

THE DOLPHIN SQUARE CHARITABLE FOUNDATION

(Registered Charity Number: 1110090)

REPORT AND ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2018

**THE DOLPHIN SQUARE CHARITABLE FOUNDATION
REPORT AND ACCOUNTS
YEAR ENDED 31 MARCH 2018**

CONTENTS

REFERENCE AND ADMINISTRATIVE DETAILS	- 1 -
REPORT OF THE TRUSTEE.....	- 3 -
STATEMENT OF TRUSTEE'S RESPONSIBILITIES.....	13
CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES.....	17
CONSOLIDATED BALANCE SHEET	18
BALANCE SHEET	19
CONSOLIDATED CASHFLOW STATEMENT	20
NOTES TO THE ACCOUNTS.....	21

THE DOLPHIN SQUARE CHARITABLE FOUNDATION

REFERENCE AND ADMINISTRATIVE DETAILS

Corporate Trustee:	Dolphin Square Charitable Trustee Limited
Brand name:	Dolphin Living
Governors of Corporate Trustee	David Lavarack MBA, DipFS, ACIB (Chair) Deirdra Armsby BA (Hons) Bruce Clitherow, TD, BSc MRICS Jonathan Cowie Andrew Giblin BSocSc Sarah Philbrick Catriona Simons Jane Staveley Peter B G Williams, OBE, FCA
Acquisition and Finance Committee	Andrew Giblin (Chair) David Lavarack Jonathan Cowie Fenella Edge Richard Petty Sarah Philbrick Peter Williams
Audit and Risk Committee	Jane Staveley (Chair) Richard Petty Catriona Simons Peter Williams
Remuneration and Nominations Committee	Bruce Clitherow (Chair) David Lavarack Andrew Giblin Jane Staveley
Key management personnel	Olivia Harris BSc FCA (Chief Executive) Alex Glenister BA MSc MRICS Mark Kent BA Peter Kling BCom ACMA Sam While BA MSc Octavia Williams BSc MSc MCIH

**THE DOLPHIN SQUARE CHARITABLE FOUNDATION
REFERENCE AND ADMINISTRATIVE DETAILS (Continued)**

Banker	Barclays Bank plc Level 25 1 Churchill Place London E14 5HP
Solicitors	CMS Cameron McKenna Nabarro Olswang LLP Cannon Place 78 Cannon Street London EC4N 6AF
	Stone King LLP 29 Ely Place London EC1N 6TD
	Devonshires Solicitors 30 Finsbury Circus London EC2M 7DT
Auditor	Crowe U.K. LLP St Bride's House 10 Salisbury Square London EC4Y 8EH
Investment Managers	Cazenove Capital Management 12 Moorgate London EC2R 6DA

DOLPHIN SQUARE CHARITABLE FOUNDATION

REPORT OF THE TRUSTEE FOR THE YEAR ENDED 31 MARCH 2018

The Trustee presents the annual report and audited financial statements for the year ended 31 March 2018. These financial statements reflect the results of the Charity and its subsidiaries (the "Group").

ESTABLISHMENT

The Dolphin Square Charitable Foundation (the "Charity") was first registered as a charity on 17 June 2005 under registered Charity Number 1110090. Its governing document is a Trust Deed 11 May 2005.

TRUSTEE

Dolphin Square Charitable Trustee Limited is the corporate trustee of the Charity. Its governors are as follows:

- David Lavarack, (Chair) MBA, DipFS, ACIB – Appointed as Chair 31 March 2018
- Deirdra Armsby, BA (Hons) – Appointed 21 November 2017
- Bruce Clitherow, TD, BSc, MRICS
- Andrew Giblin, BSocSc
- Sarah Philbrick
- Catriona Simons – Appointed 25 January 2018
- Jane Staveley
- Peter B G Williams, OBE, FCA
- Simon Dow CBE – Retired 31 March 2018
- Phil Jenkins BSc FRICS – Retired 26 September 2017
- Trevor Moross, BA, BSc, FRICS – Retired 31 December 2017
- Tristan Samuels, BSc PLS – Retired 9 October 2017
- Jonathan Cowie – Retired 29 June 2018

The company secretary is Olivia Harris BSc FCA.

There are four classes of membership:

- A The Dolphin Square Trust (represented by Bruce Clitherow)
- B Westminster City Council (represented by Deirdra Armsby)
- C CityWest Homes (represented by Jonathan Cowie)
- D Other Governors

The rights of the various classes of members are set out in the Memorandum and Articles but in summary are:

- A The right to nominate a governor and to veto a governor's removal.
- B The right to nominate a governor and to veto certain amendments to articles.
- C The right to nominate a governor
- D No special rights.

**THE DOLPHIN SQUARE CHARITABLE FOUNDATION
REPORT OF THE TRUSTEE
FOR THE YEAR ENDED 31 MARCH 2018 (Continued)**

STRUCTURE, GOVERNANCE AND MANAGEMENT

Dolphin Square Charitable Trustee Limited (the "Trustee") is a company limited by guarantee (number 5442737, incorporated 4 May 2005) and was formed to declare the trust and to act as trustee of the Charity.

The Charity is funded by a total of £125 million received to date in accordance with the Deed of Gift between Dolphin Square Trust Limited and the Trustee as trustee of the Charity. These monies were realised from the sale of leasehold interests held by Westminster City Council and the Dolphin Square Trust (Industrial & Provident Society: 16737R) in the Dolphin Square mansion block in Pimlico.

The Trustee holds the assets to apply the income and, at its discretion, the capital in furtherance of the objectives.

The Governors meet bi-monthly to set the strategy and policies of the Charity and monitor operational activity and financial performance. Day to day management of the work of the Charity is delegated to the Chief Executive and her team.

The Charity has committees covering areas of specialised interest: Acquisition & Finance; Audit & Risk; and, Remuneration & Nominations. These committees meet regularly and help to implement the Board's decisions and report to the main board.

From time to time new Governors are recruited, based on assessment of the Charity's business requirements. The method of recruitment, induction and appraisal of Governors is decided upon by the Board in accordance with the articles and in light of best practice within the sector. All prospective Governors are asked to attend a full meeting and, if appointed, will be inducted into the procedures of the Charity by the Chief Executive and her staff.

A number of training opportunities have been identified and Governors are encouraged to participate in those that they feel to be of use.

The former Chair of the Dolphin Square Charitable Foundation received a salary of £8,000 the remaining Governors of Dolphin Square Charitable Foundation received no remuneration during the year. Details of Governors' expenses and related party transactions are disclosed in notes 17 and 19 to the accounts. Governors are required to disclose all relevant interests and register them with the Chief Executive and in accordance with the Charity's policy withdraw from decisions where a conflict of interest arises. Several Governors are active in the affordable housing sector. The Charity's trust deed recognises the potential for conflicts of interest to occur and regulates how they are managed at Board meetings.

**THE DOLPHIN SQUARE CHARITABLE FOUNDATION
REPORT OF THE TRUSTEE
FOR THE YEAR ENDED 31 MARCH 2018 (Continued)**

SUBSIDIARIES, STRUCTURE, GOVERNANCE AND MANAGEMENT

The Charity has a number of subsidiaries including Dolphin Living Limited (Community benefit society number 32446R, regulated by the Homes and Communities Agency), Hoxton Regeneration Limited and DSF Developments Limited. A number of Governors and staff of the Charity are directors of the subsidiaries. Dolphin Living Limited also has independent directors. The subsidiaries hold regular Board meetings and directors are invited to attend committee meetings as necessary. In accordance with normal industry practice independent directors of Dolphin Living Limited receive remuneration. The only other directors to receive remuneration are the Former Chair of Dolphin Square Charitable Foundation and employees of the group.

All staff are jointly employed by the Charity and its subsidiaries. Each entity is responsible for its own direct costs. The Charity has entered into a cost sharing agreement for central costs with its subsidiaries based upon staff allocations. The Charity enters into other arms-length transactions with its subsidiaries.

