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COMPANY REGISTRATION NUMBER: FC026659

DOLPHIN SQUARE LIMITED
FINANCIAL STATEMENTS
31 DECEMBER 2015

COHEN ARNOLD
Chartered Accountants & statutory auditor
New Burlington House
1075 Finchley Road
LONDON
NW11 0PU

SATURDAY



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COMPANIES HOUSE

DOLPHIN SQUARE LIMITED
FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2015

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DOLPHIN SQUARE LIMITED
OFFICERS AND PROFESSIONAL ADVISERS

THE BOARD OF DIRECTORS	Ms C Woon Mr K Z Sheikh Mr D E Rico
COMPANY SECRETARY	Volaw Secretaries Limited
REGISTERED OFFICE	Fifth Floor 37 Esplanade St Helier Jersey JE1 2TR
AUDITOR	Cohen Arnold Chartered Accountants & statutory auditor New Burlington House 1075 Finchley Road LONDON NW11 0PU

DOLPHIN SQUARE LIMITED
DIRECTORS REPORT
YEAR ENDED 31 DECEMBER 2015

The directors present their report and the financial statements of the company for the year ended 31 December 2015

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activities of the Company during the year were property management, letting of rental apartments and the operation of a health club, spa and brasserie

DIRECTORS

The directors who served the company during the year were as follows

Ms C Woon
Mr K Z Sheikh
Mr D E Rico

RESULTS AND DIVIDENDS

The results for the year are set out in the attached profit and loss account and explanatory notes The Directors have not recommended a dividend

On 16 March 2015, Dolphin Square Limited and its affiliates entered into a committed secured term loan facility with M&G Investment Management Limited (and others) (the ‘**Lenders**’), which provides for an aggregate amount of £514,325,000 of facilities to be used to (1) refinance the existing indebtedness (which successfully completed on 31 March 2015), and (2) sufficient committed funds to allow for completion of the freehold acquisition, by Westbrook Dolphin Square Limited, an affiliated undertaking, on 11 December 2015 (the “**Refinancing**”)

FUTURE DEVELOPMENTS

The Directors will continue to actively manage the letting of rental apartments and the Company's other operations with the aim of maximising the rental and other operating income and long term capital appreciation

In connection with the Refinancing, detailed above, the Company, together with its affiliated undertakings, covenanted to undertake a corporate restructuring As part of the restructuring WB Dolphin Square L L C (see Note 21) will acquire the remaining 50% of the voting rights of the Company

PRINCIPAL RISKS AND UNCERTAINTIES

It is the Company's policy that no trading in financial instruments shall be undertaken The Company is exposed to risks associated with "the hotel and serviced apartments" industry and detail of its mitigation approaches are as follows

Industry risk

Global economic downturn and changes in travel patterns and/or increases in terrorist activities may adversely affect sustained levels of occupancy and room rates as well as income from affiliated facilities provided

Although management continually seeks to identify risks at the earliest opportunity many of these risks are beyond the control of the Company

Information technology risk

The Company is reliant on certain technologies and systems in the operation of its business To minimise the risk the Company invests in appropriate IT systems to obtain as much operational reliability as possible

Market value risk

The value of the Company's leasehold improvements are determined by market forces outside of the Company's control, such as shifting yields, market rents and inflation

DOLPHIN SQUARE LIMITED
DIRECTORS REPORT *(continued)*
YEAR ENDED 31 DECEMBER 2015

DISCLOSURE TO INFORMATION TO THE AUDITOR

Each of the persons who is a director at the date of approval of this report confirms that

- so far as they are aware, there is no relevant audit information of which the company's auditor is unaware, and
- they have taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information

INDEPENDENT AUDITOR

Cohen Arnold has been re-appointed as auditor and has indicated their willingness to continue in office

This report was approved by the board of directors on 27th July 2016 and signed on behalf of the board by

M D E Rico
Director

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APPROVED

DOLPHIN SQUARE LIMITED
DIRECTORS RESPONSIBILITIES STATEMENT
YEAR ENDED 31 DECEMBER 2015

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

Company law requires the directors to prepare financial statements for each financial period Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards), including Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland 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 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 judgments and accounting estimates that are reasonable and prudent,
- state whether applicable UK accounting Standards have been followed, subject to any material departures disclosed and explained in the Financial Statements,
- 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 company law 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

