STRATEGIC REPORT, REPORT OF THE DIRECTORS AND

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

FOR

V22 LONDON LIMITED

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V22 LONDON LIMITED

CONTENTS OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

V22 LONDON LIMITED

COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2016

DIRECTORS:	K T Cranswick B K McRobie G Jaweed
SECRETARY:	K T Cranswick
REGISTERED OFFICE:	10 - 16 Ashwin Street London E8 3DL
REGISTERED NUMBER:	05695345 (England and Wales)

V22 LONDON LIMITED

STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2016

The directors present their strategic report for the year ended 31 December 2016.

REVIEW OF BUSINESS
We are pleased to present V22's results for the year ended 31 December 2016, which, as ever, was a year of much activity for the company. The directors consider that these results reflect that we are pretty much on track again after spending the last three years rebuilding our property portfolio. We now run eight buildings across London on a range of terms and have diversified the way we invest in property both in the short and the long term.

As predicted, we completed the fit out of our Hackney Wick premises in May 2016 and the space was almost fully let on pre-bookings by the time we opened.

Also on time was our purchase of our 125 year lease on Loiuse House Forrest Hill in May 2016. V22 won the tender for this property in 2013 with a commitment to raise funds to bring the building back into use and occupation as an art and community centre. In partnership with V22 Foundation we undertook extensive repair and landscaping works to the property. We also granted a long sub lease of 123 years for the rear of the building to V22 Foundation as an exhibition and community space to compliment the studios in the main house. We have thus achieved the aims and objectives of the landowners - London Borough of Lewisham - when they marketed the property via tender. The revaluation reflects the rent which would be obtainable if we marketed the property without the subsidy we offer to artists as a studio provider.

The company continued to manage its original Dalson building with a full waiting list; as well as properties in Forest Hill, Lewisham Town Centre (vacated after the year end), Homerton (vacated before the year end), Hackney Wick, Peckham and South Bermondsey (vacated before the year end). V22 London has also agreed to manage the studio provision on behalf of V22 Foundation in the Forest Hill Library which it has been running, with community partners, as a community library since October 2016. The library is next door to our Loiuse House premises.

The company continues to manage the promotion of V22 plc's (parent company) art collection locally and internationally and develop the ancillary revenues to fund its costs.

The company has become a recognised studio provider in the sector and is part of the Specialist Assistance Team providing information on Workspace to the Mayor's Regeneration Funds and a member of the GLA taskforce for the future of sustainable workspace in London.

PRINCIPAL RISKS AND UNCERTAINTIES
Meeting Planned Occupation Targets
As the company takes on more premises, it is under quite tight deadlines to achieve occupation targets in order to ensure a smooth cash-flow.

The company has good links to colleges, studio advertisement placements and many studios are let by word of mouth. The management team believe that should delays happen their duration would not be extensive.

Shortage of Suitable Premises
Artists on low incomes cannot compete with rising property prices, especially in London. In the current market, the majority of studio buildings traditionally available to artists are on leasehold and, having played a major role in regeneration, artists' workspaces have been squeezed out of many inner city areas.

The company is part of a think tank set up by the Mayor of London and the GLA to address the problem of sustainability in studio provision. There is good political will to support the problem and all concerned are working toward building affordable creative workspace into future planning and property strategies for the GLA and local councils alike.

The company's strategy to purchase longer term leases and freeholds will enable studio provision long term. Instead of being victims of regeneration, their long term assets will benefit.

ON BEHALF OF THE BOARD:

....
K T Cranswick - Director

Date: 26/05/17

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2016

The directors present their report with the financial statements of the company for the year ended 31 December 2016.

PRINCIPAL ACTIVITIES
The principal activities of the company in the year under review were those of the provision of specialist services to the London art market and creative sector in particular studio lets and affordable workspace.

DIVIDENDS
No dividends will be distributed for the year ended 31 December 2016.

