10 to 16) together with note 20 to the financial statements.

The Group has recently secured additional 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 2011, 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 expectations 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 cost of the acquisition 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 income statement 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 income statement.

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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

continued

1 ACCOUNTING POLICIES continued

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 income statement 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 income statement.

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.

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 that 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.

This year the Group adopted IFRS 8 Operating Segments which replaces IAS 14 Segment Reporting. The standard is applied retrospectively.

The accounting policy for identifying segments is now based on internal management reporting information that is regularly reviewed by the chief operating decision maker. In contrast, IAS 14 required the Group to identify two sets of segments (business and geographical) based on risks and rewards of the operating segments. This change in accounting standards has not had an impact on group segmental reporting.

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 income statement 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

continued

1 ACCOUNTING POLICIES continued

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement 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.

Profit and loss account represents 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)
IAS 24 (Revised 2009) Related Party Disclosures (effective 1 January 2011) – EU endorsed
Group Cash-settled Share-based Payment Transactions – Amendment to IFRS 2 (effective 1 January 2010) – 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, including goodwill, 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

continued

4 OPERATING PROFIT

Operating profit is arrived at after charging:

	2009/10 £'000	2008/09 £'000
Amortisation of other intangible assets	453	503
Depreciation of property, plant and equipment		
Owned assets	531	432
Leased assets	73	–
Profit on the sale of property, plant and equipment	–	2
Operating lease rentals		
Plant and machinery	207	217
Land and buildings	259	259

Auditor's remuneration:

	2009/10 £'000	2008/09 £'000
Audit of these financial statements	7	7
Amounts receivable by the auditor in respect of:		
Audit of financial statements of subsidiaries pursuant to legislation	52	44
Other services pursuant to such legislation	6	3

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	
	2009/10	2008/09
Operations and claims	286	286
Administration and selling	89	82
	375	368

The aggregate employee costs of these persons were as follows:

	2009/10 £'000	2008/09 £'000
Wages and salaries	8,068	7,386
Share based payments (See note 17)	92	142
Social security costs	744	677
Other pension costs	219	185
	9,123	8,390

6 DIRECTORS' REMUNERATION

	Basic salary £'000	Bonus £'000	Benefits- in-hand £'000	Contributions to money purchase pension plans £'000	Total £'000
2009/10					
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

	Basic salary £'000	Bonus £'000	Benefits- in-hand £'000	Compensation for loss of office £'000	Contributions to money purchase pension plans £'000	Total £'000
2008/09						
Christopher Baker	38	–	–	–	–	38
Steve Broughton	–	–	–	–	–	–
Peter Harrison	143	34	4	–	19	200
Robert Newton	25	–	–	–	–	25
Adrian Palmer	15	–	–	15	–	30
David Sandhu	179	44	4	–	22	249
	400	78	8	15	41	542

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

	At 1 July 09	At 30 June 10	Exercise price (pence)	Normally exercisable
DB Sandhu	33,333	–	19.00	2003 to 2010
DB Sandhu	100,000	–	16.00	2004 to 2011
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 ^A	165,000	–	18.50	2009 to 2016
DB Sandhu ^A	50,555	–	27.50	2009 to 2016
DB Sandhu ^B	169,375	–	–	2010 to 2017
DB Sandhu	500,000	500,000	20.00	2011 to 2018
DB Sandhu ^C	225,000	225,000	–	2011 to 2018
PJ Harrison ^A	135,000	–	18.50	2009 to 2016
PJ Harrison ^B	142,225	–	–	2010 to 2017
PJ Harrison	500,000	500,000	20.00	2011 to 2018
PJ Harrison ^C	173,500	173,500	–	2011 to 2018
SW Broughton ^P	2,750,000	2,750,000	20.00	5 Oct 10

Please see overleaf for accompanying footnotes A–D.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

continued

6 DIRECTORS' REMUNERATION continued

In addition to the options detailed on the previous page, the following options are outstanding (but have now lapsed) under the Group's Enterprise Management Incentive (EMI) scheme. All of these options were granted at middle market price at the date of grant.

	At 1 July 09	At 30 June 10	Exercise price (pence)	Normally exercisable
DB Sandhu ^A	291,667	–	24.00	2009 to 2016
PJ Harrison ^A	265,000	–	24.00	2009 to 2016

DB Sandhu exercised 133,333 options during the year. No other share options were exercised by the Directors during the period. The market price of the shares at 30 June 2010 was 21.75p and the high and low for the year were 23.00p and 13.00p respectively.

A The conditions for the shares to vest in full will be the achievement of:

Either:

- 2008/09 Adjusted EPS calculated under UK GAAP of at least 5.10p 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 2008/09 being at least 50.00p.

A 50% vesting of matching shares would take place with an Adjusted EPS of 3.40p and share price of 33.00p. Vesting slides on a pro-rata basis between these points.

The EMI options will not vest unless an amount equal to at least 10% of the Directors' 2006/07 salary has been invested in the Group's Long Term Incentive Plan (LTIP) shares.

The options that these vesting conditions apply to (under both the Unapproved & EMI schemes) have now lapsed due to the vesting conditions not being met.

B These share options were granted during 2007/08 under the Group's LTIP. The conditions for the shares to vest in full will be the achievement of:

Either:

- 2009/10 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 2009/10 is 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.

Options under this scheme have now lapsed due to the vesting conditions not being met.

C These share options 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 is at least 60.00p.

