COMPANY NO: 3851175

Ai Claims Solutions (UK) Limited

Annual Report

Year Ended 30 June 2011

Contents

Company Information

Directors	P J Harrison P McCarthy *(appointed 1 July 2010)* J B Monteith S N Pook *(appointed 13 December 2011)* D B Sandhu C Shaw P Taylor
Secretary	P J Harrison
Registered Office	Indemnity House Sir Frank Whittle Way Blackpool FY4 2FB
Registered Number	3851175
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
Solicitors	Cobbetts LLP 58 Mosley Street Manchester M2 3HZ

Directors' Report

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

Principal Activities

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

Business Review and Future Developments

Ai is ethical, proactive and transparent in its service delivery providing market leading customer service with an ethos to control claims cost inflation Ai continues to put its customers at the very heart of everything that it does, ensuring swift resolutions and maintaining consistently high service levels, Ai works hard to contain and minimise costs for its clients

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

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

To capitalise on its expertise in the claims handling arena to exploit opportunities in new markets, Ai has also developed its full claims outsourcing capabilities for launch of a new pilot scheme for a broker (in 2011) and also a new scheme for an insurer (in 2012)

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

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

Ai's headcount grew to an average of 469, from 373 in the previous year, a 26% increase This reflects the Company's underlying business growth and is largely driven by the two significant non-fault broker referred schemes that have recently been implemented – one at the end of the last financial year and one at the start of this one Attrition rates have been maintained at a similar level to the prior year – 25% (2009/10 23%) Ai continues to recruit, train and retain the best people in the industry Ai has enjoyed Investor In People ["IIP"] status since 2003 and, in November 2010, the Company was awarded the IIP Silver Status Ai constantly monitors and reviews staffing levels to ensure that its customers receive an excellent standard of service and the Company continues to provide significant investment in training to improve staff skills Ai's call centre won Best Contact Centre in both the Call North West 2010 & 2011 awards

[continued]

Directors' Report *(continued)*

Business Review and Future Developments *(continued)*

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

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

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

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

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

Revenue was £117 6m (2009/10 £91 9m) and this represented an increase of 28% over the previous year

Hire revenue from cases increased by £16 9m (29%) to £76 0m (2009/10 £59 1m) and repair revenue increased by £9 3m (31%) to £38 9m (2009/10 £29 6m) PI related revenue decreased by £0 3m (23%) to £1 0m (2009/10 £1 3m) Service only based income reduced by £0 1m (5%) to £1 8m (2009/10 £1 9m)

Hire and repair income levels are in line with last year and now represent 65% (2009/10 64%) and 33% (2009/10 32%) of revenue respectively The revenue growth has been achieved with a small uplift in gross margin to 18 5% (2009/10 18 1%)

Full time employees increased by 28% this year to accommodate the higher activity at the start of the year Staff costs saw a similar increase – they were 32% up on last year Administrative expenses increased by £3 3m (23%) to £17 5m (2009/10 £14 2m)

The Company generated a pre-tax profit of £3 4m in the year (2009/10 £2 0m)

(continued)

Directors' Report *(continued)*

Business Review and Future Developments *(continued)*

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

Financial expenses increased by 93% to £0 8m as a result of additional working capital to fund the growth in revenue with the increased mix of credit hire Financial expenses are covered 5 times by operating profit (2009/10 6 times)

£0 3m was invested in property, plant and equipment, primarily computer equipment

It is a tough trading environment, with lower accident frequencies, mounting government and press scrutiny of the industry, insurer frustration and ongoing economic uncertainty and this will continue to challenge the business The Board, however, are confident that Ai, with its unique and flexible operating model and its experienced management team, will be able to continue on its path in a solid, resilient manner As well as further growth potential, there are also opportunities to identify and realise efficiencies in processes and costs by maintaining its strong focus on margin and costs

Dividends

The Directors do not propose to pay a dividend for the year (2009/10 £nil) During the year a dividend of £1,000,000 was paid (2009/10 £nil)

Directors

The present directors of the Company and those that served in the year are set out on page 1

