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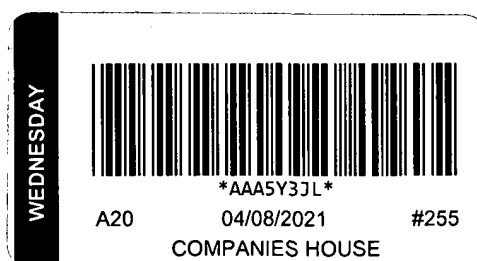
UK Registration number: FC026659

Jersey Registration number: 90676

# Dolphin Square Limited

Annual report and audited financial statements

for the year ended 31 December 2020



## **Dolphin Square Limited**

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## **Dolphin Square Limited**

### **Company information**

<b>Directors</b>	F A Faravelli J Persechino
<b>Registered office</b>	5th Floor 37 Esplanade St Helier Jersey JE1 2TR
<b>Auditors</b>	PricewaterhouseCoopers CI LLP Chartered Accountants and Statutory Auditor Jersey, Channel Islands

## **Dolphin Square Limited**

### **Directors' report**

#### **For the year ended 31 December 2020**

The Directors present their annual report on the affairs of Dolphin Square Limited (the 'Company'), together with the audited financial statements for the year ended 31 December 2020.

#### **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.

On 16 September 2020, an AXA consortium consisting of AXA CoRE European Fund SCS, AXA SA and AXA Konzern AG, through its subsidiary Dolphin Square Operator Limited, acquired 100% of the share capital of the Company.

#### **Results and dividends**

During the year the Company made a loss of £7,388,139 (2019 restated: loss of £4,049,771).

No dividends have been paid or proposed during the year ended 31 December 2020 (2019: £nil).

#### **Going concern**

Due to the intention to liquidate the Company within 12 months from the date of issue of the financial statements, the Directors have determined that the going concern basis of preparation is no longer appropriate. The directors have assessed that the NRV is not materially different from the NAV. Therefore, no liquidation costs have been included in the 2020 annual accounts. In addition, there is a good chance the acquisition costs will be covered by the shareholder "Dolphin Square Operator Limited".

Accordingly, the financial statements are not prepared on a going concern basis.

Liquidation costs have not been accounted for as the Directors consider them to be immaterial.

#### **Directors of the Company**

The Directors of the Company who held office during the year and up to the date of signing of the financial statements, except as noted, were as follows:

F A Faravelli (appointed 16 September 2020)

J Persechino (appointed 16 September 2020)

D E Rico (resigned 16 September 2020)

K Z Sheikh (resigned 16 September 2020)

C C T Woon (resigned 16 September 2020)

#### **Political contributions**

The Company made no political or charitable donations during the year (2019: £nil).

#### **Future developments**

On 15 April 2021, the Directors hived-up the Company, transferring the assets, liabilities and ongoing activity to its Parent Company, Dolphin Square Operator Limited. The Directors have the intention of commencing liquidation proceedings of the Company in 2021.

#### **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:

## **Dolphin Square Limited**

### **Directors' report (continued) For the year ended 31 December 2020**

#### **Principal risks and uncertainties (continued)**

##### ***Coronavirus and Brexit risk***

The outbreak of the Coronavirus in the first quarter of 2020 has resulted in a sharp downturn in all areas of the business. The associated "lockdown" and closure of hospitality businesses has dramatically affected the Company and their operations. In addition, the uncertainty surrounding Brexit and the associated potential financial cost may also impact the UK economy in a negative manner.

These risks are beyond the control of the Company and represent a material uncertainty to the revenue of the business. However, given the continued support of the UK Government and vaccination program the Directors believe the underlying operations will recover and revenues will return during 2021.

##### ***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.

#### **Directors' remuneration and interest**

The Directors of the Company who were in office during the period from 1 January 2020 up to the date of signing the financial statements are listed under the Directors heading within the Directors' report. None of the Directors were remunerated for their services as Directors of the Company (2019: none).

No Director had any beneficial interest in the share capital of the Company at any time during the year (2019: none).

#### **Directors' indemnities**

During the reporting period and until the date of signing the financial statements, the Company's articles of association included a qualifying third party indemnity provision which indemnifies every Director of the Company against all costs, charges, losses, expenses, and liabilities incurred by him/her in relation to his/her duties, powers or office.