DOLPHIN SQUARE LIMITED
INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF DOLPHIN
SQUARE LIMITED

YEAR ENDED 31 DECEMBER 2015

We have audited the financial statements of Dolphin Square Limited for the year ended 31 December 2015 which comprise the profit and loss account, statement of income and retained earnings, balance sheet, statement of cash flows 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), 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 shareholders, as a body, in accordance with article 113A of the Companies (Jersey) Law 1991. Our audit work has been undertaken so that we might state to the company's shareholders 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the directors' responsibilities statement, 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 directors' report 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 2015 and of its loss 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 (Jersey) Law 1991.

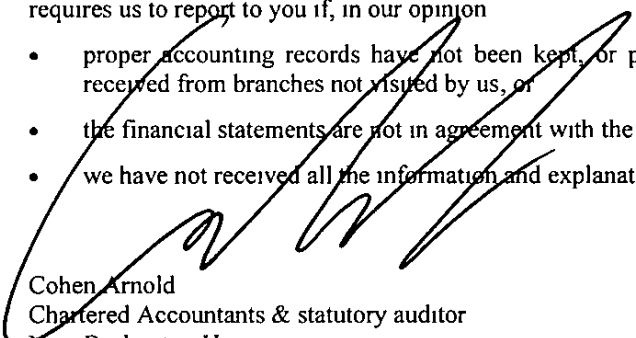
DOLPHIN SQUARE LIMITED
INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF DOLPHIN
SQUARE LIMITED *(continued)*

YEAR ENDED 31 DECEMBER 2015

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Companies (Jersey) Law 1991 requires us to report to you if, in our opinion

- proper accounting records have not been kept, or proper returns 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
- we have not received all the information and explanations we require for our audit



Cohen Arnold
Chartered Accountants & statutory auditor
New Burlington House
1075 Finchley Road
LONDON
NW11 0PU

27 July 2016
Date

DOLPHIN SQUARE LIMITED
PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 DECEMBER 2015

	Note	2015 £	2014 £
TURNOVER	3	12,389,124	12,301,037
Cost of sales		<u>(12,238,997)</u>	<u>(11,941,448)</u>
GROSS PROFIT		150,127	359,589
Administrative expenses		<u>(883,083)</u>	<u>(845,212)</u>
OPERATING LOSS	4	(732,956)	(485,623)
Other interest receivable and similar income		1,509,211	6,152,231
Interest payable and similar charges	7	<u>(2,790,918)</u>	<u>(6,152,231)</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(2,014,663)	(485,623)
Tax on loss on ordinary activities	8	<u>—</u>	<u>—</u>
LOSS FOR THE FINANCIAL YEAR		<u>(2,014,663)</u>	<u>(485,623)</u>

All the activities of the company are from continuing operations

The notes on pages 11 to 20 form part of these financial statements

DOLPHIN SQUARE LIMITED
STATEMENT OF INCOME AND RETAINED EARNINGS
YEAR ENDED 31 DECEMBER 2015

	Note	2015 £	2014 £
Loss for the financial year and total comprehensive income		(2,014,663)	(485,623)
RETAINED LOSSES AT THE START OF THE YEAR		(29,198,034)	(28,712,411)
RETAINED LOSSES AT THE END OF THE YEAR		<u>(31,212,697)</u>	<u>(29,198,034)</u>

The notes on pages 11 to 20 form part of these financial statements

DOLPHIN SQUARE LIMITED

BALANCE SHEET

31 DECEMBER 2015

	Note	2015 £	2014 £
FIXED ASSETS			
Tangible assets	9	10,232,177	10,379,432
CURRENT ASSETS			
Stocks	10	19,812	18,737
Debtors	11	17,596,242	86,019,801
Cash at bank and in hand		7,540,875	2,498,572
		<u>25,156,929</u>	<u>88,537,110</u>
CREDITORS amounts falling due within one year	12	<u>3,415,278</u>	<u>8,511,665</u>
NET CURRENT ASSETS		<u>21,741,651</u>	<u>80,025,445</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>31,973,828</u>	<u>90,404,877</u>
CREDITORS amounts falling due after more than one year	13	<u>33,186,415</u>	<u>89,602,801</u>
NET LIABILITIES		<u>(1,212,587)</u>	<u>802,076</u>
CAPITAL AND RESERVES			
Called up share capital	15	30,000,110	30,000,110
Profit and loss account	16	(31,212,697)	(29,198,034)
SHAREHOLDERS DEFICIT		<u>(1,212,587)</u>	<u>802,076</u>