EVENTS SINCE THE END OF THE YEAR
Since the year end the company has entered into its agreed lease on premises in Shoreditch EC2, in the heart of tech city, for an initial term of 10 years. We were selected by being one of Hackney Council's approved affordable workspace providers. This element of the development is safeguarded for affordable workspace and will host creative entrepreneurs and businesses, freelancers, start-ups, and social enterprises. The rental prices, although significantly cheaper than the surrounding area, will be prohibitive for most artists, however we are creating a showroom in the space which all of our tenants can book in order to present work to collectors, present new ideas and products or show new developments in their practise. We believe that as affordable workspace is forced out of central London, innovative shared solutions such as these will enable our city to retain its rich cultural economy, and our key stakeholders to retain space for creative practises.

We were delighted to be named the preferred bidder for a 125 year lease of The Priory, Orpington and neighbouring library premises in Orpington on the Kent London border. With a history of more than 700 years, the Priory is one of only a few rectories dating from before the Reformation. The length of the lease at The Priory means we can put in place another long term sustainable art and community centre. To fund the purchase of the long lease we have been successful in our application to the Arts Impact Fund for a loan. The Arts Impact Fund is an initiative set up by NESTA - The National Endowment for Science, Technology and the Arts, to demonstrate the potential and impact of social investment in the arts through loan finance to selected organisations.

We are also in advanced negotiations with the Greater London Authority and The Silvertown Partnership for an exciting containerised project in the Royal Docks which will house affordable artist's studios and creative workspace on an interesting development site. To enable the input of external investment we have set up a new Group company - V22 Silvertown Studios Ltd - of which V22 London Ltd owns 36% and V22 plc 15%.

FUTURE DEVELOPMENTS
Looking to the future, we will aim to capitalise on our ability to take on large scale short term developments as well as investing in longer-term leases. Longer leases will be a more sustainable solution for our artists and tenants, will minimise our costs, and will potentially lead to greater long-term profitability for the company and group.

EVENTS SINCE THE END OF THE YEAR
Information relating to events since the end of the year is given in the notes to the financial statements.

DIRECTORS
The directors shown below have held office during the whole of the period from 1 January 2016 to the date of this report.

K T Cranswick
B K McRobie

Other changes in directors holding office are as follows:

G Jaweed was appointed as a director after 31 December 2016 but prior to the date of this report.

FINANCIAL INSTRUMENTS
The company has a normal level of exposure to price, credit, liquidity and cash-flow risks arising from trading activities which are only conducted in sterling. The company does not enter into any hedging transactions.

STATEMENT OF DIRECTORS' RESPONSIBILITIES
The directors are responsible for preparing the Strategic Report, the Report of the Directors 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 law). 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 of the company 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 accounting estimates that are reasonable and prudent;
- 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 also acknowledge their responsibility for the Strategic Report.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS
So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

AUDITORS
The auditors, Fryza Bannister Financials Limited will be proposed for re-appointment at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD:

....
K T Cranswick - Director

Date: 26/05/17

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF V22 LONDON LIMITED

We have audited the financial statements of V22 London Limited for the year ended 31 December 2016 on pages six to twenty two. 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), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

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 a Report of the Auditors 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 four, 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 Ethical Standards for Auditors.

Scope of the audit of the financial statements

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 Strategic Report and the Report of the Directors to identify material inconsistencies* with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 31 December 2016 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 matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and 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.

