

THE ACCOUNTANTS' REPORT
ON THE FINANCIAL STATEMENTS

REPORT OF THE DIRECTORS AND

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

FOR

V22 PLC

V22 PLC

**CONTENTS OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

	Page
Company Information	1
Co-Chairperson's Statement	2
Strategic Report	4
Report of the Directors	7
Report of the Independent Auditors	9
Group Profit and Loss Account	10
Group Balance Sheet	11
Parent Company Balance Sheet	12
Group Cash Flow Statement	13
Notes to the Group Cash Flow Statement	14
Notes to the Financial Statements	15
Group Trading and Profit and Loss Account	25

V22 PLC

**COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2013**

DIRECTORS:

J Banks (resigned 9 April 2013)
S P Corran (appointed 9 April 2013)
K T Cranswick
G Hunt
R C Tucker

SECRETARY:

S P Corran

REGISTERED OFFICE:

4th Floor
Queen Victoria House
41-43 Victoria Street
Douglas
Isle of Man
IM1 2LF

REGISTERED NUMBER:

115477C

V22 PLC

AUDITED RESULTS FOR THE FINANCIAL YEAR TO 31 DECEMBER 2013

ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2013

V22 Plc ("V22" or the "Company"), the first publicly traded contemporary art collection, announces audited final results for the 12 months ended 31 December 2013.

CO-CHAIRPERSON'S STATEMENT

We are pleased to present V22's results for the year ended 31 December 2013 - a year of much activity for your Company.

HIGHLIGHTS

- Pre tax profit of GBP 142,450; (2012: GBP 129,056)
- Net cash inflow from operations of GBP 79,691; (2012: GBP 82,368)
- Year end net cash GBP 46,233; (2012: GBP 11,944)
- Net asset value per share is 1.286p; (2012: 0.874p)
- Net asset value per share including the art valuation is 4.366p; (2012: 3.611p)

The business continues to grow and, as well as an excellent set of results, many positive developments have occurred within the year. As such, the Directors remain confident about the Company's prospects.

The Company's art collection has grown to 150 works of art, representing 84 international artists. A number of our artists have done exceptionally well, winning awards and presenting museum exhibitions, for example: Elizabeth Prize won the Turner Prize; Alice Channer represented Britain at the 55th Venice Biennale; Phyllida Barlow has just opened a massive commission in Tate Britain's Duveen galleries. In 2013, V22 presented a large-scale exhibition of works purchased for the collection in recent years. We have acquired some important works of contemporary art over the years and it was a pleasure to welcome Shareholders, artists and visitors to see elements of the collection.

In November 2013 we announced the sale of the first work from the V22 collection. The work was bought in December 2009 for cash of GBP 875 and shares in V22 to the value of GBP 625. The work was sold in October 2013 for GBP 7,000. This represents a gain of 367% in less than four years. V22 continues to hold a number of other pieces from the same artist.

In our exhibitions programme, V22's Young London series has now run for three consecutive years. This series has become known as an influential presentation of emerging cultural and artistic attitudes and trends in London as perceived by a new generation of young artists. Young London 2013 presented new work by 19 artists, the majority of whom created site-specific work for the exhibition halls in Bermondsey.

Our subsidiary, V22 London Limited ("V22 London"), continues to manage properties in London; it has become a recognized studio provider in the sector and is working to secure more long term properties in order to create sustainable studio provision for artists. An exciting development along these lines was that V22 London's tender to acquire Louise House – a Grade II listed building in Forest Hill, SE London – was successful. The tender was run by London Borough of Lewisham to award a 125 year lease on the property at an affordable premium. Louise House will be used for artists' studios as well as exhibitions, events and community art space in Forest Hill. We are delighted by this step in growing V22 London's rental property portfolio, exhibition and event space.

V22 PLC

AUDITED FINANCIAL RESULTS FOR THE FINANCIAL YEAR TO 31 DECEMBER 2013

CO-CHAIRPERSON'S STATEMENT Continued

In 2013, V22 was proud to become one of 11 founding member companies of London's new Social Stock Exchange (SSE) - the first platform to showcase publicly listed social impact businesses. V22 fulfilled the robust admission criteria set by the SSE, which included the production of a Social Impact Report on the Company. The SSE was launched by Prime Minister David Cameron, and the SSE is supported by a number of high profile organisations including the London Stock Exchange, City of London Corporation, Big Society Capital and the Rockefeller Foundation.

V22's reputation continues to grow and we believe we are well on our way to creating a new kind of art institution: one which supports the production of high quality contemporary art and embraces the need to democratise art ownership so that its benefits can be readily accessible to aspiring collectors from diverse backgrounds; one which supports the development of contemporary art and artists and enables them to take greater ownership of their sector; one which balances the need to deliver social and financial returns and which constantly searches for new ways to grow shareholder value, expand our asset base and create a better way to do business.

For their support in this endeavour, we would like to thank our artists, shareholders, staff, business partners, advisers, friends and supporters for another good year.

Tara Cranswick

Tara Cranswick - Co Chairperson

Geoff Hunt

Geoff Hunt - Co Chairperson

Date: 20 May 2014

V22 PLC

AUDITED FINANCIAL RESULTS FOR THE FINANCIAL YEAR TO 31 DECEMBER 2013

STRATEGIC REPORT

The Directors present their strategic report for the year ended 31 December 2013

ART PORTFOLIO

The Directors of V22 are pleased to report results for the sixth independent valuation of the V22 art collection. In terms of asset growth, we are delighted with the revaluation results and we believe that the reputation of V22 continues to grow within the London and international art communities.