OBJECTIVES AND ACTIVITIES

The Objectives of the Charity are to:

“Provide reasonable assistance in securing accommodation within the City of Westminster for individuals (and any dependants living with them) who are in need of accommodation as a result of:

- Their employment in the public or voluntary sectors or in relevant employment in the City of Westminster, having regard to the fact that such individuals could not afford to secure such accommodation on normal commercial terms; or
- Financial hardship, social or economic need, age, ill health, disability or any other need.”

The objectives define the interpretation of the terms “public sector,” “voluntary sector,” and “relevant employment.” They also describe the consultation required between the Charity and Westminster City Council regarding the determination of the needs of people living in the area and the activities of the Charity, which will meet those needs. With the consent of Westminster City Council, the Charity may secure accommodation outside of the City of Westminster.

**THE DOLPHIN SQUARE CHARITABLE FOUNDATION
REPORT OF THE TRUSTEE
FOR THE YEAR ENDED 31 MARCH 2018 (Continued)**

CHAIR'S FOREWORD

The portfolio of the Foundation has continued to grow during the year and now comprises 629 homes under management, 174 under construction and a pipeline of around 200 homes in design. We now own homes in 9 London boroughs, quite an achievement when you consider just 4 years ago we owned just 60 homes.

Our charitable object to provide homes to those who cannot afford market housing is primarily met through the provision of intermediate rental homes. These homes make up three quarters of our portfolio and the rent is on average 53% of local market rent. The homes are offered at a variety of rents, meaning we are supporting London's workers on a range of incomes and in a range of occupations.

As well as managing and developing homes a number of significant events took place during the year including the purchase of our first development site in 7 years, in Camberwell, in the London Borough of Southwark. This acquisition and the purchase of the freehold of our homes at Hopkins St, Soho means we spent a total of £26m on developments during the year. This included the completion of 29 homes in Hammersmith & Fulham which were fully let within 51 days.

To fund our development plans we also raised £25m through a Retail Charity Bond issuance, and we retained £20m of bonds for future issue. We drew down funds under the Build to Rent II facility from Homes England; a facility that has provided welcome development finance supporting our growth in recent years and which continues to provide funding for our development at Lanark Road in Westminster.

As a Board we are particularly delighted to see that one of the participants of the Westminster Home Ownership Accelerator, completed the purchase of their own (shared ownership) home during the year assisted by a grant from the scheme. We know that many of our tenants hope to remain in our homes for many years and it is this mix of needs and outcomes that the Foundation was created to support.

I take this opportunity to record my thanks to our strong executive team, lead by our Chief Executive Olivia Harris, who have all contributed to the excellent performance this year.

At the end of the year Simon Dow stood down as Chair as he took up the position of interim Chair of the Regulation Committee for Homes England. I wish to record my thanks to Simon for all he has achieved during his time as Chair of the Foundation. Simon left the Foundation and the Board in good health and in a strong position for the future. I am delighted to have taken over from him as Chair and look forward to working with the Board and executive team over the years to come.



David Lavarack

Chair

**THE DOLPHIN SQUARE CHARITABLE FOUNDATION
REPORT OF THE TRUSTEE
FOR THE YEAR ENDED 31 MARCH 2018 (Continued)**

ACHIEVEMENTS AND PERFORMANCE

Homes available to rent

The construction of our property at Gorleston St was completed during the year, bringing a further 29 homes into our portfolio, including 15 homes let to households on incomes below the Mayor's intermediate household income thresholds. Homes were let in an average of 22 days from completion, excluding 2 properties that were held back for residents of Grenfell Tower. We worked closely with Westminster City Council and Hammersmith & Fulham to make these homes available to these households. 83% of surveyed customers who moved into our new homes at Gorleston St this year were satisfied or very satisfied with the quality of their new home.

Our portfolio now comprises 629 homes for rent of which 87% are affordable housing, providing homes at an average rent of 53% of market rent whilst delivering a financial return that ensures the continued financial viability and growth of the Charity.

The majority of our affordable housing is intermediate rental homes. These homes provide stable tenancies at a range of rents affordable to households earning less than the affordable housing incomes limits set annually by the Mayor of London. Priority is given to those who can afford the rent yet earn the least and those who will most fully occupy each home. In following our charitable objects we aim to prioritise those with a Westminster connection.

Alongside our intermediate rental homes we provide a smaller number of homes at affordable and social rent that are subject to nominations by the local authority. We own and let a portfolio of homes for those in more acute housing need.

Customer survey

We carried out a comprehensive survey of our residents covering both their views on the services we offer and finding out more about our tenants. The response rate was high with 43% of residents responding. Key findings were:

- Residents are impressed with the design, quality and location of our homes.
- They like our professionalism.
- There is demand for service outside of normal working hours.
- Sitting tenants in our older properties would like to see conditions improve.
- 65% of respondents are under 40 years old, our median household income is £45,000 and 43% of respondents work in Westminster
- Around half of respondents are saving and expect to become home owners in the next 3 years.

Throughout the year we maintained 100% compliance with Health & Safety targets.

**THE DOLPHIN SQUARE CHARITABLE FOUNDATION
REPORT OF THE TRUSTEE
FOR THE YEAR ENDED 31 MARCH 2018 (Continued)**

ACHIEVEMENTS AND PERFORMANCE (Continued)

Development properties and pipeline (Continued)

We continue to be active in the market looking for opportunities to acquire sites, completed properties and existing homes. We remain committed to our Westminster beneficiaries, albeit acknowledging that in balancing costs against number of beneficiaries, we will continue to seek opportunities in areas that provide a sustainable commute to Westminster as well as making acquisitions within Westminster.

Funding

In July 2017 the Foundation raised £25m through a loan backed by Retail Charity Bonds plc. The bonds were well received by the market and the Retail Charity Bond offer closed after a day, significantly earlier than anticipated. A further £20m of bonds were retained for future issue. The proceeds will be used to fund future development opportunities.

Strategy

During the year the Board and Executive team debated the Foundation's strategy and approved a new strategy for 2018-2020. The strategy reflects the growing portfolio and the increased emphasis on our homes, whilst confirming that growth remains a priority. It sets out the character of the Foundation and provides a mandate for the Board and Executive team to move forward.

The Team

Our Executive team, led by Olivia Harris as Chief Executive, comprises 14 employees across property acquisition & development, property letting & management, and finance & management. Remuneration is reviewed annually with reference to current salaries, wage inflation and market rates. Management set remuneration for all staff except for senior management where remuneration is set by the Remuneration and Nominations Committee who also approve the overall salary expenditure. Key management personnel is made up of Olivia Harris, Alexander Glenister, Mark Kent, Peter Kling, Octavia Williams and Samuel While.

PUBLIC BENEFIT

The Charity has had regard to the guidance issued by the Charity Commission in respect of public benefit under the Charities Act 2011. The Board of Governors is keen to ensure there is an effective and appropriate balance of activity addressing the objectives of the Charity, both of which generate Public Benefit.

All of the developments undertaken by the Charity provide accommodation at rents lower than those available in an open market. This benefits those working in the City of Westminster and Greater London by reducing travel time and expense, and providing a stable tenancy with limited rental increases in a property that is managed for the benefit of the tenants. These factors improve quality of life for those working in the City of Westminster and Greater London who are not able to afford market rents.

**THE DOLPHIN SQUARE CHARITABLE FOUNDATION
REPORT OF THE TRUSTEE
FOR THE YEAR ENDED 31 MARCH 2018 (Continued)**

ACHIEVEMENTS AND PERFORMANCE (Continued)

Development properties and pipeline

In addition to our completed properties we have a development pipeline comprising 174 further homes under construction and 200 in the design process.

Construction continues at Westbourne Park Baptist Church to rebuild the church facilities and a library, with 33 affordable homes above. The church facilities comprise a 3 storey church at basement and ground floor levels, a community hall and a children's library, as well as offices and meeting rooms. Completion is scheduled for late summer 2018. Construction commenced in July 2017 at our site on Lanark Rd, in Maida Vale. In March 2018 we obtained a variation to the planning consent increasing the total number of homes by 6 to 73 of which 49 will be affordable, enabling us to retain the development as 100% build to rent. The development also provides a much needed sports hall and youth club for the local community and is due to complete in 2019.