A 50% vesting 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 options are subject to a 3 year performance period.

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 750,000 options would also be granted provided that the Company meets targets for EPS in each of the financial years from 2007/08 to 2009/10. The phantom options were intended to be settled by a mixture of cash and shares in October 2010.

The principal terms of this programme were as follows:

- Phantom options granted over 2,500,000 shares issued at market value of 20.00p.
- Subject to achievement of the following EPS targets, the Chairman would be granted an additional 250,000 phantom options (on the same terms) each year on the publication of the audited results for the following years:

Financial year	2007/08	2008/09	2009/10
EPS before exceptional or non-recurring items and adjustment for the impact of the Chairman's Remuneration	2.20p	3.70p	5.50p

The EPS target was only met for 2007/08 so a further 250,000 options were granted to the Chairman on 23 September 2008.

- On 5 October 2010 ('the concluding date') the incentivisation programme was expected to be concluded by the following:
 - A cash value for the whole of the phantom option would be calculated based on the difference between the issue price and the average share price (based on average mid market prices derived from the Stock Exchange Daily Official List) for the 60 days preceding 5 October 2010; This would be settled, on or before 26 October 2010, either by way of a cash settlement or by the issue to the Chairman of shares in the Company (based on the average mid market prices derived from the Stock Exchange Daily Official List over the period from the concluding date to the date of allotment of those shares).
 - An amount to settle the Chairman's personal tax and employee's NI on the value of the programme would be paid to him in cash on or before 26 October 2010;
- In the event of an offer for the whole of the share capital of the Company, which becomes unconditional in all respects prior to the concluding date, the phantom options will be settled in cash based on the difference in price between the issue price and the successful offer price.
- Following the concluding date, the Chairman and the Company would negotiate a salary package for a non-executive chairman appropriate to a company with the size and status of Ai Claims Solutions PLC.

As noted in the Chairman's Statement on pages 8 and 9, the Chairman has now agreed in principle for this arrangement not to be settled in October 2010 but, instead, to extend these arrangements for a further two years subject to further negotiation and consultation with major shareholders.

7 FINANCIAL EXPENSES

	2009/10 £'000	2008/09 £'000
Interest expense on bank loans and overdrafts	423	219
Interest expense on obligations under finance lease and similar hire purchase contracts	11	3
	434	222

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

continued

8 TAXATION

Analysis of charge for the year:

	2009/10 £'000	2008/09 £'000
Current tax expense:		
Current year	777	454
Prior year adjustment	3	2
	780	456
Deferred tax expense:		
Prior year deferred tax (credit)/charge adjustments	(39)	6
Origination and reversal of temporary differences	(33)	111
	(72)	117
Total tax in income statement	708	573

Reconciliation of effective tax rate:

	2009/10 £'000	2008/09 £'000
Profit for the period	1,922	1,301
Total tax expense	708	573
Profit excluding taxation	2,630	1,874
Tax using the UK corporation tax rate of 28% (2008/09: 28%)	736	525
Non-deductible expenses	45	58
Ineligible depreciation	27	27
Research and development relief	(52)	(45)
Adjustments for under provision of tax charge in prior year	3	2
Adjustments to deferred tax to reflect changes to prior charge	(39)	6
Deferred tax on share schemes	(7)	3
Marginal relief	(5)	(3)
Total tax expense	708	573

The Emergency Budget on 22 June 2010 announced that the UK corporation tax rate would reduce from 28% to 24% over a period of 4 years from 2011. The first reduction in the UK corporation tax rate from 28% to 27% was substantively enacted on 20 July 2010 and will be effective from 1 April 2011. In the future, this will reduce the Group's current tax charge accordingly. If the rate change from 28% to 27% had been substantively enacted on or before the statement of financial position date it would have had the effect of reducing the deferred tax asset recognised at that date by £1,000. It has not yet been possible to quantify the full anticipated effect of the announced further 3% rate reduction, although this, in the future, will both further reduce the Group's current tax charge and reduce the Group's deferred tax asset accordingly.

9 EARNINGS PER SHARE

Basic Earnings Per Ordinary Share

The calculation of basic earnings per ordinary share at 30 June 2010 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:

	2009/10	2008/09
Profit for the year attributable to ordinary shareholders	£1,922,000	£1,301,000
Weighted average number of ordinary shares	61,151,965	61,201,394
Basic earnings per share	3.14p	2.13p

Diluted Earnings Per Ordinary Share

The calculation of diluted earnings per ordinary share at 30 June 2010 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:

	2009/10	2008/09
Profit for the year attributable to ordinary shareholders	£1,922,000	£1,301,000
Weighted average number of ordinary shares – diluted	61,709,295	61,761,908
Diluted earnings per share	3.11p	2.11p

Adjusted Basic Earnings Per Ordinary Share

The calculation of basic adjusted earnings per ordinary share at 30 June 2010 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:

	2009/10	2008/09
Profit for the year attributable to ordinary shareholders	£2,014,000	£1,443,000
Weighted average number of ordinary shares	61,151,965	61,201,394
Adjusted basic earnings per share	3.29p	2.36p

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

continued

10 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings £'000	Computer equipment £'000	Plant, fixtures and equipment £'000	Total £'000
Cost				
Balance at 1 July 2008	2,088	2,014	989	5,091
Additions	32	162	92	286
Disposals	–	(882)	(315)	(1,197)
Balance at 30 June 2009	2,120	1,294	766	4,180
Additions	–	570	34	604
Balance at 30 June 2010	2,120	1,864	800	4,784
Depreciation and impairment				
Balance at 1 July 2008	325	1,495	661	2,481
Charge for the year	96	191	145	432
Disposals	–	(881)	(315)	(1,196)
Balance at 30 June 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
Net book value				
At 1 July 2008	1,763	519	328	2,610
At 30 June 2009	1,699	489	275	2,463
At 30 June 2010	1,601	654	208	2,463

Leased Plant and Machinery

Property, plant and equipment includes computer and telecommunications equipment held under finance lease agreements. At 30 June 2010 the net book value of all such assets was £377,000 (30 June 09: £nil); the depreciation charge in the year relating to such assets was £73,000 (30 June 09: £nil).

