

**LONGSHIPS PLC**  
**ANNUAL REPORT**  
**FOR THE YEAR ENDED**  
**31 DECEMBER 2009**

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**OFFICERS AND PROFESSIONAL ADVISERS**

<b>Directors</b>	Craig LB Niven Charles Cannon Brookes Nathan A Steinberg
<b>Company secretary</b>	Charles Cannon Brookes
<b>Registered office</b>	18 Pall Mall London SW1Y 5LU
<b>Auditors</b>	F. W. Smith, Riches & Co. 18 Pall Mall London SW1Y 5LU
<b>Bankers</b>	Bank of Scotland 3 <sup>rd</sup> Floor, 24 Hills Road Cambridge CB2 1JW

**CHAIRMAN'S STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2009**

Dear Shareholder,

I am pleased to present my Chairman's report covering the year ended 31 December 2009. During the year under review, the Company reported a loss of £83,962 and as at 31 December 2009 had liquid cash balances of £3,269,514 (2008: £3,355,556). 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.

**Craig Niven  
Chairman  
26 May 2010**

## REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2009

The Directors are pleased to present their annual report and audited financial statements of Longships plc for the year ended 31 December 2009.

### 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 loss after taxation was £83,962. 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 30 March 2010, the Directors had been notified of the following holdings representing three per cent or more of the issued share capital of the Company:

	Ordinary shares	%
Arlington Special Situations Fund Limited	6,550,002	28.38
Nidham Holdings Limited	4,145,000	17.48
Aran Asset Management SA	3,450,000	14.95
Range Global Fund Limited	2,200,000	9.53
Path Property Limited	1,250,000	5.42
Wentworth Enterprises Limited	1,250,000	5.42
Affaires Financieres S.A.	750,000	3.25

### Directors

The Directors of the Company during the period were:

Craig LB Niven (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 31 December 2009.

	2009		2008	
	Ordinary shares	%	Ordinary shares	%
Craig LB Niven	* 400,000	1.73	* 400,000	1.73
Charles Cannon Brookes	400,000	1.73	400,000	1.73
Nathan Steinberg	100,000	0.43	100,000	0.43

Since the balance sheet date, Nathan Steinberg has acquired a further 166,000 ordinary shares.

\* 400,000 ordinary shares are registered in the name of Craig Niven and Rowanmoor Trustees Limited as trustee for Needles Fairway SSAS for the benefit of Craig Niven.

**REPORT OF THE DIRECTORS  
FOR THE YEAR ENDED 31 DECEMBER 2009 (continued)**

**Directors (continued)**

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

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

**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 asset of the Company is 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 43 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 31 DECEMBER 2009 (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 elected to prepare the Company financial statements in accordance with International Financial Reporting Standards 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 IFRSs 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.

**Disclosure of information to auditors**

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 auditors 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 auditors are aware of that information.

**Annual General Meeting**

Notice of 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**

**26 May 2010**

**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 31 December 2009 which comprise the statement of comprehensive income, the statement of financial position, the cash flow statement, the statement of changes in net equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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.

**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 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.

**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.

**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 31 December 2009 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with IFRSs 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 by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company's 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 auditors**

**London**

**26 May 2010**



**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2009**

	Notes	<b>2009</b>	2008
		<b>£</b>	£
<b>NET TRADING INCOME</b>		<b>-</b>	-
Share based payment charge		-	(21,588)
Other operating expenses		<b>(92,417)</b>	(78,999)
Total operating expenses		<b>(92,417)</b>	(100,587)
<b>OPERATING LOSS</b>		<b>(92,417)</b>	(100,587)
Finance income		<b>8,448</b>	109,729
<b>(LOSS)/PROFIT BEFORE TAXATION</b>		<b>(83,969)</b>	9,142
Taxation	5	<b>(7)</b>	6,377
<b>(LOSS)/PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY</b>		<b>(83,962)</b>	2,765
Earnings per share (pence) – basic and fully diluted	6	<b>(0.36p)</b>	<b>0.02p</b>

## STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2009

		2009	2008
	Notes	£	£
<b>CURRENT ASSETS</b>			
Trade and other receivables	7	8,129	9,083
Cash and cash equivalents		<b>3,269,514</b>	3,355,556
		<u>3,277,643</u>	<u>3,364,639</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	8	<b>(19,490)</b>	(22,524)
<b>NET CURRENT ASSETS</b>		<b>3,258,153</b>	3,342,115
<b>NET ASSETS</b>		<b>3,258,153</b>	3,342,115
		<u><u>3,258,153</u></u>	<u><u>3,342,115</u></u>
<b>EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY</b>			
Share capital	9	230,800	230,800
Share premium account		<b>3,086,962</b>	3,086,962
Share based payment reserve		<b>21,588</b>	21,588
Retained earnings		<b>(81,197)</b>	2,765
<b>TOTAL EQUITY</b>		<b>3,258,153</b>	3,342,115
		<u><u>3,258,153</u></u>	<u><u>3,342,115</u></u>

The financial statements were approved and authorised for issue by the directors on 26 May 2010 and were signed on their behalf by:

**Craig Niven**  
Director

**CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2009**

		<b>2008</b>	2008
	Notes	<b>£</b>	£
<b>Net cash outflow from operating activities</b>	10	<b>(94,490)</b>	(71,935)
<b>Cash flows from investing activities</b>			
Interest received		<b>8,448</b>	109,729
<b>Cash flows from financing activities</b>			
Net proceeds from issue of share capital		-	3,317,762
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(86,042)</b>	3,355,556
<b>Cash and cash equivalents at beginning of year</b>		<b>3,355,556</b>	-
<b>Cash and cash equivalents at end of year</b>		<b>3,269,514</b>	3,355,556

**STATEMENT OF CHANGES IN NET EQUITY  
FOR THE PERIOD ENDED 31 DECEMBER 2008**

	Share capital	Share premium	Share based payment reserve	Retained earnings	Total
	£	£	£	£	£
At 20 December 2007	-	-	-	-	-
Shares issued for cash	230,800	3,173,200	-	-	3,404,000
Profit for period	-	-	-	2,765	2,765
Share issue costs	-	(86,238)	-	-	(86,238)
Share-based payments	-	-	21,588	-	21,588
At 31 December 2008	<u>230,800</u>	<u>3,086,962</u>	<u>21,588</u>	<u>2,765</u>	<u>3,342,115</u>

**STATEMENT OF CHANGES IN NET EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2009**

	Share capital	Share premium	Share based payment reserve	Retained earnings	Total
	£	£	£	£	£
At 1 January 2009	230,800	3,086,962	21,588	2,765	3,342,115
Loss for period	-	-	-	(83,962)	(83,962)
At 31 December 2009	<u>230,800</u>	<u>3,086,962</u>	<u>21,588</u>	<u>(81,197)</u>	<u>3,258,153</u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2009****1. COMPARATIVE FIGURES**

The comparative figures cover the period from 20<sup>th</sup> December 2007, the date of incorporation, to 31<sup>st</sup> December 2008.

**2. ACCOUNTING POLICIES****Basis of preparation**

The financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) 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 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 31 DECEMBER 2009 (continued)**

**2. 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 IFRSs 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 9) 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 31 DECEMBER 2009 (continued)**

**2. ACCOUNTING POLICIES (continued)**

**Standards and interpretations issued but not yet effective**

The Company has not early adopted the following new and amended IAS, IFRS and IFRIC Interpretations issued. The relevant new and amended IAS, IFRS and IFRIC Interpretations will be adopted when they become effective.

- Revised IFRS 3 Business Combinations (effective for accounting periods beginning on or after 1 July 2009)
- Amendments to IAS 27 Consolidated and Separate Financial Statements (effective for accounting periods beginning on or after 1 July 2009)
- Amendment to IAS 39 Financial Instruments: Recognition and Measurement: Eligible Hedged Items (effective for accounting periods beginning on or after 1 July 2009)
- IFRIC 17 Distributions of Non-cash Assets to Owners (effective for accounting periods beginning on or after 1 July 2009)
- Revised IFRS 1 First-time Adoption of international Financial Reporting Standards (effective for accounting periods beginning on or after 1 July 2009)
- IFRIC 18 Transfer of Assets from Customers (effective for accounting periods beginning on or after 1 July 2009)
- Improvements to IFRSs (effective for accounting periods beginning on or after 1 January 2010)
- Group Cash-settled Share-based Payment Transactions (Amendments to IFRS 2) (effective for accounting periods beginning on or after 1 January 2010)
- Additional Exemptions for First-time Adopters (Amendments to IFRS 1) (effective for accounting periods beginning on or after 1 January 2010)
- Classification of Rights Issues (Amendment to IAS 32) (effective for accounting periods beginning on or after 1 January 2010)
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (effective for accounting periods beginning on or after 1 January 2010)
- Amendments to IFRIC 14 IAS 19 – Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective for accounting periods beginning on or after 1 January 2011)

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Company in its current form.

