

THE DOLPHIN SQUARE CHARITABLE FOUNDATION

(Registered Charity Number: 1110090)

REPORT AND ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2010

THE DOLPHIN SQUARE CHARITABLE FOUNDATION

REPORT AND ACCOUNTS

YEAR ENDED 31 MARCH 2010

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THE DOLPHIN SQUARE CHARITABLE FOUNDATION

ADMINISTRATIVE INFORMATION

Corporate Trustee: Dolphin Square Charitable Trustee Limited

Governors of Corporate Trustee: Ian J Henderson, CBE, FRICS (Chairman)
Sir Rodney G Brooke, CBE, DL
Graham M Hindes, MBA, ECIS
Catherine Longworth, BA
Trevor Moross, BA, BSc, FRICS
Colin J Redman, FRICS
Anu K Vedi, CBE, ACA, MCIH
Rosemary M Westbrook, MA
Andrew J Whitley, FCMA
Rachel E Whittaker, MBE, JP
Peter B G Williams, FCA

Investment Committee: Peter B G Williams (Chairman)
Sir Rodney Brooke
Ian J Henderson
Colin J Redman

Projects Committee: Colin J Redman (Chairman)
Ian J Henderson
Grahame M Hindes
Trevor Moross
Anu K Vedi
Andrew J Whitley

Audit Committee: Sir Rodney Brooke, (Chairman)
Andrew J Whitley
Peter B G Williams

Chief Executive: Brian A Ham BA (Hons), MPhil

Offices: 1st Floor
11 Belgrave Road
London
SW1V 1RB
Tel: 020 7931 6460
www.dolphinsquarefoundation.com

Bankers: Lloyds TSB Bank plc
Threadneedle Street
London
EC2R 8AU

Investment Adviser: A J Hutton Limited

THE DOLPHIN SQUARE CHARITABLE FOUNDATION

ADMINISTRATIVE INFORMATION CONTINUED

Solicitors:

Stone King LLP
28 Ely Place
London
EC1N 6TD

Wragge & Co LLP
55 Colmore Row
Birmingham
B3 2AS

Auditors:

PKF (UK) LLP
Farringdon Place
20 Farringdon Road
London EC1M 3AP

Investment Managers:

Cazenove Capital Management Ltd
12 Moorgate
London
EC2R 6DA

Schroders
31 Gresham Street
London
EC2V 7QA

THE DOLPHIN SQUARE CHARITABLE FOUNDATION
REPORT OF THE TRUSTEE FOR THE YEAR ENDED 31 MARCH 2010

The Trustee presents the annual report and audited financial statements for the year ended 31 March 2010.

Establishment

The Dolphin Square Charitable Foundation (the 'Charity') was first registered as a charity on 17 June 2005, Registered Charity number: 1110090. Its governing document is a Trust Deed dated 11 May 2005.

Trustee

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

- Ian J Henderson, CBE, FRICS (Chairman)
- Sir Rodney G Brooke, CBE, DL
- Grahame M Hindes, MBA, ECIS
- Catherine Longworth, BA
- Trevor Moross, BA, BSc, FRICS
- Colin J Redman, FRICS
- Anu K Vedi, CBE, ACA, MCIH
- Rosemary M Westbrook, MA
- Andrew J Whitley, FCMA
- Rachel E Whittaker, MBE, JP
- Peter B G Williams, FCA

Its company secretary is Brian A Ham.

There are four classes of membership. The Dolphin Square Trust (represented by Sir Rodney Brooke) is an 'A' member, Westminster City Council (represented by Rosemary Westbrook) is a 'B' member and CityWest Homes (represented by Andrew Whitley) is a 'C' member. All other members are 'D' members.

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

A Members

The right to nominate a governor and to veto the governor's removal.

B Members

The right to nominate a governor and to veto certain amendments to articles.

C Members

The right to nominate a governor from the Board of CityWest Homes.

D Members

No special rights.

THE DOLPHIN SQUARE CHARITABLE FOUNDATION

REPORT OF THE TRUSTEE FOR THE YEAR ENDED 31 MARCH 2010 CONTINUED

STRUCTURE, GOVERNANCE AND MANAGEMENT

Dolphin Square Charitable Trustee Limited (corporate 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 £88m received to date in accordance with the Deed of Gift between Dolphin Square Trust Limited and Dolphin Square Charitable Trustee Limited 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, overlooking the Thames.