In August 2017 we met with the residents association of the New Era estate. Since acquiring the estate in December 2014 we have undertaken essential repairs and some updating as well as surveying the estate to inform our understanding of the longer term repairs and maintenances needs of the estate. The results of this work showed that extensive repairs were necessary over the coming years, including a new roof and extensive work to the drains. Yet, even with these repairs the fabric of the estate limits the changes we could make through refurbishment. We therefore asked the residents' association to consider the option to rebuild the estate as this would enable us to provide them each with a brand new home, and an estate that included lifts, balconies, better heat and sound insulation, as well as keeping the community together. We are keen to ensure every resident can return to the rebuilt estate and their needs remain central to our plans. Alongside the residents we have continued to explore the options and to understand what is important to each household. We are in the process of drawing up plans for a new New Era estate which we will share with residents and as soon as we have details available. We are also engaging with Hackney Councillors regarding our discussions with residents and our plans.

Construction has commenced of the 68 homes we have forward purchased in Kingsland Road, Hackney. The homes are being built above a new school and the planning consent designated all as open market. On completion of the development the Charity intends to offer at least half of the homes at sub-market rents. Initially these homes will be used to accommodate residents from the New Era estate whilst we rebuild the estate.

We also acquired an industrial warehouse site in Camberwell in the borough of Southwark. The site is currently allocated for industrial land use with strong potential for a residential lead development. We hope to provide circa 100 homes at the property at a range of rents from London Living Rent upwards. We have instructed architects and a design team and are working with the local authority on proposals for the site. We are exploring more regeneration opportunities at a number of our properties.

**THE DOLPHIN SQUARE CHARITABLE FOUNDATION
REPORT OF THE TRUSTEE
FOR THE YEAR ENDED 31 MARCH 2018 (Continued)**

PUBLIC BENEFIT (Continued)

The Charity provides accommodation to those in more acute financial hardship such as the homeless in the City of Westminster. The beneficiaries are housed in accommodation in the City of Westminster which is appropriate to their needs and family composition. The Charity also invests in projects that support the homeless to obtain work and provides accommodation to the beneficiaries of the projects. The provision of accommodation is another key stability factor supporting those entering the workplace.

CHARITY CODE OF GOVERNANCE

The Charity has adopted the new Charity Code of Governance as adopted by the Charities Commission. The Charity substantively complies with the Code of Governance and aspires to adopt all of the Code.

INVESTMENT POLICY

The Charity's Treasury Policy, including its Investment Strategy for non-property assets, is continually under review by the Acquisition & Financing Committee. In accordance with the reserves policy the Committee ensures that the projected investment in properties and operating costs can be covered by readily available funds, whilst ensuring that the risks inherent in the investment portfolio are mitigated and returns are maintained. During the year investment performance has been in line with the Investment Strategy.

RESERVES POLICY

The reserves policy of the Charity is to hold sufficient liquid assets and undrawn loan facilities to meet all commitments and at least 12 months of operating costs.

The reserves of the Charity invested in liquid assets are held to provide certainty of amount, at maturity, to match the Charity's utilisation of these funds in its property development activities.

The Charity has invested reserves of £162 million in properties, working capital and liquid assets.

Included in general reserves are £0.8 million of reserves designated for the long term maintenance of the properties. A review of the life cycle costs indicates that significant expenditure from designated reserves is unlikely for 10 years as the majority of the properties owned by the Charity are new build properties. Free reserves, excluding fixed assets, long term debt and committed funds, is £19.9m million. This is in excess of our target of 12 months of operating costs as funds are held for acquisition opportunities.

**THE DOLPHIN SQUARE CHARITABLE FOUNDATION
REPORT OF THE TRUSTEE
FOR THE YEAR ENDED 31 MARCH 2018 (Continued)**

FINANCIAL REVIEW

Rental income amounted to £8 million and reflects an upward trend which we anticipate will continue in the coming year. Rental income is received from three sources; income from the tenants at our purpose built developments; income on existing stock that the Charity has acquired; and, income on properties that the Charity leases to tenants under its objective to assist those in acute housing need. Investment income in the year, including interest receivable on bank deposits was £0.6 million.

Expenditure in the year reflects a full year of the Charity and subsidiaries operating at current capacity. Net incoming resources for the Group for the year were £0.3 million. After realised and unrealised losses on investments, general reserves of £162 million were carried forward.

The Governors are satisfied that there are no material uncertainties about the Charity's ability to continue as a going concern.

We have stress tested our rent roll for falls in market rent. As only 13% of our homes are market rent we are resilient to falls in market rent: a 10% fall in market rent results in a 1.7% decrease in our rent, and a 30% fall would result in our rents being 9.8% lower overall.

BUSINESS RISK MITIGATION POLICY

The Governors are responsible for safeguarding the assets of the Charity and for ensuring that it is fully compliant with relevant regulations and best practice. They review the key risks to which the Charity is exposed at least once a year, together with the operating and financial compliance controls that have been implemented to mitigate those risks. The detailed risk register is maintained by the executive team and a strategic risk register is prepared for regular review by the Audit & Risk Committee, and annually by the Board. The Board are of the view that the formal on-going process for identifying, evaluating and managing the Charity's significant risks that has been in place for the year ending 31 March 2018 continues to be appropriate for the Charity.

The key risks identified in the most recent review by the Board, including factors that are likely to affect the financial performance or position going forward are:

- Development risks including cost overruns, delays in completion, planning and counter party risk; and,
- the risk of growth being impeded by the lack of acquisition opportunities.

**THE DOLPHIN SQUARE CHARITABLE FOUNDATION
REPORT OF THE TRUSTEE
FOR THE YEAR ENDED 31 MARCH 2018 (Continued)**

BUSINESS RISK MITIGATION POLICY (Continued)

The plans and strategies in place for mitigating those risks are set out in the risk register and include:

- oversight by the Board and sub-committees of those areas of the organisation;
- recruiting and retaining suitably qualified and experienced staff and professional advisors to oversee, advise and manage those areas of the organisation;
- regular reporting against Key Performance Indicators and budgets;
- processes for approval of acquisitions and development expenditure; and
- an outward looking approach to key areas of operation focussing on regular contact with key stakeholders and those active in the affordable housing arena.

The Board continue to identify any skills gaps. Recruitment of new Governors is focussed on acquiring the needed skills.

PLANS FOR FUTURE PERIODS

We will continue to build our portfolio of sub-market rental properties through direct development, working with developers to acquire the affordable housing element of larger schemes and through the acquisition of existing homes where suitable opportunities arise. We continue to be open to joint venture opportunities with other charitable or benevolent landowners who wish to develop their sites and lack either capital or development expertise. We currently have two such projects underway, at Westbourne Park Baptist Church and at Lanark Road. The success in these projects can be used to support future applications as a joint venture partner and we anticipate future opportunities and growth through similar joint venture opportunities.

As the residential portfolio has grown so the future plans of the Charity have expanded to include the responsibilities of being a landlord. We aim to provide an exemplary service, ensuring that our homes are regularly upgraded and the portfolio delivers its potential. Throughout all the Charity does, from design, through construction and delivery, to management, there is embedded a strong commitment to meeting our customers' needs.

We will champion the provision of sub-market rental housing as essential in central London and other high value locations.

We are following closely the emerging Build to Rent planning policies and, whilst continuing to focus on our charitable objects, are adapting our offering to fit within this framework. What sets us apart from other Build to Rent providers is our stated goal to maximise the amount of sub-market rental housing within each development. We aim to help a wide range of beneficiaries and income brackets and this is achieved particularly effectively and efficiently through our personalised rent offer at the New Era estate. We hope to expand upon this approach in coming years.

To fund future growth we aim to raise additional finance during the year.

THE DOLPHIN SQUARE CHARITABLE FOUNDATION

STATEMENT OF TRUSTEE'S RESPONSIBILITIES

The Trustee is responsible for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Law applicable to charities in England and Wales requires the Trustee to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Charity and the Group and of the Group's incoming resources and application of resources of the year. In preparing financial statements giving a true and fair view the Trustee should follow best practice and:

- select suitable accounting policies and apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards and statements of recommended practice have been followed, subject to any 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 Group will continue in operation.