Since the collection started in September 2006, V22 has invested GBP 512,791 (GBP 337,711 cash and GBP 175,080 equity) in the collection. The independent valuation – as at 31 December 2013 – estimated the works to be worth GBP 1,336,826, an uplift of GBP 824,035 since the start of the collection - a gain of 160.7%.

For the latest valuation, V22 chose to work once again with Webb Valuations. Webb Valuations' founder, David Webb FRICS, undertook the valuation himself, with specialist advice from his contemporary art consultants. David has been involved in the art world for over 35 years. He also set up and managed the UK Valuation Department at Sotheby's new West London saleroom at Olympia.

In 2013 V22 presented the third Young London exhibition and negotiated the purchase of several works from these emerging talents. These works are being purchased with part payment in studio space and thus many will formally become part of the collection in 2014. This innovative way of developing the collection has proved beneficial for both artists and the Company and has allowed us to grow the collection whilst re-investing cash into growing the subsidiary business of property management and studio provision.

EXHIBITIONS PROGRAMME

In addition to a large scale exhibition of recent purchases for the collection, V22 presented its third Young London exhibition. The Young London series has become an important part of V22's development strategy, and, as in previous years, many participating artists have joined the wider V22 community – taking studios in our buildings and becoming part of the V22 Collection. The Young London series has been generally perceived to be an important one in its ambition and its scope. Previous exhibitors have gone on to win awards and achieve growing acclaim: Laure Prouvost has won the Turner Prize; Eddie Peake and Ed Atkins have become internationally renowned; Sara Nunes Fernandes has partnered in starting an independent art school; Alice Channer participated in the 55th Venice Biennale; several artists have become represented by galleries and have staged impressive national and international exhibitions.

MANAGEMENT: V22 London Limited

Our subsidiary in London continues to manage the promotion of the collection locally and internationally and develop the ancillary revenues to fund its costs.

PROPERTY PORTFOLIO

V22 London is still managing its first studio building: V22 ASHWIN STREET. Management have agreed Heads of Terms with London Borough of Hackney for a new 4 year lease on the property; the building remains fully let and the waiting list continues to grow as Dalston benefits from extensive regeneration.

In October 2013, V22 celebrated three years of occupancy at V22 WORKSPACE in Bermondsey. In 2013 we also signed a new year's lease for the property until September 2014; however, the landlords brought forward their development plans and notice was served on the lease in December 2013. Although they had hoped to have longer in the building, V22 London management believe that the project has proved that they can take on large scale developments and make them work over the short term. Looking to the future they will be capitalising on this ability as well as investing in longer-term leases. Longer leases will be a more sustainable solution for our artists, will minimise V22 London's costs, and will potentially lead to greater long-term profitability for the Group.

V22 PLC

AUDITED FINANCIAL RESULTS FOR THE FINANCIAL YEAR TO 31 DECEMBER 2013

STRATEGIC REPORT - Continued

V22 London is still negotiating a new lease on a property in De Beauvoir, N1, with London Borough of Hackney, for a term of 25 years. There is a full waiting list for spaces and the building looks set to be fully let from the day V22 London take occupation.

The management team is heavily invested in the future success of the business and has worked tirelessly to improve the property side of the business, to improve the conditions for artists in London and to grow and promote the V22 collection and V22 name. We would like to thank them for their continued efforts on behalf of V22, its artists and shareholders.

PRINCIPAL RISKS AND UNCERTAINTIES

Meeting Planned Occupation Targets

As V22 London takes on more premises, these are under quite tight deadlines to achieve occupation targets in order to ensure a smooth cashflow. V22 London have good links to colleges, studio advertisement placements and many studios are let by word of mouth. V22 London's management team believe that should delays happen their duration would not be extensive. In the worst case, V22 could fund the cashflow shortfall by selling works of art from the collection

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.

V22 is part of a think tank set up by the Mayor of London and the Greater London Authority to address the problem of sustainability in studio provision. There is good political will to support sustainable solutions to 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. V22 London's strategy to purchase longer term leases and freeholds will enable studio provision for the long term. Instead of being a victim, along with the artists, of regeneration, both long term aspirations will benefit.

Selection of Art

The success of V22 in part depends on the selection of Artworks which will appreciate in value over time. Selection is critical and is dependent on the board's ability to identify suitable Artworks at a beneficial price. The market is price sensitive. The risk is mitigated by investing in a large and varied Collection.

CORPORATE SOCIAL RESPONSIBILITY

As a recognised Social Impact company, registered on the Social Stock Exchange, we believe that V22 fulfills its social impact targets successfully. Our First Social Impact Report was produced in partnership with Social Investment Finance Intermediary: CAN Invest, approved and presented by the Social Stock Exchange in May 2013, and is available from their website.

POST BALANCE SHEET EVENTS

2014 has already been a very busy year. In the run up to leaving F Block – V22 London's large Bermondsey building - management have taken on new leases and licenses for five further buildings to house existing tenants. V22 London now has premises across north and south east London in Dalston; Homerton; Bermondsey; Lewisham and Forest Hill.

