

THE DOLPHIN SQUARE CHARITABLE FOUNDATION

(Registered Charity Number: 1110090)

REPORT AND ACCOUNTS

FOR THE YEAR ENDING 31 MARCH 2011

THE DOLPHIN SQUARE CHARITABLE FOUNDATION

REPORT AND ACCOUNTS

YEAR ENDED 31 MARCH 2011

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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 David Lavarack Catherine Longworth, BA Trevor Moross, BA, BSc, FRICS Colin J Redman, FRICS 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 Andrew J Whitley
Audit Committee	Sir Rodney Brooke (Chairman) Andrew J Whitley Peter B G Williams
Remuneration Committee	Colin J Redman (Chairman) Sir Rodney Brooke Ian J Henderson Grahame M Hindes Rachel E Whittaker
Grants Committee	Catherine Longworth (Chairman) Rachel Whittaker Andrew Whitley
Chief Executive	Brian A Ham BA (Hons), MPhil
Offices	1 st Floor 11 Belgrave Road London SW1V 1RB Tel: 020 7931 6460 www.dolphinsquarefoundation.com

THE DOLPHIN SQUARE CHARITABLE FOUNDATION

ADMINISTRATIVE INFORMATION CONTINUED

Bankers	Lloyds TSB Bank plc Threadneedle Street London EC2R 8AU
	The Co-operative Bank 9 Prescot Street London E1 8BE
Investment Adviser	A J Hutton Limited
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 Limited 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 2011**

The Trustee presents the annual report and audited financial statements for the year ended 31 March 2011.

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
- Graham M Hindes, MBA, ECIS
- David Lavarack (appointed 7th June 2011)
- Catherine Longworth, BA
- Trevor Moross, BA, BSc, FRICS
- Colin J Redman, FRICS
- Rosemary M Westbrook, MA
- Andrew J Whitley, FCMA
- Rachel E Whittaker, MBE, JP
- Peter B G Williams, FCA

Anu K VEDI, CBE, ACA, MCIH also served as a governor until October 2011.

Its company secretary is Brian A Ham.

There are four classes of membership.

- A The Dolphin Square Trust (represented by Sir Rodney Brook)
- B Westminster City Council (represented by Rosemary Westbrook)
- C CityWest Homes (represented by Andrew Whitley)

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 from the Board of CityWest Homes.
- D No special rights.

THE DOLPHIN SQUARE CHARITABLE FOUNDATION
REPORT OF THE TRUSTEE FOR THE YEAR ENDED 31 MARCH 2011 (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 £90 million 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.

The Charity has established a number of sub committees covering areas of specialised interest; Investments, Projects, Audit and Remuneration. These sub committees meet regularly and help to implement the Board's decisions. All sub committees report up 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. 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 governors.

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 2 and 10 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 Charity 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

THE DOLPHIN SQUARE CHARITABLE FOUNDATION
REPORT OF THE TRUSTEE FOR THE YEAR ENDED 31 MARCH 2011 (Continued)

housing sector and is an authoritative lobby on behalf of the housing charities with the government and regulators.

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 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

The Charity has made significant strides in the last 12 months and is now a lot clearer about the impact it can have and the pace of development it can sustain.

Over the last 15 months it has committed to 6 projects:

1. Queens Park (Westminster) – purchase of 7 houses from Peabody Trust being refurbished as accommodation for Adults with Learning Disabilities;
2. Moreton St (Westminster) – a development site for which planning permission has now been secured, providing 39 units;
3. Lanhill Rd (Westminster) – a development site submitted for planning for 18 units
4. Lodge Rd (Westminster) – either 40 units as a stand-alone site or up to 120 if an adjacent site can be acquired ;
5. Gorleston St (Hammersmith and Fulham) – a development site shortly to be submitted for planning for 32 units; and
6. Newington Butts (Lambeth and Southwark) – a development site shortly to be submitted for planning providing 53 Intermediate units and additionally 29 Social units which are intended to be sold to a Housing Association local to the neighbourhood.