#### **Post balance sheet events**

Details of events after the reporting date can be found in note 23.

#### **Directors' statement as to disclosure of information to the auditors**

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

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Director has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

#### **Appointment of independent auditors**

PricewaterhouseCoopers CI LLP have been appointed as auditors and have expressed their willingness to continue in office.

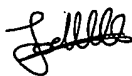
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**Dolphin Square Limited**

**Directors' report (continued)**  
**For the year ended 31 December 2020**

Jun 30, 2021

Approved by the Board on ..... and signed on its behalf by:



.....  
**J Persechino**  
**Director**

## **Dolphin Square Limited**

### **Directors' responsibilities statement**

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

Companies (Jersey) Law 1991 requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 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 of the profit or loss of the Company for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards has been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business. The directors confirm they have complied with all the above requirements in preparing the financial statements.

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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The Directors confirm that they have complied with all the above requirements in preparing the financial statements.

# Independent auditor's report to the members of Dolphin Square Limited

## Report on the audit of the financial statements

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### Our opinion

In our opinion, the financial statements give a true and fair view of the financial position of Dolphin Square Limited (the "company") as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and have been properly prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

### What we have audited

The company's financial statements comprise:

- the balance sheet as at 31 December 2020;
- the profit and loss accounts for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

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### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We are independent of the company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants ("IESBA Code"). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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### Emphasis of matter - financial statements prepared on a basis other than going concern

We draw attention to note 2 in the financial statements, which refers to the intention of the directors to liquidate the company. These financial statements have therefore been prepared using a basis other than going concern. Our opinion is not modified in respect of this matter.

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### Other information

The directors are responsible for the other information. The other information comprises all the information included in the Annual report and audited financial statements but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and 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 identified above 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, 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.



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## **Responsibilities of the directors for the financial statements**

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with United Kingdom Accounting Standards, comprising FRS 102, the requirements of Jersey law 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. See note 2 to the financial statements, which refers to the directors' conclusion on preparing the financial statements on a basis other than going concern.

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## **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 will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in 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, 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.
- 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 company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' 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.
- 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.

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## **Use of this report**

This independent auditor's report, including the opinions, has been prepared for and only for the members as a body in accordance with Article 113A of the Companies (Jersey) Law 1991 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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## Report on other legal and regulatory requirements

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Under the Companies (Jersey) Law 1991 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit;
- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records.

We have no exceptions to report arising from this responsibility.



Ian Ross  
For and on behalf of PricewaterhouseCoopers CI LLP  
Chartered Accountants  
Jersey, Channel Islands  
30 June 2021

## **Dolphin Square Limited**

### **Profit and loss account For the year ended 31 December 2020**

		<b>2020</b>	<b>(Restated)</b>
	<b>Note</b>	<b>£</b>	<b>2019</b>
			<b>£</b>
<b>Turnover</b>	<b>4</b>	<b>4,776,647</b>	<b>11,199,637</b>
<b>Cost of sales</b>		<b><u>(9,879,963)</u></b>	<b><u>(12,185,760)</u></b>
<b>Gross loss</b>		<b>(5,103,316)</b>	<b>(986,123)</b>
<b>Administrative expenses</b>		<b>(881,352)</b>	<b>(897,240)</b>
<b>Other operating charges</b>	<b>5</b>	<b><u>(511,178)</u></b>	<b><u>(1,038,922)</u></b>
<b>Operating loss</b>		<b>(6,495,846)</b>	<b>(2,922,285)</b>
<b>Interest payable and similar expenses</b>	<b>7</b>	<b><u>(892,293)</u></b>	<b><u>(1,127,486)</u></b>
<b>Loss before taxation</b>		<b>(7,388,139)</b>	<b>(4,049,771)</b>
<b>Tax on loss</b>	<b>10</b>	<b><u>-</u></b>	<b><u>-</u></b>
<b>Loss for the financial year attributable to the equity shareholder of the Company</b>		<b><u>(7,388,139)</u></b>	<b><u>(4,049,771)</u></b>

The above results were derived from continuing operations.

The Company has no recognised gains or losses for the year other than the results above, and therefore no statement of comprehensive income is presented.