KPI's

Indicator	Target	Performance
Referrals *Key driver of growth, business mix and capital requirement*	To best utilise the skills of our experienced staff and IT platform, the target is to maximise opportunities for converting leads	131,000 (2009/10 132,000) *This represents a 2% decrease on the previous year* *(excludes accident damage and courtesy car schemes)*
Conversion into service *Key customer service indicator and revenue generator*	> 80%	88% (2009/10 74%) *A 14 percentage points increase compared to last year* *(excludes accident damage and courtesy car schemes)*
Customer service index *Key measure of overall customer satisfaction*	> 85%	84% (2009/10 83%) *Where Ai's service has been rated as 'Very Good' or 'Excellent'*

[continued]

Directors' Report *(continued)*

KPI's *(continued)*

Indicator	Target	Performance
Claims recovery ultimate *Estimated ultimate recovery is a key driver in a longer cash cycle business for converting initially reported revenue into cash*	> 100%	100% (30 June 10 100%)
WiP days *A key controllable working capital investment driver*	< 45 days	22 days (30 June 10 39 days)
Debtor days - GTA *Not fully controllable as dependent upon insurers' payment efficiency in a claimant situation*	< 90 days	145 days (30 June 10 123 days)
Debtor days - other *More controllable as debt should be payable within agreed payment terms*	< 60 days	41 days (30 June 10 52 days)
Hire duration *Key customer service indicator and indicator of control of cases*	< 18 days	18 days (30 June 10 17 days)

Payment of Creditors

The Company'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 Company as at 30 June 2011 were equivalent to 48 days purchases (2009/10 45 days)

Risk Management

The directors are responsible for the Company'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 Company's system of internal control is designed to manage rather than eliminate the risk of failure to achieve the Company'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 Company has identified and manages its key business risks and has a Business Continuity Plan in place

The Company does not enter into derivative transactions and does not trade in financial instruments The main risk arising from financial instruments is interest rate risk, which is linked to movements in Yorkshire Bank's base rate

The Company enters into contracts with customers, for which vehicle provision and repair labour prices may be prescribed for periods of up to 12 months The Company 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 Company is a subscriber to the ABI's General Terms of Agreement ["GTA"] GTA rates are agreed between insurers and credit hire companies annually When pricing contracts, the Company takes account of key potential sensitivities

[continued]

Directors' Report *(continued)*

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 Company continues and that appropriate training is arranged It is the policy of the 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 Company 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 Company, through regular meetings of a Staff Forum and Director Presentations

Statement of Directors' Responsibilities for the Annual Report

The directors are responsible for preparing the Directors' Report and the 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 the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws) Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and of the profit or loss of the company 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 United Kingdom 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 assume that the company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the 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 the directors are aware

- there is no relevant audit information which the company's auditors are unaware, and
- the directors have taken all the 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 the financial statements may differ from legislation in other jurisdictions

[continued]

Directors' Report *(continued)*

Auditors

A resolution to reappoint Grant Thornton UK LLP as auditors of the Company will be proposed at the forthcoming Annual General Meeting

Approval

The Report of the Directors was approved by the Board on 22 March 2012 and signed on its behalf by

Paul McCarthy

Director

Independent Auditor's Report to the Members of Ai Claims Solutions (UK) Limited

We have audited the Financial Statements of Ai Claims Solutions (UK) Limited for the year ended 30 June 2011 which comprise the Profit and Loss Account, the Balance Sheet and related notes The financial reporting framework that has been applied in their preparation 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 set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 30 June 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- 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, or returns adequate for our audit have not been received from branches not visited by us, or
- the 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

Grant Thornton UK LLP

Kevin Engel
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP

Statutory Auditor, Chartered Accountants
Manchester
22 March 2012

Profit & Loss Account
for the year ended 30 June 2011

	Note	2010/11 £'000	2009/10 £'000
Turnover	4	**117,621**	91,929
Cost of sales		**(95,902)**	(75,265)
Gross profit		**21,719**	16,664
Administrative expenses		**(17,487)**	(14,209)
Operating profit	4	**4,232**	2,455
Interest payable and similar charges	5	**(803)**	(415)
Profit on ordinary activities before taxation		**3,429**	2,040
Taxation on profit on ordinary activities	6	**(874)**	(588)
Retained profit for the year	13	**2,555**	1,452