There are another two schemes for which ‘Heads of Terms’ have been agreed; a development with a Church – providing 46 units, and a building providing 78 units that forms part of the Kings Cross redevelopment.

The Charity is also on the final shortlist of 3 for the development of Trenchard House which will provide up to 105 units.

The Charity aims to conclude the schemes where terms have been agreed and will do its utmost to secure a deal on Trenchard House. It is then intended to identify and secure at least 3 more projects in 2011/12.

THE DOLPHIN SQUARE CHARITABLE FOUNDATION
REPORT OF THE TRUSTEE FOR THE YEAR ENDED 31 MARCH 2011 (Continued)

The above projects could provide up to 527 units, and if a further 3 opportunities can be identified in the coming year the Charity should be up to about 650 out of its initial 5 year target of 1000.

ACHIEVEMENTS AND PERFORMANCE IN THE DELIVERY OF PUBLIC BENEFIT

The Board of Governors are keen to ensure there is an effective and appropriate balance of activity addressing the twin objects of the Charity, both of which generate "Public Benefit". Of the first six projects referred to overleaf, five are predominately aimed at addressing the first of the two charitable objects, as these generally have a shorter "lead -in" time. All of the developments undertaken by the Foundation will provide accommodation at rents lower than those available in an open market. As we complete the buildings and let them to tenants we will monitor the benefits more fully to illustrate the "Public Benefit". We will also be working hard this year to bring proposal forward that more fully address the second of our objects.

Although the Charity did not commission any new grant projects during the year it continued to performance monitor and fund new projects that were awarded funding in 2009. These grants covered a range of community based projects which included housing and financial advice, homeless family support, hostel refurbishments, energy conservation and employability schemes. However, the most successful of the projects have been those managed by Crisis, Centrepont and Connection at St. Martins which have been concerned with developing partnerships between homeless agencies and the private rented sector. As a result a new model for helping the homeless has been established and new Government funding has enabled Crisis to roll out their programme across the country.

As the Charity has progressed on in its application of its business strategy a review of appropriateness of the Grants Programme was undertaken by the Executive and the Grants Committee. The review has initiated a new direction for the programme which from 2011/2012 will operate on a commissioning basis. Future projects which receive DSF grant funding will produce results which will directly benefit or support its development projects and the Foundation's tenants.

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

THE DOLPHIN SQUARE CHARITABLE FOUNDATION
REPORT OF THE TRUSTEE FOR THE YEAR ENDED 31 MARCH 2011 (Continued)

repute and credit worth. Where required it will conduct appropriate procurement of counterparties 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 risk-The Charity holds substantial funds and will be investing in property. Pending allocation to property, its funds will managed by acknowledged first rate fund managers, currently Cazenove and Schrodgers, in accordance with conservative risk averse 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.
- 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 a minimum exposure to the Charity.

FINANCIAL REVIEW

The Charity received a further deed of gift from Dolphin Square Trust Limited of £2 million in August 2010 and total funds received from this source now amount to £90 million.

A further deed of gift of £5 million was received in May 2011, with the balance of £28 million expected in the next two years.

When Dolphin Square was sold by Westminster City Council a company called Dolphin Square 2005 was formed to protect the welfare of the existing tenants until 2034 when the current lease expires. The Charity has a residuary interest in this company.

Total investment income in the year, including interest receivable on bank deposits was £2.2 million.

Two of the properties bought in the year generated a small amount of commercial rent.

Net incoming resources for the year were £3.3 million, slightly higher than last year despite the fall in investment income; this is largely as a result of the reduction in new grants made in the year.

After realised and unrealised losses on investments, general reserves of £103.4 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 Schrodgers and Cazenove in July 2008, each with initial responsibility for £45 million of the Foundations funds and with the discretion to determine their disposition based

**THE DOLPHIN SQUARE CHARITABLE FOUNDATION
REPORT OF THE TRUSTEE FOR THE YEAR ENDED 31 MARCH 2011 (Continued)**

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 Investments 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

The Charity is determined to carry out its aim to provide Social Housing i.e. providing homes for those who are in more acute needs. The aim is to address this as a priority in 2011. It is intended to provide some 'General Needs housing as well as working with some well-established local groups to identify projects that help those who are currently 'falling through the net'.