The Trustee holds the Trust Fund to apply the income and, at its discretion, the capital of the Trust Fund in furtherance of the Objects.

The Governors meet bi-monthly to set the 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 his office team.

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 the light of best practice within the sector. However, it will generally be by open advertisement for all sector governors, the financial expert and co-opted governors, unless Westminster City Council dis-applies this requirement, in which case, it will be by personal recommendation, having regard to the potential new Governor's skills and abilities. 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 his staff.

An appropriate training programme will be designed and implemented to cater for the specific training requirements of new directors.

All Governors give of their time freely and no Governor remuneration was paid in the year. Details of Governors' expenses and related party transactions are disclosed in notes 11 and 13 to the accounts. Trustees are required to disclose all relevant interests and register them with the Chief Executive and in accordance with the Trust's policy withdraw from decisions where a conflict of interest arises. Several Governors are active in the affordable homes 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 Trust is a member of the National Housing Federation (NHF). The NHF provides much helpful information on good practice, changes in the law affecting the affordable homes sector as an authoritative lobby on behalf of the housing charities with the government and regulators.

An audit committee under the chairmanship of Sir Rodney Brooke was established in April 2010.

THE DOLPHIN SQUARE CHARITABLE FOUNDATION

REPORT OF THE TRUSTEE FOR THE YEAR ENDED 31 MARCH 2010 CONTINUED

OBJECTS

The objects 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 a 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 objects 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 the City.

REVIEW OF THE YEAR AND SIGNIFICANT ACTIVITIES

At the beginning of October 2009, Brian Ham became the Chief Executive replacing Ian Robertson who had been Acting Chief Executive. Ian remained with the Foundation until the end of November to ensure a smooth handover.

January 2010 saw the recruitment of a Development Manager, Nick Porzig and a graduate intern, Liliana Shanbhag. Personal Assistant Kelly Osborn went on maternity leave in September 2009 and was replaced on a temporary basis until January 2010 by Natasha Gilroy. Kelly returned to the office in April 2010.

The partial settling of the turbulent property market allowed the Foundation to make its first purchase of property: in November 2009 a site on Moreton Street, Pimlico was purchased for £6 million.

A financial commitment of a further £6.0 million has been made to cover the construction costs of the proposed 45 residential units on the Moreton Street site. Architects (Paul Davis & Partners) and Project Managers (Pocket) were appointed to ensure that a planning application for 45 flats was submitted in May 2010.

Contracts were also exchanged on the purchase of 7 homes in Queen's Park, W10 from Peabody Trust for an agreed price of £2.2 million. The refurbishment proposals for the Queen's Park houses were also approved by the Board of Trustees with a budget of £476,000. ECD Architects were appointed to deliver a design with a high level of sustainability.

Several other bids were made to purchase further development sites both within and close to the City of Westminster. Although these were not successful, the experience gained in going through these processes has enabled the Foundation to grow into a position where it is confident that it can purchase up to five new development sites in 2010-11. Negotiations are well advanced on these target sites and indeed Heads of Terms have been agreed on four of them. It is estimated that the purchase and construction costs for these sites will be around £20 million in the current financial year.

Negotiations and talks were also progressed with potential partners, hopefully leading to joint ventures and new opportunities to deliver the Foundation's objects.

THE DOLPHIN SQUARE CHARITABLE FOUNDATION

REPORT OF THE TRUSTEE FOR THE YEAR ENDED 31 MARCH 2010 CONTINUED

REVIEW OF THE YEAR CONTINUED

In order to ensure the delivery of public benefit through new affordable housing, the Foundation's business strategy has been reviewed and strengthened with clear operating guidelines being agreed by the Trustees. The foreseeable future will see the Foundation operating without the aid of grant from the Homes and Communities Agency. The typical housing product will be studios, 1-bedroom and 2-bedroom units, with rooms smaller than those set for social housing. These will be let on a rental basis to households earning a level of income agreed with Westminster City Council.

Future project expenditure will be monitored and reviewed by the newly-formed Audit Committee, which is comprised of three Trustees.

The Foundation will look for a financial return of as low as 3.5% on new developments. It may also produce a small amount of market level units to make developments viable.

Investment managers Cazenove and Schroders have continued to manage a large proportion of the Foundation's Endowment. This position has been overseen and managed by the Foundation's Investment Committee, which includes the Chairman and three Trustees in its membership. The investments have exceeded the benchmark of earning at least RPI + 2%.

