

LONGSHIPS PLC
ANNUAL REPORT
FOR THE YEAR ENDED
31st DECEMBER 2011

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OFFICERS AND PROFESSIONAL ADVISERS

Directors

Malcolm A Burne
Charles Cannon Brookes
Nathan A Steinberg

Company secretary

Ross Ainger

Registered office

15 Whitehall
London
SW1A 2DD

Auditors

F. W. Smith, Riches & Co.
15 Whitehall
London
SW1A 2DD

Bankers

Bank of Scotland
3rd Floor, 24 Hills Road
Cambridge
CB2 1JW

Natwest
St James' & Piccadilly Branch
208 Piccadilly
London
W1A 2DG

**CHAIRMAN'S STATEMENT
FOR THE YEAR ENDED 31ST DECEMBER 2011**

Dear Shareholder,

I am pleased to present my Chairman's report covering the year ended 31st December 2011. During the year under review, the Company reported a loss of £175,250 (2010: £82,439) and as at 31st December 2011 had liquid cash balances of £3,018,225 (2010: £3,188,206). Various investment propositions were reviewed during the year and the overheads reflect the abortive costs of proposed transactions. Although none as yet have met the Board's investment criteria, the search continues for a suitable opportunity. I look forward to updating shareholders on progress in due course.

During the year under review, the Company focused its attentions on one specific transaction and for much of the year was carrying out legal and commercial due diligence on this target company. The target company's principal asset was a near term revenue generating bulk commodity project in West Africa which your Board believe may have generated significant market interest and shareholder value. However, as a result of the due diligence exercise carried out by your Company, certain issues have arisen that have led your Board to conclude that this transaction should not be consummated. As a result of this, the fees incurred on this transaction totaling £101,325 have been expensed. We are disappointed that this transaction has not been able to be satisfactorily concluded but we continue to investigate other suitable opportunities. I look forward to updating you with our progress in due course.

Malcolm Burne
Chairman

13th April 2012

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31ST DECEMBER 2011

The Directors are pleased to present their annual report and audited financial statements of Longships plc for the year ended 31st December 2011.

Principal activity

The principal activity of the Company is to invest in strategic and/or special situations of unquoted companies or businesses that are seeking a public quotation.

Key events

Key events during the year under review and since the year-end are referred to in the Chairman's statement.

Results and dividends

The revenue of the Company during the year was £11,550 (2010: £10,404). The loss after taxation was £175,250 (2010: £82,439). The Directors do not recommend the payment of a dividend.

Future developments

The future developments of the Company are set out in the Chairman's statement.

Key performance indicators

The key performance indicators for the Company are both the identification of a suitable investment opportunity within its stated investment mandate and to adopt a sensible cash utilisation and management strategy until the successful closing of such a transaction.

Substantial shareholdings

As at 12th April 2012, the Directors had been notified of the following holdings representing three per cent or more of the issues share capital of the Company:

	Ordinary Shares	%
Aran Asset Management SA	2,700,000	11.70
Richard Lockwood	2,000,000	8.67
Malcolm Burne	2,037,500	8.83
Cream Capital Limited	1,710,000	7.41
Charles Cannon Brookes	869,500	3.77
CIPCO Limited	700,000	3.03

Directors

The Directors of the Company during the period were:

Malcolm A Burne (Chairman)
Charles Cannon Brookes
Nathan A Steinberg

Director's interests

The table below sets out the interests of the Directors in the Company's shares at 31st December 2011.

	2011		2010	
	Ordinary shares	%	Ordinary shares	%
Malcolm Burne	*2,037,500	8.83	*1,925,000	8.34
Charles Cannon Brookes	869,500	3.77	757,000	3.28
Nathan Steinberg	378,500	1.64	266,000	1.15

* This includes 1,700,000 ordinary shares registered in the name of White Knight Investments Limited, a company controlled by Malcolm Burne.

The following share options were held by directors throughout the year: -

	No. of Options	Exercise price	Expiry
Charles Cannon Brookes	500,000	20p	15/04/2015

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31st DECEMBER 2011 (continued)****Employees**

Currently the Company has no permanent employees other than its Directors.

Financial risk management

The Company's financial instruments comprise cash and cash equivalents. The main risks arising from the Company's financial instruments are interest rate risk, credit risk, liquidity risk and foreign currency risk.

Interest rate and credit risk – the principal assets of the Company are its cash deposits. These are considered to be short-term liquid assets and as a result the exposure to interest rate risk is not considered significant. The principal focus of the Directors has been to minimise any credit risk in relation to its cash deposits even at the expense of interest income received.