In these cases the Charity will work with groups who have a good track-record in providing the employment and care 'support' package. The Charity's role will be to provide the 'roof'.

On the basis of the experience over the last 15 months the future over the next 3 and 5 years can be planned with a lot more certainty.


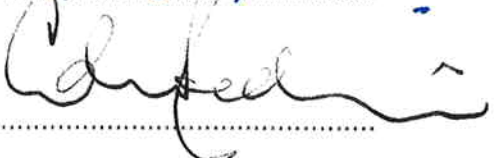
The '3 year plan' is to deliver 200 homes into the housing market by 2013.

The '5 year plan' is to deliver 500 homes in total, and to have a further 500 in the development pipeline, by 2015.

The Charity has also drafted a 10 year Financial Plan, the key financial highlights of which are as follows:

- Invest the initial £130 million endowment at an average rate of about £35 million per annum to 2014; Raise approximately £35 million of debt from 2015;
- To raise debt at a 2:1 debt : equity ratio on assets that have been created;
- Assume a net rent : interest payment cover of 125%;
- Create approximately £190m of assets to the year 2020 (at current values) against which there will be £44m of borrowings; and
- Show an annual operating surplus year on year.

Approved and authorised for issue by the Trustee on.....26 July 2011.....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 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 of its 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 charity 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 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 AUDITOR'S REPORT TO THE TRUSTEE OF
THE DOLPHIN SQUARE CHARITABLE FOUNDATION
FOR THE YEAR ENDED 31 MARCH 2011**

We have audited the financial statements of the Dolphin Square Charitable Foundation for the year ended 31 March 2011 which comprise statement of financial activities, balance sheet, cash flow statement and related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

As explained more fully in the statement of trustee's responsibilities, the trustee is responsible for the preparation of the financial statements, which give a true and fair view. We have been appointed as auditors under section 43 of the Charities Act 1993 and report in accordance with that Act. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosure in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the charity's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the financial statements. In addition, we read all the financial and non financial information in the Report and Accounts to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implication for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the charity's affairs as at 31 March 2011 and of its incoming resources and application of resources in 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 Charities Act 1993 and regulations made thereunder.

**INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE OF
THE DOLPHIN SQUARE CHARITABLE FOUNDATION
FOR THE YEAR ENDED 31 MARCH 2011 (Continued)**

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where regulations made under the Charities Act 1993 requires us to report to you if, in our opinion:

- sufficient accounting records have not been kept in respect of the charity; or
- The financial statements do not accord with the accounting records; or
- Any information contained in the financial statements is inconsistent in any material respect with the trustees report; or
- Any information or explanation to which we are entitled has not been afforded to us.

PKF (UK) LLP

PKF (UK) LLP

Statutory Auditor

London UK

10 August 2011

**THE DOLPHIN SQUARE CHARITABLE FOUNDATION
STATEMENT OF FINANCIAL ACTIVITIES
FOR YEAR ENDED 31 MARCH 2011**

	Note	Restricted Funds £	Unrestricted Funds £	2011 Total £	2010 Total £
Incoming Resources					
<i>Incoming resources from generated funds:</i>					
Deed of Gift	2	-	2,000,000	2,000,000	2,000,000
Investment Income		-	2,188,841	2,188,841	2,390,444
Donations		-	-	-	4,005
Rental income		-	94,430	94,430	-
<i>Incoming Resources from charitable activities:</i>					
Project income		-	-		159,875
Total incoming resources		<u>-</u>	<u>4,283,271</u>	<u>4,283,271</u>	<u>4,554,324</u>
Resources expended					
	3				
Investment management fees		-	145,343	145,343	89,232
Charitable Activities	3				
Housing support	3	-	145,235	145,235	943,916
Strategic development	3	-	526,094	526,094	392,874
Governance		-	130,498	130,498	37,464
Total Resources Expended		<u>-</u>	<u>947,170</u>	<u>947,170</u>	<u>1,463,486</u>
Net Incoming Resources before (losses)/ gains on investments		-	3,336,101	3,336,101	3,090,838
Net realised and unrealised (losses)/ gains on investments		-	(460,864)	(460,864)	981,419
Net movement for the year		<u>-</u>	<u>2,875,237</u>	<u>2,875,237</u>	<u>4,072,257</u>
Balances brought forward at 1 April		30,067	100,527,337	100,557,404	96,485,147
Balances carried forward at 31 March		<u>30,067</u>	<u>103,402,574</u>	<u>103,432,641</u>	<u>100,557,404</u>