11 INTANGIBLE ASSETS

	Goodwill £'000	Software* £'000	Total £'000
Cost			
At 1 July 2008	6,726	2,850	9,576
Additions*	–	718	718
At 30 June 2009	6,726	3,568	10,294
Additions*	–	1,089	1,089
Balance at 30 June 2010	6,726	4,657	11,383
Amortisation			
At 1 July 2008	–	171	171
Charge for the year	–	503	503
At 30 June 2009	–	674	674
Charge for the year	–	453	453
Balance at 30 June 2010	–	1,127	1,127
Net book value			
At 1 July 2008	6,726	2,679	9,405
At 30 June 2009	6,726	2,894	9,620
At 30 June 2010	6,726	3,530	10,256

* 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 6.9% (30 June 09: 6.9%) and it is assumed that the Group will continue trading for at least 10 years (30 June 09: 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 10 £'000	30 June 09 £'000	30 June 10 £'000	30 June 09 £'000
Property, plant and equipment	65	–	–	(3)
Provisions	7	10	–	–
Other items	39	20	–	–
Tax assets/(liabilities)	111	30	–	(3)
Net of tax(liabilities)/assets	–	(3)	–	3
Net tax assets	111	27	–	–

Movement in deferred tax during the 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
Other items	20	7	12	39
	27	72	12	111

Movement in deferred tax during the prior year:

	1 July 08 £'000	Recognised in income £'000	Recognised in equity £'000	30 June 09 £'000
2008/09				
Property, plant and equipment	68	(71)	–	(3)
Tax value of loss carry-forwards utilised	11	(11)	–	–
Provisions	43	(33)	–	10
Other items	30	(2)	(8)	20
	152	(117)	(8)	27

The Emergency Budget on 22 June 2010 announced that the UK corporation tax rate would reduce from 28% to 24% over a period of 4 years from 2011. The first reduction in the UK corporation tax rate from 28% to 27% was substantively enacted on 20 July 2010 and will be effective from 1 April 2011. In the future, this will reduce the Group's current tax charge accordingly. If the rate change from 28% to 27% had been substantively enacted on or before the statement of financial position date it would have had the effect of reducing the deferred tax asset recognised at that date by £1,000. It has not yet been possible to quantify the full anticipated effect of the announced further 3% rate reduction, although this, in the future, will both further reduce the Group's current tax charge and reduce the Group's deferred tax asset accordingly.

13 TRADE AND OTHER RECEIVABLES

	30 June 10 £'000	30 June 09 £'000
Trade receivables	40,956	19,752
Other receivables	1,617	1,066
Prepayments and accrued income	13,425	10,278
	55,998	31,096

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 10 £'000	30 June 09 £'000
GTA trade receivables	35,426	16,051
Non-GTA trade receivables	5,530	3,701
	40,956	19,752

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 123 days (30 June 09: 119 days) and for the non-GTA receivable were 52 days (30 June 09: 42 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 10 £'000	30 June 09 £'000
Amounts not yet due	2,510	1,271
Amounts past due		
Less than 90 days	1,259	1,150
90 – 180 days	435	221
180 – 365 days	719	522
More than 365 days past due	607	537
	5,530	3,701

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

continued

14 CASH AND CASH EQUIVALENTS

The net cash and cash equivalents position is as follows:

	30 June 10 £'000	30 June 09 £'000
Cash at bank and in hand	183	130
Bank overdraft	(18,329)	(8,256)
	(18,146)	(8,126)

Included within cash and cash equivalents are amounts held on behalf of clients totalling £15,000 (30 June 09: £75,000).

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, see note 20.

	30 June 10 £'000	30 June 09 £'000
Current liabilities		
Current portion of secured bank loans	103	104
Current portion of finance lease liabilities	150	19
Bank overdraft	18,329	8,256
	18,582	8,379
Non-current liabilities		
Bank loans	776	879
Finance Lease Liabilities	225	–
	1,001	879

Terms and debt repayment schedule

	Currency	Nominal interest rate	Year of maturity	Carrying amount 30 June 10 £'000	Carrying amount 30 June 09 £'000
Bank loan	GBP	1.50% above LIBOR rate	2020	880	983
Bank overdraft	GBP	2.75% above Bank base rate	N/A	18,329	8,256
				19,209	9,239

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 10 £'000	Interest 30 June 10 £'000	Principal 30 June 10 £'000	Minimum lease payments 30 June 09 £'000	Interest 30 June 09 £'000	Principal 30 June 09 £'000
Less than one year	164	14	150	19	–	19

16 TRADE AND OTHER PAYABLES AND CURRENT TAX LIABILITIES

	30 June 10 £'000	30 June 09 £'000
Current liabilities		
Trade payables	12,914	4,943
Other taxes and social security costs	5,822	3,023
Other payables	609	355
Accruals and deferred income	13,301	10,667
	32,646	18,988
Current tax liabilities	479	454
	33,125	19,442

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 £219,000 (2008/09: £185,000).