Ivor Mark Fryza (Senior Statutory Auditor)
for and on behalf of Fryza Bannister Financials Ltd (Statutory Auditor)
Chartered Certified Accountants
The Stables
Goblands Farm Business Centre
Cemetery Lane, Hadlow
Kent
TN11 0LT

Date: 26/5/17

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016 £	2015 £
TURNOVER	3	1,247,639	813,154
Cost of sales		984,743	645,334
GROSS PROFIT		262,896	167,820
Administrative expenses		303,556	177,816
		(40,660)	(9,996)
Other operating income	4	620,981	-
OPERATING PROFIT/(LOSS)	6	580,321	(9,996)
Interest payable and similar expenses	7	6,639	4,691
PROFIT/(LOSS) BEFORE TAXATION		573,682	(14,687)
Tax on profit/(loss)	8	112,960	5,956
PROFIT/(LOSS) FOR THE FINANCIAL YEAR		460,722	(20,643)
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		460,722	(20,643)

BALANCE SHEET
31 DECEMBER 2016

	Notes	2016 £	2016 £	2015 £	2015 £
FIXED ASSETS					
Tangible assets	9		231,240		179,232
Investment property	10		800,000		-
			1,031,240		179,232
CURRENT ASSETS					
Debtors	11	138,299		106,388	
Cash at bank and in hand		60,656		36,784	
		198,955		143,172	
CREDITORS					
Amounts falling due within one year	12	715,478		427,047	
NET CURRENT LIABILITIES			(516,523)		(283,875)
TOTAL ASSETS LESS CURRENT LIABILITIES			514,717		(104,643)
CREDITORS					
Amounts falling due after more than one year	13		(114,902)		(56,784)
PROVISIONS FOR LIABILITIES	16		(108,331)		(7,811)
NET ASSETS/(LIABILITIES)			291,484		(169,238)
CAPITAL AND RESERVES					
Called up share capital	17		100		100
Retained earnings	18		291,384		(169,338)
SHAREHOLDERS' FUNDS			291,484		(169,238)

The financial statements were approved by the Board of Directors on 26/05/17 and were signed on its behalf by:

....
K T Cranswick - Director

The notes form part of these financial statements

V22 LONDON LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016

	Called up share capital £	Retained earnings £	Total equity £
Balance at 1 January 2015	100	(148,695)	(148,595)
Changes in equity			
Total comprehensive income	-	(20,643)	(20,643)
Balance at 31 December 2015	100	(169,338)	(169,238)
Changes in equity			
Total comprehensive income	-	460,722	460,722
Balance at 31 December 2016	100	291,384	291,484

The notes form part of these financial statements

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016 £	2015 £
Cash flows from operating activities			
Cash generated from operations	1	214,815	181,627
Interest paid		(6,639)	(3,641)
Tax paid		-	(27,590)
Net cash from operating activities		208,176	150,396
Cash flows from investing activities			
Purchase of tangible fixed assets		(146,896)	(167,075)
Purchase of investment property		(274,235)	-
Premium on grant of sub lease		100,000	-
Loan repayments from parent		32,145	6,072
Net cash from investing activities		(288,986)	(161,003)
Cash flows from financing activities			
Loan advances		-	77,340
Loan repayments		(41,562)	(40,227)
Loan advance from parent		170,000	-
Loan repayments to parent		(23,756)	-
Net cash from financing activities		104,682	37,113
Increase in cash and cash equivalents		23,872	26,506
Cash and cash equivalents at beginning of year	2	36,784	10,278
Cash and cash equivalents at end of year	2	60,656	36,784

The notes form part of these financial statements

NOTES TO THE CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2016

1. **RECONCILIATION OF PROFIT/(LOSS) BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS**

	2016	2015
	£	£
Profit/(loss) before taxation	573,682	(14,687)
Depreciation charges	90,104	52,121
Premium on grant of sub lease	(100,000)	-
Gain on revaluation of fixed assets	(520,981)	-
Finance costs	6,639	4,691
	49,444	42,125
(Increase)/decrease in trade and other debtors	(64,056)	20,723
Increase in trade and other creditors	229,427	118,779
Cash generated from operations	214,815	181,627

2. **CASH AND CASH EQUIVALENTS**

The amounts disclosed on the Cash Flow Statement in respect of cash and cash equivalents are in respect of these Balance Sheet amounts:

Year ended 31 December 2016

	31/12/16	1/1/16
	£	£
Cash and cash equivalents	60,656	36,784

Year ended 31 December 2015

	31/12/15	1/1/15
	£	£
Cash and cash equivalents	36,784	10,278

1. **STATUTORY INFORMATION**

V22 London Limited is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

The presentation currency of the financial statements is the Pound Sterling (£).