The Directors would point out that as they expect that 2014 will be another period of growing and building the property portfolio, it is therefore unlikely V22 will realise the same kind of profit level in 2014 as has been achieved in this year's results. However, the new premises provide better terms than previous buildings and those providing longer leases mean a more sustainable income stream long-term, and the Directors believe that investment being made now will lead to greater long-term profitability for V22 as a Group.

V22 PLC

AUDITED FINANCIAL RESULTS FOR THE FINANCIAL YEAR TO 31 DECEMBER 2013

STRATEGIC REPORT - Continued

V22 have also been approached by two separate private investors who have realized the long-term benefits of V22's property model of artists' studio provision. We have been in negotiation to part-purchase buildings in partnership with these individuals. This will allow us to expand our studio provision offering whilst at the same time benefitting from the long-term regeneration benefits which it has been demonstrated artists bring to under developed areas.

Artists and studio providers contribute to the local economy, to place-making and to the vitality and distinctiveness of local areas and community life. They contribute greatly to the wider cultural reputation of some boroughs and their local authorities. As a result, artists bring significant regeneration to areas, but are constantly being priced out of areas that they have helped to make more attractive.

Purchasing buildings is the logical next step in V22's development. Instead of paying rent to landlords, we can build a sustainable asset, benefit from the uplift in value which artists necessarily bring to the areas in which they work and operate, and continue to invest in artists and local communities; whilst at the same time delivering shareholder value and expanding our asset base. We believe this is a very exciting step in V22's development and look forward to future developments in this sphere.

We are also delighted to announce that V22 has been shortlisted for Social Impact Company of the Year at the Annual Small Cap Awards 2014.

FUTURE STRATEGY

We believe that the artists' studio element of the business is an important factor in accelerating the long term growth of V22. Not only does it contribute to covering the costs of acquiring and holding the art collection, but has also significantly widened our audience and our knowledge of the contemporary art market. It is also one of the most valuable contributions we can make to the production and exhibition of contemporary art in a competitive property market.

Currently artists' studios are under threat in central London with rising property prices and there has been interest in the press and much political will to find long term solutions to the problem. V22 is a member of the think tank founded by the GLA to achieve sustainable models for the future of studio provision in London. V22 believes that through self-reliance, the support of local government and the leveraging of various sources of funding, artists' organisations can secure affordable, high quality space for artists both for the long and the short term.

Thus we are delighted by V22 London's developments in the property sphere. We believe that a property portfolio will complement our art portfolio and contribute to the two main career needs of artists: stable production centers for making their work and reputable collections to house their art. V22 has a unique business model and we feel we have proved that it has enormous potential. We have sold our first work from the collection delivering a gain of 367% in less than four years, and we look forward to expanding our range of assets to include more traditional and widely understood assets: property.

ON BEHALF OF THE BOARD:

Geoff Hunt

Geoff Hunt - Director

Date: 20 May 2014

V22 PLC

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2013

The directors present their report with the financial statements of the company and the group for the year ended 31 December 2013.

PRINCIPAL ACTIVITY

The principal activity of the group in the year under review was that of investment and trading in contemporary art and the provision of specialist services to the London art market.

REVIEW OF BUSINESS AND KEY PERFORMANCE INDICATORS

The results for the year and financial position of the company and the group are as shown in the annexed financial statements.

A more detailed review of the business is given in the Co-Chairperson's Report. Given the straight forward nature of the business, the Company's directors are of the opinion that an analysis using KPI's is not necessary for an understanding of the development, performance or position of the business.

DIVIDENDS

No dividends will be distributed for the year ended 31 December 2013; (2012: GBP nil)

FUTURE DEVELOPMENTS

These are discussed fully in the Co-Chairpersons' statement.

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

Other than indicated, the directors shown below have held office during the whole of the period from 1 January 2012 to the date of this report.

J Banks (resigned 9 April 2013)
S P Corran (appointed 9 April 2013)
K T Cranswick
G Hunt
R C Tucker

SUBSTANTIAL INTERESTS

On 31 December 2013 the following were registered as being interested in 3% or more of the Company's ordinary share capital:

	31 December 2013	
	Ordinary shares of 0.01p each	Percentage of issued share capital
Guild Acquisitions plc	3,400,000	12.7%
P Malik	2,856,971	10.7%
KT Cranswick	1,426,111	5.3%
R Warren	1,333,333	5.0%
Jim Nominees Limited	1,171,456	4.4%
S Dismore	900,000	3.4%
Confiance Limited	892,500	3.3%
Winterflood Securities Limited	845,981	3.2%

**REPORT OF THE DIRECTORS - Continued
FOR THE YEAR ENDED 31 DECEMBER 2013**

CORPORATE GOVERNANCE

The directors recognise the importance of sound corporate governance and intend to observe the requirements of the Code of Best Practice, as published by the Committee on Corporate Governance (commonly known as the "Combined Code") to the extent they consider appropriate in light of the Company's size, stage of development and resources. At present, due to the size of the Company, audit, remuneration and risk management issues will be addressed by the Board supported by Members of the Advisory Board. As the Company grows the Board will consider establishing an audit and management committee and will consider developing further policies and procedures which reflect the principles of good governance and the Combined Code.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the financial statements in accordance with applicable law and regulations.