The Trustee is responsible for keeping accounting records that disclose with reasonable accuracy the financial position of the Charity and the Group and enable the trustee to ensure that the financial statements comply with the Charities Act 2011 and regulations made thereunder. The Trustee is also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

On 25 June 2018, Crowe Clark Whitehill LLP changed its name to Crowe U.K. LLP. Crowe U.K. LLP has indicated its willingness to be reappointed as statutory auditor.

Approved and authorised for issue by the Trustee on 19th July 2018 and signed on its behalf



(Chair of Governors)



(Governor)

**INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE OF
THE DOLPHIN SQUARE CHARITABLE FOUNDATION
FOR THE YEAR ENDED 31 MARCH 2018**

Opinion

We have audited the financial statements of Dolphin Square Charitable Foundation for the year ended 31 March 2018 which comprise Consolidated Statement of Financial Activities, Consolidated and Charity Balance Sheet, Consolidated Cashflow Statement 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 group's and of the parent charity's affairs as at 31 March 2018 and of the group's incoming resources and application of resources, 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 Charities Act 2011.

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 group 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 trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent charity'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.

Other information

The trustees 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 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.

**INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE OF
THE DOLPHIN SQUARE CHARITABLE FOUNDATION (Continued)
FOR THE YEAR ENDED 31 MARCH 2018**

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 in relation to which the Charities (Accounts and Reports) Regulations 2008 require us to report to you if, in our opinion:

- the information given in the financial statements is inconsistent in any material respect with the trustees' report; or
- sufficient accounting records have not been kept by the parent charity; 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

Responsibilities of trustees

As explained more fully in the trustees' responsibilities statement the trustees 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 trustees 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 trustees are responsible for assessing the group's and the parent charity'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 trustees either intend to liquidate the charity or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

We have been appointed as auditor under section 151 of the Charities Act 2011 and report in accordance with the Act and relevant regulations made or having effect thereunder.

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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

**INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE OF
THE DOLPHIN SQUARE CHARITABLE FOUNDATION (Continued)
FOR THE YEAR ENDED 31 MARCH 2018**

Use of our report

This report is made solely to the charity's trustees, as a body, in accordance with Part 4 of the Charities (Accounts and Reports) Regulations 2008. Our audit work has been undertaken so that we might state to the charity's trustees 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 charity and the charity's trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Crowe U.K. LLP

Crowe U.K. LLP

Statutory Auditor

London

Date *26 July 2018*

THE DOLPHIN SQUARE CHARITABLE FOUNDATION
CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES
FOR THE YEAR ENDED 31 MARCH 2018

	Restricted	Unrestricted	Total	Total
	2018	2018	2018	2017
Note	£	£	£	£
Income and endowments from:				
Restricted Income – Grants Receivable	83,326	-	83,326	12,500,000
Charitable activities	-	7,106,768	7,106,768	4,741,919
Other trading activities	-	922,255	922,255	589,250
Investment income	-	605,811	605,811	283,361
Profit on sale of land and buildings	-	-	-	894,712
Total	83,326	8,634,834	8,718,160	19,009,242
Expenditure on:				
Raising funds				
Investment management fees	-	32,352	32,352	19,748
Property management costs	-	228,066	228,066	88,984
Charitable activities				
Housing support	3	3,836,285	3,836,285	3,251,426
Strategic development	3	850,986	850,986	884,325
Finance Costs	-	3,088,040	3,088,040	2,154,641
Total resources expended	-	8,035,729	8,035,729	6,399,124
Net incoming resources before (losses)/ gains on investments	83,326	599,105	682,431	12,610,118
Amortisation of goodwill	-	(72,728)	(72,728)	(72,728)
Net gains/(losses) on investments	-	(399,775)	(399,775)	(45,923)
Net income	83,326	126,602	209,928	12,491,467
Transfers	16	(3,314,707)	-	-
Net movement for the year	3,398,033	(3,188,105)	209,928	12,491,467
Balance brought forward at 1 April	17,384,332	144,087,680	161,472,012	148,980,545
Balance carried forward at 31 March	20,782,365	140,899,575	161,681,940	161,472,012

All amounts relate to continuing operations. All gains and losses recognised in the year are included in the Statement of Financial Activities.

The notes on pages 21 to 40 form part of the financial statements

**THE DOLPHIN SQUARE CHARITABLE FOUNDATION
CONSOLIDATED BALANCE SHEET AS AT
31 MARCH 2018**

	Note	£	2018 £	£	2017 £
FIXED ASSETS					
Goodwill	5		127,272		199,999
Freehold buildings	6		96,161,820		85,604,739
Leasehold buildings	7		72,778,194		73,112,949
Land and buildings under development	8		34,057,111		18,002,970
Tangible fixed assets	9		59,607		17,608
Investments	10		39,240,403		20,783,656
			242,424,407		197,721,921
CURRENT ASSETS					
Debtors and prepayments	11	3,035,057		2,935,988	
Cash at bank	12	18,115,185		32,613,199	
		21,150,242		35,549,187	
LIABILITIES					
Creditors: amounts falling due within one year	13	(4,261,057)		(3,879,131)	
NET CURRENT ASSETS			16,889,185		31,670,056
TOTAL ASSETS LESS CURRENT LIABILITIES			259,313,592		229,391,977
Creditors: amounts falling due after more than one year	14		(97,631,652)		(67,919,965)
NET ASSETS			161,681,940		161,472,012
Unrestricted funds			134,811,564		138,724,213
Designated funds			6,088,011		5,363,467
Total unrestricted funds			140,899,575		144,087,680
Restricted funds			20,782,365		17,384,332
TOTAL FUNDS	16		161,681,940		161,472,012

Approved and authorised for issue by the Trustee on 19 July 2018 and signed on its behalf



(Chair of Governors)

David Lavarack

(Governor)



Andrew Giblin

The notes on pages 21 to 40 form part of the financial statements

**THE DOLPHIN SQUARE CHARITABLE FOUNDATION
BALANCE SHEET AS AT
31 MARCH 2018**

	Note	£	2018 £	£	2017 £
FIXED ASSETS					
Freehold buildings	6		70,516,564		59,963,826
Leasehold buildings	7		72,778,194		73,112,949
Land and buildings under development	8		33,018,049		16,771,443
Tangible fixed assets	9		59,607		17,608
Investments	10		61,987,744		43,530,997
			<u>238,360,158</u>		<u>193,396,823</u>
CURRENT ASSETS					
Debtors and prepayments	11	7,331,439		7,954,031	
Cash at bank	12	17,223,153		31,808,402	
			<u>24,554,592</u>	<u>39,762,433</u>	
LIABILITIES					
Creditors: amounts falling due within one year	13	(1,673,043)		(3,244,354)	
NET CURRENT ASSETS			<u>22,881,549</u>		<u>36,518,079</u>
TOTAL ASSETS LESS CURRENT LIABILITIES					
			<u>261,241,707</u>		<u>229,914,902</u>
Creditors: amounts falling due after more than one year	14		(97,631,652)		(67,919,965)
NET ASSETS			<u>163,610,055</u>		<u>161,994,937</u>
Unrestricted funds			136,785,306		5,363,467
Designated funds			6,042,384		139,247,138
Total unrestricted funds			142,827,690		144,610,605
Restricted funds			20,782,365		17,384,332
TOTAL FUNDS	16		<u>163,610,055</u>		<u>161,994,937</u>

The Charity had gross income of £9,275,600 in the year and a net movement on reserves of £1,615,118.