Liquidity risk – the Board's policy is to ensure that sufficient cash and cash equivalents are held on a short-term basis at all times in order to meet the Company's operational needs without the need to use an overdraft facility. The Company has no significant financial liabilities and no borrowings.

Foreign currency risk - the Company's functional currency is sterling and all of its assets are held in this currency.

Payment of creditors

The Company does not follow a specific payment code but has a policy to pay its suppliers in accordance with the specific terms agreed with each supplier. Trade creditors at the period end amounted to 5 days of average purchases.

Capital Management

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern and to provide a means of attracting investors. The company has no debt and therefore does not have a strategy in terms of maintaining a specific debt to equity ratio. Instead capital is managed with a view to generating further cash and cash equivalents which can be used to further the Company's aims and objectives.

Going concern

The Directors have a reasonable expectation that the Company has adequate resources to continue its operational existence for the foreseeable future. For this reason they have adopted the going concern basis in preparing the financial statements.

Corporate governance

Although it is not a requirement for AIM-listed companies, the Company seeks, within the practical confines of a smaller company, to act in compliance with the principles of good governance and the code of best practice as set out in the Combined Code on Corporate Governance. The Audit Committee and the Remuneration Committee are chaired by Non-executive Directors. The whole Board acts as a Nomination Committee.

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31ST DECEMBER 2011 (continued)****Statement of Directors' responsibilities**

The Directors are responsible for preparing the annual 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, as required by the AIM Rules of the London Stock Exchange, elected to prepare the Company financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they are sufficient to show a true and fair view of the state of affairs of the Company and of its profit or loss for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent
- state whether the financial statements have been prepared in accordance with IFRS as adopted by the European Union; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

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 and other information included in annual reports may differ from legislation in other jurisdictions.

Auditor and disclosure of information to auditor

The Directors who held office at the date of approval of this Directors' Report each confirm that, so far as they are aware, there is no relevant audit information of which the Company's auditor are unaware; and each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditor are aware of that information.

The auditors, F. W. Smith Riches & Co, have indicated their willingness to continue in office, and a resolution that they be re-appointed will be proposed at the annual general meeting.

Annual General Meeting

Notice of the forthcoming Annual General Meeting of the Company together with resolutions relating to the Company's ordinary business will be given to the members separately.

On behalf of the Board

Charles Cannon Brookes
Director

13th April 2012

Company Registration Number 06458458

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LONGSHIPS PLC

We have audited the financial statements of Longships Plc for the year ended 31st December 2011 which comprise the statement of comprehensive income, the statement of financial position, the statement of cash flows, the statement of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As explained more fully in the statement of Directors' responsibilities, 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 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 Ethical Standards for Auditors.

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 auditors' 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.

SCOPE OF THE AUDIT

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatement or inconsistencies we consider the implications for our report.

OPINION ON THE FINANCIAL STATEMENTS

In our opinion:

- the financial statements give a true and fair view of the state of the company's affairs as at 31st December 2011 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with IFRS as adopted by the European Union; and
- the financial statements have been prepared in accordance with the Companies Act 2006.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the Report of the Directors 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.

Martin J. Rooney (Senior statutory auditor)

For and on behalf of F. W. Smith, Riches & Co., Statutory auditor

London

13th April 2012

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST DECEMBER 2011**

	Notes	2011	2010
		£	£
NET TRADING INCOME		-	-
Share based payment charge		-	-
Other operating expenses		(186,800)	(92,843)
Total operating expenses		(186,800)	(92,843)
OPERATING LOSS		(186,800)	(92,843)
Finance income		11,550	10,404
LOSS BEFORE TAXATION		(175,250)	(82,439)
Taxation	4	-	-
LOSS FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		(175,250)	(82,439)
Earnings per share (pence) – basic and fully diluted	5	(0.76p)	(0.36p)

STATEMENT OF FINANCIAL POSITION AS AT 31st DECEMBER 2011

	Notes	2011 £	2010 £
CURRENT ASSETS			
Trade and other receivables	6	7,055	8,795
Cash and cash equivalents		3,018,225	3,188,206
		<u>3,025,280</u>	<u>3,197,001</u>
CURRENT LIABILITIES			
Trade and other payables	7	(24,816)	(21,287)
NET CURRENT ASSETS		<u>3,000,464</u>	<u>3,175,714</u>
NET ASSETS		<u><u>3,000,464</u></u>	<u><u>3,175,714</u></u>
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY			
Share capital	8	230,800	230,800
Share premium account		3,086,962	3,086,962
Share based payment reserve		21,588	21,588
Retained earnings		(338,886)	(163,636)
TOTAL EQUITY		<u><u>3,000,464</u></u>	<u><u>3,175,714</u></u>

The financial statements were approved and authorised for issue by the directors on 13th April 2012 and were signed on their behalf by:

Charles Cannon Brookes
Director

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31st DECEMBER 2011**

		2011	2010
	Notes	£	£
Net cash outflow from operating activities	9	(181,531)	(91,712)
Cash flows from investing activities			
Interest received		11,550	10,404
Net decrease in cash and cash equivalents		(169,981)	(81,308)
Cash and cash equivalents at beginning of year		3,188,206	3,269,514
Cash and cash equivalents at end of year		3,018,225	3,188,206

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31st DECEMBER 2010**

	Share capital	Share premium	Share based payment reserve	Retained earnings	Total
	£	£	£	£	£
At 1 st January 2010	230,800	3,086,962	21,588	(81,197)	3,258,153
Loss for year	-	-	-	(82,439)	(82,439)
At 31 st December 2010	<u>230,800</u>	<u>3,086,962</u>	<u>21,588</u>	<u>(163,636)</u>	<u>3,175,714</u>
	=====	=====	=====	=====	=====

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31st DECEMBER 2011**

	Share capital	Share premium	Share based payment reserve	Retained earnings	Total
	£	£	£	£	£
At 1 st January 2011	230,800	3,086,962	21,588	(163,636)	3,175,714
Loss for period	-	-	-	(175,250)	(175,250)
At 31 st December 2011	<u>230,800</u>	<u>3,086,962</u>	<u>21,588</u>	<u>(338,886)</u>	<u>3,000,464</u>
	=====	=====	=====	=====	=====

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2011****1. ACCOUNTING POLICIES****Basis of preparation**

The financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union.

Trading income

Trading income is recognised to the extent that it is probable that economic benefit will flow to the Company and the trading income can be reliably measured.

Cash and cash equivalents

Cash and cash equivalents are defined as cash in hand, demand deposits and short-term, highly liquid investments which are readily convertible to known amounts of cash, subject to insignificant risk of changes in value, and have a maturity of less than 3 months from the date of acquisition.

For the purposes of the cash flow statement, cash and cash equivalents consist of cash in hand and bank deposits.

Taxation

The tax currently payable is based on the taxable profit for the period. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Company’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred taxation

Deferred income tax is provided for using the liability method on temporary timing differences at the balance sheet date between tax basis of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised in full for all temporary differences. Deferred tax assets are recognised for all deductible temporary differences carried forward of unused tax credits and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and carry-forward of unused tax credits and unused losses can be utilised.

The carrying amount of deferred income tax assets is assessed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it is probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31st DECEMBER 2011 (continued)**

1. ACCOUNTING POLICIES (continued)

Share-based payments

Certain Directors of the Company receive remuneration in the form of share-based payment transactions (equity-settled transactions).

The cost of equity-settled transactions is determined with reference to the fair value at the date on which they were granted. The fair value is determined by using the Black-Scholes option pricing model.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (“the vesting date”). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company’s best estimate of the number of equity instruments that will ultimately vest. The income statement charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

The dilutive effect of the outstanding options is reflected as additional dilution in the computation of earnings per share.

Financial instruments

Financial assets and financial liabilities are recognised on the Company’s balance sheet when the Company becomes a contractual party to the instrument.

Trade receivables

Trade receivables are recognised initially at their fair value which equates to their nominal value as reduced by appropriate provision for irrecoverable amounts and subsequently at amortised cost.

Trade payables

Trade payables are recognised initially at their fair value and subsequently at amortised cost.

Accounting judgements and key sources of estimation uncertainty

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions in certain circumstances that affect reported amounts. The most sensitive estimate affecting the financial statements is the area of share based payments. Actual outcomes may therefore differ from these estimates and assumptions.

In determining the fair value of equity settled share based payments and the related charge to the income statement, the Company makes assumptions about future events and market conditions. In particular, judgment must be made as to the likely number of shares that will vest and the fair value of each award granted. The fair value is determined using a valuation model which is dependent on further estimates including the Company’s future dividend policy, employee turnover, the timing of the exercise of options and the future volatility in the price of the Company’s shares. Such assumptions are based on publicly available information and reflect market expectations. Different assumptions from those used (which are disclosed in note 8) could materially affect the reported value of share based payments. The Company has recognised a corresponding increase in equity in accordance with IFRS 2: Share based payments by crediting “Share based payment reserve” (a component of equity) for the issue of shares in connection with the share options.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31st DECEMBER 2011 (continued)**

1. ACCOUNTING POLICIES (continued)

New and amended standards

Standards and interpretations that became effective for the first time during the year have not had a material impact on the financial statements. No impact is expected from any other standards or interpretations which have been endorsed by the European Union and are available for early adoption, but which have not been adopted.