ACHIEVEMENTS AND PERFORMANCE IN THE DELIVERY OF PUBLIC BENEFIT

The governors have had regard to the Charity Commission's general guidance on public benefit in reviewing the charity's objectives and in planning activities for the year. Against a background of median household incomes of £35,000, some 1,900 families in temporary accommodation and an intermediate affordable housing waiting list of some 1,900 households, in a near fully developed city environment, built on some of the most expensive land in the world, there is significant opportunity for the Charity to relieve hardship for key workers and those in financial or social need by the provision of affordable housing. The Foundation is now benefitting from the fall in property values over the last eighteen months which has allowed the purchase of its first site. In addition, construction costs have fallen, which should assist in the delivery by the Charity of new homes for Westminster.

The purchase of the Moreton Street site will allow the development of 45 units of accommodation and at least 38 of these will be designated for affordable housing. The rents for the affordable units have been agreed with Westminster City Council and have been set to suit those with a maximum household income of between £25,000 and £45,000, depending on the size of the property.

Talks have also taken place with the Council on future occupation of the houses in Queen's Park once their purchase has been completed in early 2010/11. It is likely that the houses will be used for homeless families or for accommodation for those with learning disabilities.

The Foundation's Grant programme ran its third annual competition and awarded grants with a total value of £387,779. The recipient organisations and their projects were as follows:

A2 Dominion

£28,500 – Advice Plus Project

Harrow Road Neighbourhood Partnership

£11,663 – Installation and updating of new community notice boards in Harrow Road and Queen's Park neighbourhoods

Hospitaller Order of St. John of God

£15,000 – Creating supported rented accommodation for homeless migrant workers – Pilot Project

THE DOLPHIN SQUARE CHARITABLE FOUNDATION

REPORT OF THE TRUSTEE FOR THE YEAR ENDED 31 MARCH 2010 CONTINUED

ACHIEVEMENTS AND PERFORMANCE IN THE DELIVERY OF PUBLIC BENEFIT CONTINUED

Look Ahead Housing and Care

£49,591 – Creating a “virtual lettings agency” to provide private sector move-on accommodation to people currently living in hostels

The Passage

£42,000 – Employment of a resettlement worker to help hostel resident’s move to intermediate accommodation

Broadway

£6,848 – Sutherland Gardening Project

The Connection at St. Martins

£38,485 – WAVE – local employer engagement

RADICLE

£24,000 – Housing advice to ease overcrowding

Westminster Citizens Advice Bureau

£33,300 – Debt/Housing advice

Centrepoint

£37,094 – Rent deposit scheme for young homeless people

WECH

£9,598 – Rent arrears/debt advice and welfare/benefits advice for residents

Depaul UK

£20,000 – Renovation of Westbourne House Hostel for homeless young people

Westminster Befriend a Family

£15,000 – Homeless Befriending Project

Crisis

£56,700 – SmartMove Year 3 – moving into private rented sector

In the previous allocations the Charity has provided a total of £853,600 to projects supporting its objects. A full review of the effectiveness of these projects and the benefits which they have produced has been commissioned and will be available in July 2010.

THE DOLPHIN SQUARE CHARITABLE FOUNDATION
REPORT OF THE TRUSTEE FOR THE YEAR ENDED 31 MARCH 2010 CONTINUED

BUSINESS RISK MITIGATION POLICY

As the Charity conducts its charitable operations, promoting and funding the provision of homes for those living or working in Westminster, it encounters four principal areas of risk:-

- Counterparty risk.
- Property development and delivery risk.
- Capital/funds and property investment risk.
- Property management risk.

The Charity's board is comprised of directors, who together have extensive experience of managing these risks and are confident that they are and will continue to be fully understood and managed. In particular, reaching this conclusion, account has been taken of the following:

- Counterparty risk – The Charity intends to operate with a core management team, which will conduct the business, using professional expertise as needed and in joint venture with business partners (in particular housing associations) of the highest repute and credit worth. Where required it will conduct appropriate procurement of counter parties with detailed evaluation processes and advice from specialist third parties as appropriate. In this way, the Charity will minimise any risk in this respect.
- Property development/delivery risk - where the Charity is acquiring or funding properties in development, it will ensure that the risks of development, such as cost overrun, delay and defective construction are borne by the developer. All other property will be professionally surveyed and valued prior to acquisition.
- Capital/funds and property investment risk. – The Charity holds substantial funds and will be investing in property. Pending allocation to property, its funds will be managed by acknowledged first-rate fund managers, currently Cazenove and Schroders, in accordance with conservative risk adverse return/growth requirements as advised by the Charity's Investment Adviser. The Charity's investment committee is satisfied that its approach will ensure that the Charity's funds are invested with minimum capital risk.
- The Charity will be investing in homes and possibly ancillary commercial or other property. Its board has determined that no investment will occur without rigorous due diligence, full professional advice and detailed appraisals and sensitivity analysis in respect of the financial consequences of owning and subsequently disposing of such property. Such disposal may be achieved by bringing in alternative professional investors, which will have carried out their own due diligence and for which the Charity will accept no responsibility.
- Management risk – The Charity's approach to fund management risk is described above. In managing property, it will contract mainly with housing associations for them to manage its property assets, their letting, maintenance and major works. This is conventional activity for the housing associations, in part regulated, for which the risks are known and can be managed with minimum exposure to the Charity.

THE DOLPHIN SQUARE CHARITABLE FOUNDATION
REPORT OF THE TRUSTEE FOR THE YEAR ENDED 31 MARCH 2010 CONTINUED

FINANCIAL REVIEW

The Charity received a further deed of gift from Dolphin Square Trust Limited of £2 million in August 2009 and total funds received from this source therefore now amount to £88 million.

A further deed of gift of £37 million is expected within the next three years.

Total investment income in the year, including interest receivable on bank deposits, was £2.4 million.

Net incoming resources for the year were £3.1 million, lower than the previous year principally because of falling returns from investments reflecting the reduction in interest rates.

After realised and unrealised losses on the investments, general reserves of £100.5 million were carried forward.

RESERVES AND INVESTMENT POLICY

The reserves of the charity are invested in a range of interest-bearing accounts and other investments, consistent with the charity's risk management strategy. The Governors appointed Schroders and Cazenove in July 2008, each with initial responsibility for £45 million of the Foundation's funds and with discretion to determine their disposition based on the requirements of the Foundation and the prevailing financial environment. The funds are currently split between short and medium-term investments which will mature at dates consistent with the Foundation's utilisation of these funds in its property investment activities.

The reserves policy is continually under review by the Investment Committee in the light of the Foundation's emerging strategy but in general the Committee ensures that the projected investment and operating costs can be covered by readily-available funds.

FUTURE PLANS

It is intended that the year 2010/11 will see the Charity continuing to achieve its objects and providing public benefit by:

- Investing in opportunities to promote housing solutions for the Charity's beneficiaries;
- Raising the Charity's profile to attract business partners to assist in meeting its Objects;
- Exploring the potential for using the Charity's resources to attract additional finance to further the Charity's Objects; and
- Placing finance with development partners and voluntary organisations in order to distribute funds for deserving projects and monitor each project's effectiveness and performance.
- Redefining the Grant Programme in order to maximise social return on investment and benefit.

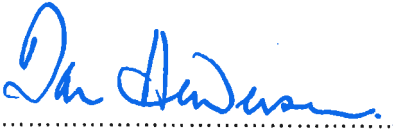
THE DOLPHIN SQUARE CHARITABLE FOUNDATION

REPORT OF THE TRUSTEE FOR THE YEAR ENDED 31 MARCH 2010 CONTINUED

AUDITORS

A resolution to reappoint PKF (UK) LLP as auditors will be put to the Trustee Board at its meeting immediately prior to the Annual General Meeting.

Approved and authorised for issue by the Trustee on 21/9/10 and signed on its behalf by:





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 & 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 of its incoming resources and application of resources of the year. In preparing financial statements giving a true and fair view the trustees should follow best practice and:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the charity SORP;
- make judgments 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 Charity will continue in operation.

The trustee is responsible for keeping accounting records that disclose with reasonable accuracy the financial position of the Charity and enable the trustee to ensure that the financial statements comply with the Charities Act 1993 and regulations made thereunder. The Trustee is also responsible for safeguarding the assets of the Charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE CORPORATE TRUSTEE OF
THE DOLPHIN SQUARE CHARITABLE FOUNDATION
FOR THE YEAR ENDED 31 MARCH 2010

We have audited the financial statements of The Dolphin Square Charitable Foundation for the year ended 31 March 2010 which comprise the statement of financial activities, the balance sheet, the cash flow statement and the related notes. The financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the charity's Corporate Trustee as a body, in accordance with regulations made under section 44 of the Charities Act 1993. Our audit work has been undertaken so that we might state to the charity's Trustee those matters we are required to state to them in an auditors' 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 Trustee as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Trustee and auditors

The Trustee's responsibilities for preparing the Trustee's annual report and the financial statements in accordance with applicable law and United Kingdom accounting standards ('United Kingdom Generally Accepted Accounting Practice') are set out in the statement of trustees' responsibilities.

