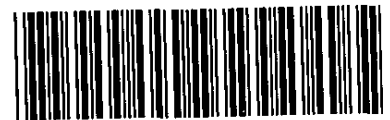


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UK COMPANY REGISTRATION NUMBER: FC026659
JERSEY COMPANY REGISTRATION NUMBER: 90676

DOLPHIN SQUARE LIMITED
FINANCIAL STATEMENTS
31 DECEMBER 2016

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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 2016

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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 2016

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

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.

On 01 August 2016, in connection with a refinancing undertaken by Westbrook Dolphin Square Limited and Tannenberg Limited (fellow subsidiary undertakings), together with their affiliated undertakings, there was a corporate restructuring. As part of the restructuring Westbrook Dolphin Square Limited's affiliated undertakings surrendered their entitlement to sub-underleases to Westbrook Dolphin Square Limited. In addition Westbrook Dolphin Square Limited surrendered its underlease to Tannenberg Ltd, who in turn surrendered the headlease in Dolphin Square, to Westbrook Dolphin Square Limited.

As part of the restructuring WB Dolphin Square L.L.C. acquired the remaining 50% of the voting rights of Westbrook Dolphin Square Limited. Subsequently WB Dolphin Square L.L.C. disposed of its shareholding in Westbrook Dolphin Square Limited, Dolphin Square Limited and Tannenberg Limited to a subsidiary company (and parent of Dolphin Square Limited), Dolphin Square Holdings 2016 Limited.

Following the transfer of the various leases and the change of ownership, as detailed above, Westbrook Dolphin Square Limited sold its interest in Dolphin Square to its fellow subsidiary undertaking, The Dolphin Square Estate Limited for £850,000,000.

Loan balances with various affiliated undertakings were novated to WB Dolphin Square L.L.C. during the restructuring.

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.

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.

DOLPHIN SQUARE LIMITED
DIRECTORS' REPORT *(continued)*
YEAR ENDED 31 DECEMBER 2016

PRINCIPAL RISKS AND UNCERTAINTIES *(continued)*

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.

DISCLOSURE TO INFORMATION TO THE AUDITOR

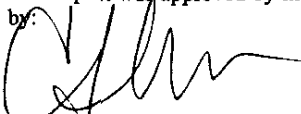
Each of the persons who is a director at the date of approval of this report confirms that:

- 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 12 July 2017 and signed on behalf of the board by:



Ms C Woon
Director

DOLPHIN SQUARE LIMITED
DIRECTORS' RESPONSIBILITIES STATEMENT
YEAR ENDED 31 DECEMBER 2016

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.

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

YEAR ENDED 31 DECEMBER 2016

We have audited the financial statements of Dolphin Square Limited for the year ended 31 December 2016 which comprise the statement of comprehensive income, statement of income and retained earnings, statement of financial position, 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 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.

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 2016 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.

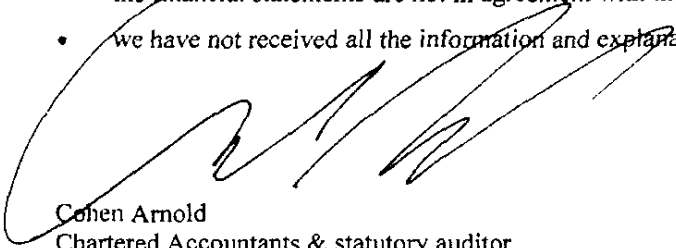
DOLPHIN SQUARE LIMITED
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DOLPHIN
SQUARE LIMITED *(continued)*

YEAR ENDED 31 DECEMBER 2016

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

Date.....14th July 2017.....

DOLPHIN SQUARE LIMITED
STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED 31 DECEMBER 2016

	Note	2016 £	2015 £
TURNOVER	4	11,380,787	12,389,124
Cost of sales		<u>(13,039,091)</u>	<u>(12,238,997)</u>
GROSS (LOSS)/PROFIT		(1,658,304)	150,127
Administrative expenses		<u>(888,867)</u>	<u>(883,083)</u>
OPERATING LOSS	5	(2,547,171)	(732,956)
Fair value adjustment on investment property	10	(9,622,513)	—
Other interest receivable and similar income		—	1,509,211
Interest payable and similar expenses	8	<u>(1,417,276)</u>	<u>(2,790,918)</u>
LOSS BEFORE TAXATION		(13,586,960)	(2,014,663)
Tax on loss	9	<u>—</u>	<u>—</u>
LOSS FOR THE FINANCIAL YEAR		<u>(13,586,960)</u>	<u>(2,014,663)</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 2016