UK 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). The financial statements are required by law to give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and the group and to enable them to ensure that the financial statements comply with the UK Companies Act 2006. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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 UK Companies Act 2006) of which the group'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 group'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:

Geoff Hunt

Geoff Hunt – Director

Date: 20 May 2014

1. The first step in the process of identifying a problem is to define the problem.

2. The second step is to identify the causes of the problem.

3. The third step is to identify the effects of the problem.

4. The fourth step is to identify the stakeholders involved in the problem.

5. The fifth step is to identify the resources available to solve the problem.

6. The sixth step is to identify the potential solutions to the problem.

7. The seventh step is to identify the best solution to the problem.

8. The eighth step is to implement the solution.

9. The ninth step is to evaluate the results of the solution.

10. The tenth step is to document the results of the solution.

11. The eleventh step is to share the results of the solution.

12. The twelfth step is to review the process.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
V22 PLC**

We have audited the financial statements of V22 plc for the year ended 31 December 2013 which comprise the group profit and loss account, group and parent company balance sheets, group cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Sections 495, 496 and 497 of the UK Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

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

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2013 and of the group 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 UK Companies Act 2006.

OPINION ON OTHER MATTERS PRESCRIBED BY THE UK 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 UK companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company; or
- the parent company 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 Limited
Statutory Auditor, Chartered Certified Accountants
Commercial House
High Street
Hadlow
Kent TN11 0EE

Date: 20 May 2014

V22 PLC

**GROUP PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2013**

	Notes	2013 £	2012 £
TURNOVER	2	51,806	17,088
Cost of sales		<u>20,986</u>	<u>1,044</u>
GROSS PROFIT		30,820	16,044
Administration expenses		<u>914,566</u>	<u>941,820</u>
		(883,746)	(925,776)
Other operating income	3	<u>1,026,196</u>	<u>1,054,832</u>
OPERATING PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	5	142,450	129,056
Tax on profit on ordinary activities	6	<u>51,042</u>	<u>48,377</u>
PROFIT FOR THE FINANCIAL YEAR AFTER TAXATION		<u>91,408</u>	<u>80,679</u>
PROFIT PER SHARE -			
basic	8	0.55p	0.54p
diluted		<u>n/a</u>	<u>0.53p</u>

CONTINUING OPERATIONS

None of the group's activities were acquired or discontinued during the current or previous year.

TOTAL RECOGNISED GAINS AND LOSSES

The group has no recognised gains or losses other than the profit for the year.

V22 PLC

**GROUP BALANCE SHEET
31 DECEMBER 2013**

	Notes	£	2013 £	2012 £
FIXED ASSETS				
Tangible assets	10		4,550	109,018
CURRENT ASSETS				
Debtors	12	89,981	204,817	
Trade investments	13	512,791	442,071	
Cash at bank and in hand		<u>46,233</u>	<u>11,944</u>	
		649,005	658,832	
CREDITORS:				
Amounts falling due within one year	14	<u>309,407</u>	<u>544,945</u>	
NET CURRENT ASSETS			<u>339,598</u>	<u>113,887</u>
NET ASSETS			<u>344,148</u>	<u>222,905</u>
CAPITAL AND RESERVES				
Called up share capital	15		6,176	6,036
Share premium	16		648,129	614,404
Other reserves	16		-	4,030
Profit and loss account	16		<u>(310,157)</u>	<u>(401,565)</u>
SHAREHOLDERS' FUNDS	20		<u>344,148</u>	<u>222,905</u>

The financial statements were approved by the Board of Directors on 20 May 2014 and were signed on its behalf by:

Geoff Hunt

Geoff Hunt – Director

Stephen Corran

Stephen Corran - Director

V22 PLC

**PARENT COMPANY BALANCE SHEET
31 DECEMBER 2013**

	Notes	£	2013 £	£	2012 £
FIXED ASSETS					
Tangible assets	10		-		-
Investments	11		<u>100</u>		<u>100</u>
			100		100
CURRENT ASSETS					
Debtors	12	14,738		1,946	
Trade investments	13	512,791		442,071	
Cash at bank		<u>561</u>		<u>2,363</u>	
		528,090		446,380	
CREDITORS					
Amounts falling due within one year	14	<u>94,476</u>		<u>53,114</u>	
NET CURRENT ASSETS			<u>433,614</u>		<u>393,266</u>
NET ASSETS			<u>433,714</u>		<u>393,366</u>
CAPITAL AND RESERVES					
Called up share capital	15		6,176		6,036
Share premium	16		648,129		614,404
Other reserves	16		-		4,030
Profit and loss account	16		<u>(220,591)</u>		<u>(231,104)</u>
SHAREHOLDERS' FUND	20		<u>433,714</u>		<u>393,366</u>

The financial statements were approved by the Board of Directors on 20 May 2014 and were signed on its behalf by:

Geoff Hunt

Geoff Hunt – Director

Stephen Corran

Stephen Corran - Director

**GROUP CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2013**

	Notes	2013 £	2012 £
Net cash inflow from operating activities	1	79,691	82,368
Taxation		(38,578)	(360)
Capital expenditure and financial investment	2	<u>(6,824)</u>	<u>(102,877)</u>
Increase/(decrease) in cash in the period		<u>34,289</u>	<u>(20,869)</u>
<hr/>			
Reconciliation of net cash flow to movement in net funds	3		
Increase/(decrease) in cash in the period		<u>34,289</u>	<u>(20,869)</u>
Change in net funds resulting from cash flows		<u>34,289</u>	<u>(20,869)</u>
Movement in net funds in the period		34,289	(20,869)
Net funds at 1 January 2013		<u>11,944</u>	<u>32,813</u>
Net funds at 31 December 2013		<u>46,233</u>	<u>11,944</u>