**3. AUDITORS' REMUNERATION**

	<b>2009</b>	2008
	<b>£</b>	£
Services provided by the Company's auditors:		
Fees payable to the Company's auditors for the audit of the Company's financial statements	<b>13,800</b>	10,000
Fees payable to the Company's auditors for other services:		
- Other services pursuant to legislation	<b>1,150</b>	4,113
- Other services relating to taxation	<b>2,013</b>	-
- Corporate finance services	-	9,400
	<u>          </u>	<u>          </u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2009 (continued)**

**4. PARTICULARS OF EMPLOYEES**

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

	<b>2009</b>	2008
	<b>Number</b>	Number
Directors	<u>3</u>	<u>3</u>
	£	£
The directors' aggregate emoluments in respect of qualifying services were:		
Salary and short-term employment benefits	<u>15,749</u>	<u>15,875</u>

**5. INCOME TAX EXPENSE**

**(a) Analysis of charge in the period**

	<b>2009</b>	2008
	£	£
Current tax:		
UK corporation tax based on the results for the year at 21% (2008: 20.75%)	-	6,377
Adjustment to prior year	<u>(7)</u>	<u>-</u>
Total current tax	<u>(7)</u>	<u>6,377</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 21% (2008: 20.75%).

	<b>2008</b>	2008
	£	£
(Loss)/profit before tax	<u>(83,969)</u>	<u>9,142</u>
(Loss)/profit before tax multiplied by the standard rate of corporation tax	<b>17,633</b>	1,897
Effects of:		
Share options timing differences	-	4,480
Losses carried forward	<b>(17,633)</b>	-
Adjustment to prior year	<u>(7)</u>	<u>-</u>
Current tax for the period	<u>(7)</u>	<u>6,377</u>



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2009 (continued)**

**6. EARNINGS PER SHARE**

The calculation of earnings per share is based on the loss of £83,962 (2008: profit £2,765) and on the number of shares in issue, being the weighted average number of shares in issue during the period of 23,080,002 (2008: 16,641,695) 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.

**7. TRADE AND OTHER RECEIVABLES**

	<b>2009</b>	2008
	<b>£</b>	£
Prepayments	<b>8,129</b>	9,083

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

**8. TRADE AND OTHER PAYABLES**

	<b>2009</b>	2008
	<b>£</b>	£
Trade payables	<b>9,384</b>	6,147
Current tax payable	-	6,377
Accrued expenses	<b>10,106</b>	10,000
	<b>19,490</b>	22,524

**9. 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
			1,000,000	
			1,000,000	

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2009 (continued)**

**10. SHARE CAPITAL (continued)**

**Share options (continued)**

The fair value of equity settled 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 31 December 2008:

	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
	<u>=====</u>

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.

**Authorised share capital:**

	2009	2008
	£	£
100,000,000 Ordinary shares of £0.01 each	<u>1,000,000</u>	<u>1,000,000</u>

**Allotted, called up and fully paid:**

	2009	2008
	£	£
23,080,002 Ordinary shares of £0.01 each	<u>230,800</u>	<u>230,800</u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2009 (continued)**

**11. CASH FLOWS FROM OPERATING ACTIVITIES**

	2009	2008
	£	£
(Loss)/profit before taxation	(83,969)	9,142
Adjustments for:		
Interest income	(8,448)	(109,729)
Equity-settled share options	-	21,588
Taxation paid	(6,370)	-
	<u>(98,787)</u>	<u>(78,999)</u>
Decrease/(increase) in receivables	954	(9,083)
Increase in payables	3,343	16,147
	<u>(94,490)</u>	<u>(71,935)</u>

**12. FINANCIAL INSTRUMENTS**

Financial assets and liabilities were held as follows :-

	2009	2008
	£	£
<b>Assets</b>		
Loans and receivables:		
Trade receivables	8,129	9,083
Cash and cash equivalents	3,269,514	3,355,556
<b>Total financial assets</b>	<u>3,277,643</u>	<u>3,364,639</u>
<b>Liabilities</b>		
Financial liabilities measured at amortised cost:		
Trade payables	9,384	6,147
Accrued expenses	10,106	10,000
<b>Total financial liabilities</b>	<u>19,490</u>	<u>16,147</u>

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