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UK COMPANY REGISTRATION NUMBER: FC026659

JERSEY COMPANY REGISTRATION NUMBER: 90676

**DOLPHIN SQUARE LIMITED**  
**FINANCIAL STATEMENTS**  
**31 DECEMBER 2018**

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27/09/2019

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COMPANIES HOUSE

**COHEN ARNOLD**  
Chartered Accountants & Statutory Auditor  
New Burlington House  
1075 Finchley Road  
LONDON  
NW11 0PU

**DOLPHIN SQUARE LIMITED**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2018**

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**DOLPHIN SQUARE LIMITED**  
**OFFICERS AND PROFESSIONAL ADVISERS**

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

**DOLPHIN SQUARE LIMITED**  
**DIRECTORS' REPORT**  
**YEAR ENDED 31 DECEMBER 2018**

The directors present their report and the financial statements of the company for the year ended 31 December 2018.

**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 statement of comprehensive income and explanatory notes. The directors have not recommended a dividend.

**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.

The Company has provided a joint and several guarantee over a secured term loan facility with M&G Investment Management Limited (and others). The loan facility does not initially mature until 31 March 2020 (with an option to extend the term until 31 March 2021), and the directors are confident that the required conditions for this 12-month extension would be met. However, the directors have started negotiations with prospective lenders to refinance the current facility and restructure the current shareholder loans.

**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 2018**

**DISCLOSURE TO INFORMATION TO THE AUDITOR**

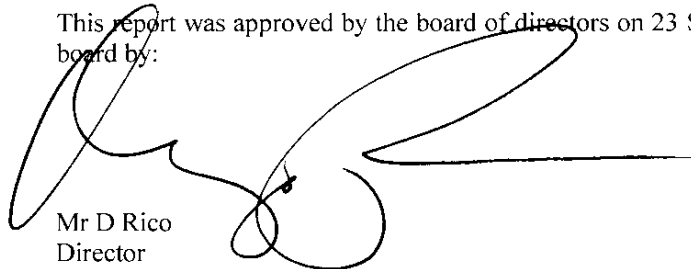
Each of the persons who is a director at the date of approval of this report confirms that:

- 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 23 September 2019 and signed on behalf of the board by:

  
Mr D Rico  
Director

WESTBROOK LEGAL EUROPE
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**DOLPHIN SQUARE LIMITED**  
**DIRECTORS' RESPONSIBILITIES STATEMENT**  
**YEAR ENDED 31 DECEMBER 2018**

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 year. 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 year.

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 the Companies (Jersey) Law 1991. 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.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF  
DOLPHIN SQUARE LIMITED  
YEAR ENDED 31 DECEMBER 2018**

**OPINION**

We have audited the financial statements of Dolphin Square Limited (the 'company') for the year ended 31 December 2018 which comprise the statement of comprehensive income, the statement of financial position, the statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of the company's 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 Companies (Jersey) Law 1991

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's and the Parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF  
DOLPHIN SQUARE LIMITED *(continued)*  
YEAR ENDED 31 DECEMBER 2018**

**Other information**

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

**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 by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- the company 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.

**Responsibilities of Directors**

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

**Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



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

**YEAR ENDED 31 DECEMBER 2018**

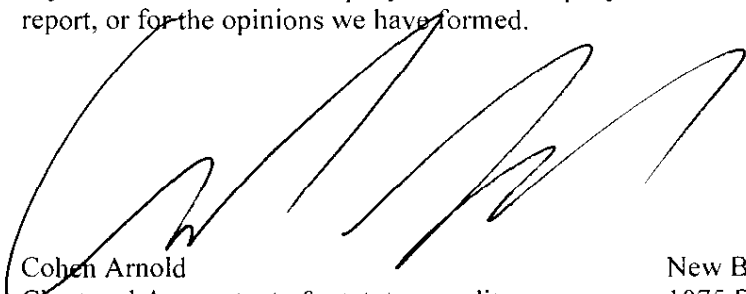
**Auditor's responsibilities for the audit of the financial statements** *(continued)*

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the director.
- Conclude on the appropriateness of the director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**Use of report**

This report is made solely to the company's members, 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 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.