Certain amounts shown do not correspond to the signed 2019 financial statements and have been restated. Refer to note 24 for further details.

# Dolphin Square Limited

## Balance sheet

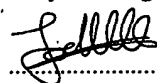
As at 31 December 2020

		2020	(Restated) 2019
	Note	£	£
<b>Fixed assets</b>			
Tangible assets	11	185,534	247,379
<b>Current assets</b>			
Stocks	12	6,280	8,567
Debtors: amounts falling due within one year	13	5,418,974	629,945
Cash at bank and in hand		4,320,638	3,383,352
		<u>9,745,892</u>	<u>4,021,864</u>
<b>Creditors: amounts falling due within one year</b>	14	<u>(10,576,339)</u>	<u>(14,603,111)</u>
<b>Net current liabilities</b>		<u>(830,447)</u>	<u>(10,581,247)</u>
<b>Total assets less current liabilities</b>		<u>(644,913)</u>	<u>(10,333,868)</u>
<b>Creditors: amounts falling due after more than one year</b>	15	<u>-</u>	<u>(15,682,660)</u>
<b>Net liabilities</b>		<u>(644,913)</u>	<u>(26,016,528)</u>
<b>Capital and reserves</b>			
Called-up share capital	17	62,759,864	30,000,110
Profit and loss account	18	<u>(63,404,777)</u>	<u>(56,016,638)</u>
<b>Shareholders' deficit</b>		<u>(644,913)</u>	<u>(26,016,528)</u>

Certain amounts shown do not correspond to the signed 2019 financial statements and have been restated. Refer to note 24 for further details.

The financial statements of Dolphin Square Limited (registration number: 90676) were approved by the Board of Directors and authorised for issue on ..... Joe Persechino 30 June 2021

They were signed on its behalf by:

  
.....

J Persechino

Director

## Dolphin Square Limited

### Statement of changes in equity For the year ended 31 December 2020

	<b>Called-up share capital £</b>	<b>Profit and loss account £</b>	<b>Total £</b>
<b>At 1 January 2019</b>	30,000,110	(49,396,037)	(19,395,927)
Prior period adjustment	-	(2,570,830)	(2,570,830)
<b>At 1 January 2019 (Restated)</b>	30,000,110	(51,966,867)	(21,966,757)
Loss for the year (Restated)	-	(4,049,771)	(4,049,771)
Total comprehensive loss	-	(4,049,771)	(4,049,771)
<b>At 31 December 2019 (Restated)</b>	30,000,110	(56,016,638)	(26,016,528)
	<b>Called-up share capital £</b>	<b>Profit and loss account £</b>	<b>Total £</b>
<b>At 1 January 2020</b>	30,000,110	(56,016,638)	(26,016,528)
Loss for the year	-	(7,388,139)	(7,388,139)
Total comprehensive loss	-	(7,388,139)	(7,388,139)
New share capital subscribed	32,759,754	-	32,759,754
<b>At 31 December 2020</b>	62,759,864	(63,404,777)	(644,913)

Certain amounts shown do not correspond to the signed 2019 financial statements and have been restated. Refer to note 24 for further details.

# Dolphin Square Limited

## Statement of cash flows for the Year Ended 31 December 2020

	Note	2020 £	(Restated) 2019 £
<b>Cash flows from operating activities</b>			
Loss for the year		(7,388,139)	(4,049,771)
Adjustments to cash flows from non-cash items			
Depreciation and amortisation	6	61,845	82,626
Interest payable and similar expenses	7	892,293	1,127,486
VAT adjustment	24	511,178	1,038,922
		(5,922,823)	(1,800,737)
Working capital adjustments			
Decrease in stocks	12	2,287	861
Increase in trade debtors	13	(1,300,208)	(3,595,556)
Increase in trade creditors	14	8,158,030	4,970,106
Net cash flow from operating activities		937,286	(425,326)
<b>Cash flows from investing activities</b>			
Purchase of tangible assets		-	(7,897)
Net cash flows from investing activities		-	(7,897)
Net increase/(decrease) in cash and cash equivalents		937,286	(433,223)
Cash and cash equivalents at 1 January		3,383,352	3,816,575
Cash and cash equivalents at 31 December		4,320,638	3,383,352

During the year there was a capital injection of £32,759,754 which was a non-cash movement. Of this amount, £28,759,754 was share capital issued prior to the acquisition of the entity by Dolphin Square Operator Limited. This was issued in exchange for the release of the notes and the designated inter-company balance receivable, and the release and capitalisation of £6,660,661 of the legacy loan.