**NOTES TO THE GROUP CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2013**

1. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2013 £	2012 £
Operating profit	142,450	129,056
Depreciation charges	111,292	145,234
Decrease/(increase) in debtors	114,836	(148,192)
Reversal of lease incentive accrual	(162,427)	(66,808)
(Decrease)/increase in creditors (excluding lease incentive accrual)	(68,680)	34,578
Increase in trade investments – artwork	<u>(57,780)</u>	<u>(11,500)</u>
Net cash inflow from operating activities	<u>79,691</u>	<u>82,368</u>

2. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	2013 £	2012 £
Capital expenditure and financial investment		
Purchase of tangible fixed assets	<u>6,824</u>	<u>102,877</u>
Net cash outflow for capital expenditure and financial investment	<u>6,824</u>	<u>102,877</u>

3. ANALYSIS OF CHANGES IN NET FUNDS

	At 1/1/13 £	Cash Flow £	At 31/12/13 £
Net cash:			
Cash at bank and in hand	<u>11,944</u>	<u>34,289</u>	<u>46,233</u>
Total	<u>11,944</u>	<u>34,289</u>	<u>46,233</u>

4. MAJOR NON-CASH TRANSACTIONS

During the year the company issued, Ordinary shares of 0.01p in part settlement of items acquired for its art collection. This amounted to £12,940 (2012: £20,000). Also during the year, the Company negotiated the settlement of various trade debts by the issue of Ordinary shares of 0.01p each. This amounted to £20,925 (2012: £5,500).

11/1/17

WARRANT FOR ARREST AND RETURN OF PROPERTY

STATE OF TEXAS

COUNTY OF DALLAS

vs. [Name], Defendant

Case No. [Number]

Wherefore, the State of Texas, by and through the undersigned, the District Attorney, do hereby certify that the within warrant is a true and correct copy of the original as the same appears on the records of the District Clerk of the County of Dallas, State of Texas.

Witness my hand and the seal of the District Attorney of the County of Dallas, State of Texas, this [Date] day of [Month], 20[Year].

District Attorney

Subscribed and sworn to before me this [Date] day of [Month], 20[Year].

Notary Public in and for the State of Texas, my commission expires on [Date].

Notary Public

Notary Public

Notary Public

Notary Public

Notary Public

Notary Public

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

1. ACCOUNTING POLICIES

Accounting convention

The financial statements have been prepared under the historical cost convention and in accordance with United Kingdom applicable accounting standards.

Basis of consolidation

The group financial statements incorporate the financial statements of V22 plc and its UK subsidiary, V22 London Limited, drawn up to 31 December 2013. Its other UK subsidiary, V22 Foundation (a company limited by guarantee) has not been consolidated. This company is engaged in non profit making activity of promoting interest in, and appreciation of, visual art and culture and to enable and promote the production and exhibition of art.

Despite being able to exert dominant influence, the company has no financial interest in V22 Foundation as any surpluses are to be applied to its objectives. On winding up, all assets are to be distributed to another body with similar objectives. The directors consider that consolidating the financial statements of this company would be misleading in terms of the group's overall financial position and that of the member's interests.

Going Concern

The Company meets its day to day expenses from its existing liquid resources including intergroup borrowings.

The directors hope for the foreseeable future to generate sufficient liquid resources to meet its liabilities as they fall due. To achieve this the directors have recognised that it will be necessary to realise part of its art collection. It is anticipated that a sum not exceeding £60,000 will be raised from the sale of art. Given a valuation for the collection of £1,336,826 this will have little impact on our collection as a whole. Likewise the collection provides a valuable source of working capital should the need arise.

Turnover

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

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

Deferred tax

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

Deferred tax assets are only recognised where they arise from timing differences where their recoverability in the short term is regarded as more likely than not.

Government Grants

Grants relating to revenue cost are credited to the profit and loss account in line with the relevant costs. Grants to be matched with expected future costs are carried forward as deferred income.

Current asset trade investments - art collection

The art collection is valued at the lower of cost and net realisable value.

NOTES TO THE FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED 31 DECEMBER 2013

1. ACCOUNTING POLICIES - Continued

Share based payments

In connection with certain agreements underlying the acquisition of the art collection, the company has a choice of whether to settle a deferred payment either in cash or by issuing Ordinary Shares. In accordance with FRS 20 'Share based payments' these arrangements are to be accounted for as equity-settled share based payment transactions. The shares to be issued are accounted for as an increase in equity and are valued at the fair value of the artwork acquired. This is deemed to equate to the amount of the deferred payment.

Foreign Currencies

Assets and liabilities in foreign currencies are translated into sterling at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating profit.

Hire purchase and leasing commitments

Rentals paid under operating leases are charged to the profit and loss account on a straight line basis over the period of the lease.

2. TURNOVER

The total turnover of the group for the year has been derived from the principal activity wholly undertaken in the United Kingdom.