All operations are continuing

There are no other gains and losses recognised other than those shown above in the profit & loss account above

Balance Sheet
at 30 June 2011

	Note	30 Jun 11 £'000	30 Jun 10 £'000
Fixed assets			
Tangible fixed assets	7	**4,719**	4,599
Current assets			
Debtors	8	**63,715**	55,979
Cash at bank and in hand		**48**	183
		63,763	56,162
Creditors: Amounts falling due within one year	9	**(61,899)**	(55,737)
Net current assets/(liabilities)		**1,864**	425
Total assets less current liabilities		**6,583**	5,024
Creditors: Amounts falling due after one year	10	**(157)**	(225)
Net assets		**6,426**	4,799
Capital and reserves			
Called up share capital	11	-	-
Other reserve	12	**32**	12
Profit and loss account	12	**6,394**	4,787
Shareholders' funds	13	**6,426**	4,799

The Financial Statements were approved by the Board on 22 March 2012 and signed on its behalf by

Paul McCarthy

Director

COMPANY NUMBER: 3851175

Notes to the Financial Statements

1. 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

Going concern

The Directors have reviewed the Company's finances and working capital facilities over the next twelve months and determined that the Company can meet its liabilities as they fall due On the basis of this the Directors have concluded that it is appropriate to prepare the Financial Statements on a going concern basis

Accounting convention

The Financial Statements are prepared under the historical cost convention

Tangible fixed assets

Depreciation is provided on cost less residual value in equal annual instalments over the estimated useful lives of assets in use Assets in the course of construction are not depreciated Where there is evidence of impairment, fixed assets are written down to recoverable amount Any such write down would be charged to operating profit

The rates of depreciation are as follows

Leasehold land and buildings	- 30 years
Leasehold improvements	- over the period of the lease
Computer equipment, telephone systems & software	- 20 to 33% per annum
Plant, fixtures and fittings	- 20% per annum

Income recognition

Credit hire and repair income, and income derived from other accident management services, are recognised on transactions which have completed during the period, together with an appropriate proportion of income in respect of hires and repairs and work in progress at the period end, less claims write offs and movements in provisions for under recovery from insurers Income earned from insurers under the GTA penalty payments regime when claims are settled late is only recognised when received Income from referrals of personal injury cases is recognised in the period a referral is made to the extent that a right to consideration arises Turnover is recorded exclusive of VAT

Hire purchase and leases

Assets held under hire purchase and finance lease agreements and the related obligations are recorded in the balance sheet at the fair value of the assets at the inception of the agreement The amounts by which the hire purchase and lease payments exceed the recorded obligations are treated as finance charges which are amortised over each agreement term to give a constant rate of charge on the remaining balance of the obligation Rental payments under operating leases are charged to the profit and loss account on a straight line basis over the period of the lease

[continued]

Notes to the Financial Statements *(continued)*

1. Accounting policies *(continued)*

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

Cash flow statement

The Company has taken the exemption, allowable under FRS 1 (revised), not to prepare a cash flow statement on the grounds that it is a subsidiary of a Company that prepares consolidated accounts that are publicly available

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

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

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

Share Based Payments

The Company has applied the requirements of FRS 20 'Share Based Payments' The Company 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

2. Directors emoluments

D B Sandhu and P J Harrison were also Directors of the Parent Company and are paid by the Parent Company during the year It is not practicable to determine the portion of their emoluments which relates to the Company Full disclosure of the Directors' emoluments is made in the Group accounts of Ai Claims Solutions PLC

[continued]

Notes to the Financial Statements *(continued)*

2. Directors emoluments *(continued)*

The emoluments of P McCarthy, J B Monteith, C Shaw and P Taylor have been disclosed in the table below