The remaining £4,000,000 was share capital issued after the acquisition of the Company and was to promote the success of the Company for the benefit of its members.

Certain amounts shown do not correspond to the signed 2019 financial statements and have been restated. Refer to note 24 for further details.

## **Dolphin Square Limited**

### **Notes to the financial statements for the year ended 31 December 2020**

#### **1 General information**

Dolphin Square Limited ("the Company") is a private company limited by share capital, incorporated and domiciled in Jersey. The Jersey registration number is 90676 and the UK registration number is FC026659.

The address of its registered office is:

5th Floor  
37 Esplanade  
St Helier  
Jersey  
JE1 2TR

The nature of the Company's operations and its principal activities are set out in the Directors' report on page 2.

#### **2 Accounting policies**

##### **Summary of significant accounting policies and key accounting estimates**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

##### **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 Jersey, incorporating United Kingdom Accounting Standards.

##### **Basis of accounting**

These financial statements have been prepared under the historical cost convention.

The functional currency of Dolphin Square Limited is considered to be pounds sterling because that is the currency of the primary economic environment in which the company operates.

##### **Related party disclosure exemption**

The Company has taken advantage of the exemption available under FRS 102, Section 33.1A, not to disclose transactions with wholly-owned members of the group.

##### **Going concern**

Due to the intention to liquidate the Company within 12 months from the date of issue of the financial statements, the Directors have determined that the going concern basis of preparation is no longer appropriate. The directors have assessed that the Net Realisable Value (NRV) is not materially different from the Net Asset Value (NAV). Therefore, no liquidation costs have been included in the 2020 annual accounts. In addition, there is a good chance the acquisition costs will be covered by the shareholder "Dolphin Square Operator Limited".

Accordingly, the financial statements are not prepared on a going concern basis.

Liquidation costs have not been accounted for as the Directors consider them to be immaterial.

## **Dolphin Square Limited**

### **Notes to the financial statements for the year ended 31 December 2020 (continued)**

#### **2 Accounting policies (continued)**

##### **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.

##### **Turnover**

Turnover is stated net of VAT and trade discounts and is recognised when the significant risks and rewards are considered to have been transferred to the buyer.

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 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.

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.

##### **Expenses**

Expenses include cost of sales, tax and other professional fees, and other expenses which are accounted for on an accruals basis. All the Company's expenses are derived from continuing operations and are included in the Profit and loss account.

##### **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 inter-company 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.

##### **Tax**

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

The March 2021 Budget announced an increase to the main rate of corporation tax to 25% from April 2023. This rate has not been substantively enacted at the balance sheet date and as a result, any potential or unrecognised deferred tax balances as at 31 March 2020 continue to be measured at 19%.

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 for the year ended 31 December 2020 (continued)**

#### **2 Accounting policies (continued)**

##### **Tax (continued)**

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. Due to the current tax losses, and the Directors' intention to hive-up the Company post year end, no deferred tax losses have been recognised.

##### **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.

##### **Depreciation**

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

<b>Asset class</b>	<b>Depreciation rate and method</b>
Furniture, fittings and equipment	25% reducing balance

##### **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.

##### **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.

##### **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.

##### **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 for the year ended 31 December 2020 (continued)**

#### **2 Accounting policies (continued)**

##### **Share capital**

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

#### **3 Critical accounting judgements and key sources of estimation uncertainty**

In the application of the Company's accounting policies, which are described in note 2, the Directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below:

##### *Vat liability estimate*

The Directors, with the help of their tax advisors, have estimated a VAT liability and included this within the current year accounts. It has been noted that the previous shareholders of the Company had incorrectly accounted for VAT on the serviced apartments for a number of years. In order to resolve this issue, the Company has estimated the liability due to HMRC in respect of this error of £4,120,930. However, HMRC has not yet confirmed this amount, and therefore, this estimated liability may be subject to material change. Refer to note 24 for further information.