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 2011**

	Note	£	2011 £	£	2010 £
FIXED ASSETS					
Freehold land and buildings under Development	5		24,694,851		6,272,062
Tangible fixed assets	6		12,168		5,434
Investments	7		<u>74,435,788</u>		<u>88,157,578</u>
			99,142,807		94,435,074
CURRENT ASSETS					
Debtors and prepayments	8	2,548,078		1,084,879	
Cash at bank		<u>2,234,483</u>		<u>5,680,668</u>	
		4,782,561		6,765,547	
CURRENT LIABILITIES					
Creditors: amounts falling due within one year	9		<u>(492,727)</u>		<u>(643,217)</u>
NET CURRENT ASSETS			4,289,834		6,122,330
NET ASSETS			<u>103,432,641</u>		<u>100,557,404</u>
Represented by:-					
Restricted funds			30,067		30,067
Unrestricted funds			103,402,574		100,527,337
TOTAL FUNDS	10		<u>103,432,641</u>		<u>100,557,404</u>

Approved and authorised for issue by the Trustee on *26 July 2011* and signed on its behalf

Paul Henderson
.....
David Fed
.....

**THE DOLPHIN SQUARE CHARITABLE FOUNDATION
CASHFLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2011**

	Note	2011 £	2010 £
Net cash (outflow) inflow from operating activities	i	(331,403)	1,039,390
Capital expenditure and financial investment	ii	(5,611,609)	(3,595,192)
Returns on investments and servicing of finance			
Investment income received		2,496,827	1,762,508
Cash (outflow) before use of liquid resources	iii	<u>(3,446,185)</u>	<u>(793,294)</u>
Management of liquid resources		-	6,546,800
(Decrease)/Increase in cash		<u>(3,446,185)</u>	<u>5,753,506</u>

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

Net incoming resources for the year	3,336,101	3,090,838
Depreciation of tangible fixed assets	9,082	5,296
(Increase)/decrease in debtors	(1,337,255)	(8,858)
(Decrease)/Increase in creditors	(150,490)	342,558
Investment Income Receivable	(2,188,841)	(2,390,444)
Net cash(outflow)/ inflow from operating activities	<u>(331,403)</u>	<u>1,039,390</u>

ii. CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT

Purchase of fixed assets	15,816	4,783
Purchase of land and buildings	18,422,789	6,272,062
Purchase of investments	12,629,835	22,956,822
Proceeds from the sale of investments	(26,090,000)	(16,465,984)
(Decrease)/increase in portfolio cash	633,169	(9,172,581)
Net cash inflow from operating activities	<u>5,611,609</u>	<u>3,595,192</u>

iii. ANALYSIS OF THE CHANGE IN NET FUNDS

	1 April 2010	Change in Year	31 March 2011
Cash at bank	<u>5,680,668</u>	<u>(3,446,185)</u>	<u>2,234,483</u>

THE DOLPHIN SQUARE CHARITABLE FOUNDATION
NOTES TO THE ACCOUNTS (Continued)
YEAR ENDED 31 MARCH 2011

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 the 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

Completed properties which are held to provide accommodation in accordance with the Foundation's objects are to be shown at their market value subject to the effect of sitting tenants. The buildings will be subject to annual revaluations. The buildings will be maintained to a high standard and as such not depreciated.