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 EMI Plan, 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 overleaf. 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.

Of these options, a total of 595,000 options were granted on 27 October 2006 ('the October 2006 options') and, unlike the other approved and unapproved options, these had performance criteria attached to them.

For the October 2006 options granted, the conditions for the shares to vest in full would be the achievement of either:

- 2008/09 Adjusted EPS calculated under UK GAAP of at least 5.10p; 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 2008/09 being at least 50.00p.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

continued

17 EMPLOYEE BENEFITS *continued*

A 50% vesting of matching shares would take place with an Adjusted EPS of 3.40p and share price of 33.00p. Vesting slides on a pro-rata basis between these points.

10,000 of the October 2006 options lapsed in 2006/07, 125,000 options lapsed in 2007/08, 15,000 options lapsed in 2008/09 and, as the performance criteria had not been met, the remaining 445,000 options lapsed in 2009/10.

EMI options

A total of 780,000 EMI options were granted on 6 December 2006 and these are the only options to be exercisable under the EMI plan.

The EMI options have the same performance criteria as the October 2006 options detailed above. 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.

The EMI options will not vest unless an amount equal to at least 10% of the Director's 2006/07 salary has been invested in LTIP shares.

Of the EMI options 43,333 lapsed in 2006/07, 65,000 lapsed in 2007/08 and, as the performance criteria had not been met, the remaining 671,667 options lapsed in 2009/10.

LTIP options

A total of 535,941 options were granted on 2 November 2007 and 522,000 options were granted on 4 November 2008 and these are the only options to be granted under the LTIP plan. These options are exercisable at a price of £nil. 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 are forfeited if the employee leaves the Group before the options vest.

For the LTIP awards made on 2 November 2007, the conditions for the shares to vest in full would be the achievement of either:

- 2009/10 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 2009/10 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 LTIP options awarded on 2 November 2007 have now 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 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 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.

Phantom options

These are phantom options granted to the Chairman, Steve Broughton, during 2008/09 rather than receiving any remuneration. Phantom options over 2,500,000 shares in the Company were granted initially. A further 750,000 options would also be granted provided that the Company met targets for EPS in each of the financial years from 2007/08 to 2009/10. The phantom options are intended to be settled by a mixture of cash and shares in October 2010.

The principal terms of this programme were as follows:

- Phantom options granted over 2,500,000 shares issued at market value of 20.00p.
- Subject to achievement of the following EPS targets, the Chairman would be granted an additional 250,000 phantom options (on the same terms) each year on the publication of the audited results for the following years:

Financial year	2007/08	2008/09	2009/10
EPS before exceptional or non-recurring items and adjustment for the impact of the Chairman's Remuneration	2.20p	3.70p	5.50p

The EPS target was only met for 2007/08 so a further 250,000 options were granted to the Chairman on 23 September 2008.

- On 5 October 2010 ('the concluding date') the incentivisation programme was expected to be concluded by the following:
 - A cash value for the whole of the phantom option would be calculated based on the difference between the issue price and the average share price (based on average mid market prices derived from the Stock Exchange Daily Official List) for the 60 days preceding 5 October 2010; This would be settled, on or before 26 October 2010, either by way of a cash settlement or by the issue to the Chairman of shares in the Company (based on the average mid market prices derived from the Stock Exchange Daily Official List over the period from the concluding date to the date of allotment of those shares).
 - An amount to settle the Chairman's personal tax and employee's NI on the value of the programme would be paid to him in cash on or before 26 October 2010;
- In the event of an offer for the whole of the share capital of the Company, which becomes unconditional in all respects prior to the concluding date, the phantom options will be settled in cash based on the difference in price between the issue price and the successful offer price.
- Following the concluding date, the Chairman and the Company would negotiate a salary package for a non-executive chairman appropriate to a company with the size and status of Ai Claims Solutions PLC.

As noted in the Chairman's Statement on pages 8 and 9, the Chairman has now agreed in principle for this arrangement not to be settled in October 2010 but, instead, to extend these arrangements for a further two years subject to further negotiation and consultation with major shareholders.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

continued

17 EMPLOYEE BENEFITS continued

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

	2009/10		2008/09	
	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	4,438	26.10p	4,794	26.40p
Granted during the period	–	–	300	16.00p
Forfeited during the period	(1,512)	34.30p	(656)	24.10p
Exercised during the period	(158)	16.60p	–	–
Expired during the period	–	–	–	–
Outstanding at the end of the period	2,768	20.37p	4,438	26.10p
Exercisable at the end of the period	1,418	24.69p	2,562	30.08p
EMI				
Outstanding at the beginning of the period	672	24.00p	672	24.00p
Granted during the period	–	–	–	–
Forfeited during the period	(672)	24.00p	–	–
Exercised during the period	–	–	–	–
Expired during the period	–	–	–	–
Outstanding at the end of the period	–	–	672	24.00p
Exercisable at the end of the period	–	–	–	–
LTIP				
Outstanding at the beginning of the period	1,005	0.00p	536	0.00p
Granted during the period	–	–	522	0.00p
Forfeited during the period	(483)	0.00p	(53)	0.00p
Exercised during the period	–	–	–	–
Expired during the period	–	–	–	–
Outstanding at the end of the period	522	0.00p	1,005	0.00p
Exercisable at the end of the period	–	–	–	–
Phantom options				
Outstanding at the beginning of the period	2,750	20.00p	–	–
Granted during the period	–	–	2,750	20.0p
Forfeited during the period	–	–	–	–
Exercised during the period	–	–	–	–
Expired during the period	–	–	–	–
Outstanding at the end of the period	2,750	20.00p	2,750	200.0p
Exercisable at the end of the period	–	–	–	–

In 2009/10, no options were granted.

