

THE DORCHESTER LIMITED
DIRECTORS' REPORT AND ACCOUNTS
31ST DECEMBER, 1988

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THE DORCHESTER LIMITEDDIRECTORS' REPORT

The directors present their report together with the audited financial statements for the year ended 31st December, 1988.

RESULTS AND DIVIDENDS

The consolidated loss on ordinary activities after taxation is £10,086,789 (1987: profit £1,258,116).

The directors do not recommend the payment of a dividend (1987:£nil).

REVIEW OF THE BUSINESS AND FUTURE PROSPECTS

The group continues to own the Dorchester Hotel, Park Lane, London.

The directors announced on 17th May, 1988 the details of a major refurbishment plan for the hotel estimated to cost about £72 million. Following the announcement, the hotel undertook a progressive closure programme in October 1988 which culminated in the temporary closure of the hotel as from 23rd December, 1988.

The hotel will re-open for business in the Spring of 1990, with improved facilities to include an Oriental restaurant, night club, health club and conference facilities, improved standard of decoration in the rooms, suites and public areas and upgraded electrical and plumbing installations, kitchen equipment and staff facilities.

Generous redundancy payments were made to some 518 members of staff following the temporary closure of the hotel.

The loss for the year includes a charge of £7,711,515 in respect of direct expenses arising out of the temporary closure of the hotel. For further details refer to note 5.

With due regard to the aforementioned events, the directors consider the trading results for the year to be satisfactory.

DIRECTORS

The names of the present directors are:

M. Al Fayed
Lord Bramall (Chairman)
C. Hanbury
F.J. Klein
R. Obertelli (appointed 17th March, 1989)
A. Tanna
A. Versolato

The directors do not have any beneficial interests in the share capital of the company.

THE DORCHESTER LIMITED

DIRECTORS' REPORT
(continued)

SHARE CAPITAL

As of 29th June, 1988, the authorised share capital of the company was increased from £1,000,000 to £14,000,000.

During the year, 11,000,000 ordinary shares of £1 each were issued as fully paid in order to fund the refurbishment of the Dorchester Hotel currently owned by Dorchester Hotel Limited, a subsidiary of The Dorchester Limited. A further 2,000,000 ordinary shares of £1 each were issued as fully paid in January, 1989.

EMPLOYEE INVOLVEMENT

The board and management of The Dorchester Limited recognise the importance of good communications and industrial relations and many efforts were directed in 1988 to the furtherance of these objectives.

In addition to the formal Negotiating Committee Meetings with the recognised trade unions on pay and benefits, the company has consulted employee representatives on many issues including redundancies and pensions.

DISABLED PERSONS

The company's policy is to give fair consideration to the employment of disabled persons having regard to their particular aptitude. If any existing employee became disabled, every effort would be made to ensure continuity of employment and appropriate training would be given.

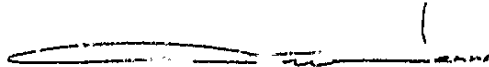
DONATIONS

During the year the group donated £1,643 (1987:£3,586) for charitable purposes. There were no political donations.

AUDITORS

A resolution for the re-appointment of Peat Marwick McLintock as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



Secretary

AUDITORS' REPORT TO THE MEMBERS OF
THE DORCHESTER LIMITED

We have audited the financial statements on pages 4 to 16 in accordance with Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group at 31st December, 1988 and of the loss and source and application of funds of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

London

16th. October, 1989

Leas Norwich Pollock
Chartered Accountants

THE DORCHESTER LIMITEDCONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST DECEMBER, 1988

| | <u>Note</u> | <u>1988</u> <u>£</u> | <u>1987</u> <u>£</u> |
|---|-------------|------------------------------|-----------------------------|
| TURNOVER | 2 | 19,696,083 | 23,630,543 |
| Cost of sales | | (12,024,643) | (12,315,569) |
| GROSS PROFIT | | <u>7,671,440</u> | <u>11,314,974</u> |
| Administrative costs | | (5,623,711) | (5,567,068) |
| OPERATING PROFIT | | <u>2,047,729</u> | <u>5,747,906</u> |
| Interest receivable | | 241,801 | 100,987 |
| Interest payable | 4 | (4,430,304) | (4,311,813) |
| Exceptional items | 5 | (7,946,015) | (213,892) |
| (LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | 6 | (10,086,789) | 1,323,188 |
| Taxation | 7 | - | (65,072) |
| (LOSS)/PROFIT FOR THE FINANCIAL YEAR | 8 | (10,086,789) | <u>1,258,116</u> |
| Deficit brought forward | | (2,838,673) | (4,096,789) |
| DEFICIT CARRIED FORWARD | | <u>(12,925,462)</u> ===== | <u>(2,838,673)</u> ===== |

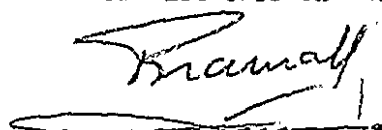
The notes on pages 8 to 16 form part of these accounts.