We have been appointed as auditors under section 43 of the Charities Act 1993 and report in accordance with regulations made under that Act.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Charities Act 1993.

We also report to you if, in our opinion, the information given in the Trustee's annual report is not consistent with those financial statements, if the charity has not kept sufficient accounting records, if the charity's financial statements are not in agreement with those accounting records, or if we have not received all the information and explanations we require for our audit.

We read the Trustee's report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the charity's circumstances, consistently applied and adequately disclosed.

**INDEPENDENT AUDITORS' REPORT TO THE CORPORATE TRUSTEE OF
THE DOLPHIN SQUARE CHARITABLE FOUNDATION
FOR THE YEAR ENDED 31 MARCH 2010 CONTINUED**

We planned and performed our audit so as to obtain all the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the charity's affairs as at 31 March 2010 and of its incoming resources and application of resources in the year then ended; and
- have been properly prepared in accordance with the Charities Act 1993.

Paul M. C. D.

PKF (UK) LLP
Statutory auditors
London, UK

1 November 2010.

THE DOLPHIN SQUARE CHARITABLE FOUNDATION

STATEMENT OF FINANCIAL ACTIVITIES
YEAR ENDED 31 MARCH 2010

		Restricted Funds £	Unrestricted Funds £	2010 Total Funds £	2009 Total Funds £
Incoming Resources					
<i>Incoming resources from generated funds:</i>					
Deed of gift	2	-	2,000,000	2,000,000	2,000,000
Investment income		-	2,390,444	2,390,444	3,658,401
Donations		-	4,005	4,005	-
<i>Incoming resources from charitable activities:</i>					
Project income		159,875	-	159,875	-
Total incoming resources		159,875	4,394,449	4,554,324	5,658,401
Resources Expended					
Investment management fees		-	89,232	89,232	20,314
Charitable activities:					
Housing support	3	269,808	674,108	943,916	792,818
Strategic development	3	-	392,874	392,874	343,743
Governance	3	-	37,464	37,464	40,603
Total Resources Expended		269,808	1,193,678	1,463,486	1,197,478
Net (Outgoing)/Incoming Resources		(109,933)	3,200,771	3,090,838	4,460,923
Transfer between funds	10	140,000	(140,000)	-	-
Net Incoming Resources after transfers		30,067	3,060,771	3,090,838	4,460,923
Net unrealised gains/ (losses) on investments	6	-	981,419	981,419	(1,325,113)
Net movement for the year		30,067	4,042,190	4,072,257	3,135,810
Balance brought forward at 1 April		-	96,485,147	96,485,147	93,349,337
Balance carried forward at 31 March		30,067	100,527,337	100,557,404	96,485,147

All amounts relate to continuing operations.

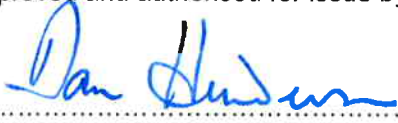
All gains and losses recognised in the year are included in the Statement of Financial Activities.

THE DOLPHIN SQUARE CHARITABLE FOUNDATION

BALANCE SHEET
AT
31 MARCH 2010

	<u>Note</u>	£	<u>2010</u>	£	<u>2009</u>	£
FIXED ASSETS						
Tangible fixed assets	5		5,434		5,857	
Investments	6		88,157,578		89,857,902	
Investment property	7		6,272,062		-	
			<hr/>		<hr/>	
			94,435,074		89,863,759	
CURRENT ASSETS						
Debtors	8	1,084,879		448,085		
Cash at bank		5,680,668		-		
Short term deposits		-		6,546,800		
		<hr/>		<hr/>		
		6,765,547		6,994,885		
CURRENT LIABILITIES						
Creditors: amounts falling due within one year	9	(643,217)		(373,497)		
		<hr/>		<hr/>		
NET CURRENT ASSETS			6,122,330		6,621,388	
			<hr/>		<hr/>	
NET ASSETS			100,557,404		96,485,147	
			<hr/> <hr/>		<hr/> <hr/>	
Represented by:-						
Restricted funds			30,067		-	
Unrestricted funds			100,527,337		96,485,147	
			<hr/>		<hr/>	
TOTAL FUNDS	10		100,557,404		96,485,147	
			<hr/> <hr/>		<hr/> <hr/>	