In 2008/09, options were granted on 1 July 2008, 23 September 2008 and 4 November 2008. The aggregate of the estimated fair values of the options granted on those dates was £130,000.

The options granted in 2008/09 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:

	2008/09
Weighted average share price	19.10p
Weighted average exercise price	16.70p
Expected volatility	25.00% – 29.00%
Expected life	3 – 10 years
Risk free rate	4.50% – 5.00%
Dividend yield	1.00% – 1.25%

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:

	2009/10 £'000	2008/09 £'000
Equity settled share based payment expense	92	142

The aggregate current and deferred tax relating to items that are charged or credited to equity is £12,000 credit (2008/09: £8,000 charge).

18 SHARE CAPITAL

	30 June 10 000's	Ordinary shares of 10p each 30 June 09 000's
On issue at 1 July and at 30 June	61,416	61,416

	30 June 10 £'000	30 June 09 £'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 2010, are 141,667 treasury shares (30 June 09: 300,000 treasury shares) of 10p each with a carrying value of £28,000 (30 June 09: £54,000). In 2009/10, 158,333 treasury shares were transferred to employees on exercise of their share options.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

continued

18 SHARE CAPITAL continued

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

	2009/10 £'000	2008/09 £'000
0.63p (2008/09: 0.60p) per qualifying ordinary share	385	368

After the statement of financial position date dividends of 0.37p per qualifying ordinary share (2008/09: 0.34p) were proposed by the Directors. The proposed dividend of £227,000 (2008/09: £208,000) has not been included as a liability.

19 FINANCIAL ASSETS AND LIABILITIES

Carrying values

	30 June 10 £'000	30 June 09 £'000
Financial assets (all loans and receivables)		
Cash	183	130
Trade receivables	40,962	19,752
Other receivables	1,617	1,066
	42,762	20,948
Financial liabilities (at amortised cost)		
Trade payables	16,394	4,943
Bank overdraft	18,329	8,256
Bank loans	880	983
Finance lease obligations	375	19
Other payables	609	355
	36,587	14,556

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 10 to 16).

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 September 2011. Failure to remain within covenants or extend bank facilities beyond September 2011 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 10 to 16.

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 inception during the year were used to fund capital expenditure on computer equipment.

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.

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 its part of its exposure to significant increases in rates.

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 2010, 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 £183,000 (2008/09: £64,000). 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 103 days (30 June 09: 95 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

continued

20 FINANCIAL RISK FACTORS *continued*

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 2010					
Secured bank loans: Mortgage	(958)	(121)	(121)	(364)	(352)
Finance lease liabilities	(400)	(164)	(236)	–	–
Bank overdrafts	(18,329)	(18,329)	–	–	–
Trade payables	(12,914)	(12,914)	–	–	–
	(32,601)	(31,528)	(357)	(364)	(352)

	Total £'000	< 1 year £'000	1 to 2 years £'000	2 to 5 years £'000	5 years and over £'000
30 June 2009					
Secured bank loans: Mortgage	(1,161)	(124)	(124)	(370)	(543)
Finance lease liabilities	(19)	(19)	–	–	–
Bank overdrafts	(8,256)	(8,256)	–	–	–
Trade payables	(4,943)	(4,943)	–	–	–
	(14,379)	(13,342)	(124)	(370)	(543)

The overdraft facility available to the Group is based on 80% of trade receivables which are less than 240 days old. At 30 June 2010 the full overdraft facility of £20.0m was available (30 June 09: £10.0m), of which £18.3m (30 June 09: £8.3m) was utilised at that date. On 1 July 2010, the overdraft facility cap was increased from £20.0m to £30.0m.

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.

21 OPERATING LEASES

Non-cancellable operating lease rentals are payable as follows:

	30 June 10 £'000	30 June 09 £'000
Land and buildings		
Less than one year	–	–
Between one and five years	250	250
	250	250
Plant and equipment		
Less than one year	28	95
Between one and five years	166	159
Greater than five years	–	3
	194	257

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 £466,000 was recognised as an expense in the income statement in respect of operating leases (2008/09: £476,000).