The Director's determined that the ultimate liability in respect of the £4,120,930 estimated VAT adjustment would not be borne by the Company, and therefore, the Company entered into a put and call option agreement, dated 15 September 2020, with Dolphin Square Estate Holding S.à.r.l. ('DSEH'). DSEH will provide funding to the Company by subscribing for one new share at a total price (including premium) equal to the VAT liability. Following the determination of the amount of the VAT liability by HMRC, DSEH shall subscribe for the new share as mentioned above and as per the put and call option agreement, Dolphin Square Operator Limited (the 'shareholder') can purchase the share from DSEH for £1. The net result for the Company, is a VAT liability arising from the VAT adjustment as at 31 December 2020 (reflected in these accounts) and future funding from DSEH for the same amount, to be reflected in the 2021 accounts. Therefore, although there is a net liability in the 31 December 2020 accounts in respect of the VAT liability, once the share is issued to DSEH, the Company will receive cash in order to cover the liability, and issue £1 in share capital, with the difference to be reflected in the share premium account. This will result in an ultimate net £nil impact to the net assets of the Company.

## Dolphin Square Limited

### Notes to the financial statements for the year ended 31 December 2020 (continued)

#### 4 Turnover

The analysis of the Company's turnover for the year from continuing operations is as follows:

	2020	2019
	£	£
Serviced apartments	3,362,856	8,245,401
Sports and health club	1,065,271	2,138,933
Bar and grill	156,243	566,805
Lettings	192,277	248,498
	<u>4,776,647</u>	<u>11,199,637</u>

Included in the turnover of lettings detailed above is £122,400 (2019: £122,400) 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 Other operating charges

	2020	(Restated) 2019
	£	£
VAT due on serviced apartments	<u>511,178</u>	<u>1,038,922</u>

Other operating charges represent a one off adjustment in each year to the profit and loss account, in respect of output VAT on serviced apartments that should have been charged to tenants and remitted to HMRC. Refer to note 24 for further information.

#### 6 Loss before taxation

Loss before taxation is stated after charging:

	2020	2019
	£	£
Depreciation of tangible fixed assets	61,845	82,626
Operating lease expense - land and buildings	5,585,591	6,408,800
Defined contribution pension cost	<u>50,669</u>	<u>48,803</u>

#### 7 Interest payable and similar expenses

	2020	2019
	£	£
Other interest payable and similar charges	888,748	1,127,486
Interest expense on loans from group undertakings	<u>3,545</u>	<u>-</u>
	<u>892,293</u>	<u>1,127,486</u>

The interest payable is due to Dolphin Operation Holding S.a.r.l (see note 14).

## Dolphin Square Limited

### Notes to the financial statements for the year ended 31 December 2020 (continued)

#### 8 Staff costs

The aggregate payroll costs (including Directors' remuneration) were as follows:

	2020	2019
	£	£
Wages and salaries	1,598,868	1,886,245
Social security costs	221,168	146,318
Other post-employment benefit costs	50,669	38,605
	<u>1,870,705</u>	<u>2,071,168</u>

The average number of persons employed by the Company (including Directors) during the year, analysed by category was as follows:

	2020	2019
	No.	No.
Rental apartment and lettings staff	27	29
Sports and health club staff	18	22
Bar and grill staff	7	12
Administrative staff	8	9
	<u>60</u>	<u>72</u>

#### 9 Auditors' remuneration

	2020	2019
	£	£
Audit of the financial statements	<u>-</u>	<u>11,800</u>

Audit fees for the Company in respect of the year ended 31 December 2020 of £16,600 are paid by the parent Company, Dolphin Square Operator Limited.

#### 10 Tax on loss

Tax charged/(credited) in the profit and loss account

	2020	2019
	£	£
Current taxation		
UK corporation tax	<u>-</u>	<u>-</u>

The tax on loss before tax for the year is higher than the standard rate of corporation tax in the UK (2019: higher than the standard rate of corporation tax in the UK) of 19% (2019: 19%).