	2010/11	2009/10
	£'000	£'000
Aggregate emoluments	**630**	466
Company contribution to money purchase pension scheme	**61**	44
FRS 20 charge	**20**	7
	711	517

The emoluments of the highest paid Director in the period were £183,000 (2009/10 £181,000) excluding pension contributions of £19,000 (2009/10 £17,000) A total of 4 Directors (2009/10 3) are accruing benefits under a defined contribution pension scheme

3. Employees

Staff costs, including Directors, during the period were as follows

	2010/11	2009/10
	£'000	£'000
Wages and salaries	**9,785**	7,400
Social security costs	**847**	659
Other pension costs (defined contribution scheme)	**216**	171
FRS 20 charge	**20**	7
	10,868	8,237

	No.	No
Operations and claims	**338**	286
Administration and selling	**131**	87
	469	373

Notes to the Financial Statements *(continued)*

4. Operating profit

Operating profit is stated after charging

	2010/11 £'000	2009/10 £'000
Operating lease rentals		
Plant and Machinery	**227**	207
Land and Buildings	**258**	259
Auditors' remuneration		
Fee payable to the Company's auditor for the audit of the annual financial statements	**34**	35
Depreciation of tangible fixed assets		
Owned assets	**955**	926
Leased assets	**166**	73
FRS 20 charge	**20**	7

The Directors consider that the activities of the Company represent a single business segment being the provision of an outsourced claims management solution to motor insurers

The location of all turnover, operating profits and net assets was within the United Kingdom

5. Interest Payable and Similar Charges

	2010/11 £'000	2009/10 £'000
Interest on bank loans and overdrafts	**786**	404
Hire purchase and finance lease costs	**17**	11
	803	415

Notes to the Financial Statements *(continued)*

6. Taxation

	2010/11 £'000	2009/10 £'000
Current taxation		
Current year	**953**	659
Prior year adjustment	**(114)**	-
	838	659
Deferred taxation – charge/(credit)	**36**	(71)
Taxation charge on profit on ordinary activities	**874**	588
Current taxation reconciliation		
Profit on ordinary activities before taxation	**3,429**	2,040
Tax using the UK corporation taxation rate of 27 5% (2009/10 28 0%)	**943**	571
Expenditure not tax deductible	**20**	107
Accelerated capital allowances	**55**	33
Adjustments for under provision of tax charge in the prior year	**(114)**	-
Research and development relief	**(66)**	(52)
Actual current taxation charge	**838**	659

Notes to the Financial Statements *(continued)*

7. Tangible fixed assets

	Leasehold Land and Buildings £'000	Computer Equipment & Software £'000	Plant, Fixtures and Equipment £'000	Assets in the Course of Construction £'000	Total £'000
Cost					
At 1 July 2010	402	6,013	800	507	7,722
Additions	10	273	53	905	1,241
Transfers	-	1,116	-	(1,116)	-
Disposals	-	(393)	(69)	-	(462)
At 30 June 2011	**412**	**7,009**	**784**	**296**	**8,501**
Depreciation					
At 1 July 2010	195	2,336	592	-	3,123
Charged in year	41	984	96	-	1,121
Disposals	-	(393)	(69)	-	(462)
At 30 June 2011	**236**	**2,927**	**619**	-	**3,782**
Net book value					
At 30 June 2011	**176**	**4,082**	**165**	**296**	**4,719**
At 30 June 2010	207	3,677	208	507	4,599

Assets in the course of construction represent third party and internal costs incurred for the replacement of the Company's operational and claims system Several system modules were released during the year and have been transferred to Computer Equipment & Software, remaining modules still under development continue to be held within Assets in the Course of Construction

Tangible fixed assets include computer and telecommunications equipment held under finance lease agreements At 30 June 2011 the net book value of such assets was £404,000 (30 Jun 10 £377,000), the depreciation charge in the year to date relating to such assets was £166,000 (30 Jun 10 £73,000)

Notes to the Financial Statements *(continued)*

8. Debtors

	30 Jun 11 £'000	30 Jun 10 £'000
Trade debtors	**52,497**	40,956
Other debtors	**1,686**	1,565
Prepayments & accrued income	**9,434**	13,390
Deferred tax asset	**98**	68
	63,715	55,979