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2. ACCOUNTING POLICIES

Basis of preparing the financial statements
These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain assets.

Going Concern
Accounting standards require the directors to consider the appropriateness of the going concern basis when preparing the financial statements. The directors confirm that they consider the going concern basis remains appropriate not withstanding net current liabilities.

The addition of new properties to its portfolio has presented a number of challenges to the management team, not least revenue and cash generation. Significant monies have been spent refurbishing properties for studio lets which has taken time and are still in progress. This directly impacts upon the cash generative revenue streams available from these properties which at the same time impacts upon the rate at which refurbishment may be undertaken.

The cash position continues to be supported by directors and artist's loans to enable certain refurbishment to be funded.

The directors are expectant that future rental income will provide adequate positive cashflow but will be dependent upon additional premises being added to the studio letting portfolio and future occupancy rates thereon.

The directors may also seek further financial support from its parent company should the need arise and a rescheduling of existing loan repayments.

For the above reasons the directors consider that it is appropriate to prepare the accounts on a going concern basis.

Critical accounting judgements and key sources of estimation uncertainty
In the application of the company's accounting policies, management is required to make judgements, estimates and assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key estimates:

The company has not been assessed to the cost of utilities with regard to one of its leasehold premises since date of occupation. Management have made best estimates of this expense based on meter readings and unit costs associated therewith. The provision amounts to £27,000.

The accounting policy for operating leases is subject to judgement and estimation in that lease payments and incentives may as an alternative to straight line be recognised on a systematic basis that is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Two properties were acquired in 2015 which required renovation and alteration prior to the properties being available to let as artists studios. The economic benefit arising from these properties is not evenly spread out on a straight line basis over the term of the leases as not all intended studios were available to let from date of inception. Management have estimated the total revenue by property over the lease term and the operating lease charges are recognised in direct proportion to the forecast revenue streams. This will require a re-evaluation of the estimate at the end of each accounting period. At the end of the current period, rents payable were over assessed with regard to the prior period by £2,330. This has been adjusted in the current period.

The estimate is subject to fluctuations in future occupancy rates, rent increases and time taken to achieve target occupancy.

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The investment property has been valued using a yield methodology. This uses market rental values capitalised at a market capitalisation rate but there is an inevitable degree of judgement involved in that each property is unique and value can only ultimately be reliably tested in the market itself. Key inputs into the valuation were:
- Annual rent per square foot £13.50
- Capitalisation rate/gross initial yield 7.03%

Turnover
Turnover represents net invoiced sales of good and services, excluding value added tax.

The company recognises revenue when the amount of revenue can be measured reliably, when it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the company's activities noted below.

Rental income:
Rental income from the letting of studios under licence/lease is recognised on a straight-line basis over the term of the hire period.

Project management services:
The company provides project management services which are recognised by reference to agreed contract sums and stage of completion.

Hire of art:
The company hires items of art from the V22 plc collection. Income is recognised on a straight-line basis over the term of the hire period.

Sale of goods:
The company recognises revenue from the sale of goods upon delivery and the passing of legal title.

Tangible fixed assets
Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Short leasehold	- Over period of lease
Fixtures and fittings	- 33% on cost
Motor vehicles	- 33% on cost

Tangible fixed assets are carried at cost less accumulated depreciation and accumulated impairment losses.