3. OTHER OPERATING INCOME

	2013	2012
	£	£
Rents receivable	<u>1,026,196</u>	<u>1,054,832</u>

4. STAFF COSTS

	2013	2012
	£	£
Wages and salaries	93,954	37,667
Social security costs	<u>9,148</u>	<u>2,988</u>
	<u>103,102</u>	<u>40,655</u>

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

	2013	2012
	No.	No.
Directors	4	4
Administration and support	<u>4</u>	<u>1</u>
	<u>8</u>	<u>5</u>

NOTES TO THE FINANCIAL STATEMENTS – Continued
FOR THE YEAR ENDED 31 DECEMBER 2013

5. OPERATING PROFIT

The operating profit is stated after charging:

	2013	2012
	£	£
Depreciation – owned assets	111,292	145,234
Auditors' remuneration - for audit services	6,700	6,305
- for taxation and other services	6,699	5,730
Operating lease charges - other	<u>229,154</u>	<u>246,094</u>
Directors' emoluments	<u>35,252</u>	<u>35,752</u>

6. TAXATION

Analysis of the tax charge

The tax charge on the profit on ordinary activities for the year was as follows:

	2013	2012
	£	£
Current tax:		
Isle of Man	360	360
United Kingdom	<u>50,682</u>	<u>48,017</u>
Tax on profit on ordinary activities	<u>51,042</u>	<u>48,377</u>

The company conducts its affairs from the Isle of Man or otherwise outside the United Kingdom and does not carry on its business in the UK. On this basis the company is not liable to UK taxation. The Isle of Man operates a nominal annual corporate tax charge and a zero rate of tax.

Its subsidiary, V22 London Limited is liable to UK taxation. It has taxable losses of approximately £47,500 (2012: £47,500) which are available to carry forward for offset in the future. No deferred tax asset has been established in respect of these losses because of the uncertainty of their utilisation at the present time.

Reconciliation of the current tax charge is as follows:

	2013	2012
	£	£
Profit on ordinary activities before taxation	<u>142,450</u>	<u>129,056</u>
Profit on ordinary activities multiplied by the appropriate tax rate		
Isle of Man – 0%	-	-
UK – 20% (2012 – 20%)	32,272	30,291
Effects of:		
Expenses not deductible for UK tax purposes	21,934	39,066
UK taxable losses utilised	-	(25,422)
UK marginal tax rates	6,275	4,082
Overprovision of prior year's tax charge	(9,799)	-
Isle of Man - annual corporate charge	<u>360</u>	<u>360</u>
Current tax charge	<u>51,042</u>	<u>48,377</u>

NOTES TO THE FINANCIAL STATEMENTS – Continued
FOR THE YEAR ENDED 31 DECEMBER 2013

7. PROFIT OF PARENT COMPANY

As permitted by Section 408 of the UK Companies Act 2006, the profit and loss account of the parent company is not presented as part of these financial statements. The parent company's profit for the financial year was £10,513 (2012: £21,965).

8. PROFIT PER SHARE

The basic profit per share is calculated by dividing the profit for the period attributable to ordinary shareholders by the weighted average number of shares in issue. This includes the weighted average number of shares the Company intends to issue as part of its put share option arrangements.

Profit for the period	£142,450	(2012: £129,056)
Weighted average of Ordinary 0.01p Shares	25,728,421	(2012: 24,081,658)
Profit per share - basic	0.55p	(2012: 0.54p)

At 31 December 2013 there were no dilutive arrangements in existence. For 2012, the diluted weighted average number of shares and profit per share were as follows:

Weighted average of ordinary 0.01p shares (diluted)	24,220,658
Profit per share – diluted	0.53p

9. OPERATING LEASE COMMITMENTS

At 31 December 2013 the Group has the following annual commitments under non-cancellable operating leases expiring:

	2013	2012
	Property	Property
	£	£
Expiring:		
Within one year	<u>75,536</u>	<u>283,207</u>

10. TANGIBLE FIXED ASSETS

Group

	Short Leasehold	Fixtures & Fittings	Motor Vehicles	Total
	£	£	£	£
COST				
At 1 January 2013	366,318	13,764	-	380,082
Additions	-	868	5,956	6,824
At 31 December 2013	<u>366,318</u>	<u>14,632</u>	<u>5,956</u>	<u>386,906</u>
DEPRECIATION				
At 1 January 2013	259,333	11,731	-	271,064
Charge for year	<u>106,985</u>	<u>2,322</u>	<u>1,985</u>	<u>111,292</u>
At 31 December 2013	<u>366,318</u>	<u>14,053</u>	<u>1,985</u>	<u>382,356</u>
NET BOOK VALUE				
At 31 December 2013	<u>-</u>	<u>579</u>	<u>3,971</u>	<u>4,550</u>
At 31 December 2012	<u>106,985</u>	<u>2,033</u>	<u>-</u>	<u>109,018</u>

V22 PLC

**NOTES TO THE FINANCIAL STATEMENTS – Continued
FOR THE YEAR ENDED 31 DECEMBER 2013**

10. TANGIBLE FIXED ASSETS - Continued

Company

COST

At 1 January 2013
and 31 December 2013

Fixtures &
Fittings
£

6,830

DEPRECIATION

At 1 January 2013
and 31 December 2013

6,830

NET BOOK VALUE

At 31 December 2013
At 31 December 2012

-
-

11. FIXED ASSET INVESTMENTS

Company

COST

At 1 January 2013
and 31 December 2013

Shares
in group
undertakings
£

100

The company's investments at the balance sheet date in the share capital of companies include the following:

Subsidiary

V22 London Limited

Country of incorporation: England and Wales

Nature of business: Specialist services to the London art market

% holding

Class of shares:

Ordinary £1

100.00

V22 Foundation

Country of incorporation: England and Wales

Nature of business: Promotion of art. It is a not for profit making organisation.