Approved and authorised for issue by the Trustee on 19 July 2018 and signed on its behalf


(Chair of Governors)

David Lavarack

(Governor)


Andrew Giblin

The notes on pages 21 to 40 form part of the financial statements

THE DOLPHIN SQUARE CHARITABLE FOUNDATION

**CONSOLIDATED CASHFLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2018**

	Note	2018 £	2017 £
Cash flows from operating activities:			
Net cash used in operating activities	a	1,852,086	12,210,429
Cash flows from investing activities:			
Dividends, interest and rents from investments		605,810	286,625
Proceeds from the sale of property, plant and equipment		-	894,712
Purchase of property, plant and equipment		(27,647,895)	(54,972,084)
Proceeds from sale of investments		24,528,986	42,765,858
Purchase of investments		(43,385,506)	(1,006,154)
Net cash used in investing activities		(45,898,605)	(12,031,043)
Cash flows from financing activities:			
Repayments of borrowing		(148,594)	(144,205)
Cash inflows from new borrowing		29,697,099	10,544,484
Net cash provided by (used in) financing activities		29,548,505	10,400,279
Cash and cash equivalents:			
Change in the reporting period		(14,498,014)	10,579,665
Balance brought forward at 1 April 2017		32,613,199	22,033,534
Cash and cash equivalents at the end of the reporting period		18,115,185	32,613,199

Note

a. Reconciliation of cash flows from operating activities

Net income for the reporting period		156,173	12,491,467
Adjustments for:			
Depreciation charges		1,402,156	992,176
Amortisation of costs of raising finance		104,583	113,618
Losses on investments		399,775	45,923
Dividends, interest and rents from investments		(605,810)	(283,361)
Profit on the sale of fixed assets		-	(894,712)
Increase in debtors		(99,069)	(629,323)
Increase in creditors		440,522	427,022
Net cash used in operating activities		1,798,330	12,210,429

THE DOLPHIN SQUARE CHARITABLE FOUNDATION

NOTES TO THE ACCOUNTS YEAR ENDED 31 MARCH 2018

1. CHARITY INFORMATION

The Charity is registered with the Charity Commission, registration number 1110090. The registered address of the Charity is 11 Belgrave Road, London, SW1V 1RB.

2. ACCOUNTING POLICIES

(a) Going Concern

These accounts are prepared on a going concern basis. There are no material uncertainties over the Group's ability to continue as a going concern.

(b) Basis of accounting

The accounts have been prepared in accordance with the Charities SORP (FRS102) applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland, the Charities Act 2011 and UK Generally Accepted Practice, as it applies from 1 January 2015.

The accounts have been prepared to give a true and fair view and have departed from the Charities (Accounts and Reports) Regulations 2008 only to the extent required to provide a true and fair view. This departure has involved following Accounting and Reporting by Charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) issued on 16 July 2014 rather than the Accounting and Reporting by Charities: Statement of Recommended Practice effective from 1 April 2005, which has since been withdrawn.

The Charity meets the definition of a public benefit entity under FRS 102. Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy notes.

The financial statements of the Charity and its four subsidiaries are consolidated, on a line-by-line basis, to produce group financial statements. The consolidated entity is referred to as 'the Group'. Only the financial activity of the Group is shown in the consolidated statement of financial activities.

(c) Grants and donations

Grants and donations are recognised when the Charity is entitled to the income, the receipt is probable and the amount can be quantified with reasonable accuracy.

THE DOLPHIN SQUARE CHARITABLE FOUNDATION
NOTES TO THE ACCOUNTS
YEAR ENDED 31 MARCH 2018 (continued)

2. ACCOUNTING POLICIES (Continued)

(d) Rental Income

Rental income is recognised as it falls due. Rental income charged at sub market rates is recognised as income from charitable activities. All other rental income is recognised as income from other trading activities.

(e) Critical accounting judgements and key sources of estimation uncertainty

In the application of the Charity's accounting policies, which are described in this note, judgements, estimates, and assumptions are made about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying 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 on-going 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 the current and future periods.

There are no assumptions concerning the future or estimation uncertainty affecting assets and liabilities at the balance sheet date are likely to result in a material adjustment to their carrying amounts in the next financial year.

Development expenditure

Development expenditure is capitalised in accordance with the accounting policy given below. Initial capitalisation of costs is based on management's judgement that technical and economic feasibility is confirmed, usually when a development project has reached a defined milestone according to an established project management model. In determining the amounts to be capitalised management makes assumptions regarding the expected future cash generation of the assets, discount rates to be applied and the expected period of benefits.

Goodwill and intangible assets

The Group establishes a reliable estimate of the useful life of goodwill and intangible assets arising on business combinations. This estimate is based on a variety of factors such as the expected use of the acquired business, the expected usual life of the cash generating homes to which the goodwill is attributed, any legal, regulatory or contractual provisions that can limit useful life and assumptions that market participants would consider in respect of similar businesses.

(f) Investment income

Dividends and interest income are included in incoming resources on a receivable basis.

**THE DOLPHIN SQUARE CHARITABLE FOUNDATION
NOTES TO THE ACCOUNTS
YEAR ENDED 31 MARCH 2018 (continued)**

2. ACCOUNTING POLICIES (Continued)

(g) Resources expended

Expenditure is included on an accruals basis.

Costs of charitable activities comprise all the resources applied by the Charity in undertaking its work to meet its charitable objectives. Housing support costs comprise staff and overhead costs and grants payable in support of housing projects.

Grants payable are accounted for in the Statement of Financial Activities in the year in which they are authorised. Any amounts which have been authorised but which remain unpaid at the year-end are included within the current liabilities in the balance sheet.

Strategic development costs comprise staff costs, overheads and fees payable to advisers in conjunction with the development of the Charity's objects.

(h) Tangible fixed assets

All tangible assets are shown at cost less depreciation.

The Group's policy is to depreciate the properties over their expected useful life, the default for new build properties being 100 years.

Land is not depreciated.

Leasehold properties are amortised over the remainder of the lease.

Depreciation is provided at rates calculated to write off the cost or valuation of fixed assets, less their estimated residual value, over their expected useful lives.

Depreciation will be calculated on the following basis;

Office and computer equipment	33% straight line
Office improvements	20% straight line
Furniture in tenanted property	33% straight line

(i) Buildings in development

Developments are shown at cost of acquisition and spend to date after taking into account any impairment in value. No depreciation is charged on developments until such time as they are completed.

THE DOLPHIN SQUARE CHARITABLE FOUNDATION
NOTES TO THE ACCOUNTS
YEAR ENDED 31 MARCH 2018 (continued)

2. ACCOUNTING POLICIES (Continued)

(j) Investments

Fixed asset investments are stated in the balance sheet at market value where there is a readily available market price. It is the Group's policy to keep valuations up to date so that when investments are sold, no gain or loss arises. As a result, the Statement of Financial Activities includes those unrealised gains and losses arising from the revaluation of the investment portfolio throughout the year. The Statement of Financial Activities does not distinguish between the valuations adjustments relating to sales and those relating to continued holdings, as they are treated together as changes in the value of the investment portfolio.

(k) Goodwill and amortisation

Intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses.

Amortisation is charged so as to allocate the cost of intangibles less their residual values over their estimated useful lives, using the straight-line method. The intangible assets are amortised over the following useful economic lives:

Goodwill	20% straight line
----------	-------------------

(l) Pension costs

The Group contributed to a defined contribution scheme pension scheme administered by an independent company and to employees personal pension schemes. The pension costs represent the contributions payable by the Group to the schemes for the year.

(m) Lease commitments

Rental paid under operating leases is charged to income on a straight-line basis over the lease term.

(n) Business combinations

The consolidated financial statements incorporate the financial statements of the Charity and all subsidiaries. These are adjusted, where appropriate, to conform to Group accounting policies. Acquisitions are accounted for under the acquisition method and goodwill on consolidation is capitalised and written off over five years from the year of acquisition. The results of entities acquired or disposed of are included in the income and expenditure account after or up to the date that control passes respectively.

THE DOLPHIN SQUARE CHARITABLE FOUNDATION
NOTES TO THE ACCOUNTS
YEAR ENDED 31 MARCH 2018 (continued)

2. ACCOUNTING POLICIES (Continued)

(o) Financial instruments

Financial assets and liabilities are measured at fair value which is the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

At the balance sheet date, the Group held financial assets at amortised cost of £21,150,242 (2017: £26,385,154), investment assets at fair value through income and expenditure of £39,240,403 (2017: £20,783,656) and financial liabilities at amortised cost of £97,661,691 (2017: £72,674,026).