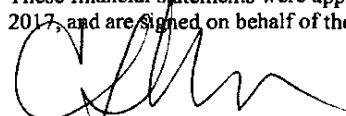
	Note	2016 £	2015 £
Loss for the financial year and total comprehensive income		(13,586,960)	(2,014,663)
RETAINED LOSSES AT THE START OF THE YEAR		(31,212,697)	(29,198,034)
RETAINED LOSSES AT THE END OF THE YEAR		<u>(44,799,657)</u>	<u>(31,212,697)</u>

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

DOLPHIN SQUARE LIMITED
STATEMENT OF FINANCIAL POSITION
31 DECEMBER 2016

	Note	2016 £	2015 £
FIXED ASSETS			
Equipment	10	543,439	10,232,177
CURRENT ASSETS			
Stocks	11	9,343	19,812
Debtors	12	886,143	17,596,242
Cash at bank and in hand		<u>3,896,466</u>	<u>7,540,875</u>
		4,791,952	25,156,929
CREDITORS: amounts falling due within one year	13	<u>(11,012,257)</u>	<u>(3,415,278)</u>
NET CURRENT ASSETS		<u>(6,220,305)</u>	<u>21,741,651</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(5,676,866)</u>	<u>31,973,828</u>
CREDITORS: amounts falling due after more than one year	14	<u>(9,122,681)</u>	<u>(33,186,415)</u>
NET LIABILITIES		<u>(14,799,547)</u>	<u>(1,212,587)</u>
CAPITAL AND RESERVES			
Called up share capital	17	30,000,110	30,000,110
Profit and loss account	18	<u>(44,799,657)</u>	<u>(31,212,697)</u>
MEMBERS DEFICIT		<u>(14,799,547)</u>	<u>(1,212,587)</u>

These financial statements were approved by the board of directors and authorised for issue on 12 July 2017, and are signed on behalf of the board by:



Ms C Woon
Director

Company registration number: 90676

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

DOLPHIN SQUARE LIMITED
STATEMENT OF CASH FLOWS
YEAR ENDED 31 DECEMBER 2016

	2016 £	2015 £
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the financial year	(13,586,960)	(2,014,663)
<i>Adjustments for:</i>		
Depreciation of equipment	176,580	199,045
Fair value adjustment on investment property	9,622,513	—
Other interest receivable and similar income	—	(1,509,211)
Interest payable and similar expenses	1,417,276	2,790,918
Amortisation of issue costs	68,364	(182,698)
<i>Changes in:</i>		
Stocks	10,469	(1,075)
Trade and other debtors	16,710,099	65,644,736
Trade and other creditors	(17,131,127)	(41,516,834)
Cash generated from operations	(2,712,786)	23,410,218
Interest paid	(1,600,516)	(8,001,358)
Interest received	—	4,288,034
Net cash (used in)/from operating activities	<u>(4,313,302)</u>	<u>19,696,894</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of tangible assets	(110,355)	(51,790)
Net cash used in investing activities	<u>(110,355)</u>	<u>(51,790)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loans from group undertakings	779,248	(14,602,801)
Net cash from/(used in) financing activities	<u>779,248</u>	<u>(14,602,801)</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(3,644,409)	5,042,303
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	7,540,875	2,498,572
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>3,896,466</u>	<u>7,540,875</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 2016

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.

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.

DOLPHIN SQUARE LIMITED
NOTES TO THE FINANCIAL STATEMENTS *(continued)*
YEAR ENDED 31 DECEMBER 2016

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.

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:

Revaluation of investment properties

The Company carries its investment property at fair value, with changes in fair value being recognised in profit or loss. The Freehold investment property was valued internally by the directors as at 31 December 2016. In arriving at their valuation, the directors utilised a valuation received from an external valuer, Knight Frank LLP, RICS Registered Valuers.

Valuation techniques and key inputs

Knight Frank LLP valued the property using comparative and investment methods in relation to the residential apartments and the profits method using a discounted cash flow approach in relation to the service apartments and other operating businesses.

The comparative and investment method uses the basis of a collation and analysis of appropriate comparable sales to owner occupiers, investment and rental transactions together with evidence of demand within the vicinity of Dolphin Square. The results are then applied to the investment property taking into consideration its size, location, terms, covenants and other material factors.

Knight Frank calculated their opinion of the aggregate Market Value from which they deducted 10% based on the comparable investment transactions detailed above, in order to apportion their opinion of the value of the residential element as a single lot.