Approved and authorised for issue by the Trustee on 21/9/10 and signed on its behalf:


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THE DOLPHIN SQUARE CHARITABLE FOUNDATION

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2010**

	<u>Note</u>	<u>2010</u> £	<u>2009</u> £
Net cash inflow from operating activities	i	1,039,390	1,062,141
Capital expenditure			
Capital expenditure and financial investment	ii	(3,595,192)	(91,183,014)
Returns on investments and servicing of finance			
Investment income received		1,762,508	4,233,074
Cash (outflow) before use of liquid resources	iii	(793,294)	(85,887,799)
Management of liquid resources		6,546,800	85,351,811
Increase / (decrease) in cash		5,753,506	(535,988)

i. RECONCILIATION OF NET INCOMING RESOURCES TO NET CASH INFLOW FROM OPERATING ACTIVITIES

Net incoming resources for the year	3,090,838	4,460,923
Depreciation of tangible fixed assets	5,296	5,296
(Increase)/ decrease in debtors	(8,858)	5,976
Increase in creditors	342,558	248,347
Investment income receivable	(2,390,444)	(3,658,401)
Net cash inflow from operating activities	1,039,390	1,062,141

ii. CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT

Purchase of fixed assets	4,873	-
Purchase of investment property	6,272,062	-
Purchase of investments	22,956,822	68,692,644
Proceeds from the sale of investments	(16,465,984)	(2,080,000)
(Decrease) / increase in portfolio cash	(9,172,581)	24,570,370
Net cash inflow from operating activities	3,595,192	91,183,014

iii. ANALYSIS OF THE CHANGE IN NET FUNDS

	1 April 2009	Change in year	31 March 2010
Short term deposits	6,546,800	(6,546,800)	-
Cash at bank	(72,838)	5,753,506	5,680,668
	6,473,962	(793,294)	5,680,668

THE DOLPHIN SQUARE CHARITABLE FOUNDATION

NOTES TO THE ACCOUNTS
YEAR ENDED 31 MARCH 2010

1. ACCOUNTING POLICIES

(a) **Basis of Accounting**

These accounts are prepared under the historical cost convention in accordance with applicable accounting standards and comply with the Statement of Recommended Practice: 'Accounting and Reporting by Charities' issued by the Charity Commissioners for England and Wales as revised in 2005.

(b) **Grants and donations**

Grants and donations receivable are accounted for as soon as their amount and receipt are reasonably certain. Where a donor imposes time restrictions as to when the grant or donation can be spent, these amounts are carried forward in a separate restricted fund.

(c) **Investment income**

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

(d) **Resources expended**

Expenditure is included on an accruals basis. Costs of charitable activities comprise all the resources applied by the Foundation 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 current liabilities in the balance sheet.

Strategic development costs comprise staff and overhead expenses and fees payable to advisers in conjunction with the development of the charity's objects.

Governance costs comprise statutory and constitutional costs for the running of the Foundation itself as an organisation.

(e) **Tangible fixed assets**

Tangible fixed assets are stated at cost less depreciation. 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 on the following basis:

Office and computer equipment	- 33.3% straight-line
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(f) **Investment properties**

Investment properties are included in the balance sheet at open market value. In accordance with SSAP19, no depreciation has been charged on investment properties.

THE DOLPHIN SQUARE CHARITABLE FOUNDATION

NOTES TO THE ACCOUNTS YEAR ENDED 31 MARCH 2010

(g) Investments

Fixed asset investments are stated in the balance sheet at market value where there is a readily available market price. It is the Foundation'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 valuation adjustments relating to sales and those relating to continued holdings, as they are treated together as changes in the value of the investment portfolio.

RBS 5-year inflation-linked Note is shown at cost as there is no readily identifiable market price. This is considered a reasonable approach to establishing a carrying value for the Note given there is no reliable alternative valuation available.

(h) Pension costs

The charity contributed to a defined contribution pension scheme administered by an independent company. The pension costs represent the contributions payable by the charity to the scheme for the year.