22 CAPITAL COMMITMENTS

As at 30 June 2010, the Group had entered into a contract to purchase property, plant, equipment and software for £125,000 (June 09: £58,000). 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:

	2009/10 £'000	2008/09 £'000
Key management emoluments including social security costs	1,648	1,564
Company contributions to money purchase pension plans	106	92
Compensation for loss of office	–	15
Share related awards	–	130
	1,754	1,801

COMPANY BALANCE SHEET

at 30 June 2010

	Note	30 June 10 £'000	30 June 09 £'000
Fixed assets			
Intangible assets	B2	192	211
Tangible assets	B3	1,394	1,452
Investments	B4	3,622	3,669
		5,208	5,332
Current assets			
Debtors	B5	4,539	4,454
Creditors: Amounts falling due within one year	B6	(410)	(474)
Net current assets		4,129	3,980
Total assets less current liabilities		9,337	9,312
Creditors: Amounts falling due after one year	B7	(776)	(879)
Net assets		8,561	8,433
Capital and reserves			
Called up share capital	B8 & B9	6,142	6,142
Share premium account	B9	1,579	1,579
Other reserves	B9	269	345
Profit and loss account	B9	571	367
Shareholders' funds	B9 & B11	8,561	8,433

The Financial Statements were approved by the Board of Directors on 27 September 2010 and signed on its behalf by:

David B Sandhu
Director

Peter J Harrison
Director

Registered Number 1492207

COMPANY STATEMENT OF CASH FLOWS

for the year ended 30 June 2010

	2009/10 £'000	2008/09 £'000
Cash flows from operating activities		
Profit for the year	451	673
<i>Adjustments for:</i>		
Depreciation of property, plant and equipment	58	57
Amortisation of other intangible assets	19	18
Share compensation charge	85	119
Share options exercise	26	–
Financial expense	19	42
Taxation	120	138
Increases in trade and other receivables	(85)	(488)
Decrease in trade and other payables	(45)	(21)
Interest paid	(19)	(42)
Taxation paid	(141)	–
Net cash in flow from operating activities	488	(496)
Cash flows from financing activities		
Purchase of treasury shares	–	(54)
Repayment of borrowings	(103)	(81)
Dividends paid	(385)	(368)
Net cash out flow from financing activities	(488)	(503)
Net decrease in cash and cash equivalents	–	(7)
Cash and cash equivalents at 1 July	–	7
Cash and cash equivalents at 30 June	–	–

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 £451,000 (2008/09: £673,000).

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 UITF 44.

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.

B2 INTANGIBLE ASSETS

	Goodwill £'000
Cost	
At 1 July 2009 and 30 June 2010	366
Amortisation	
At 1 July 2009	155
Charge for the year	19
At 30 June 2010	174
Net book value	
At 30 June 2009	211
At 30 June 2010	192

NOTES TO THE COMPANY FINANCIAL STATEMENTS

continued

B3 TANGIBLE FIXED ASSETS

	Leasehold land and buildings £'000
Cost	
At 1 July 2009 and 30 June 2010	1,719
Depreciation	
At 1 July 2009	267
Charge for the year	58
At 30 June 2010	325
Net book value	
At 30 June 2009	1,452
At 30 June 2010	1,394

B4 INVESTMENTS

	FRS 20 related Investment in Subsidiary £'000	Shares in Group undertakings £'000	Total £'000
Cost			
At 1 July 2009	60	4,414	4,474
Disposals	(47)	–	(47)
At 30 June 2010	13	4,414	4,427
Provisions			
At 1 July 2009 and 30 June 2010	–	805	805
Net book value			
At 30 June 2009	60	3,609	3,669
At 30 June 2010	13	3,609	3,622

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 10	30 June 09
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 10 £'000	30 June 09 £'000
Amounts owed by group undertakings	4,439	4,382
Other debtors	65	43
Prepayments	35	29
	4,539	4,454

B6 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	30 June 10 £'000	30 June 09 £'000
Bank loan	103	104
Trade creditors	7	26
Other taxation and social security	138	157
Other creditors	–	160
Accruals	162	27
	410	474

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 2010 borrowings subject to this guarantee amounted to £18.3m (30 June 09: £8.3m).

The bank loan is repayable over 10 years and 6 months and interest is payable at 1.5% over the LIBOR rate.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

continued

B7 CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR

	30 June 10 £'000	30 June 09 £'000
Bank loan	776	879

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

	30 June 10 £'000	30 June 09 £'000
Within one year	103	104
Within one to two years	103	104
Within two to five years	310	312
After five years	364	463
	880	983

B8 SHARE CAPITAL

	30 June 10 £'000	30 June 09 £'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

Included within the ordinary share capital are 141,667 treasury shares (30 June 09: 300,000 treasury shares) of 10p each with a carrying value of £28,000 (30 June 09: £58,000). In 2009/10, 158,333 treasury shares were transferred to employees on exercise of their share options.

B9 CAPITAL AND RESERVES

	Share Capital £'000	Share Premium account £'000	Other reserve £'000	Profit and loss account £'000	Total £'000
At 1 July 2009	6,142	1,579	345	367	8,433
Profit for the period	–	–	–	451	451
Dividends to equity holders	–	–	–	(385)	(385)
Share based payments	–	–	(76)	138	62
At 30 June 2010	6,142	1,579	269	571	8,561

B10 SHARE OPTIONS

As noted in both the Remuneration Report and note 6 to these financial statements, the Group and Company grants options to certain directors and employees under the LTIP, the EMI Plan, 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 overleaf. 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

The 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 the options remain unexercised after a period of 10 years from the date of the grant, the options expire. Furthermore, these options won't be forfeited if the employee leaves the Group before the options vest.

Of these options, a total of 335,000 options were granted on 27 October 2006 ('the October 2006 options') and, unlike the other approved and unapproved options, these had performance criteria attached to them.

For the October 2006 options granted, the conditions for the shares to vest in full would be the achievement of either:

- 2008/09 Adjusted EPS calculated under UK GAAP of at least 5.10p 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 2008/09 being at least 50.00p.

A 50% vesting of matching shares would take place with an Adjusted EPS of 3.40p and share price of 33.00p. Vesting slides on a pro-rata basis between these points.