Cohen Arnold  
Chartered Accountants & statutory auditor

New Burlington House  
1075 Finchley Road  
London  
NW11 0PU

Date 23<sup>rd</sup> September 2018

**DOLPHIN SQUARE LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**YEAR ENDED 31 DECEMBER 2018**

	Note	2018 £	2017 £
<b>TURNOVER</b>	<b>4</b>	<b>11,723,455</b>	11,642,502
Cost of sales		<u>(12,046,016)</u>	<u>(12,335,784)</u>
<b>GROSS LOSS</b>		<b>(322,561)</b>	(693,282)
Administrative expenses		<u>(842,269)</u>	<u>(850,148)</u>
<b>OPERATING LOSS</b>	<b>5</b>	<b>(1,164,830)</b>	(1,543,430)
Interest payable and similar expenses	<b>8</b>	<u>(1,016,810)</u>	<u>(871,310)</u>
<b>LOSS BEFORE TAXATION</b>		<b>(2,181,640)</b>	(2,414,740)
Tax on loss	<b>9</b>	<u>—</u>	<u>—</u>
<b>LOSS FOR THE FINANCIAL YEAR</b>		<b><u>(2,181,640)</u></b>	<b><u>(2,414,740)</u></b>
<b>RETAINED LOSSES AT THE START OF THE YEAR</b>		<b>(47,214,397)</b>	(44,799,657)
<b>RETAINED LOSSES AT THE END OF THE YEAR</b>		<b><u>(49,396,037)</u></b>	<b><u>(47,214,397)</u></b>

All the activities of the company are from continuing operations.

The notes on pages 11 to 19 form part of these financial statements.

**DOLPHIN SQUARE LIMITED**  
**STATEMENT OF FINANCIAL POSITION**  
**31 DECEMBER 2018**

	Note	2018 £	2017 £
<b>FIXED ASSETS</b>			
Equipment	10	322,108	411,788
<b>CURRENT ASSETS</b>			
Stocks	11	9,428	9,444
Debtors	12	644,141	815,075
Cash at bank and in hand		3,816,575	3,164,322
		<u>4,470,144</u>	<u>3,988,841</u>
<b>CREDITORS: amounts falling due within one year</b>	13	<u>(13,216,685)</u>	<u>(11,641,073)</u>
<b>NET CURRENT LIABILITIES</b>		<u>(8,746,541)</u>	<u>(7,652,232)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>(8,424,433)</u>	<u>(7,240,444)</u>
<b>CREDITORS: amounts falling due after more than one year</b>	14	<u>(10,971,494)</u>	<u>(9,973,843)</u>
<b>NET LIABILITIES</b>		<u>(19,395,927)</u>	<u>(17,214,287)</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	17	30,000,110	30,000,110
Profit and loss account	18	<u>(49,396,037)</u>	<u>(47,214,397)</u>
<b>MEMBERS DEFICIT</b>		<u>(19,395,927)</u>	<u>(17,214,287)</u>

These financial statements were approved by the board of directors and authorised for issue on 23 September 2019, and are signed on behalf of the board by:

Mr D Rico  
Director

Company registration number: 90676

WESTBROOK  
LEGAL EUROPE

The notes on pages 11 to 19 form part of these financial statements.

**DOLPHIN SQUARE LIMITED**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED 31 DECEMBER 2018**

	2018 £	2017 £
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss for the financial year	(2,181,640)	(2,414,740)
<i>Adjustments for:</i>		
Depreciation of equipment	104,851	140,687
Interest payable and similar expenses	1,016,810	871,310
Amortisation of issue costs	-	(19,760)
<i>Changes in:</i>		
Stocks	16	(101)
Trade and other debtors	170,934	71,068
Trade and other creditors	1,551,998	820,325
Cash generated from operations	<u>662,969</u>	<u>(531,211)</u>
Interest paid	-	(851,162)
Interest received	4,455	-
Net cash used in operating activities	<u>667,242</u>	<u>(1,382,373)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of tangible assets	<u>(15,171)</u>	<u>(9,036)</u>
Net cash used in investing activities	<u>(15,171)</u>	<u>(9,036)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from loans from group undertakings	-	659,265
Net cash from financing activities	<u>-</u>	<u>659,265</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>652,253</b>	<b>(732,144)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>3,164,322</b>	<b>3,896,466</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b><u>3,816,575</u></b>	<b><u>3,164,322</u></b>

The notes on pages 11 to 19 form part of these financial statements.