3. RESOURCES EXPENDED

	2018		2017	
	Group	Charity	Group	Charity
Charitable activities				
Housing support costs				
Staff costs	444,213	292,713	512,713	370,980
Grants payable	20,217	65,844	10,200	10,200
Direct costs	-	-	90,383	90,383
Property management	1,830,868	1,633,789	1,456,567	1,209,108
Office costs	106,233	62,909	142,171	108,488
Legal and professional fees	98,652	55,481	99,683	71,928
Support costs	9,608	9,321	23,853	17,588
Audit fees	17,009	5,009	16,892	10,862
Depreciation: buildings	1,309,485	1,229,192	898,964	819,349
	<u>3,836,285</u>	<u>3,354,258</u>	<u>3,251,426</u>	<u>2,708,886</u>

THE DOLPHIN SQUARE CHARITABLE FOUNDATION
NOTES TO THE ACCOUNTS
YEAR ENDED 31 MARCH 2018 (continued)

3. RESOURCES EXPENDED (Continued)	2018 £		2017 £	
	Group	Charity	Group	Charity
Strategic development costs				
Staff costs	511,555	377,849	529,133	462,450
Direct costs	139,458	28,890	142,314	142,314
Office costs	125,263	96,286	108,060	95,146
Legal and professional fees	54,521	36,796	81,521	62,038
Audit fees	8,265	6,465	11,988	8,352
Other	11,924	11,704	11,309	11,309
	<u>850,986</u>	<u>557,990</u>	<u>884,325</u>	<u>780,609</u>

Support costs are either directly allocated to the activity e.g. salaries, or shared pro rata between the activities e.g. premises costs.

Legal and professional fees include payments made to Crowe U.K. LLP for accountancy and tax services. These payments total £38,058 for the Group.

Grants comprise:	2018 £		2017 £	
	Group	Charity	Group	Charity
Paid in the year	20,217	65,844	10,200	10,200
	<u>20,217</u>	<u>65,844</u>	<u>10,200</u>	<u>10,200</u>

THE DOLPHIN SQUARE CHARITABLE FOUNDATION
NOTES TO THE ACCOUNTS
YEAR ENDED 31 MARCH 2018 (continued)

4.	STAFF COSTS	2018	2017
		£	£
	Gross salaries	787,312	835,099
	Employer's NI contributions	87,704	93,500
	Employer's pension contributions	40,580	27,942
		915,596	956,541
	Key management benefits	605,297	667,021

The average number of employees in the year was 14 (2017: 15). Employees are divided between housing support and strategic development, 6:8, respectively.

The number of employees whose emoluments, excluding pensions, exceeded £60,000 was:

	2018	2017
£60,000 - £69,999	1	1
£70,000 - £79,999	1	3
£80,000 - £89,999	2	1
£130,000 - £139,999	1	-
£200,000 - £209,999	-	1

Pension payments of £40,580 were made during the year in respect of thirteen of the employees (2017: £27,942).

5.	GOODWILL	Total
		£
	Cost	
	At 1 April 2017	363,639
	Additions	-
	At 31 March 2018	363,639
	Amortisation	
	At 1 April 2017	163,640
	Amortisation Charge	72,727
	At 31 March 2018	236,367
	Net Book Value	
	At 31 March 2018	127,272
	At 1 April 2017	199,999

The goodwill has arisen on the purchase of the Hoxton Holdco group and will be amortised over 5 years.

THE DOLPHIN SQUARE CHARITABLE FOUNDATION
NOTES TO THE ACCOUNTS
YEAR ENDED 31 MARCH 2018 (continued)

6. FREEHOLD LAND AND BUILDINGS: GROUP

	Land	Buildings	Total
	£	£	£
COST			
Cost at 1 April 2017	34,380,173	51,921,906	86,302,079
Additions	3,195,325	8,145,480	11,340,805
Disposal	-	-	-
Cost at 31 March 2018	37,575,498	60,067,386	97,642,884
DEPRECIATION			
Balance at 1 April 2017	-	697,341	697,341
Charge in the year	-	783,723	783,723
Disposal	-	-	-
Balance at 31 March 2018	-	1,481,064	1,481,064
Net book value at 31 March 2018	37,575,498	58,586,322	96,161,820
Net book value at 31 March 2017	34,380,173	51,224,566	85,604,739

FREEHOLD LAND AND BUILDINGS: CHARITY

	Land	Buildings	Total
	£	£	£
COST			
Cost at 1 April 2017	13,471,924	47,027,607	60,499,531
Additions	3,195,325	8,060,843	11,256,168
Disposal	-	-	-
Cost at 31 March 2018	16,667,249	55,088,450	71,755,699
DEPRECIATION			
Balance at 1 April 2017	-	535,705	535,705
Charge in the year	-	703,430	703,430
Disposal	-	-	-
Balance at 31 March 2018	-	1,239,135	1,239,135
Net book value at 31 March 2018	16,667,249	53,849,315	70,516,564
Net book value at 31 March 2017	13,471,924	46,491,902	59,963,826

THE DOLPHIN SQUARE CHARITABLE FOUNDATION
NOTES TO THE ACCOUNTS
YEAR ENDED 31 MARCH 2018 (continued)

7. LEASEHOLD BUILDINGS: GROUP AND CHARITY

	Total
	£
COST	
Cost at 1 April 2017	73,831,278
Additions	191,007
Transfers from land and buildings under development	-
Cost at 31 March 2018	74,022,285
 AMORTISATION	
Balance at 1 April 2017	718,329
Charge in the year	525,762
Balance at 31 March 2018	1,244,091
 Net book value at 31 March 2018	72,778,194
 Net book value at 31 March 2017	73,112,949

8. LAND AND BUILDINGS UNDER DEVELOPMENT: GROUP

	Land	Buildings under development	Total
	£	£	£
Cost at 1 April 2017	2,500,920	15,576,080	18,077,000
Additions	7,041,749	19,122,256	26,164,005
Completions	(2,500,920)	(7,682,974)	(10,183,894)
Cost at 31 March 2018	7,041,749	27,015,362	34,057,111

8. LAND AND BUILDINGS UNDER DEVELOPMENT: CHARITY

	Land	Buildings under development	Total
	£	£	£
Cost at 1 April 2017	2,500,920	14,270,523	16,771,443
Additions	7,041,749	19,388,751	26,430,500
Completions	(2,500,920)	(7,682,974)	(10,183,894)
Cost at 31 March 2018	7,041,749	25,976,300	33,018,049

THE DOLPHIN SQUARE CHARITABLE FOUNDATION
NOTES TO THE ACCOUNTS
YEAR ENDED 31 MARCH 2018 (continued)

9. TANGIBLE FIXED ASSETS: GROUP AND CHARITY

	Office Improvements	Furniture in properties	Computer and Office Equipment	Total
	£	£	£	£
COST				
Cost at 1 April 2017	55,641	4,176	16,510	76,327
Additions	29,354	-	32,587	61,941
Disposal	(55,641)	(3,882)	(3,735)	(63,258)
Cost at 31 March 2018	<u>29,354</u>	<u>294</u>	<u>45,362</u>	<u>75,010</u>
DEPRECIATION				
Balance at 1 April 2017	46,328	3,871	8,519	58,718
Charge in the year	11,326	256	8,361	19,943
Disposal	(55,641)	(3,882)	(3,735)	(63,258)
Balance at 31 March 2018	<u>2,013</u>	<u>245</u>	<u>13,145</u>	<u>15,403</u>
Net book value at 31 March 2018	<u>27,341</u>	<u>49</u>	<u>32,217</u>	<u>59,607</u>
Net book value at 31 March 2017	<u>9,313</u>	<u>305</u>	<u>7,991</u>	<u>17,608</u>

THE DOLPHIN SQUARE CHARITABLE FOUNDATION
NOTES TO THE ACCOUNTS
YEAR ENDED 31 MARCH 2018 (continued)