At each reporting date, the company reviews the carrying amounts of its short leasehold, fixtures and fittings and motor vehicles to determine whether there is any indication that any of these items have suffered an impairment loss. If any such indication exists, the recoverable amount of an asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of the asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset is estimated to be less than the carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Investment property
Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties are initially measured at cost, including transaction costs. Subsequently investment properties whose fair value can be measured reliably without undue cost or effort on an on-going basis are measured at fair value. Gains and losses arising from changes in fair value of investment properties are included in profit or loss in the period they arise.

Investment properties whose fair value cannot be measured reliably without undue cost or effort on an on-going basis are included in tangible assets at cost less accumulated depreciation and accumulated impairment losses.

continued...

2. **ACCOUNTING POLICIES - continued**

Taxation

Taxation for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is recognised at the amount of tax payable using the tax rates and laws that that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Pension costs and other post-retirement benefits

The company operates a defined contribution pension scheme within the requirements of auto-enrolment. Contributions payable by the company are charged to the profit or loss in the period to which they relate.

Financial instruments

Financial assets and liabilities are recognised where the company has become party to the contractual provisions of the instrument. A financial instrument may be summarised as a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another.

The company only enters into basic financial instruments that result in the recognition of financial assets and liabilities like trade and other debtors, loans and trade and other creditors.

Debt instruments that are payable or receivable within one year, typically trade and other debtors and trade and other creditors, are measured, initially and subsequently at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitutes a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or, in the case of an outright short-term loan, not at market rate, the financial asset or liability is measured, initially and subsequently, at the present value of the future payments discounted at a market rate of interest for a similar debt instrument except where the effect of discounting is immaterial.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in profit or loss.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows, discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and the best estimate, which is an approximation of the amount that the company would receive for the asset if it were to be sold at the reporting date.

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2. **ACCOUNTING POLICIES - continued**

Leases
Assets that are held by the company under leases which transfer to the company substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the company are classified as operating leases.

The company currently hold no assets which fall to be classified as finance leases.

Operating lease payments are recognised as an expense on a straight line basis over the term of the lease, except where another systematic basis is more representative of the time pattern in which economic benefits from the lease assets are consumed.

In the event that lease incentives are received to enter into the operating lease, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

3. **TURNOVER**

The turnover and profit (2015 - loss) before taxation are attributable to the principal activities of the company.

An analysis of turnover by class of business is given below:

	2016	2015
	£	£
Rental income	1,216,914	767,481
Project management services	24,500	31,000
Other	6,225	14,673
	1,247,639	813,154

An analysis of turnover by geographical market is given below:

	2016	2015
	£	£
United Kingdom	1,247,639	813,154
	1,247,639	813,154

4. **OTHER OPERATING INCOME**

	2016	2015
	£	£
Lease premium	100,000	-
Gain on revaluation of investment property	520,981	-
	620,981	-

The lease premium relates to the grant of a 123 year sub lease for part of the company's investment property.

5. **EMPLOYEES AND DIRECTORS**

	2016	2015
	£	£
Wages and salaries	165,240	94,868
Social security costs	12,015	8,116
Other pension costs	677	-
	177,932	102,984

continued...

5. EMPLOYEES AND DIRECTORS - continued

The average monthly number of employees during the year was as follows:

	2016	2015
Administrative and support staff	6	3
Directors	2	3
	8	6

	2016	2015
	£	£
Directors' remuneration	43,170	28,816

6. OPERATING PROFIT/(LOSS)

The operating profit (2015 - operating loss) is stated after charging:

	2016	2015
	£	£
Depreciation - owned assets	90,104	52,121
Auditors' remuneration	7,445	5,611
Operating lease charges - other	764,595	442,726

Auditors' remuneration comprises £6,000 (2015: £4,769) for audit services and £1,445 (2015: £842) for taxation and other services.

7. INTEREST PAYABLE AND SIMILAR EXPENSES

	2016	2015
	£	£
Interest payable	6,639	4,691

8. TAXATION

Analysis of the tax charge
The tax charge on the profit for the year was as follows:

	2016	2015
	£	£
Current tax:		
UK corporation tax	12,440	(3)
Deferred tax	100,520	5,959
Tax on profit/(loss)	112,960	5,956

UK corporation tax has been charged at 20%.

continued...