## Dolphin Square Limited

### Notes to the financial statements for the year ended 31 December 2020 (continued)

#### 10 Tax on loss (continued)

The differences between the total tax charge shown above and the amount calculated by applying the standard rate of the UK corporation tax to the profit/(loss) before tax is as follow:

	2020 £	(Restated) 2019 £
Loss before tax	<u>(7,388,139)</u>	<u>(4,049,771)</u>
Tax on loss at standard UK corporation rate of 19% (2019: 19%)	(1,403,746)	(769,456)
Effect of expenses not deductible for tax purposes	95,227	581
Interest not deductible for tax purposes	187,812	214,222
Effect of capital allowances and depreciation	26,262	(152,229)
Losses arising during the year	<u>1,094,445</u>	<u>706,882</u>

Total tax charge/(credit) in the profit or loss account

- -

Certain amounts shown do not correspond to the signed 2019 financial statements and have been restated. Refer to note 24 for further details.

#### Factors that may affect the future tax charge

While the current corporation tax rate is 19%, the Chancellor, in the March 2021 Budget, announced an increase to the main rate of corporation tax to 25% from 1 April 2023. This rate has not been substantively enacted at the balance sheet date and, while the deferred tax assets remain unrecognised, any recognition at the balance sheet date 31 December 2020 would therefore be measured at 19%.

#### 11 Tangible assets

	Furniture, fittings and equipment £
<b>Cost or valuation</b>	
At 1 January 2020	<u>5,275,525</u>
At 31 December 2020	<u>5,275,525</u>
<b>Depreciation</b>	
At 1 January 2020	5,028,146
Charge for the year	<u>61,845</u>
At 31 December 2020	<u>5,089,991</u>
<b>Carrying amount</b>	
At 31 December 2020	<u>185,534</u>
At 31 December 2019	<u>247,379</u>

## **Dolphin Square Limited**

### **Notes to the financial statements for the year ended 31 December 2020 (continued)**

#### **12 Stocks**

	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
Consumables	<u>6,280</u>	<u>8,567</u>

#### **13 Debtors: amounts falling due within one year**

	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
Trade debtors	-	289,103
Other debtors	33,031	33,447
Prepayments and accrued income	32,955	283,095
Amounts owed by group undertakings	<u>5,352,988</u>	<u>24,300</u>
	<u>5,418,974</u>	<u>629,945</u>

Amounts owed by group undertakings represents monies due from the parent company, Dolphin Square Operator Limited.

#### **14 Creditors: amounts falling due within one year**

	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
Trade creditors	266,906	373,915
Amounts owed to group undertakings	3,262,501	4,167,686
WB Dolphin Square L.L.C.	-	7,274,240
Accruals and deferred income	165,944	744,068
Social security and other taxes	1,473,771	149,360
Other creditors	1,286,287	1,893,842
VAT liability (see note 24)	<u>4,120,930</u>	<u>-</u>
	<u>10,576,339</u>	<u>14,603,111</u>

Amounts owed to group undertakings include monies due to fellow subsidiary undertaking, The Dolphin Square Estate Limited S.a.r.l of £2,645,377 (2019: £4,167,686), and monies due to the Company's intermediate parent, Dolphin Operation Holding S.a.r.l of principal £613,579 (2019: £nil) and interest of £3,545 (2019: £nil).

## Dolphin Square Limited

### Notes to the financial statements for the year ended 31 December 2020 (continued)

#### 15 Creditors: amounts falling due after more than one year

	2020	(Restated) 2019
	£	£
Unsecured subordinated loan notes	-	6,587,664
Unsecured subordinated PIK notes	-	5,485,244
VAT liability (see note 24)	-	3,609,752
	<u>-</u>	<u>15,682,660</u>

Upon acquisition of the share capital of the Company on 16 September 2020 by Dolphin Square Operator Limited, the unsecured subordinated loan notes and the unsecured subordinated PIK notes were repaid in full.

Certain amounts shown do not correspond to the signed 2019 financial statements and have been restated. Refer to note 24 for further details.

#### 16 Employee benefits

##### *Defined contribution plans*

The amount recognised in profit or loss as an expense in relation to defined contribution plans was £50,669 (2019: £48,803).

#### 17 Called-up share capital

##### Issued, called-up and fully paid

	2020		2019	
	No.	£	No.	£
Ordinary voting shares of £0.10 each	<u>287,597,666</u>	<u>28,759,765</u>	<u>100</u>	<u>10</u>
	2020		2019	
	No.	£	No.	£
Ordinary non-voting shares of £0.10 each	<u>340,000,987</u>	<u>34,000,099</u>	<u>300,001,000</u>	<u>30,000,100</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.