**DOLPHIN SQUARE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2018**

**1. GENERAL INFORMATION**

The company is a private company limited by shares, registered in Jersey. The address of the registered office is Fifth Floor, 37 Esplanade, St Helier, Jersey, JE1 2TR.

**2. 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.

**3. ACCOUNTING POLICIES**

**(i) Basis of preparation**

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.

Furthermore, as noted in the Directors report, the Directors have started negotiations with prospective lenders regarding a refinancing and restructuring of the current loan facilities provided to the Company.

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) 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 statement of comprehensive income.

**(iv) 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.

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:

**DOLPHIN SQUARE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS** *(continued)*  
**YEAR ENDED 31 DECEMBER 2018**

**3. ACCOUNTING POLICIES** *(continued)*

**Judgements and key sources of estimation uncertainty** *(continued)*

**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:

**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.

**Revaluation of investment properties**

The Company's fellow subsidiary, The Dolphin Square Estate Limited, carries its investment property - Dolphin Square, at fair value. The Freehold investment property was valued internally by the directors as at 31 December 2018. In arriving at their valuation, the directors utilised a valuation received from an external valuer, Knight Frank LLP, RICS Registered Valuers.

The Company's has entered into operating leases with its fellow subsidiary undertaking over a variety of clearly defined areas of Dolphin Square. In accordance with FRS 102 the value of these leases has not been recognised in the Company's Balance Sheet.

**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.

**(v) Revenue recognition**

Revenue is recognised to the extent that the Company obtains the right to consideration in exchange for its performance. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duty. The following criteria must also be met before revenue is recognised:

**Turnover**

Turnover comprises rental income receivable from serviced apartments together with revenue from other operating activities.

Rental income from investment property leased out under operating leases is recognised in the statement of comprehensive income (on an accruals basis). Lease incentives granted to tenants are recognised on a straight line basis over the period to first break clause.

Revenue from the rendering of services is measured by reference to the stage of completion of the service transaction at the end of the reporting period provided that the outcome can be reliably estimated. When the outcome cannot be reliably estimated, revenue is recognised only to the extent that expenses recognised are recoverable.

**DOLPHIN SQUARE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS** *(continued)*  
**YEAR ENDED 31 DECEMBER 2018**

**3. ACCOUNTING POLICIES** *(continued)*

**(v) Revenue recognition**

**Interest receivable and Interest payable**

Interest income and interest payable are recognised in the statement of comprehensive income as they accrue, using the effective interest method.

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

**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.

**(vi) Taxation**

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

A reduction in the UK corporation tax rate to 17% (effective from 1 April 2020) was substantially enacted on 15 September 2016. This will reduce the Company's future tax charge accordingly.

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) 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.

**DOLPHIN SQUARE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS** *(continued)*  
**YEAR ENDED 31 DECEMBER 2018**

**3. ACCOUNTING POLICIES** *(continued)*

**(viii) Tangible assets**

Tangible assets are initially recorded at cost, and subsequently stated at cost less any accumulated depreciation and impairment losses. Cost includes the original purchase price and costs directly attributable to bringing the asset to its working condition for its intended use.

**(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

**(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) 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 statement of comprehensive income 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.

**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.

**(xii) 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.



**DOLPHIN SQUARE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS** *(continued)*  
**YEAR ENDED 31 DECEMBER 2018**

**4. TURNOVER**

Turnover arises from:

	<b>2018</b>	2017
	<b>£</b>	£
Serviced apartments	<b>8,394,520</b>	8,428,307
Sports and health club	<b>2,355,858</b>	2,271,331
Bar and grill	<b>638,083</b>	647,839
Lettings	<b>334,994</b>	295,025
	<b><u>11,723,455</u></b>	<u>11,642,502</u>

Included in the turnover detailed above is £122,400 (2017: £146,880) received as a management fee from The Dolphin Square Estate Limited, a fellow subsidiary undertaking.