2. AUDITORS' REMUNERATION

	2011	2010
	£	£
Services provided by the Company's auditors:		
Fees payable to the company's auditors for the audit of the company's financial statements	12,200	19,100
Fees payable to the company's auditors for other services:		
- Other services pursuant to legislation	-	-
- Taxation	-	-
	<u> </u>	<u> </u>

3. PARTICULARS OF EMPLOYEES

The average number of employees of the company in the period was:

	2011	2010
	Number	Number
Directors	<u>3</u>	<u>3</u>
	£	£
The directors' aggregate emoluments in respect of qualifying services were:		
Salary and short-term employment benefits	7,500	10,000
Other fees paid	4,500	5,875
	<u>12,000</u>	<u>15,875</u>

Other fees paid comprise £4,500 (2010: £5,875) paid to Munsflows LLP, a firm in which Nathan Steinberg is a partner.

4. INCOME TAX EXPENSE

(a) Analysis of charge in the period

	2011	2010
	£	£
Current tax:		
UK corporation tax based on the results for the year at 20% (2010: 21%)	-	-
Adjustment to prior year	-	-
	<u>-</u>	<u>-</u>
Total current tax	<u><u>-</u></u>	<u><u>-</u></u>

(b) Factors affecting the tax charge for the period

The tax assessed for the period does not reflect an expense equivalent to the profit before tax multiplied by the standard rate of corporation tax of 20% (2010: 21%).

	2011	2010
	£	£
Loss before tax	(175,250)	(83,969)
	<u>(175,250)</u>	<u>(83,969)</u>
Loss before tax multiplied by the standard rate of corporation tax	35,050	17,633
	<u>35,050</u>	<u>17,633</u>
Losses carried forward	(35,050)	(17,633)
	<u>(35,050)</u>	<u>(17,633)</u>
Current tax for the period	<u>-</u>	<u>-</u>

5. EARNINGS PER SHARE

The calculation of earnings per share is based on the loss of £175,250 (2010: £82,439) and on the number of shares in issue, being the weighted average number of shares in issue during the period of 23,080,002 (2010: 23,080,002) ordinary £0.01 shares. There is no dilutive effect of share options on the basic earnings per share, as the option exercise prices are higher than the average market price in the period.

6. TRADE AND OTHER RECEIVABLES

	2011	2010
	£	£
Prepayments	7,055	8,795

The Directors consider that the carrying value of each class of receivable approximates its fair value.

7. TRADE AND OTHER PAYABLES

	2011	2010
	£	£
Trade payables	3,216	7,287
Accrued expenses	21,600	14,000
	24,816	21,287

8. SHARE CAPITAL

Share options

The Company granted and issued share options over ordinary shares in the Company as follows:

<i>Date granted</i>	<i>Parties</i>	<i>Exercise price</i>	<i>Number of shares</i>	<i>Final exercisable date</i>
21/04/08	C Cannon Brookes	20p	500,000	21/04/15
21/04/08	C Niven	20p	500,000	21/04/15
Options outstanding at 31/12/11 and 31/12/10			1,000,000	

The fair value of equity settle share options granted is estimated as at the date of grant using a Black-Scholes option pricing model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs into the model used for the period ended 31st December 2008:

Dividend yield on underlying shares	0%
Risk free rate	4%
Expected volatility	22.36%
Average time to expiry	1 year
Weighted average share price of options	20p

The expected life of the options is based on an estimate and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not be the actual outcome.

Allotted, called up and fully paid:

	2011	2010
	£	£
23,080,002 Ordinary shares of £0.01 each	230,800	230,800

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2011 (continued)**

9. CASH FLOWS FROM OPERATING ACTIVITIES

	2011	2010
	£	£
Loss before taxation	(175,250)	(82,439)
Adjustments for:		
Interest income	(11,550)	(10,404)
	-	
	<u>(186,800)</u>	<u>(92,843)</u>
Decrease/(increase) in receivables	1,740	(666)
Increase in payables	3,529	1,797
	<u>(181,531)</u>	<u>(91,712)</u>

10. FINANCIAL INSTRUMENTS

Financial Assets and liabilities were held as follows :-

	2011	2010
	£	£
Assets		
Cash and cash equivalents	3,018,225	3,188,206
Total financial assets	<u>3,018,225</u>	<u>3,188,206</u>
Liabilities		
Trade payables	3,216	7,287
Accrued expenses	21,600	14,000
Total financial liabilities	<u>24,816</u>	<u>21,287</u>

The Directors consider that the carrying value of the financial assets and liabilities approximates their fair value.

11. GENERAL INFORMATION

Longships plc is a public limited company incorporated and domiciled in England and Wales. The company does not have an ultimate controlling party.