Any profits method of valuation is based on the turnover and profit that a hypothetical reasonably efficient operator (REO) would expect to achieve. In this valuation, their projected income is based on the historic trade and trade achieved at other serviced apartments. It is a robust assessment of the trade a REO could achieve. The profit projected is also in line with industry norms.

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 2016

3. ACCOUNTING POLICIES *(continued)*

(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.

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 19% (effective from 1 April 2017) and 18% (effective from 1 April 2020) was substantially enacted on 18 November 2015. A further 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%.

DOLPHIN SQUARE LIMITED
NOTES TO THE FINANCIAL STATEMENTS *(continued)*
YEAR ENDED 31 DECEMBER 2016

3. ACCOUNTING POLICIES *(continued)*

(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.

(viii) Investment properties

Investment properties whose fair value can be measured reliably without undue cost or effort are held at fair value. Any gains or losses arising from changes in the fair value are recognised in the profit and loss account in the year that they arise.

No depreciation is provided in respect of investment properties applying the fair value model.

Investment property fair value is based on a valuation by an external, independent valuer, having an appropriate recognised professional qualification and recent experience in the location and class of property being valued. Any gain or loss arising from a change in fair value is recognised in the profit and loss account.

Disposals of properties

The company generally holds its properties for the long term in order to generate rental income and capital appreciation although in the right circumstances any property could be available for sale. When an outright sale does occur the resulting surplus based on the excess of sales proceeds over valuation is included within the company's profit on ordinary activities, and taxation applicable thereto is shown as part of the taxation charge. Disposals are recognised on the date the significant risks and rewards of ownership have been transferred.

DOLPHIN SQUARE LIMITED
NOTES TO THE FINANCIAL STATEMENTS *(continued)*
YEAR ENDED 31 DECEMBER 2016

3. ACCOUNTING POLICIES *(continued)*

(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 2016

4. TURNOVER

Turnover arises from:

	2016	2015
	£	£
Serviced apartments	8,087,099	9,003,868
Sports and health club	2,319,354	2,342,541
Bar and grill	660,448	670,915
Lettings	313,886	371,800
	<u>11,380,787</u>	<u>12,389,124</u>

Included in the turnover detailed above is £61,200 (2015: £nil) 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:

	2016	2015
	£	£
Depreciation of equipment	176,580	199,045
Defined contribution pension cost	51,855	43,081
Operating lease costs: Land & Buildings	<u>6,408,800</u>	<u>6,408,800</u>

6. AUDITOR'S REMUNERATION

	2016	2015
	£	£
Fees payable for the audit of the financial statements	<u>9,700</u>	<u>9,295</u>

7. STAFF COSTS

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

	2016	2015
	No.	No.
Number of rental apartment and lettings staff	37	39
Number of sports and health club staff	24	27
Number of bar and grill staff	19	19
Number of administrative staff	8	8
	<u>88</u>	<u>93</u>

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

	2016	2015
	£	£
Wages and salaries	2,157,062	2,220,512
Social security costs	182,963	200,194
Other pension costs	51,855	43,081
	<u>2,391,880</u>	<u>2,463,787</u>

DOLPHIN SQUARE LIMITED
NOTES TO THE FINANCIAL STATEMENTS *(continued)*
YEAR ENDED 31 DECEMBER 2016

8. INTEREST PAYABLE AND SIMILAR EXPENSES

	2016	2015
	£	£
Other interest payable and similar charges	<u>1,417,276</u>	<u>2,790,918</u>

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

9. TAX ON LOSS

Reconciliation of tax income

The tax assessed on the loss on ordinary activities for the year is higher than (2015: higher than) the standard rate of corporation tax of 20% (2015: 20%).

	2016	2015
	£	£
Loss on ordinary activities before taxation	<u>(13,586,960)</u>	<u>(2,014,663)</u>
Loss on ordinary activities by rate of tax	<u>(2,717,392)</u>	<u>(402,933)</u>
Effect of expenses not deductible for tax purposes	1,119	1,238
Effect of capital allowances and depreciation	<u>(122,164)</u>	29,451
Effect of fair value adjustment not taxable	1,924,503	—
Losses arising during the year	<u>913,934</u>	<u>372,244</u>
Tax on loss	<u>—</u>	<u>—</u>

The Company has tax losses carried forward. Net deferred tax assets of £4,995,618 arising from tax losses of £24,978,090 have not been recognised owing to the uncertainty over the availability of future taxable profits to utilise these losses.