9. Creditors: Amounts falling due within one year

	30 Jun 11 £'000	30 Jun 10 £'000
Hire purchase and finance lease obligations	**212**	150
Bank overdraft	**21,222**	18,301
Trade creditors	**13,633**	16,382
Amounts owed to parent undertaking	**5,284**	4,439
Other taxation and social security	**10,834**	6,164
Other creditors	**780**	612
Accruals	**9,934**	9,689
	61,899	55,737

Hire purchase and finance lease obligations are secured on the assets financed

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

The Company has entered into an unlimited cross guarantee with its parent company and a legal mortgage and mortgage debenture in relation to banking facilities with Yorkshire Bank At 30 June 2011 borrowings subject to this guarantee amounted to £21,222,000 (30 Jun 10 £18,301,000).

Notes to the Financial Statements *(continued)*

10. Creditors: Amounts falling due after one year

	30 Jun 11 £'000	30 Jun 10 £'000
Hire purchase and finance lease obligations	**157**	225

The maturity of obligations under hire purchase and finance leases are as follows

	30 Jun 11 £'000	30 Jun 10 £'000
Within one year	**212**	150
Within one to two years	**157**	150
Within two to five years	-	75
Hire purchase and finance lease obligations	**369**	375

11. Called up share capital

	30 Jun 11 £	30 Jun 10 £
Authorised		
1,000 ordinary shares of £1 each (30 Jun 10 1,000)	**1,000**	1,000
Allotted, called up and fully paid		
2 ordinary shares of £1 each (2010 2)	**2**	2

Notes to the Financial Statements *(continued)*

12. Capital and reserves

	Share capital £'000	Other reserve £'000	Profit and loss account £'000	Total £'000
Balance at 30 June 2010	-	12	4,787	4,799
Profit for period	-	-	2,555	2,555
Dividends	-	-	(1,000)	(1,000)
FRS 20 charge	-	20	52	72
Balance at 30 June 2011	-	**32**	**6,394**	**6,426**

The other reserve relates to capital contributions made by the parent company in relation to share based payments

13. Reconciliation of movements in shareholders' funds

	2010/11 £'000	2009/10 £'000
Profit for the year	**2,555**	1,452
Dividends	**(1,000)**	-
FRS 20 charge	**72**	19
Opening shareholders' funds	**4,799**	3,328
Closing shareholders' funds	**6,426**	4,799

Notes to the Financial Statements *(continued)*

14. Financial commitments

Capital commitments

The Company had contracted capital commitments, in respect of the replacement of the Group's operational and claims systems, which have not been provided for in the Financial Statements as set out below

	30 Jun 11	30 Jun 10
	£'000	£'000
Contracted for, but not provided	**115**	125

Operating lease commitments

The payments which the Company is committed to make in the next year under operating leases are as follows

	30 Jun 11	30 Jun 10
	£'000	£'000
Land and buildings, leases expiring		
Less than one year	**6**	-
One to five years	**246**	250
	252	250
Plant and machinery, lease expiring		
Within one year	**100**	28
One to five years	**94**	166
	194	194

15. Share Based Payments

The Company grants options to certain Directors and employees under the Ai Claims Solutions PLC Long Term Incentive Plan ["LTIP"], the Ai Claims Solutions PLC Enterprise Management Incentive Plan ["EMI Plan"] and has entered into approved individual option agreements and unapproved options as shown in the table on page 21 An unapproved share option is an option defined by HM Revenue and Customs which does not attract tax relief on exercise All shares are issued in the Parent Company but expensed in the Company where the related employee is employed

[continued]

Notes to the Financial Statements *(continued)*

15. Share Based Payments *(continued)*

Approved and unapproved options

These options are exercisable at a price equal to the average quoted market price of Ai Claims Solutions PLC'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, options are forfeited if the employee leaves the Group before the options vest

1,180,000 options with an exercise price of 20 00p were granted on 1 March 11 under the Group's Unapproved Share Option Plan The options will only vest if the following criteria are met