10. FIXED ASSET INVESTMENTS: GROUP

	2018 £	2017 £
Market value at 1 April 2017	-	1,045,923
Additions	14,302,861	-
Disposals	(600,000)	(1,048,249)
Unrealised losses	(399,775)	-
Realised gains	-	2,326
Market value at 31 March 2018	13,303,086	-
Cash held as an investment	25,937,317	20,783,656
Total market value at 31 March 2018	39,240,403	20,783,656
Historical cost at 31 March 2018	39,629,060	20,783,656

Market values at 31 March 2018 are analysed as:	2018 £	2017 £
Bonds	13,303,086	-
Cash	25,937,317	20,783,656
	39,240,403	20,783,656

FIXED ASSET INVESTMENTS: CHARITY

	2018 £	2017 £
Market value at 1 April 2017	22,747,341	23,793,264
Additions	14,302,861	-
Disposals	(600,000)	(1,048,249)
Unrealised losses	(399,775)	-
Realised gains	-	2,326
Market value at 31 March 2018	36,050,427	22,747,341
Cash held as an investment	25,937,316	20,783,656
Total market value at 31 March 2018	61,987,743	43,530,997
Historical cost at 31 March 2018	62,376,401	43,530,997

THE DOLPHIN SQUARE CHARITABLE FOUNDATION
NOTES TO THE ACCOUNTS
YEAR ENDED 31 MARCH 2018 (continued)

10. FIXED ASSET INVESTMENTS: CHARITY (Continued)

Market values at 31 March 2018 are analysed as:	2018	2017
	£	£
Bonds	13,303,086	-
Investment in subsidiaries	100	100
Purchase of Shares	1,345,156	1,345,156
Loans made to subsidiary	21,402,085	21,402,085
Cash	25,937,316	20,783,656
	<u>61,987,743</u>	<u>43,530,997</u>

Investments in cash and bonds are primarily held to preserve the capital to meet existing capital commitments and for appropriate property investment opportunities as they arise.

Included in the Fixed Asset Investments owned by the Charity are investments of £22,747,341 in wholly owned subsidiaries, DSF Developments Limited and Hoxton Holdco Limited, which are consolidated in the Group balance sheet.

Hoxton Holdco Limited owns the entire issued share capital of Hoxton Regeneration Limited.

Investments which individually represent more than 5% of the portfolio by market value are:

	2018	2017
	£	£
Cash	<u>25,937,316</u>	<u>20,783,656</u>

Subsidiaries

	DSF Developments Limited	Dolphin Living Limited	Hoxton Holdco Limited	Hoxton Regeneration Limited
Company Number	8327131	32446R	114787	597445
Incorporation	England	England	Jersey	England
Shareholding	100%	100%	100%	100%
	2018	2018	2018	2018
	£	£	£	£
Assets	2,891,979	12,128	20,138,363	24,122,771
Liabilities	(2,891,879)	(253,511)	(23,197,422)	(3,092,343)
Fund/net assets	100	(241,383)	(3,059,059)	21,030,428
Income	15,131,332	477,007	-	1,040,233
Expenditure	(15,128,619)	(487,281)	(860,248)	(1,151,678)
Profit/(loss)	2,714	(10,274)	(860,248)	(111,445)

THE DOLPHIN SQUARE CHARITABLE FOUNDATION
NOTES TO THE ACCOUNTS
YEAR ENDED 31 MARCH 2018 (continued)

11. DEBTORS

	2018 £		2017 £	
	Group	Charity	Group	Charity
Trade debtors	1,700	1,700	5,283	434
VAT	487,161	464,023	208,232	-
Other debtors	1,494,698	1,419,373	2,569,467	2,490,091
Prepayments	1,051,498	174,289	153,006	128,961
Intra group debts	-	5,272,054	-	5,334,545
	3,035,057	7,331,439	2,935,988	7,954,031

During the year the Charity provided funds to wholly owned subsidiaries under loan agreements and an agreement to provide support.

At the year end the amounts owed to the Charity by DSF Developments were £nil (2017: £1,018,503) under the development agreement, £87,774 (2017: £467,946) for a gift, £58,697 (2017: £73,965) for shared costs.

At the year end the amounts owed to the Charity by Hoxton Regeneration Limited were £59,234 (2017: £66,416) for shared costs, £267,850 (2017: £ Nil) for expenses including interest payable, £603,144 (2017: £581,556) for a gift, £865,074 (2017: £887,427) and £1,223,132 (2017: £1,143,964) under loan agreements. Both loan agreements have a ten year term and are repayable in seven and eight years, respectively.

At the year end the amounts owed to the Charity by Dolphin Living Limited were £248,149 (2017: £249,520) for shared costs and expenses.

At the year end the amount owed to the Charity by Hoxton Holdco Limited was £23,068,633 (2017: £22,212,831) under a loan agreement. The loan is repayable in seven years.

Amounts owed under each loan agreement incur interest at 3.5% above the base rate. No interest is charged on shared costs.

12. CASH AT BANK

An amount of £100,000 (2017: £193,458) is currently held in reserve for specific development costs.

THE DOLPHIN SQUARE CHARITABLE FOUNDATION
NOTES TO THE ACCOUNTS
YEAR ENDED 31 MARCH 2018 (continued)

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018		2017	
	£		£	
	Group	Charity	Group	Charity
Trade creditors	55,073	43,743	78,107	40,376
Development creditors	1,046,756	163,627	557,047	557,047
Social security & other taxes	26,179	24,717	29,032	27,570
VAT	-	-	-	857,127
Accruals	1,586,533	719,822	1,845,370	704,157
Development retentions	969,342	150,625	1,010,049	489,867
Loans	30,038	30,038	88,639	88,639
Intercompany creditors	-	45,412	-	260,678
Other creditors	547,136	495,059	270,887	218,893
	<u>4,261,057</u>	<u>1,673,043</u>	<u>3,879,131</u>	<u>3,244,354</u>

14. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2018		2017	
	£		£	
Amounts due:	Group	Charity	Group	Charity
One to two years	34,155	34,155	92,434	92,434
Two to five years	16,076,388	16,076,388	11,033,930	11,033,930
More than five years	81,521,109	81,521,109	56,793,601	56,793,601
	<u>97,631,652</u>	<u>97,631,652</u>	<u>67,919,965</u>	<u>67,919,965</u>

The interest rate on £53.5 million of the debt is fixed at 3.73% until 2046. The interest rate on £5 million of the debt is floating at 2.25% above Bank of England base rate until 2041. The interest rate on £15.9 million of the debt is floating at 2.2% above European Commission reference rate until 2021. The interest rate on £25 million of the debt is fixed at 4.25% until 2026.

THE DOLPHIN SQUARE CHARITABLE FOUNDATION
NOTES TO THE ACCOUNTS
YEAR ENDED 31 MARCH 2018 (continued)

15. MOVEMENT ON RESERVES: GROUP

	Balance 1 April 2017 £	Surplus/ (deficit) £	Net losses on Investments	Transfer £	Balance 31 March 2018 £
Unrestricted funds	138,724,213	535,069	(399,775)	(4,047,943)	134,811,564
Designated funds					
WHOA fund	4,964,037	(8,692)	-	292,787	5,248,132
Sinking fund	399,430	-	-	440,449	839,879
Total unrestricted funds	144,087,680	526,377	(399,775)	(3,314,707)	140,899,575
Restricted Funds	17,384,332	83,326	-	3,314,707	20,782,365
	<u>161,472,012</u>	<u>609,703</u>	<u>(399,775)</u>	<u>-</u>	<u>161,681,940</u>

MOVEMENT ON RESERVES: GROUP

	Balance 1 April 2016 £	Surplus/ (deficit) £	Net losses on Investments	Transfer £	Balance 31 March 2017 £
Unrestricted funds	148,780,249	37,390	(45,923)	(10,047,503)	138,724,213
Designated funds					
WHOA fund	-	-	-	4,964,037	4,964,037
Sinking fund	200,296	-	-	199,134	399,430
Total unrestricted funds	148,980,545	37,390	(45,923)	(4,884,332)	144,087,680
Restricted Funds	-	12,500,000	-	4,884,332	17,384,332
	<u>148,980,545</u>	<u>12,537,390</u>	<u>(45,923)</u>	<u>-</u>	<u>161,472,012</u>