Land is not depreciated.

THE DOLPHIN SQUARE CHARITABLE FOUNDATION
NOTES TO THE ACCOUNTS (Continued)
YEAR ENDED 31 MARCH 2011

Other tangible 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.

Depreciation will be calculated on the following basis:

Office and computer equipment	33% straight line
Freehold building	-

(f) Buildings in Development

Developments are shown at cost of acquisition and spend to date. Once completed and let the property will be treated on the same basis as the other buildings used for charitable purposes. Any valuation adjustments will be made at that time.

(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 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.

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

(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.

THE DOLPHIN SQUARE CHARITABLE FOUNDATION
NOTES TO THE ACCOUNTS (Continued)
YEAR ENDED 31 MARCH 2011

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 their 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.

3. RESOURCES EXPENDED	2011	2010
	£	£
Charitable activities		
<i>Housing support costs</i>		
Staff costs	72,521	149,346
Grants payable (see below)	31,255	700,753
Support costs	41,459	93,817
	<u>145,235</u>	<u>943,916</u>
<i>Strategic development costs</i>		
Staff costs	207,303	108,615
Direct costs	215,143	216,028
Support costs	103,648	68,231
	<u>526,094</u>	<u>392,874</u>
<i>Governance costs</i>		
Administrative support costs	20,729	8,529
Staff Costs	94,465	13,577
Audit fees	13,184	14,100
Other costs	2,120	1,258
	<u>130,498</u>	<u>37,464</u>
<i>Grants comprise:</i>		
Amounts included in prior year creditors	(471,651)	(238,781)
Bank payments	363,739	467,883
Amounts included in creditors at year end	139,167	471,651
	<u>31,255</u>	<u>700,753</u>

THE DOLPHIN SQUARE CHARITABLE FOUNDATION
NOTES TO THE ACCOUNTS (Continued)
YEAR ENDED 31 MARCH 2011

4. STAFF COSTS

	2011	2010
	£	£
Gross salaries	308,923	221,629
Employer's NI contributions	34,773	25,909
Employer's pension contributions	6,000	18,000
Relocation expenses	7,000	6,000
	<u>356,696</u>	<u>271,538</u>

The average number of employees in the year was five (2010: four).

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

	2011	2010
£60,000 -£69,999	1	1
£120,000-£129,999	1	-

Pension payments of £6,000 were made during the year in respect of one of the employees (2010: nil).

5. FREEHOLD LAND AND BUILDINGS UNDER DEVELOPMENT

	Land	Buildings under Development	TOTAL
COST			
Cost at 1 April 2010	6,272,062	-	6,272,062
Additions	16,800,796	1,621,993	18,422,789
Cost at 31 March 2011	<u>23,072,858</u>	<u>1,621,993</u>	<u>24,694,851</u>
DEPRECIATION			
Balance at 1 April 2010	-	-	-
Charge in the year	-	-	-
Balance at 31 March 2011	<u>-</u>	<u>-</u>	<u>-</u>
Net book value at 31 March 2011	<u>23,072,858</u>	<u>1,621,993</u>	<u>24,694,851</u>
Net book value at 31 March 2010	<u>6,272,062</u>	<u>-</u>	<u>6,272,062</u>

THE DOLPHIN SQUARE CHARITABLE FOUNDATION
NOTES TO THE ACCOUNTS (Continued)
YEAR ENDED 31 MARCH 2011

6. TANGIBLE FIXED ASSETS

	Computer and Office Equipment £
COST	
Cost at 1 April 2010	20,762
Additions	15,816
Cost at 31 March 2011	36,578
 DEPRECIATION	
Balance at 1 April 2010	15,328
Charge in the year	9,082
Balance at 31 March 2011	24,410
 Net book value at 31 March 2011	12,168
 Net book value at 31 March 2010	5,434