The Capital contribution reserve represents capital contributions receivable by a fellow subsidiary undertaking in respect of future share capital to be issued. Refer to note 24 for further information.

## **Dolphin Square Limited**

### **Notes to the financial statements for the year ended 31 December 2020 (continued)**

#### **19 Operating leases**

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

	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
Within one year	251,801	408,800
Between one and five years	<u>3,000,000</u>	<u>6,000,000</u>
	<u><b>3,251,801</b></u>	<u><b>6,408,800</b></u>

#### **20 Contingent liabilities**

The Company has provided a joint and several guarantee in respect of the loan facility amounting to £362,500,000, provided to its fellow subsidiary undertaking, The Dolphin Square Estate S.a.r.l. In addition, the Company's shares have been given as security against this facility.

#### **21 Financial instruments**

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

	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
<b>Financial assets that are debt instruments measured at amortised cost</b>		
Financial assets that are debt instruments measured at amortised cost	<u>9,706,657</u>	<u>3,730,202</u>
	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
<b>Financial liabilities measured at amortised cost</b>		
Financial liabilities measured at amortised cost	<u>4,815,694</u>	<u>25,782,592</u>

Please refer to the disclosure in note 15 in regards to the loan notes being repaid in full during the year.

#### **22 Controlling party**

The Company's immediate parent until 16 September 2020 was Dolphin Square Holdings 2016 Limited, and the Company's ultimate parent undertaking was Westbrook Real Estate Partners, LP.

On 16 September 2020, an AXA consortium consisting of AXA CoRE European Fund SCS, AXA SA and AXA Konzern AG, through its subsidiary Dolphin Square Operator Limited, acquired 100% of the share capital and became the immediate parent of the Company.

In the opinion of the Directors, the ultimate parent and controlling party of the Company as at the date of signing the financial statements is AXA CoRE European Fund SCS, a Company incorporated in Luxembourg.

#### **23 Post balance sheet events**

On 22 February 2021, rent concession letters were signed between The Dolphin Square Estate S.a.r.l. and the Company with an effective date of 29 September 2020. These rent concession letters are applicable for the brasserie, serviced apartments and the Spa, Health Club and Tennis courts. As of the effective date, 50% of the original rent will be based on the revenue of the departments.



## Dolphin Square Limited

### Notes to the financial statements for the year ended 31 December 2020 (continued)

#### 23 Post balance sheet events (continued)

On 15 April 2021 the Company has undergone a hive-up with its parent Company Dolphin Square Operator Limited. All the business assets and operations have been transferred as of this date.

#### 24 Prior year adjustments

During the year, management identified that output VAT on services apartments of £4,120,930 (including interest) relating to prior years of £3,609,752 (of which £1,038,922 relates to 2019) and the current year of £511,178 was not remitted to HMRC, leading to an error correction notice being required. As a result, the prior period accounts should have recognised a provision for VAT payable to HMRC of £3,609,752 as at 31 December 2019, an increase to other operating charges to represent the VAT payable relating to 2019 of £1,038,922, and a decrease of £2,570,830 to 2019 retained earnings carried forward to represent the VAT payable relating to 2018 and prior periods. These adjustments result in a decrease in net assets of £3,609,752 as at 31 December 2019. The statement of cash flows has also been restated to reflect the above changes, with the 2019 loss for the year increasing by £1,038,922, with a corresponding entry to the VAT adjustment line under the cash flows from operating activities section. Due to the Company carrying retained losses, there was no impact to the provision for corporate tax. The composition of the 2019 tax note was restated to increase the loss for 2019 per above, which increased the loss on ordinary activities by £197,395, with a corresponding increase to 2019 losses arising during the year.

The effects of the prior period error on the profit and loss account and balance sheet are summarised below:

	2019
	£
<b>Profit and loss account</b>	
Other operating charges	(1,038,922)
(decrease) in profit for the financial year	(1,038,922)
<b>Balance sheet</b>	
<i>Creditors: amounts falling due after more than one year</i>	
Social security and other taxes	(3,609,752)
<i>Capital and reserves</i>	
Profit and loss account	3,609,752
Decrease in net assets	<u>(3,609,752)</u>