These financial statements were approved by the board of directors and authorised for issue on 27th July 2016, and are signed on behalf of the board by

Mr D E Rico
Director

Company registration number 90676

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APPROVED

The notes on pages 11 to 20 form part of these financial statements

DOLPHIN SQUARE LIMITED
STATEMENT OF CASH FLOWS
YEAR ENDED 31 DECEMBER 2015

	2015 £	2014 £
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the financial year	(2,014,663)	(485,623)
<i>Adjustments for</i>		
Depreciation of investment property	199,045	219,934
Other interest receivable and similar income	(1,509,211)	(6,152,231)
Interest payable and similar charges	2,790,918	6,152,231
Accrued (income)/expenses	(182,698)	27,850
<i>Changes in</i>		
Stocks	(1,075)	(4,889)
Trade and other debtors	65,644,736	194,261
Trade and other creditors	(41,516,834)	(42,299)
Cash generated from operations	23,410,218	(90,766)
Interest paid	(8,001,358)	(2,928,831)
Interest received	4,288,034	4,540,531
Net cash from operating activities	<u>19,696,894</u>	<u>1,520,934</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of tangible assets	(51,790)	(97,117)
Net cash used in investing activities	<u>(51,790)</u>	<u>(97,117)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loans from affiliated undertakings	(14,602,801)	(1,304,592)
Net cash used in financing activities	<u>(14,602,801)</u>	<u>(1,304,592)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	5,042,303	119,225
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	2,498,572	2,379,347
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>7,540,875</u>	<u>2,498,572</u>

The notes on pages 11 to 20 form part of these financial statements

DOLPHIN SQUARE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2015

1. STATEMENT OF COMPLIANCE

These financial statements have been prepared in compliance with FRS 102, 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland' and in accordance with accounting principles generally accepted in the Island of Jersey, incorporating United Kingdom Accounting Standards

2. ACCOUNTING POLICIES

(i) Basis of preparation

Dolphin Square Limited (the "Company") is a company limited by shares and incorporated in Jersey. The Company's Registered Office is Fifth Floor, 37 Esplanade, St Helier, Jersey, JE1 2TR

The presentation currency of these financial statements is sterling

(ii) Going concern

The financial statements have been prepared in accordance with the accounting principles appropriate to a going concern, notwithstanding the company's net liabilities, which the directors believe to be appropriate for the following reasons. The holders of the economic beneficial interest in the Company's share capital, WB Dolphin Square L L C have provided the Company with an undertaking that for at least 12 months from the date of approval of these financial statements, they will not seek repayment of the amounts currently made available to the Company (by way of shareholder loans), if repayment of these amounts would result in the Company being unable to meet its obligations.

This should enable the company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment. As with any company placing reliance on other affiliated entities for financial support, the directors acknowledge that there can be no certainty that this support will continue, although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Based on this undertaking the directors believe that it remains appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

(iii) Transition to FRS 102

The entity transitioned from previous UK GAAP to FRS 102 as at 1 January 2014. Details of how FRS 102 has affected the reported financial position and financial performance is given in note 22.

(iv) Disclosure exemptions

FRS 102 grants certain first-time adoption exemptions from the full requirements of FRS 102 in the transition period. The following exemption has been taken in these financial statements:

- Lease arrangements - in order to determine whether an arrangement contains a lease, the Company has analysed facts and circumstances existing at 1 January 2014 rather than commencement date of the arrangement.

DOLPHIN SQUARE LIMITED
NOTES TO THE FINANCIAL STATEMENTS *(continued)*
YEAR ENDED 31 DECEMBER 2015

2 ACCOUNTING POLICIES *(continued)*

(v) Revenue recognition

Turnover

Turnover comprises rental income receivable. Rental income from investment property leased out under operating leases is recognised in the profit and loss account (on an accruals basis). Lease incentives granted to tenants are recognised on a straight line basis over the period to first break clause.