35,000 of the October 2006 options lapsed in 2007/08 and, as the performance criteria had not been met, the remaining 300,000 options lapsed in 2009/10.

EMI options

A total of 665,000 EMI options were granted on 6 December 2006 and these are the only options to be exercisable under the EMI plan.

The EMI options have the same performance criteria as the October 2006 options detailed above. 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.

The EMI options will not vest unless an amount equal to at least 10% of the Director's 2006/07 salary has been invested in LTIP shares.

Of the EMI options 43,333 lapsed in 2006/07, 65,000 lapsed in 2007/08 and, as the performance criteria had not been met, the remaining 556,667 options lapsed in 2009/10.

LTIP options

A total of 311,600 options were granted on 2 November 2007 and 398,500 options were granted on 4 November 2008 and these are the only options to be granted under the LTIP plan. These options are exercisable at a price of £nil. 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 are forfeited if the employee leaves the Group before the options vest.

For the LTIP awards made on 2 November 2007, the conditions for the shares to vest in full would be the achievement of either:

- 2009/10 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 2009/10 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.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

continued

B10 SHARE OPTIONS *continued*

The LTIP options awarded on 2 November 2007 have now 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 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 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.

Phantom options

These are phantom options granted to the Chairman, Steve Broughton, during 2008/09 rather than receiving any remuneration. Phantom options over 2,500,000 shares in the Company were granted initially. A further 750,000 options would also be granted provided that the Company met targets for EPS in each of the financial years from 2007/08 to 2009/10. The phantom options are intended to be settled by a mixture of cash and shares in October 2010.

The principal terms of this programme were as follows:

- Phantom options granted over 2,500,000 shares issued at market value of 20.00p.
- Subject to achievement of the following EPS targets, the Chairman would be granted an additional 250,000 phantom options (on the same terms) each year on the publication of the audited results for the following years:

Financial year	2007/08	2008/09	2009/10
EPS before exceptional or non-recurring items and adjustment for the impact of the Chairman's Remuneration	2.20p	3.70p	5.50p

The EPS target was only met for 2007/08 so a further 250,000 options were granted to the Chairman on 23 September 2008.

- On 5 October 2010 ('the concluding date') the incentivisation programme was expected to be concluded by the following:
 - A cash value for the whole of the phantom option would be calculated based on the difference between the issue price and the average share price (based on average mid market prices derived from the Stock Exchange Daily Official List) for the 60 days preceding 5 October 2010;
This would be settled, on or before 26 October 2010, either by way of a cash settlement or by the issue to the Chairman of shares in the Company (based on the average mid market prices derived from the Stock Exchange Daily Official List over the period from the concluding date to the date of allotment of those shares).
 - An amount to settle the Chairman's personal tax and employee's NI on the value of the programme would be paid to him in cash on or before 26 October 2010;
- In the event of an offer for the whole of the share capital of the Company, which becomes unconditional in all respects prior to the concluding date, the phantom options will be settled in cash based on the difference in price between the issue price and the successful offer price.
- Following the concluding date, the Chairman and the Company would negotiate a salary package for a non-executive chairman appropriate to a company with the size and status of Ai Claims Solutions PLC.

As noted in the Chairman's Statement on pages 8 and 9, the Chairman has now agreed in principle for this arrangement not to be settled in October 2010 but, instead, to extend these arrangements for a further two years subject to further negotiation and consultation with major shareholders.

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

	2009/10		2008/09	
	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	3,636	26.90p	4,236	26.80p
Granted during the period	–	–	–	–
Forfeited during the period	(1,242)	36.32p	(600)	24.30p
Exercised during the period	(133)	16.75p	–	–
Expired during the period	–	–	–	–
Outstanding at the end of the period	2,261	20.06p	3,636	26.90p
Exercisable at the end of the period	1,211	19.80p	2,285	31.60p
EMI				
Outstanding at the beginning of the period	557	24.00p	557	24.00p
Granted during the period	–	–	–	–
Forfeited during the period	(557)	24.00p	–	–
Exercised during the period	–	–	–	–
Expired during the period	–	–	–	–
Outstanding at the end of the period	–	–	557	24.00p
Exercisable at the end of the period	–	–	–	–
LTIP				
Outstanding at the beginning of the period	710	0.00p	312	0.00p
Granted during the period	–	–	398	0.00p
Forfeited during the period	–	–	–	–
Exercised during the period	(312)	0.00p	–	–
Expired during the period	–	–	–	–
Outstanding at the end of the period	398	0.00p	710	0.00p
Exercisable at the end of the period	–	–	–	–
Phantom Options				
Outstanding at the beginning of the period	2,750	20.00p	–	–
Granted during the period	–	–	2,750	20.00p
Forfeited during the period	–	–	–	–
Exercised during the period	–	–	–	–
Expired during the period	–	–	–	–
Outstanding at the end of the period	2,750	20.00p	2,750	20.00p
Exercisable at the end of the period	–	–	–	–

NOTES TO THE COMPANY FINANCIAL STATEMENTS

continued

B10 SHARE OPTIONS *continued*

In 2009/10 no options were granted.

In 2008/09, options were granted on 1 July 2008 and 4 November 2008. The aggregate of the estimated fair values of the options granted on those dates was £121,000.