(i) Funds

Restricted funds consist of monies provided by grant or donation for specific projects. Unrestricted funds consist of monies provided for general charitable activities.

(j) Lease commitments

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

2. DEED OF GIFT

Deed of gift relates to the amounts received in the year in accordance with the Deed of Gift between Dolphin Square Trust Limited and Dolphin Square Charitable Trustee Ltd as trustee of the Foundation as a result of the sale by Dolphin Square Trust and Westminster City Council of their interest in Dolphin Square.

A Letter of Wishes accompanying the Deed of Gift refers to the position of Option B tenants as beneficiaries of the Charity either on the expiry of their leases in 2034 or if they can no longer afford to pay the rent during the terms of their lease. The letter asks the Corporate Trustee to consider exercising its power so as to ensure that Option B tenants are treated as priority beneficiaries of the Charity.

THE DOLPHIN SQUARE CHARITABLE FOUNDATION

NOTES TO THE ACCOUNTS
YEAR ENDED 31 MARCH 2010

3. RESOURCES EXPENDED

	2010 £	2009 £
Charitable Activities		
<i>Housing support costs</i>		
Staff costs	149,346	133,223
Grants payable (see below)	700,753	511,411
Support costs	93,817	148,184
	<u>943,916</u>	<u>792,818</u>
<i>Strategic development costs</i>		
Staff Costs	108,615	96,890
Direct costs	216,028	139,083
Support costs	68,231	107,770
	<u>392,874</u>	<u>343,743</u>
<i>Governance costs</i>		
Administrative support costs	8,529	13,471
Staff costs	13,577	12,111
Audit fees	14,100	14,150
Other costs	1,258	871
	<u>37,464</u>	<u>40,603</u>
<i>Grants comprise:</i>		
Amounts included in prior year creditors	(238,781)	(10,500)
Bank payments	467,883	283,130
Amounts included in creditors at year end	471,651	238,781
	<u>700,753</u>	<u>511,411</u>

THE DOLPHIN SQUARE CHARITABLE FOUNDATION

NOTES TO THE ACCOUNTS
YEAR ENDED 31 MARCH 2010

4. STAFF COSTS

	2010 £	2009 £
Gross salaries	221,629	215,374
Employer's NI contributions	25,909	18,675
Employer's pension contributions	18,000	8,175
Relocation expenses	6,000	-
	<u>271,538</u>	<u>242,224</u>

The average number of employees in the year was four (2009: three).

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

	2010	2009
£60,000 - £70,000	1	-
£110,000 - £120,000	-	1

There were no pension payments during the year for the employee included in the above table (2009: £8,175).

5. TANGIBLE FIXED ASSETS

	Computer and Office equipment £
COST	
Cost at 1 April 2009	15,889
Additions	4,873
	<u>20,762</u>
Cost at 31 March 2010	
DEPRECIATION	
Balance at 1 April 2009	10,032
Charge in the year	5,296
	<u>15,328</u>
Balance at 31 March 2010	
Net book value at 31 March 2010	<u>5,434</u>
Net book value at 31 March 2009	<u>5,857</u>

THE DOLPHIN SQUARE CHARITABLE FOUNDATION

NOTES TO THE ACCOUNTS
YEAR ENDED 31 MARCH 2010

6. FIXED ASSET INVESTMENTS	2010 £	2009 £
Market value at 1 April 2009	65,287,531	-
Additions	22,956,822	68,692,644
Disposals at market value	(16,465,984)	(2,080,000)
Realised and unrealised losses gains / (losses)	981,419	(1,325,113)
	<hr/>	<hr/>
Market value at 31 March 2010	72,759,788	65,287,531
Cash held as investment	15,397,790	24,570,371
	<hr/>	<hr/>
Total market value at 31 March 2010	88,157,578	89,857,902
	<hr/> <hr/>	<hr/> <hr/>
Historical costs at 31 March 2010	88,253,301	91,117,052
	<hr/> <hr/>	<hr/> <hr/>
Market values at 31 March 2010 are analysed as:		
Bonds	32,106,659	20,832,195
RBS inflation-linked note	30,000,000	30,000,000
Hedge funds	10,653,129	14,455,336
Cash	15,397,790	24,570,371
	<hr/>	<hr/>
	88,157,578	89,857,902
	<hr/> <hr/>	<hr/> <hr/>
Investments which individually represent more than 5% of the portfolio by market value are:		
Euro Inv Bank 4.25% UK corporate bond	4,443,292	-
RBS inflation-linked note	30,000,000	30,000,000
Cazenove charity hedge fund	10,653,129	14,455,336
Cazenove Inv FD MT UK corporate bond	-	5,964,440
NED Waterschapsbk 5.37% international bond	-	3,475,123
Cash	15,397,790	24,570,371
	<hr/> <hr/>	<hr/> <hr/>