7. FIXED ASSET INVESTMENTS

	2011 £	2010 £
Market value at 1 April 2010	72,759,788	65,287,531
Additions	12,991,645	22,956,822
Disposals	(26,885,740)	(16,465,984)
Realised and unrealised (losses)/gains	(460,864)	981,419
Market value at 31 March 2011	58,404,829	72,759,788
Cash held as an investment	16,030,959	15,397,790
Total market value at 31 March 2011	74,435,788	88,157,578
Historical costs at 31 March 2010	74,567,057	88,253,301
 Market values at 31 March 2011 are analysed as:		
Bonds	25,044,238	32,106,659
RBS inflation linked note	22,500,000	30,000,000
Hedge Funds	10,860,591	10,653,129
Cash	16,030,959	15,397,790
	74,435,788	88,157,578

7. INVESTMENTS (continued)

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

THE DOLPHIN SQUARE CHARITABLE FOUNDATION
NOTES TO THE ACCOUNTS (Continued)
YEAR ENDED 31 MARCH 2011

European Investment Bank 4.25% UK corporate bond	-	4,443,292
RBS Inflation linked note	22,500,000	30,000,000
Cazenove Inv FD MT absolute return trust for charity	10,860,591	10,653,129
Cash	16,030,959	15,397,790

8. DEBTORS

	2011	2010
	£	£
Trade Debtors	16,775	-
Accrued Interest receivable	1,200,803	1,074,859
VAT	1,265,740	-
Other debtors	51,709	9,395
Prepayments	13,051	625
	<u>2,548,078</u>	<u>1,084,879</u>

9. CREDITORS

	2011	2010
	£	£
Expense creditors	33,447	26,893
Development creditors	209,473	115,336
Social security and other taxes	16,565	8,782
Other creditors	9,016	-
Grants payable	139,167	471,651
Accruals	85,059	20,555
	<u>492,727</u>	<u>643,217</u>

10. MOVEMENT ON FUNDS

	Balances 1 April 2010	Surplus/ (deficit)	Net (losses)	Balances 31 March 2011
	£	£	£	£
Restricted funds	30,067	-	-	30,067
Unrestricted funds	100,527,337	3,336,101	(460,864)	103,402,574
	<u>100,557,404</u>	<u>3,336,101</u>	<u>(460,864)</u>	<u>103,432,641</u>

11. TRUSTEES' EXPENSES

The governors of Dolphin Square Charitable Foundation received no remuneration during the year. Expenses of £355 (2010- £367) were reimbursed to 3 Governors for travel expenses incurred for business purposes.

12. CONTROLLING PARTY

THE DOLPHIN SQUARE CHARITABLE FOUNDATION
NOTES TO THE ACCOUNTS (Continued)
YEAR ENDED 31 MARCH 2011

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

13. RELATED PARTY TRANSACTIONS

During the year there were no related party transactions.

14. ANALYSIS OF NET ASSETS BETWEEN FUNDS

	Unrestricted Funds	Restricted Funds	Total
	£	£	£
Fixed assets	99,142,807	-	-
Current assets	4,752,494	30,067	4,782,561
Current liabilities	(492,727)	-	(492,727)
Net Assets	<u>103,403,574</u>	<u>30,067</u>	<u>103,432,641</u>

15. COMMITMENTS

The Foundation has the following commitments payable within the year to 31 March 2012:

	2011	2010
	£	£
Operating lease on property, expiring in 2 to 5 years	<u>23,100</u>	<u>23,100</u>

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

	2011	2011	2010	2010
	Authorised	Contracted for	Authorised	Contracted for
	£	£	£	£
Moreton Street	<u>-</u>	<u>-</u>	<u>6,000,000</u>	<u>693,000</u>
Queens Park	<u>486,456</u>	<u>486,456</u>	<u>2,676,000</u>	<u>60,000</u>

The following developments have been agreed in principle by the Governors, although the exact amounts are yet to be finalised.

	2011	2010
	£	£
Moreton Street	6,200,000	-
Lanhill Road	3,550,000	-
Lodge Road	17,300,000	-
Goreleston Street	4,250,000	-
Newington Butts	12,300,000	-