MOVEMENT ON RESERVES: CHARITY

	Balance 1 April 2017 £	Surplus/ (deficit) £	Net losses on Investments	Transfer £	Balance 31 March 2018 £
Unrestricted funds	139,247,138	1,985,886	(399,775)	(4,047,943)	136,785,306
Designated funds					
WHOA fund	4,964,037	(54,319)	-	292,787	5,202,505
Sinking fund	399,430	-	-	440,449	839,879
Total unrestricted funds	144,610,605	1,931,567	(399,775)	(3,314,707)	142,827,690
Restricted Funds	17,384,332	83,326	-	3,314,707	20,782,365
	<u>161,994,937</u>	<u>2,014,893</u>	<u>(399,775)</u>	<u>-</u>	<u>163,610,055</u>

**THE DOLPHIN SQUARE CHARITABLE FOUNDATION
NOTES TO THE ACCOUNTS
YEAR ENDED 31 MARCH 2018 (continued)**

MOVEMENT ON RESERVES: CHARITY					
	Balance 1 April 2016 £	Surplus/ (deficit) £	Net losses on Investments	Transfer £	Balance 31 March 2017 £
Unrestricted funds	147,615,244	1,725,320	(45,923)	(10,047,503)	139,247,138
Designated funds					
WHOA fund	-	-	-	4,964,037	4,964,037
Sinking fund	200,296	-	-	199,134	399,430
Total unrestricted funds	147,815,540	1,725,320	(45,923)	(4,884,332)	144,610,605
Restricted Funds	-	12,500,000	-	4,884,332	17,384,332
	147,815,540	14,225,320	(45,923)	-	161,994,937

The transfer of funds from unrestricted to restricted relates to the purchase or development of homes for use in the WHOA scheme, and reflects expenditure over and above the restricted grant received. The homes, and funds, are restricted for the duration of the scheme (15 years). The expenditure of WHOA funds in the year relates to the successful payment of a grant under the scheme.

The transfer of funds from unrestricted to the designated sinking fund is for long term repair and renewal costs for both individual homes and freehold buildings. Provisions are made reflecting current best estimates of future costs and when they are likely to be incurred. For buildings owned under a long leasehold long term repair costs are paid through the service charge recognised in the income and expenditure account and are not reflected in this designated fund. No provision has been made for properties where a capital works programme is underway and the future expenditure is reflected in financial commitments.

The transfer of funds from unrestricted to the designated WHOA fund reflects the contingent liability for the payment of enhanced deposits to the participants of the scheme. The amount designated is the net present value of projected enhanced deposit payments over the duration of the scheme.

**THE DOLPHIN SQUARE CHARITABLE FOUNDATION
NOTES TO THE ACCOUNTS
YEAR ENDED 31 MARCH 2018 (continued)**

16. NET ASSETS ACROSS FUNDS: GROUP

	Restricted Funds 2018 £	Designated Funds 2018 £	Unrestricted Funds 2018 £
Fixed assets	20,782,365	-	-
Current assets	-	6,088,011	236,704,273
Liabilities	-	-	(101,892,709)
Total Funds	20,782,365	6,088,011	134,811,564

NET ASSETS ACROSS FUNDS: CHARITY

	Restricted Funds 2018 £	Designated Funds 2018 £	Unrestricted Funds 2018 £
Fixed assets	20,782,365	-	-
Assets	-	6,042,384	236,090,000
Liabilities	-	-	(99,304,694)
Total Funds	20,782,365	6,042,384	136,785,306

NET ASSETS ACROSS FUNDS: GROUP

	Restricted Funds 2017 £	Designated Funds 2017 £	Unrestricted Funds 2017 £
Fixed assets	17,384,332	-	-
Current assets	-	5,363,467	210,523,309
Liabilities	-	-	(71,799,096)
Total Funds	17,384,332	5,363,467	138,724,213

NET ASSETS ACROSS FUNDS: CHARITY

	Restricted Funds 2017 £	Designated Funds 2017 £	Unrestricted Funds 2017 £
Fixed assets	17,384,332	-	-
Assets	-	5,363,467	210,411,456
Liabilities	-	-	(71,164,318)
Total Funds	17,384,332	5,363,467	139,247,138

**THE DOLPHIN SQUARE CHARITABLE FOUNDATION
NOTES TO THE ACCOUNTS
YEAR ENDED 31 MARCH 2018 (continued)**

17. TRUSTEES' EXPENSES

The former Chair of the Dolphin Square Charitable Foundation received a salary of £8,000 the remaining Governors of Dolphin Square Charitable Foundation received no remuneration during the year. Expenses of £404 (2017: £ Nil) were reimbursed to 2 (2017: no) Governors for travel, entertaining and subsistence expenses incurred for business purposes.

18. CONTROLLING PARTY

The ultimate controlling party is the Dolphin Square Charitable Trustee Limited, which is the trustee for the Charity.

19. RELATED PARTY TRANSACTIONS

The group operates a cost sharing agreement whereby support costs are shared between the entities within the group. The employees are jointly employed by all group operating entities. The details of these and other related party transactions can be found in the investment and debtors notes above.

20. COMMITMENTS

The Charity and the Group has the following commitments payable within the year to 31 March 2018:

OPERATING LEASE: GROUP AND CHARITY	2018	2017
	£	£
Lease payments within one year	90,019	69,113
Lease payments later than one year not later than five years	180,038	207,339
	<u> </u>	<u> </u>

Amounts payable under operating leases during the year ended 31 March 2018 amounted to £77,502.

At the year end, the corporate trustee had authorised the following capital commitments for the Charity and the Group:

	2018	2018	2017	2017
	Authorised	Contracted	Authorised	Contracted
	£	£	£	£
Capital commitments	<u>25,395,177</u>	<u>25,395,177</u>	<u>35,907,383</u>	<u>35,907,383</u>

THE DOLPHIN SQUARE CHARITABLE FOUNDATION
NOTES TO THE ACCOUNTS
YEAR ENDED 31 MARCH 2018 (continued)

21. COMPARATIVE STATEMENT OF FINANCIAL ACTIVITY

	Restricted	Unrestricted	Total	
	2017	2017	2017	2016
Note	£	£	£	£
Income and endowments from:				
Restricted Income – Grants Receivable	12,500,000	-	12,500,000	
Charitable activities	-	4,741,919	4,741,919	2,240,32
Other trading activities	-	589,250	589,250	382,73
Investment income	-	283,361	283,361	405,27
Profit on sale of land and buildings	-	894,712	894,712	230,40
Total	12,500,000	6,509,242	19,009,242	3,258,74
Expenditure on:				
Raising funds				
Investment management fees	-	19,748	19,748	21,78
Property management costs	-	88,984	88,984	125,62
Charitable activities				
Housing support	3	3,251,426	3,251,426	1,738,46
Strategic development	3	884,325	884,325	906,63
Finance Costs	-	2,154,641	2,154,641	100,41
Total resources expended	-	6,399,124	6,399,124	2,892,91
Net incoming resources before (losses)/ gains on investments	12,500,000	110,118	12,610,118	365,82
Amortisation of goodwill	-	(72,728)	(72,728)	(72,72)
Net gains/(losses) on investments	-	(45,923)	(45,923)	(125,47)
Net income	12,500,000	(8,533)	12,491,467	240,34
Transfers	4,884,332	(4,884,332)	-	
Net movement for the year	17,384,332	(4,892,865)	12,491,467	167,61
Balance brought forward at 1 April	-	148,980,545	148,980,545	148,812,92
Balance carried forward at 31 March	17,384,332	144,087,680	161,472,012	148,980,54
Unrestricted Funds	-	144,087,680	144,087,680	148,980,54
Restricted Funds	17,384,332	-	17,384,332	
Balance carried forward at 31 March	17,384,332	144,087,680	161,472,012	148,980,54