10. INVESTMENT PROPERTY

	Leaschold Improvements £	Equipment £	Total £
Valuation			
At 1 January 2016	9,622,513	5,133,066	14,755,579
Additions	—	110,355	110,355
Fair value adjustment	<u>(9,622,513)</u>	—	<u>(9,622,513)</u>
At 31 December 2016	<u>—</u>	<u>5,243,421</u>	<u>5,243,421</u>
Depreciation			
At 1 January 2016	—	4,523,402	4,523,402
Charge for the year	—	176,580	176,580
At 31 December 2016	<u>—</u>	<u>4,699,982</u>	<u>4,699,982</u>
Carrying amount			
At 31 December 2016	<u>—</u>	<u>543,439</u>	<u>543,439</u>
At 31 December 2015	<u>9,622,513</u>	<u>609,664</u>	<u>10,232,177</u>

DOLPHIN SQUARE LIMITED
NOTES TO THE FINANCIAL STATEMENTS *(continued)*
YEAR ENDED 31 DECEMBER 2016

10. INVESTMENT PROPERTY *(continued)*

The Freehold investment property was valued internally by the directors as at 31 December 2016. The director's 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. The directors believe that the benefit of the leasehold improvements previously recorded in the books of the company sit with the freehold title held by The Dolphin Square Estate Limited, a fellow subsidiary undertaking.

11. STOCKS

	2016	2015
	£	£
Consumables	<u>9,343</u>	<u>19,812</u>

12. DEBTORS

	2016	2015
	£	£
Trade debtors	499,939	450,528
Amounts owed by group undertakings	—	16,865,771
Prepayments and accrued income	243,121	274,872
Other debtors	<u>143,083</u>	<u>5,071</u>
	<u>886,143</u>	<u>17,596,242</u>

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

	2016	2015
	£	£
Amounts owed by group undertakings	<u>—</u>	<u>16,865,771</u>

13. CREDITORS: amounts falling due within one year

	2016	2015
	£	£
Trade creditors	490,450	698,608
Amounts owed to group undertakings	1,046,062	—
WB Dolphin Square L.L.C.	7,274,240	—
Accruals and deferred income	390,276	505,152
Social security and other taxes	78,661	167,423
Other creditors	<u>1,999,382</u>	<u>2,044,095</u>
	<u>11,279,071</u>	<u>3,415,278</u>

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

Included in accruals and deferred income is £163,996 (2015: £347,206) accrued interest payable on unsecured subordinated loan notes and PIK notes (see Note 14).

Bank balances totalling £2,115,786 (2015: £2,124,370) held in the name of the Company are subject to trust in favour of creditors included 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 2016

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

	2016	2015
	£	£
Unsecured subordinated loan notes	6,587,664	20,600,000
Unsecured subordinated PIK notes	2,535,017	934,501
WB Dolphin Square L.L.C.	–	11,651,914
	<u>9,122,681</u>	<u>33,186,415</u>

The Company has £6,587,664 (2015: £20,600,000) 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. and are listed on the Cayman Islands Stock Exchange.

The Company has £2,535,017 (2015: £934,501) 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.

15. EMPLOYEE BENEFITS

Defined contribution plans

The amount recognised in profit or loss as an expense in relation to defined contribution plans was £51,855 (2015: £43,081).

16. FINANCIAL INSTRUMENTS

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

	2016	2015
	£	£
Financial assets that are debt instruments measured at amortised cost		
Financial assets that are debt instruments measured at amortised cost	<u>4,539,488</u>	<u>24,862,245</u>
Financial liabilities measured at amortised cost		
Financial liabilities measured at amortised cost	<u>20,104,550</u>	<u>36,434,270</u>

17. CALLED UP SHARE CAPITAL

Issued, called up and fully paid

	2016		2015
	No.	£	No.
		10	10
Ordinary voting shares of £0.10 each	100		100
Ordinary non-voting shares of £0.10 each	300,001,000	30,000,100	300,001,000
	<u>300,001,100</u>	<u>30,000,110</u>	<u>300,001,100</u>
			<u>30,000,110</u>

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.

DOLPHIN SQUARE LIMITED
NOTES TO THE FINANCIAL STATEMENTS *(continued)*
YEAR ENDED 31 DECEMBER 2016

19. OPERATING LEASES

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

	2016	2015
	£	£
Not later than 1 year	408,800	408,800
Later than 5 years	6,000,000	6,000,000
	<u>6,408,800</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 2016, provided to its fellow subsidiary undertakings, The Dolphin Square Estate Ltd, 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 £2,670,333 (2015: £Nil) 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.