8. **TAXATION - continued**

Reconciliation of total tax charge included in profit and loss
The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The difference is explained below:

	2016	2015
	£	£
Profit/(loss) before tax	573,682	(14,687)
Profit/(loss) multiplied by the standard rate of corporation tax in the UK of 20% (2015 - 20%)	114,736	(2,937)
Effects of:		
Expenses not deductible for tax purposes	14,713	7,198
Adjustments to tax charge in respect of previous periods	-	(3)
Losses in period not recognised as a deferred tax asset	-	1,698
Deferred tax rate differential on revaluation gain	(16,489)	-
Total tax charge	112,960	5,956

Factors that may affect future tax charges
There remain unrelieved taxable trading losses of £56,222 (2015: £64,718) which are available to carry forward to offset against trading profits in the future. No deferred tax asset has been recognised in respect of these losses because of uncertainty of their utilisation at the present time.

9. **TANGIBLE FIXED ASSETS**

	Short leasehold	Fixtures and fittings	Motor vehicles	Totals
	£	£	£	£
COST				
At 1 January 2016	273,993	8,678	5,968	288,639
Additions	144,796	1,071	1,029	146,896
Reclassification/transfer	(5,382)	-	-	(5,382)
At 31 December 2016	413,407	9,749	6,997	430,153
DEPRECIATION				
At 1 January 2016	95,353	8,094	5,960	109,407
Charge for year	89,634	405	65	90,104
Reclassification/transfer	(598)	-	-	(598)
At 31 December 2016	184,389	8,499	6,025	198,913
NET BOOK VALUE				
At 31 December 2016	229,018	1,250	972	231,240
At 31 December 2015	178,640	584	8	179,232

continued...

10. INVESTMENT PROPERTY

	Total
	£
FAIR VALUE	
Additions	274,235
Revaluations	520,981
Reclassification/transfer	4,784
At 31 December 2016	800,000
NET BOOK VALUE	
At 31 December 2016	800,000

The investment property was purchased in May 2016 following the successful tender to acquire Louise House, a grade II listed building in South East London. The tender was run by the London Borough of Lewisham to award a 125 year lease on the property at an affordable premium.

A 123 year sub lease was granted in the period. Any impairment to the head lease is reflected within the revaluation which excludes that part of the property relating to the sub lease. No reversionary value has been attached to the sub lease due to the term of the agreement.

The fair value of the property at 31 December 2016 has been arrived at on the basis of a valuation prepared by an independent firm of Chartered Surveyors who were commissioned by the company's bankers to undertake a valuation of the property for future lending purposes. Although the valuation was not intended for this purpose, Mr B McRobie, director and chartered surveyor by occupation has reviewed the valuation and considers it fit for purpose. The valuation was as at 18 January 2017, a date deemed sufficiently close to the balance sheet date for this purpose.

The valuation which was arrived at by reference to market evidence for rental comparables and sales comparables of transaction prices for similar properties in its location. This basis of valuation is consistent with that which would have been undertaken should a specific valuation for fair value been commissioned. Details of the assumptions made and the key sources of estimation are given in note 2.

Cost or valuation at 31 December 2016 is represented by:

	£
Valuation in 2016	800,000

If investment property had not been revalued it would have been included at the following historical cost:

	2016	2015
	£	£
Cost	279,019	-
Aggregate depreciation	(2,235)	-

Operating lease of investment property

The company rents out the investment property under short term operating leases. The leases expire 31 December 2018 with the exception of one lease which expires 30 June 2019. The leases have no significant lease terms.

The future minimum lease payments receivable for the property in respect of leases expiring later than one year and not later than five years is £77,082.