- Complete vesting of the options would take place with the achievement of an average share price of 40 00p (based on mid market prices derived from the Stock Exchange Daily Official List) for any rolling 30 day period between the 2nd anniversary and the 3rd anniversary after the date of the award
- A 50% vesting of these option awards would take place with the achievement of an average share price (on the same basis and during the same period as noted above) of 35 00p
- Vesting slides on a pro-rata basis between these points

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

LTIP awards

A total of 224,341 options were granted on 2 November 2007, 123,500 were granted on 4 November 2008 and 288,000 were granted on 8 November 2010 and these are the only options to be granted under the LTIP 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, options are forfeited if the employee leaves the Group before the options vest The LTIP awards granted on 2 November 2007 have now all lapsed due to the vesting conditions not being met

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

- 2010/11 Adjusted Basic EPS of Ai Claims Solutions PLC's shares calculated under UK GAAP of at least 6 10p, or
- the share price of Ai Claims Solutions PLC's shares (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 or a share price of 40 00p Vesting slides on a pro-rata basis between these points

For the LTIP awards made on 8 November 2010, the conditions for the shares to vest in full would be the achievement of either

- 2012/13 Adjusted Basic EPS of Ai Claims Solutions PLC's shares calculated under UK GAAP of at least 6 50p, or
- the share price of Ai Claims Solutions PLC's shares (based on average mid market prices derived from the Stock Exchange Daily Official List) for the 90 days preceding the preliminary announcement of the result for 2012/13 being at least 40 00p

A 50% vesting of matching shares would take place with an Adjusted EPS of 5 00p or a share price of 30 00p Vesting slides on a pro-rata basis between these points

[continued]

Notes to the Financial Statements *(continued)*

15. Share Based Payments *(continued)*

Details of the options outstanding during the period are as follows

	2010/11		2009/10	
	Number of options 000's	**Weighted average exercise price pence**	Number of options 000's	Weighted average exercise price pence
Approved and Unapproved				
Outstanding at the beginning of the period	**507**	**18.52p**	802	20 67p
Granted during the period	**1,180**	**20.00p**	-	-
Forfeited during the period	**(55)**	**16.00p**	(270)	25 13p
Exercised during the period	-	-	(25)	16 00p
Expired during the period	**(7)**	**19.00p**	-	-
Outstanding at the end of the period	**1,625**	**19.68p**	507	18 52p
Exercisable at the end of the period	**145**	**24.67p**	207	22 18p
LTIP				
Outstanding at the beginning of the period	**123**	**0.00p**	295	0 00p
Granted during the period	**288**	**0.00p**	-	-
Forfeited during the period	-	-	(172)	0 00p
Outstanding at the end of the period	**411**	**0.00p**	123	0 00p
Exercisable at the end of the period	-	-	-	-

In 2010/11, options were granted on 10 November 2010 and 1 March 2011 The aggregate of the estimated fair values of the options granted on those dates was £19,000 In 2009/10 no options were granted

The total expenses recognised for the period arising from share based payments in respect of employees of the company are as follows

	2010/11	2009/10
	£000	£000
Equity settled share based payment expense	**20**	7

No deferred tax asset has been recognised in respect of the share options as it is not considered material

[continued]

Notes to the Financial Statements *(continued)*

15. Share Based Payments *(continued)*

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

	2010/11
Weighted average share price	26 71p
Weighted average exercise price	18 36p
Expected volatility	18%-22%
Expected life	2-10 years
Risk free rate	0 50%
Dividend yield	0 85%-2 44%

Expected volatility was determined by calculating the historical volatility of Ai Claims Solutions PLC's share price over the previous year

16. Parent undertaking

The ultimate parent company is Ai Claims Solutions PLC, which is registered in England and Wales

Its Group accounts are available to the public on payment of the appropriate fee, from Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ

17. Related party transactions

The Company has taken advantage of the exemption in FRS 8 from disclosing related party transactions with other group companies on the grounds that the consolidated accounts of the ultimate parent company are publicly available