Property outgoings

The costs of repairs are recognised in the profit and loss account in the year in which they are incurred.

Lease payments under operating leases are recognised in the profit and loss account on a straight line basis over the term of the lease.

Interest receivable and Interest payable

Interest income and interest payable are recognised in the profit and loss account as they accrue, using the effective interest method.

Interest receivable and similar income include interest receivable on intercompany loans and late payment charges.

(vi) Taxation

The Company is liable to United Kingdom corporation tax by virtue of its permanent establishment in the UK.

Under Article 123 of the Income Tax (Jersey) Law 1961, as amended, the Company is considered resident on the island of Jersey and consequently is taxable in Jersey. Profits are subject to tax at a rate of nil%.

(vii) Leasehold property improvements

Leasehold property improvements are included in the balance sheet at cost and subject to an annual impairment review.

In accordance with United Kingdom Generally Accepted Accounting Principles:

- i) leasehold property improvements are subject to an annual impairment review. The aggregate surplus or deficit is transferred to the profit and loss account, and
- ii) no depreciation or amortisation is provided in respect of leasehold property improvements with over 20 years to run.

(viii) Equipment

Equipment is stated at cost less accumulated depreciation and accumulated impairment losses.

(ix) Depreciation

Depreciation is calculated so as to write off the cost or valuation of an asset, less its residual value, over the useful economic life of that asset as follows:

Equipment - 25% reducing balance

DOLPHIN SQUARE LIMITED
NOTES TO THE FINANCIAL STATEMENTS *(continued)*
YEAR ENDED 31 DECEMBER 2015

2 ACCOUNTING POLICIES *(continued)*

(x) Stocks

Stocks are measured at the lower of cost and estimated selling price less costs to complete and sell. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the stock to its present location and condition.

(xi) Operating Leases

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease.

(xii) Pension - Defined contribution plans

Contributions to defined contribution plans are recognised as an expense in the period in which the related service is provided. Prepaid contributions are recognised as an asset to the extent that the prepayment will lead to a reduction in future payments or a cash refund.

When contributions are not expected to be settled wholly within 12 months of the end of the reporting date in which the employees render the related service, the liability is measured on a discounted present value basis. The unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

(xiii) Financial instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all its financial liabilities.

Debtors and creditors

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the profit and loss account in other operating expenses.

Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at banks and in hand and short term deposits with an original maturity date of three months or less. For the purpose of the consolidated cashflow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Interest-bearing loans and borrowings

All interest-bearing loans and borrowings which are basic financial instruments are initially recognised at the present value of cash payable to the bank (including interest). After initial recognition they are measured at amortised cost using the effective interest rate method, less impairment. The effective interest rate amortisation is included in finance revenue in the income statement.

Loan notes

Loan notes which are basic financial instruments are initially recorded at the present value of future payments discounted at market rate of interest for a similar loan. Subsequently, they are measured at amortised cost using effective interest method. Loan notes that are receivable within one year are not discounted.

DOLPHIN SQUARE LIMITED
NOTES TO THE FINANCIAL STATEMENTS *(continued)*
YEAR ENDED 31 DECEMBER 2015

2 ACCOUNTING POLICIES *(continued)*

(xiv) Foreign currency

Foreign currency transactions are initially recorded in the functional currency, by applying the spot exchange rate as at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate ruling at the reporting date, with any gains or losses being taken to the profit and loss account.

(xv) Deferred taxation

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset (other than goodwill) or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. For investment property that is measured at fair value, deferred tax is provided at the rate and allowances applicable to the sale of the property. The company is not subject to UK Tax on the disposal of Investment Property and as such no deferred tax is provided.

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.

(xvi) Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported. These estimates and judgements are continually reviewed and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant judgements

The judgements (apart from those involving estimations) that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements are as follows:

Impairment of debtors

The company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience.

DOLPHIN SQUARE LIMITED
NOTES TO THE FINANCIAL STATEMENTS *(continued)*
YEAR ENDED 31 DECEMBER 2015

2. ACCOUNTING POLICIES *(continued)*

(xvi) Judgements and key sources of estimation uncertainty

Operating lease commitments

The Company has entered into commercial property leases as a lessor on its investment property portfolio. The classification of such leases as operating or finance lease requires the Company to determine, based on an evaluation of the terms and conditions of the arrangements, whether it retains the significant risks and rewards of ownership of these assets and accordingly whether the lease requires an asset and liability to be recognised in the statement of financial position.