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

**5. OPERATING PROFIT**

Operating profit or loss is stated after charging:

	<b>2018</b>	2017
	<b>£</b>	£
Depreciation of equipment	<b>104,851</b>	140,687
Defined contribution pension cost	<b>44,998</b>	48,637
Operating lease costs: Land & Buildings	<b><u>6,408,800</u></b>	<u>6,408,800</u>

**6. AUDITOR'S REMUNERATION**

	<b>2018</b>	2017
	<b>£</b>	£
Fees payable for the audit of the financial statements	<b><u>9,900</u></b>	<u>10,100</u>

**7. STAFF COSTS**

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

	<b>2018</b>	2017
	<b>No.</b>	No.
Number of rental apartment and lettings staff	<b>28</b>	31
Number of sports and health club staff	<b>25</b>	24
Number of bar and grill staff	<b>12</b>	18
Number of administrative staff	<b>8</b>	8
	<b><u>73</u></b>	<u>81</u>

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

	<b>2018</b>	2017
	<b>£</b>	£
Wages and salaries	<b>2,319,492</b>	2,174,504
Social security costs	<b>214,468</b>	193,507
Other pension costs	<b>44,998</b>	48,637
	<b><u>2,578,958</u></b>	<u>2,416,648</u>

**DOLPHIN SQUARE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS** *(continued)*  
**YEAR ENDED 31 DECEMBER 2018**

**8. INTEREST PAYABLE AND SIMILAR EXPENSES**

	2018	2017
	£	£
Other interest payable and similar charges	<u>1,016,810</u>	<u>871,310</u>

The interest payable is due to WB Dolphin Square L.L.C. (see note 3 & 14).

**9. TAX ON LOSS**

**Reconciliation of tax income**

The tax assessed on the loss on ordinary activities for the year is higher than (2017: higher than) the standard rate of corporation tax of 19% (2017: 19.25%).

	2018	2017
	£	£
Loss on ordinary activities before taxation	<u>(2,181,640)</u>	<u>(2,414,740)</u>
Loss on ordinary activities by rate of tax	(414,512)	(464,837)
Effect of expenses not deductible for tax purposes	562	350
Effect of capital allowances and depreciation	(188,730)	(189,636)
Losses arising during the year	<u>602,680</u>	<u>654,123</u>
Tax on loss	<u>—</u>	<u>—</u>

The Company has tax losses carried forward. Net deferred tax assets of £4,892,610 arising from tax losses of £28,780,056 have not been recognised owing to the uncertainty over the availability of future taxable profits to utilise these losses.

**10. TANGIBLE ASSETS**

	Total £
<b>Valuation</b>	
At 1 January 2018	5,252,457
Additions	<u>15,171</u>
<b>At 31 December 2018</b>	<u>5,267,628</u>
<b>Depreciation</b>	
At 1 January 2018	4,840,669
Charge for the year	<u>104,851</u>
<b>At 31 December 2018</b>	<u>4,945,520</u>
<b>Carrying amount</b>	
<b>At 31 December 2018</b>	<u>322,108</u>
At 31 December 2017	<u>411,788</u>

**DOLPHIN SQUARE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS** *(continued)*  
**YEAR ENDED 31 DECEMBER 2018**

**11. STOCKS**

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Consumables	<b><u>9,428</u></b>	<b><u>9,444</u></b>

**12. DEBTORS**

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Trade debtors	<b>370,832</b>	552,022
Prepayments and accrued income	<b>262,709</b>	260,708
Amounts due from group undertakings	<b>10,600</b>	-
Other debtors	<b>-</b>	2,345
	<b><u>644,141</u></b>	<b><u>815,075</u></b>

Amounts due from group undertakings represents monies due from the parent company, Dolphin Square Holdings 2016 Limited

**13. CREDITORS: amounts falling due within one year**

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Trade creditors	<b>410,521</b>	358,029
Amounts owed to group undertakings	<b>2,914,742</b>	1,438,513
WB Dolphin Square L.L.C.	<b>7,274,240</b>	7,274,240
Accruals and deferred income	<b>548,846</b>	390,664
Social security and other taxes	<b>190,889</b>	175,204
Other creditors	<b>1,877,447</b>	2,004,423
	<b><u>13,216,685</u></b>	<b><u>11,641,073</u></b>

Amounts owed to group undertakings represents monies due to fellow subsidiary undertaking The Dolphin Square Estate Limited.