The options granted in 2008/09 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 are as follows – these have not been provided for 2009/10 as no options were granted in that year:

	2008/09
Weighted average share price	19.50p
Weighted average exercise price	17.50p
Expected volatility	25.00% – 29.00%
Expected life	3 – 10 years
Risk free rate	4.50% – 5.00%
Dividend yield	1.00% – 1.25%

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:

	2009/10 £'000	2008/09 £'000
Equity settled share based payment expense	85	119

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

	2009/10 £'000	2008/09 £'000
Profit for the period	451	673
Dividends to equity holders	(385)	(368)
Share based payments	36	139
Transfer/(purchase) of treasury shares	26	(54)
Increase in shareholders' funds	128	390
Opening shareholders' funds	8,433	8,043
Closing shareholders' funds	8,561	8,433

FIVE YEAR SUMMARY

The year ended 30 June 2008 was the first year that the Group presented its consolidated financial statements under IFRS, accordingly the transition date was 1 July 2006 and so the results for the years ended 30 June 2007, 30 June 2008, 30 June 2009 and 30 June 2010 are presented under IFRS. The results for the year ended 30 June 2006 remain under UK GAAP.

Note: Due to the Group's adoption of FRS 20 for the first time in the year ended 30 June 2007, the results presented below for the year ended 30 June 2006 have been restated.

	2009/10	2008/09	2007/08	2006/07	2005/06
	£'000	£'000	£'000	£'000	£'000
	IFRS	IFRS	IFRS	IFRS	UK GAAP (Restated)
Revenue	91,929	55,744	40,835	34,326	37,986
Adjusted profit ¹	2,722	2,016	2,159	1,635	1,452
Profit before taxation	2,630	1,874	2,046	1,540	865
Profit for the period	1,922	1,301	1,389	1,232	449
Earnings per share:					
– Adjusted basic ²	3.29p	2.36p	2.45p	2.16p	1.69p
– Basic	3.14p	2.13p	2.26p	2.01p	0.73p
Dividend per share	0.66p	0.60p	0.55p	0.48p	0.45p

1 Adjusted profit represents profit before taxation and before amortisation of goodwill (UK GAAP only), exceptional costs and IFRS 2 share option charges

2 Adjusted basic EPS is before amortisation of goodwill (UK GAAP only) and exceptional costs

NOTICE OF ANNUAL GENERAL MEETING

Ai CLAIMS SOLUTIONS PLC

Company Number: 1492207

NOTICE IS HEREBY GIVEN THAT the 29th Annual General Meeting (AGM) of Ai Claims Solutions PLC ('the Company') will be held at the offices of Cobbeatts LLP, 70 Gray's Inn Road, London WC1X 8BT on 2 December 2010 at 10:30 a.m. in order to consider and, if thought fit, pass the following Resolutions, of which Resolutions 1 to 6 (inclusive) will be proposed as Ordinary Resolutions and Resolutions 7 and 8 as Special Resolutions:

Ordinary Resolutions

- 1 To receive, consider and adopt the Company's annual accounts for the financial year ended on 30 June 2010 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 Steve Broughton 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 David Sandhu 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 0.37p per ordinary share of 10 pence each in the capital of the Company (the 'Ordinary Shares') in respect of the year ended 30 June 2010. This dividend will be paid on 12 January 2011 to the holders of Ordinary Shares at 6:00 p.m. on 10 December 2010.
- 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 2011 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.

Special Resolutions

- 7 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:
 - 7.1 the allotment of equity securities in connection with an offer by way of a rights issue:
 - 7.1.1 to the holders of Ordinary Shares in proportion (as nearly as may be practicable) to their respective holdings; and
 - 7.1.2 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
 - 7.2 the allotment (otherwise than pursuant to paragraph 7.1 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 2011 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.

NOTICE OF ANNUAL GENERAL MEETING

Ai CLAIMS SOLUTIONS PLC continued

Company Number: 1492207

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.

- 8 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:
- 8.1 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);
- 8.2 the minimum price which may be paid for any such Ordinary Share is 10 pence (exclusive of expenses paid by the Company);
- 8.3 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
- 8.4 the authority conferred by this Resolution shall expire on the earlier of 31 December 2011 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
27 October 2010

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; and
 - 9.2 The Register of Directors' Interests required to be kept by the Act.
- 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 30 November 2010, (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.

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

Indemnity House
Sir Frank Whittle Way
Blackpool
FY4 2FB

Registered number

1492207

Auditors

Grant Thornton UK LLP
Chartered Accountants
Registered Auditor
4 Hardman Square
Spinningfields
Manchester
M3 3EB

Bankers

Yorkshire Bank
1 Tustin Court
Portway
Preston Riversway
Preston
PR2 2YQ

Broker, nominated advisor and investor relations

Shore Capital and Corporate Limited
Bond Street House
14 Clifford Street
London
W1S 4JU

Solicitors

Cobbetts LLP
58 Mosley Street
Manchester
M2 3HZ

Registrars

Computershare Investor Services Plc
The Pavilions
Bridgwater Road
Bristol
BS99 6ZY



Mixed Sources

Product group from well-managed
forests and other controlled sources
www.fsc.org Cert no. TT-COC-002242
© 1996 Forest Stewardship Council

This publication was printed with vegetable oil-based inks by an FSC-recognised printer that holds an ISO 14001 certification.



CLAIMS SOLUTIONS PLC

Ai Claims Solutions PLC
Indemnity House
Sir Frank Whittle Way
Blackpool FY4 2FB

Tel: 0844 571 3333
Fax: 01253 441504
www.aiclaimssolutions.com