Accounting estimates and assumptions are made concerning the future and, by their nature, will rarely equal the related actual outcome. The key assumptions and other sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

3. TURNOVER

Turnover arises from:

	2015	2014
	£	£
Rent receivable	<u>12,389,124</u>	<u>12,301,037</u>

Included in the turnover detailed above is £122,400 (2014: £122,400) received as a management fee from Westbrook Dolphin Square Residential 1 Ltd through Westbrook Dolphin Square Residential 612 Ltd inclusive (612 separate entities). All the above mentioned entities are fellow affiliated undertakings.

The whole of the turnover is attributable to the principal activity of the company wholly undertaken in the United Kingdom.

4. OPERATING PROFIT

Operating profit or loss is stated after charging:

	2015	2014
	£	£
Depreciation of investment property	199,045	219,934
Defined contribution plans expense	19,235	17,441
Operating lease costs Land & Buildings	<u>6,503,603</u>	<u>6,503,603</u>

5. AUDITOR'S REMUNERATION

	2015	2014
	£	£
Fees payable for the audit of the financial statements	<u>9,295</u>	<u>9,005</u>

6. STAFF COSTS

The average number of persons employed by the company during the year, including the directors, amounted to:

	2015	2014
	No	No
Administrative staff	8	8
Number of rental apartment and health club staff	85	85
Number of maintenance staff	32	31
	<u>125</u>	<u>124</u>

DOLPHIN SQUARE LIMITED
NOTES TO THE FINANCIAL STATEMENTS *(continued)*
YEAR ENDED 31 DECEMBER 2015

6 STAFF COSTS *(continued)*

The aggregate payroll costs incurred during the year, relating to the above, were

	2015	2014
	£	£
Wages and salaries	2,910,906	2,848,552
Social security costs	263,994	258,240
Other pension costs	56,972	49,640
	<u>3,231,872</u>	<u>3,156,432</u>

Payroll costs in relation to 32 (2014 31) members of staff amounting to £916,621 (2014 £871,946), detailed above, are recoverable via service charge reallocation and are not ultimately borne by the Company

7. INTEREST PAYABLE AND SIMILAR CHARGES

	2015	2014
	£	£
Unsecured subordinated loan notes	<u>2,790,918</u>	<u>6,152,231</u>

The interest payable is due to WB Dolphin Square L L C

8. TAX ON LOSS ON ORDINARY ACTIVITIES

	2015	2014
	£	£
Current tax		
UK Corporation Tax based on the results for the period	-	-
Tax on loss on ordinary activities	<u>-</u>	<u>-</u>

Reconciliation of tax income

The tax assessed on the loss on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 20% (2014 20%)

	2015	2014
	£	£
Loss on ordinary activities before taxation	<u>(2,014,663)</u>	<u>(485,623)</u>
Loss on ordinary activities at the rate of 20 0%	(402,933)	(97,125)
Depreciation in excess of capital allowances by rate of tax	29,451	24,563
Expenses not deductible for tax purposes by rate of tax	1,238	253
Losses arising during the year	<u>372,244</u>	<u>72,308</u>
Tax on Loss on ordinary activities	<u>-</u>	<u>-</u>

The Company has tax losses carried forward Net deferred tax assets of £3,490,943 arising from tax losses of £17,454,716 have not been recognised owing to the uncertainty over the availability of future taxable profits to utilise these losses

DOLPHIN SQUARE LIMITED
NOTES TO THE FINANCIAL STATEMENTS *(continued)*
YEAR ENDED 31 DECEMBER 2015

8. TAX ON LOSS ON ORDINARY ACTIVITIES *(continued)*

Factors that may affect future tax expense

A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantially enacted on 2 July 2013. Further reductions in the UK Corporation Tax rate to 19% (effective from 1 April 2017) and 18% (effective from 1 April 2020) were substantially enacted on 18 November 2015. This will reduce the Company's future tax charge accordingly.