The company is limited by guarantee with V22 plc acting as sole guarantor in the sum of £1.

The last published financial statements for the company were for the period ended 30 April 2013 which indicate a surplus for the period of £nil and reserves of £nil.

NOTES TO THE FINANCIAL STATEMENTS – Continued
FOR THE YEAR ENDED 31 DECEMBER 2013

12. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2013	2012	2013	2012
	£	£	£	£
Trade debtors	60,620	69,327	8,400	-
Other debtors	15,539	10,000	-	-
VAT	853	1,186	2,213	1,946
Prepayments and accrued income	<u>12,969</u>	<u>124,304</u>	<u>4,125</u>	-
	<u>89,981</u>	<u>204,817</u>	<u>14,738</u>	<u>1,946</u>

13. CURRENT ASSET TRADE INVESTMENTS

	Group		Company	
	2013	2012	2013	2012
	£	£	£	£
Art collection	<u>512,791</u>	<u>442,071</u>	<u>512,791</u>	<u>442,071</u>

The art collection was valued at the balance sheet date by a firm of specialist valuers 'Webb Valuations Fine Art Limited' at a primary market value of £1,336,826 which showed an uplift in value over cost at that date of £824,035. The art collection was previously valued on 31 December 2011 which indicated a primary market value of £1,108,411 and an uplift over cost of £697,840.

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2013	2012	2013	2012
	£	£	£	£
Trade creditors	56,999	127,694	40,207	47,614
Amounts owed to Group undertakings	-	-	44,803	-
Corporation Tax	60,481	48,017	-	-
Social security and other taxes	-	1,756	-	-
Other creditors	87,077	94,036	-	-
Accrued expenses and deferred income	<u>104,850</u>	<u>273,442</u>	<u>9,466</u>	<u>5,500</u>
	<u>309,407</u>	<u>544,945</u>	<u>94,476</u>	<u>53,114</u>

15. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

Number:	Class	Nominal Value:	2013	2012
			£	£
26,759,341 (2012: 25,361,763)	Ordinary	0.01p	2,676	2,536
13,200,000	Deferred A	0.01p	1,320	1,320
21,800,000	Deferred B	0.01p	<u>2,180</u>	<u>2,180</u>
			<u>6,176</u>	<u>6,036</u>

During the year the following ordinary shares were allotted, issued and fully paid:

862,667 were issued at 1.5p per share; 94,286 were issued at 3.5p per share; and 440,625 were issued at 4.0p per share.

NOTES TO THE FINANCIAL STATEMENTS – Continued
FOR THE YEAR ENDED 31 DECEMBER 2013

15. CALLED UP SHARE CAPITAL - Continued

The aggregate number of shares allotted, issued and fully paid was 1,397,578 with a nominal value of £140. Total consideration received was £33,865. This comprised of share based payments for art of £12,940 and the settlement of various trade debts of £20,925.

Special rights/constraints attaching to the Deferred A and B shares are as follows:

Each deferred A share has the following rights:

- It will carry one vote at general meetings of the company.
- Until such time as the ordinary shares of the company have traded on a recognised medium for trading shares at a mid market price of not less than 6p per share for a continuous period of 28 days it shall carry no rights to dividends or to participation in the assets of the company other than a right to repayment at par on winding up of the company, such repayment to be deferred to repayment at par of the ordinary shares.
- After the time specified above, each deferred share converts into an ordinary share and has the same right to participate in dividends or to any surplus of assets of the company as each ordinary share.

The deferred B shares carry identical rights to the deferred A shares except that the conversion to ordinary shares will come into affect when the ordinary shares have been trading at a mid market price for a period of continuous 28 days at 7.5p per share.

There were a total of Nil (2012: 278,400) Ordinary Shares of 0.01p each subject to share options.

16. RESERVES

Group

	Profit and loss account £	Share premium £	Share based payment reserves £	Totals £
At 1 January 2013	(401,565)	614,404	4,030	216,869
Lapsed put options	-	-	(4,030)	(4,030)
Share based payments	-	33,725	-	33,725
Profit for the year	<u>91,408</u>	-	-	<u>91,408</u>
At 31 December 2013	<u>(310,157)</u>	<u>648,129</u>	<u>-</u>	<u>337,972</u>

Company

	Profit and loss account £	Share premium £	Share based payment reserves £	Totals £
At 1 January 2013	(231,104)	614,404	4,030	387,330
Lapsed put options	-	-	(4,030)	(4,030)
Share based payments	-	33,725	-	33,725
Profit for the year	<u>10,513</u>	-	-	<u>10,513</u>
At 31 December 2013	<u>(220,591)</u>	<u>648,129</u>	<u>-</u>	<u>427,538</u>

NOTES TO THE FINANCIAL STATEMENTS – Continued
FOR THE YEAR ENDED 31 DECEMBER 2013

17. RELATED PARTY DISCLOSURES

Bridgewater (IOM) Limited provide administrative services to the company. Administration charges for these services amount to £10,303. S P Corran and G Hunt are directors of Bridgewater (IOM) Limited.

K T Cranswick, director, charged the subsidiary undertaking £2,200 for a pick-up vehicle. This was deemed to be the vehicle's open market value.

The company has provided a rent security deed to one of V22 London Limited's landlords in the sum of £53,494.

18. POST BALANCE SHEET EVENTS

There are no reportable post balance sheet events.

19. ULTIMATE CONTROLLING PARTY

The directors are of the opinion that there is no ultimate controlling party.

20. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

Group

	2013	2012
	£	£
Profit for the financial year	91,408	80,679
Share based payments	33,865	25,500
Lapsed share based payments	(4,030)	(12,525)
Net increase to shareholders' funds	121,243	93,654
Opening shareholders' funds	<u>222,905</u>	<u>129,251</u>
Closing shareholders' funds	<u>344,148</u>	<u>222,905</u>

Company

	2013	2012
	£	£
Profit for the financial year	10,513	21,965
Share based payments	33,865	25,500
Lapsed share based payments	(4,030)	(12,525)
Net increase to shareholders' funds	40,348	34,940
Opening shareholders' funds	<u>393,366</u>	<u>358,426</u>
Closing shareholders' funds	<u>433,714</u>	<u>393,366</u>

NOTES TO THE FINANCIAL STATEMENTS – Continued
FOR THE YEAR ENDED 31 DECEMBER 2013

21. SHARE BASED PAYMENTS

The acquisition of the art collection has been by way of one of three methods. The first is by way of cash. The second method is for the company to pay the purchase price in a combination of cash and Ordinary Shares of 0.01p each. The number of shares issued being by reference to the amount of debt to be settled in this way and the ruling price of the shares at the date of acquisition.

Under the third method, the company buys the artwork for cash of which a percentage is payable immediately and the balance deferred for 5 years. Separately but at the same time the Artist acquires an option to subscribe for additional Ordinary Shares in the Company at the then ruling price for an aggregate value equal to the deferred element in the cash price of the Artwork. The Company and Artist also enter into a put option whereby the Company may require the Artist to subscribe for an equal number of Ordinary shares at the same price. The Company aims to exercise its right with regard to the put option as a means of settling its liability for the deferred cash payment.

The number and weighted average exercise prices of share options are as follows:

	Number of shares		Average exercise price
	Put	Call	
At 1 January 2013	139,200	139,200	2.50p
Lapsed during the year	<u>(139,200)</u>	<u>(139,200)</u>	<u>2.50p</u>
At 31 December 2013	<u>-</u>	<u>-</u>	
Exercisable at 31 December 2013	<u>-</u>	<u>-</u>	

The brought forward put options lapsed in the period and the remaining deferred cash element of the art purchase is now included in trade creditors.

22. NET ASSET VALUE PER SHARE

The group has a net asset per Ordinary share of 1.286p (2012: 0.874p).

Ordinary shares for the purposes of this calculation include those Ordinary Shares the company intends to issue as part of its put share option arrangements.

The net asset per Ordinary share increases to 4.366p (2012: 3.611p) if the historic value of the art collection (as at 31 December 2013) is included within the assessment of net assets.

23. FINANCIAL INSTRUMENTS

The company uses financial instruments, comprising cash, bank, trade debtors, trade investments and trade creditors, which arise directly from its operations. The main purposes of these instruments is to further the company's operations.

Short term debtors and creditors

Short term debtors and creditors have been excluded from all the following disclosures.

Trade investments – art collection

Trade investments are stated at the lower of cost and net realisable value. The board meets regularly to consider investment strategy in respect of its art collection.

**NOTES TO THE FINANCIAL STATEMENTS – Continued
FOR THE YEAR ENDED 31 DECEMBER 2013**

23. FINANCIAL INSTRUMENTS - Continued

Interest rate risk

The company finances its operations through new investment funds raised. The board utilises short term floating rate interest bearing accounts to ensure adequate working capital is available whilst maximising returns on deposits.

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.

Borrowing facilities

The company trades substantially within the United Kingdom and the majority of transactions are denominated in sterling. Consequently the company is not significantly exposed to currency risk.

Fair values

Except where shown above, the fair values of the company's financial instruments are considered equal to the book value.

V22 PLC

**CONSOLIDATED TRADING AND PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2013**

	2013	2012
£	£	£
Sales	51,806	17,088
Cost of sale		
Purchases	20,986	31
Commission	-	<u>1,013</u>
	<u>20,986</u>	<u>1,044</u>
GROSS PROFIT	30,820	16,044
Other income		
Rents received	<u>1,026,196</u>	<u>1,054,832</u>
	1,057,016	1,070,876
Expenditure		
Rent	254,657	235,954
Rates and water	136,634	113,701
Light and heat	84,686	72,049
Insurance	48,213	50,996
Repairs to property	72,812	29,957
Directors' salaries	30,500	31,000
Wages	63,454	6,667
Social security	9,148	2,988
Telephone	5,174	5,475
Post and stationery	2,755	1,939
Advertising/promotions	2,684	3,431
Sponsorship	-	49,217
Travelling	2,925	2,805
Cleaning	3,400	1,540
Administration costs	11,692	32,351
Sundry expenses	8,942	7,177
Accountancy	15,784	27,790
Provision for bad debts	(3,522)	18,108
Legal, professional and consultancy fees	36,607	87,815
Auditors' remuneration	13,399	12,035
Entertainment	2,687	2,909
Depreciation of tangible fixed assets		
Short leasehold	106,985	143,202
Fixtures and fittings	2,322	2,032
Motor vehicles	<u>1,985</u>	<u>-</u>
	<u>913,923</u>	<u>941,138</u>
	143,093	129,738
Finance costs		
Bank charges	<u>643</u>	<u>682</u>
NET PROFIT	<u>142,450</u>	<u>129,056</u>