Included in accruals and deferred income is £207,728 (2017: £184,114) accrued interest payable on unsecured subordinated loan notes and PIK notes (see Note 14).

Bank balances totalling £1,896,921 (2017: £2,102,312) held in the name of the Company are subject to trust in favour of tenant deposits included in other creditors above.

The monies due to WB Dolphin Square L.L.C. are interest free and repayable on demand.

**DOLPHIN SQUARE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS** *(continued)*  
**YEAR ENDED 31 DECEMBER 2018**

**14. CREDITORS: amounts falling due after more than one year**

	2018	2017
	£	£
Unsecured subordinated loan notes	6,587,664	6,587,664
Unsecured subordinated PIK notes	4,383,830	3,386,179
	<u>10,971,494</u>	<u>9,973,843</u>

The Company has £6,587,664 (2017: £6,587,664) 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. and are listed on the Cayman Islands Stock Exchange.

The Company has £4,383,830 (2017: £3,386,179) interest bearing (12% per annum) unsecured PIK notes which are issued to WB Dolphin Square L.L.C. in respect of any unpaid interest following the prescribed interest payment date.

Following a one-year extension, the loan notes and unsecured PIK notes terminated on 17 December 2018. The subscriber to the loan notes, WB Dolphin Square L.L.C., has confirmed that they will not seek repayment of the notes, within 12 months and, in any event, subject to 12 months prior written notice of repayment. On 08 July 2019 the term of the loan notes was extended to 31 December 2020. On 10 July 2019 the extension was notified to the Cayman Islands Stock Exchange.

**15. EMPLOYEE BENEFITS**

**Defined contribution plans**

The amount recognised in profit or loss as an expense in relation to defined contribution plans was £44,998 (2017: £48,637).

**16. FINANCIAL INSTRUMENTS**

The carrying amount for each category of financial instrument is as follows:

	2018	2017
	£	£
<b>Financial assets that are debt instruments measured at amortised cost</b>		
Financial assets that are debt instruments measured at amortised cost	<u>4,271,369</u>	<u>3,718,689</u>
<b>Financial liabilities measured at amortised cost</b>		
Financial liabilities measured at amortised cost	<u>24,070,652</u>	<u>21,439,712</u>

**17. CALLED UP SHARE CAPITAL**

**Issued, called up and fully paid**

	2018		2017
	No.	£	No.
	100	10	100
Ordinary voting shares of £0.10 each	300,001,000	30,000,100	300,001,000
Ordinary non-voting shares of £0.10 each	<u>300,001,100</u>	<u>30,000,110</u>	<u>300,001,100</u>
	<u>300,001,100</u>	<u>30,000,110</u>	<u>300,001,100</u>

**DOLPHIN SQUARE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS** *(continued)*  
**YEAR ENDED 31 DECEMBER 2018**

**18. 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.

**19. OPERATING LEASES**

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

	<b>2018</b>	2017
	£	£
Not later than 1 year	<b>408,800</b>	408,800
Later than 5 years	<b>6,000,000</b>	6,000,000
	<u><b>6,408,800</b></u>	<u>6,408,800</u>

**20. CONTINGENT LIABILITIES**

The Company has provided a joint and several guarantee in respect of the loan facility amounting to £514,325,000 as at 31 December 2018, provided to its fellow subsidiary undertakings, The Dolphin Square Estate Limited, Westbrook Dolphin Square Limited and Tannenberg Limited. In addition the Company's shares have been given as security against this facility.

**21. RELATED PARTY TRANSACTIONS**

During the year rent amounting to £6,408,800 (2017: £6,408,800) was paid to The Dolphin Square Estate Limited, a fellow subsidiary undertaking.

All transactions with fellow group undertakings are shown in the notes to the financial statements.

**22. OWNERSHIP AND CONTROL**

The company is controlled by its immediate parent undertaking, Dolphin Square Holdings 2016 Limited, a limited company incorporated under the laws of Jersey.

The intermediate parent undertaking is WB Dolphin Square, L.L.C., a limited liability company, incorporated under the laws of Delaware, USA.

The ultimate parent undertaking is Westbrook Real Estate Partners, LP, a limited partnership incorporated under the laws of Delaware, USA.