9 TANGIBLE ASSETS

	Leasehold Improvements £	Equipment £	Total £
Cost			
At 1 January 2015	9,622,513	5,081,276	14,703,789
Additions	—	51,790	51,790
At 31 December 2015	<u>9,622,513</u>	<u>5,133,066</u>	<u>14,755,579</u>
Depreciation			
At 1 January 2015	—	4,324,357	4,324,357
Charge for the year	—	199,045	199,045
At 31 December 2015	<u>—</u>	<u>4,523,402</u>	<u>4,523,402</u>
Carrying amount			
At 31 December 2015	<u>9,622,513</u>	<u>609,664</u>	<u>10,232,177</u>
At 31 December 2014	<u>9,622,513</u>	<u>756,919</u>	<u>10,379,432</u>

The Freehold investment property was valued internally by the directors as at 31 December 2015. The Directors' valuation of the entire Dolphin Square Portfolio, as a single plot, amounted to £850 million. In arriving at their valuation, the Directors utilised a valuation received from an external valuer, Knight Frank LLP as at 9 February 2015. The Directors believe that the carrying value of the Leasehold Improvements held by Dolphin Square Limited represents their "in use" value and should remain in the books at cost.

10. STOCKS

	2015 £	2014 £
Raw materials and consumables	<u>19,812</u>	<u>18,737</u>

11 DEBTORS

	2015 £	2014 £
Trade debtors	450,528	458,144
Amounts owed by affiliated undertakings	16,865,771	75,044,260
WB Dolphin Square L L C	—	7,454,568
Other debtors	5,071	1,119
Prepayments and accrued income	274,872	3,061,710
	<u>17,596,242</u>	<u>86,019,801</u>

DOLPHIN SQUARE LIMITED
NOTES TO THE FINANCIAL STATEMENTS *(continued)*
YEAR ENDED 31 DECEMBER 2015

11 DEBTORS *(continued)*

The debtors above include the following amounts falling due after more than one year

	2015	2014
	£	£
Amounts owed by affiliated undertakings	16,865,771	75,044,260
WB Dolphin Square L L C	–	7,454,568
	<u>16,865,771</u>	<u>82,498,828</u>

Amounts owed by affiliated undertakings relate to monies due from Tannenberg Limited and 612 entities, being Westbrook Dolphin Square Residential 1 Limited through to Westbrook Dolphin Square Residential 612 Limited inclusive (612 separate entities) Tannenberg Limited and all 612 entities are fellow affiliated undertakings. The amounts due from Tannenberg Limited £31,693 (2014 £44,260) are interest free and repayable on 16 April 2017.

The amounts due from 612 entities, being Westbrook Dolphin Square Residential 1 Limited through to Westbrook Dolphin Square Residential 612 Limited inclusive (612 separate entities) £16,834,078 (2014 £75 million) are interest free and are repayable on 17 December 2017.

12 CREDITORS: amounts falling due within one year

	2015	2014
	£	£
Trade creditors	698,608	821,894
Social security and other taxes	167,423	141,618
Other creditors	2,044,095	1,649,863
Accruals and deferred income	505,152	5,898,290
	<u>3,415,278</u>	<u>8,511,665</u>

Included in accruals and deferred income is £347,206 (2014 £Nil) accrued interest payable on unsecured subordinated loan notes and PIK notes (see Note 13). Bank balances totalling £2,124,370 (2014 £1,756,426) held in the name of the Company are subject to trust in favour of creditors included above.

13. CREDITORS: amounts falling due after more than one year

	2015	2014
	£	£
Amounts owed to affiliated undertakings	–	14,602,801
Unsecured subordinated loan notes	20,600,000	75,000,000
Unsecured subordinated PIK notes	934,501	–
WB Dolphin Square L L C	11,651,914	–
	<u>33,186,415</u>	<u>89,602,801</u>

The Company has issued £20,600,000 (2014 £75,000,000) interest bearing (8% per annum) unsecured subordinated loan notes and up to £500 million unsecured PIK (payment in kind) notes. These notes are fully subscribed for by WB Dolphin Square L L C. The loan notes are listed on the Cayman Islands Stock Exchange. On 16 March 2015, following the refinancing £54,400,000 unsecured subordinated loan notes were repaid.

Unsecured PIK notes are issued in respect of any unpaid interest following the prescribed interest payment date. Interest is charged on PIK notes at a rate of 12% per annum. During the year £934,501 PIK notes were issued to WB Dolphin Square L L C.