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11. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2016	2015
	£	£
Trade debtors	50,758	22,138
Amounts owed by group undertakings	-	32,145
Other debtors	32,215	10,175
VAT	736	167
Prepayments and accrued income	54,590	41,763
	138,299	106,388

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2016	2015
	£	£
Trade creditors	173,443	121,368
Amounts owed to group undertakings	146,244	-
Amounts owed to participating interests	4,812	260
Tax	12,440	-
Social security and other taxes	6,893	4,041
Other creditors	95,194	168,703
Accruals and deferred income	276,452	132,675
	715,478	427,047

The total of £146,244 (2015: debtor balance £32,145) 'Amounts owed to group undertakings' is explained in more detail at note 21.

Other creditors comprise tenant deposits of £52,651 (2015: £104,970), directors' loans of £23,000 (2015: £24,000) and artist/former director's loans of £19,543 (2015:£39,733).

More detail of directors' loans provided at note 21.

13. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2016	2015
	£	£
Other creditors	114,902	56,784

Other creditors comprise tenant deposits of £78,489 (2015: £nil) and artists loans of £36,413 (2015:£56,784).

14. LEASING AGREEMENTS

Minimum lease payments under non-cancellable operating leases fall due as follows:

	2016	2015
	£	£
Within one year	601,455	564,657
Between one and five years	2,700,997	2,825,876
In more than five years	751,458	1,231,458
	4,053,910	4,621,991

The above relate to short-term premises.

The company has also entered into a lease rental agreement to secure an art collection to exhibit and sub-let. The lease cost is charged at 7% per annum based on the cost of the art collection provided. The agreement can be terminated by giving three months notice. The lease rental commitment will vary depending on both the period the artwork is held and the cost of the artwork. Based on the cost of the artwork held as at the year end, the lease rental commitment in the next 12 months for a 3 month notice period is approximately £9,768 (2015: £9,768).

The comparatives have been restated as amounts were incorrectly shown as being payables falling due within the next year rather than over the term of the lease.

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15. FINANCIAL INSTRUMENTS

The company's financial instruments may be analyses as follows:

	2016	2015
	£	£
Financial Assets		
Financial assets measured at amortised costs	143,629	101,242
Financial Liabilities		
Financial liabilities measured at amortised cost	811,047	479,790

Financial assets measured at amortised cost comprise cash, trade debtors, other debtors and amounts owed by group undertakings.

Financial liabilities measured at amortised cost comprise trade creditors, amounts owed to group undertakings, amounts owed to participating interests, other creditors and accruals.

The company uses financial instruments to further its operations. The principal risks attaching to the use of financial instruments as relating to the company are as follows:

Credit risk
The company is at risk of its customers/tenants defaulting in making payments. To minimise this risk, the company has a policy of collecting one months rent deposit and collecting rents at the start of each rent period. To assist with credit risk, rents are billed monthly.

Liquidity risk
The company seeks to manage financial risk, to ensure sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably.

16. PROVISIONS FOR LIABILITIES

	2016	2015
	£	£
Deferred tax		
Accelerated capital allowances	14,906	7,811
Arising on revaluation gain	93,425	-
	108,331	7,811

	Deferred tax
	£
Balance at 1 January 2016	7,811
Charge to Statement of Comprehensive Income during year	100,520
Balance at 31 December 2016	108,331

17. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2016	2015
			£	£
100	Ordinary	£1	100	100

Each share is entitled to one vote in any circumstances and each share is also entitled pari passu to dividend payments or any other distribution, including a distribution arising from the winding up of the company.

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18. RESERVES

	Retained earnings £
At 1 January 2016	(169,338)
Profit for the year	460,722
At 31 December 2016	291,384

Retained earnings include non-distributable reserves of £427,556 arising from the revaluation of investment property.

19. PENSION COMMITMENTS

During the year, the company was auto enrolled into the government pension scheme with NEST. The current annual commitment is 1% of the qualifying earnings of those employees who elected to join the scheme.