7. INVESTMENT PROPERTY

	2010 £	2009 £
At 1 April 2009	-	-
Additions at cost	6,272,062	-
	<hr/>	<hr/>
At 31 March 2010	6,272,062	-
	<hr/> <hr/>	<hr/> <hr/>

Additions during the year relate to the acquisition of Moreton Street, Pimlico. Redevelopment expenditure of about £6 million has been approved by the trustee (Note 14). The property will be revalued when redevelopment is complete, until which time the property will be carried at cost.

THE DOLPHIN SQUARE CHARITABLE FOUNDATION

NOTES TO THE ACCOUNTS
YEAR ENDED 31 MARCH 2010

8. DEBTORS

	2010 £	2009 £
Accrued interest receivable	1,074,859	446,923
Other debtors	9,395	-
Prepayments	625	1,162
	<u>1,084,879</u>	<u>448,085</u>

9. CREDITORS

	2010 £	2009 £
Bank overdraft	-	72,838
Expense creditors	26,893	39,734
Development creditors	115,336	-
Social security costs and other taxes	8,782	4,794
Grants payable	471,651	238,781
Accruals	20,555	17,350
	<u>643,217</u>	<u>373,497</u>

10. MOVEMENT ON FUNDS

	Balance 1 April 2009 £	Surplus/ (deficit) £	Transfer Between Funds £	Net Unrealised Gains £	Balance 31 March 2010 £
Restricted funds	-	(109,933)	140,000	-	30,067
Unrestricted fund	96,485,147	3,200,771	(140,000)	981,419	100,527,337
	<u>96,485,147</u>	<u>3,090,838</u>	<u>-</u>	<u>981,419</u>	<u>100,557,404</u>

Restricted funds relate to two projects which the Foundation is funding in partnership with Westminster City Council. The projects are for energy efficiency and the employment and training of residents of the City of Westminster.

The transfer between funds relate to the amount contributed by the Foundation towards the projects.

11. TRUSTEES' EXPENSES

The governors of Dolphin Square Charitable Trustee Limited received no remuneration during the year. Expenses of £367 (2009 – £421) were reimbursed to two governors for travel expenses incurred for business purposes.

12. CONTROLLING PARTY

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

THE DOLPHIN SQUARE CHARITABLE FOUNDATION

NOTES TO THE ACCOUNTS
YEAR ENDED 31 MARCH 2010

13. RELATED PARTY TRANSACTIONS

During the year, £nil (2009 - £42,000) was paid in grants as part of the Small Grants' Scheme to CityWest Homes, who have a representative (Andrew J Whitley) on the Board of Governors of Dolphin Square Charitable Trustee Limited. Andrew J Whitley declared his interest in 2009 during the selection of the Small Grants bidding process.

During the year a total of £34,500 (2009 - £113,862) was paid to Rob Consulting Limited, a company incorporated in England and Wales of which IDW Robertson, the former Acting Chief Executive, is a director and 50% shareholder. At 31 March 2010, £nil (2009 - £18,425) was outstanding. These fees were charged at market rates.

14. ANALYSIS OF NET ASSETS BETWEEN FUNDS

	Unrestricted Funds £	Restricted Funds £	Total Funds £
Fixed Assets	94,435,074	-	94,435,074
Current assets	6,735,480	30,067	6,765,547
Current Liabilities	(643,217)	-	(643,217)
	<hr/>	<hr/>	<hr/>
Net Assets	100,527,337	30,067	100,557,404
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

15. COMMITMENTS

The Foundation has the following commitments payable within the year to 31 March 2011:

	2010 £	2009 £
Operating lease on property, expiring in 2 to 5 years	23,100	-

At the year end, the corporate trustee had authorised the following capital commitments:

	2010 Authorised £	2010 Contracted for £	2009 Authorised £	2009 Contracted for £
Moreton Street	6,000,000	693,000	-	-
Queen's Park	2,676,000	60,000	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	8,676,000	753,000	-	-
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>