DOLPHIN SQUARE LIMITED
NOTES TO THE FINANCIAL STATEMENTS *(continued)*
YEAR ENDED 31 DECEMBER 2015

13 CREDITORS: amounts falling due after more than one year *(continued)*

Amounts owed to affiliated undertakings represent monies due to Westbrook Dolphin Square Residential 1 Ltd through Westbrook Dolphin Square Residential 612 Ltd inclusive (612 separate entities) These balances are interest free and repayable on 16th April 2017

14. EMPLOYEE BENEFITS

Defined contribution plans

The amount recognised in profit or loss as an expense in relation to defined contribution plans was £19,235 (2014 £17,441)

15. CALLED UP SHARE CAPITAL

Issued, called up and fully paid

	2015		2014	
	No	£	No	£
Ordinary voting shares of £0.10 each	100	10	100	10
Ordinary non-voting shares of £0.10 each	300,001,000	30,000,100	300,001,000	30,000,100
	<u>300,001,100</u>	<u>30,000,110</u>	<u>300,001,100</u>	<u>30,000,110</u>

16. CAPITAL AND RESERVES

Called-up share capital represents the nominal value of shares that have been issued

Profit and loss account includes all current and prior period retained profits and losses

17. CONTINGENT LIABILITIES

The Company has provided a joint and several guarantee together with affiliated undertakings, Westbrook Dolphin Square Residential 1 Limited through to Westbrook Dolphin Square Residential 612 Limited, Tannenberg Limited and Westbrook Dolphin Square Limited, in respect of the loan facility provided (see Note 18)

18. POST BALANCE SHEET EVENT

On 16 March 2015, Dolphin Square Limited and its affiliates entered into a committed secured term loan facility with M&G Investment Management Limited (and others) (the 'Lenders'), which provides for an aggregate amount of £514,325,000 of facilities to be used to (1) refinance the existing indebtedness (which successfully completed on 31 March 2015), and (2) sufficient committed funds to allow for completion of the freehold acquisition on 11 December 2015 (the "Refinancing")

In connection with the Refinancing, detailed above, the Company, together with its affiliated undertakings, covenanted to undertake a corporate restructuring. As part of the restructuring WB Dolphin Square LLC (see Note 21) will acquire the remaining 50% of the voting rights of the Company

DOLPHIN SQUARE LIMITED
NOTES TO THE FINANCIAL STATEMENTS *(continued)*
YEAR ENDED 31 DECEMBER 2015

19 OPERATING LEASES

The total future minimum lease payments under non-cancellable operating leases are as follows

	2015	2014
	£	£
Not later than 1 year	503,603	503,603
Later than 5 years	6,000,000	6,000,000
	<u>6,503,603</u>	<u>6,503,603</u>

20. RELATED PARTY TRANSACTIONS

£6,000,000 (2014 £6,000,000) per annum rent is payable to Westbrook Dolphin Square Residential 1 Limited through Westbrook Dolphin Square Residential 612 Limited inclusive (612 separate entities) and £503,603 (2014 £503,603) per annum rent payable to Westbrook Dolphin Square Limited, all the entities mentioned being fellow affiliated undertakings

21 OWNERSHIP AND CONTROL

Dolphin Square Holdings Limited, a company incorporated in Jersey, owns 50% of the issued voting shares of the Company WB Dolphin Square L L C , a company incorporated in Delaware, USA, owns the remaining 50% of the voting shares, as well as 100% of the issued non-voting ordinary shares

22. TRANSITION TO FRS 102

These are the first financial statements that comply with FRS 102 The company transitioned to FRS 102 on 1 January 2014

No transitional adjustments were required in equity or profit or loss for the year

Statement of cash flows

The company's cash flow statement reflects the presentation requirements of FRS 102, which is different to that prepared under FRS 1 In addition the cash flow statement reconciles to cash and cash equivalents whereas under previous UK GAAP the cash flow statement reconciled to cash Cash and cash equivalents are defined in FRS 102 as "cash on hand and demand deposits and short term highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value" whereas cash is defined in FRS 1 as "cash in hand and deposits repayable on demand with any qualifying institution, less overdrafts from any qualifying institution repayable on demand" The FRS 1 definition is more restrictive