Pension contributions paid to the scheme in the year was £677.

20. ULTIMATE PARENT COMPANY

The ultimate parent company is V22 plc which owns 100% of the share capital. This company is registered in the Isle of Man.

21. RELATED PARTY DISCLOSURES

Entities with control, joint control or significant influence over the entity

	2016 £	2015 £
Purchases	39,073	39,073
Amount due from related party	-	32,145
Amount due to related party	146,244	-

The amount due from/to related party (detailed above) relates to an intercompany loan account operated between V22 plc (its parent company) and the company. During the period the company received a funding loan of £170,000. No formal loan agreement exists with the intention that it will be repaid by equal instalment over a period of 6 years. The loan remains repayable on demand and is non interest bearing.

V22 plc has provided security on a loan to a third party comprising artworks with a primary market value of £113,000 (2015 £113,000). The amount of the secured loan outstanding at the year end amounts to £55,954 (2015: £81,516).

It also acts as a rent guarantor for one of the company's premises. The total rent commitment from the balance sheet date to end of the lease term (September 2025) amounts to £1,363,081 (2015 £1,363,081).

Key management personnel of the entity or its parent

K T Cranswick provided a loan in 2014 of which £13,000 (2015 £14,000) remains outstanding. The loan bears interest at 7%.

B McRobie provided loans in 2014 and 2015 of which £10,000 (2015 £10,000) remains outstanding. The loan is interest free.

The directors' loans have no formal repayment terms and no undue demand for repayment will be made so as to jeopardise the financial position of the company.

Shakey Isles Limited, a company in which B McRobie is a director and majority shareholder, provided property consultancy services to the company in the sum of £6,750 (2015 £9,938). These services were not invoiced until after the year end.

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Other related parties

During the year the company sold a 123 year sub lease of part of its investment property to a fellow group undertaking V22 Foundation at a lease premium of £100,000.

The company also provided property management services to V22 Foundation of £4,500 (2015 £9,500).

At the year end the company owed V22 Foundation £4,812 (2015 £260).

During the year, a total of key management personnel compensation of £85,740 was paid.

22. POST BALANCE SHEET EVENTS

Since the year end the company has entered into its agreed lease on premises in Shoreditch EC2, in the heart of tech city, for an initial term of 10 years. We were selected by being one of Hackney Council's approved affordable workspace providers. This element of the development is safeguarded for affordable workspace and will host creative entrepreneurs and businesses, freelancers, start-ups, and social enterprises. The rental prices, although significantly cheaper than the surrounding area, will be prohibitive for most artists, however we are creating a showroom in the space which all of our tenants can book in order to present work to collectors, present new ideas and products or show new developments in their practise. We believe that as affordable workspace is forced out of central London, innovative shared solutions such as these will enable our city to retain its rich cultural economy, and our key stakeholders to retain space for creative practises.

We were delighted to be named the preferred bidder for a 125 year lease of The Priory, Orpington and neighbouring library premises in Orpington on the Kent London border. With a history of more than 700 years, the Priory is one of only a few rectories dating from before the Reformation. The length of the lease at The Priory means we can put in place another long term sustainable art and community centre. To fund the purchase of the long lease we have been successful in our application to the Arts Impact Fund for a loan. The Arts Impact Fund is an initiative set up by NESTA - The National Endowment for Science, Technology and the Arts, to demonstrate the potential and impact of social investment in the arts through loan finance to selected organisations.

We are also in advanced negotiations with the Greater London Authority and The Silvertown Partnership for an exciting containerised project in the Royal Docks which will house affordable artist's studios and creative workspace on an interesting development site. To enable the input of external investment we have set up a new Group company - V22 Silvertown Studios Ltd - of which V22 London Ltd owns 36% and V22 plc 15%.

23. ULTIMATE CONTROLLING PARTY

The directors consider there to be no ultimate controlling party.