THE DORCHESTER LIMITED

CONSOLIDATED BALANCE SHEET AT 31ST DECEMBER, 1988

| | Note | £ | 1988 | £ | £ | 1987 | £ |
|-----------------------------|------|------------------|-------------------|---|------------------|--------------------|---|
| FIXED ASSETS | | | | | | | |
| Tangible fixed assets | 9 | | 50,706,642 | | | 51,253,809 | |
| Investments | 10 | | 193 | | | 193 | |
| | | | <u>50,706,835</u> | | | <u>51,254,002</u> | |
| CURRENT ASSETS | | | | | | | |
| Stocks | 11 | 337,179 | | | 555,306 | | |
| Debtors | 12 | 1,851,387 | | | 2,058,310 | | |
| Investments | | 18,746 | | | 15,259 | | |
| Bank and cash balances | | 4,711,182 | | | 555,876 | | |
| | | <u>6,918,494</u> | | | <u>3,184,751</u> | | |
| CREDITORS: amounts | | | | | | | |
| falling due | | | | | | | |
| within one year | 13 | (3,274,139) | | | (3,401,621) | | |
| NET CURRENT ASSETS/ | | | | | | | |
| (LIABILITIES) | | | 3,644,355 | | | (216,870) | |
| TOTAL ASSETS LESS | | | | | | | |
| CURRENT LIABILITIES | | | <u>54,351,190</u> | | | <u>51,037,132</u> | |
| CREDITORS: amounts | | | | | | | |
| falling due after | | | | | | | |
| more than one year | 14 | (55,276,652) | | | (52,875,805) | | |
| NET LIABILITIES | | | | | | | |
| | | | <u>(925,462)</u> | | | <u>(1,838,673)</u> | |
| CAPITAL AND RESERVES | | | | | | | |
| Called up share capital | 15 | 12,000,000 | | | 1,000,000 | | |
| Profit and loss account | | (12,925,462) | | | (2,838,673) | | |
| | | | <u>(925,462)</u> | | | <u>(1,838,673)</u> | |

These accounts were approved by the board
of directors on 16 OCTOBER 1989

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Directors

The notes on pages 8 to 16 form part of these accounts.

THE DORCHESTER LIMITEDBALANCE SHEET AT 31ST DECEMBER, 1988

| | <u>Note</u> | £ | <u>1988</u> | £ | £ | <u>1987</u> | £ |
|--|-------------|---------------|-------------------|---|--------------------|-------------|---|
| FIXED ASSETS | | | | | | | |
| Investments | 10 | | 19,139,920 | | | 8,139,920 | |
| CURRENT ASSETS | | | | | | | |
| Debtors | 12 | 641 | | | 462 | | |
| Investments | | 18,746 | | | 15,259 | | |
| Bank and cash balances | | 19,684 | | | 20,261 | | |
| | | <u>39,071</u> | | | <u>35,982</u> | | |
| CREDITORS: amounts falling due within one year | 13 | (1,084,086) | | | (1,084,086) | | |
| NET CURRENT LIABILITIES | | | (1,045,015) | | (1,048,104) | | |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | | <u>18,094,905</u> | | <u>7,091,816</u> | | |
| CREDITORS: amounts falling due after more than one year | 14 | | (8,336,743) | | (8,336,743) | | |
| NET ASSETS/(LIABILITIES) | | | <u>9,758,162</u> | | <u>(1,244,927)</u> | | |
| CAPITAL AND RESERVES | | | | | | | |
| Called up share capital | 15 | | 12,000,000 | | 1,000,000 | | |
| Profit and loss account | | | (2,241,838) | | (2,244,927) | | |
| | | | <u>9,758,162</u> | | <u>(1,244,927)</u> | | |

The accounts were approved by the board of directors on 16 OCTOBER 1989

F. Amall,
Directors

The notes on pages 2 to 16 form part of these accounts.

THE DORCHESTER LIMITEDCONSOLIDATED SOURCE AND APPLICATION OF FUNDS
FOR THE YEAR ENDED 31ST DECEMBER, 1988

| | £ | <u>1988</u> | £ | £ | <u>1987</u> | £ |
|---|---------------|--------------------|---|--------------------|------------------|---|
| SOURCE OF FUNDS | | | | | | |
| (Loss)/profit on ordinary activities before taxation | | (10,086,789) | | | 1,323,188 | |
| Adjustment for items not involving the movement of funds: | | | | | | |
| Depreciation | 1,100,412 | | | 1,121,653 | | |
| Loss/(profit) on disposal of fixed assets | 3,120,095 | | | (91,067) | | |
| Loss/(gain) on translation of foreign currency loan | 7,026 | | | (127,359) | | |
| Profit on disposal of investments | | <u>(913)</u> | | <u>(133)</u> | | |
| | | 4,226,620 | | | 903,094 | |
| FUNDS (ABSORBED BY)/GENERATED FROM OPERATIONS | | <u>(5,860,169)</u> | | | <u>2,226,282</u> | |
| FUNDS FROM OTHER SOURCES | | | | | | |
| Increase in share capital | 11,000,000 | | | - | | |
| Sale of tangible fixed assets | 28,694 | | | 190,785 | | |
| Loan from fellow subsidiary | 2,393,821 | | | - | | |
| Sale of stock | 16,172 | | | 10,296 | | |
| | | <u>13,438,687</u> | | <u>201,081</u> | | |
| | | <u>7,578,518</u> | | <u>2,427,363</u> | | |
| APPLICATION OF FUNDS | | | | | | |
| Additions to fixed assets | (3,702,034) | | | (1,420,036) | | |
| Purchase of investments | (18,746) | | | - | | |
| Repayment of loans | - | | | (2,247,350) | | |
| Tax paid | (57,242) | | | (76,650) | | |
| | | <u>(3,778,022)</u> | | <u>(3,744,036)</u> | | |
| | | <u>3,800,496</u> | | <u>(1,316,673)</u> | | |
| INCREASE/(DECREASE) IN WORKING CAPITAL | | | | | | |
| Stocks | (218,127) | | | 31,223 | | |
| Debtors | (206,923) | | | 106,536 | | |
| Creditors | <u>70,240</u> | | | <u>(499,811)</u> | | |
| | | (354,810) | | | 362,052 | |
| Movement in net liquid funds: | | | | | | |
| Bank and cash balances | | 4,155,306 | | | (954,621) | |
| | | <u>3,800,496</u> | | <u>(1,316,673)</u> | | |

The notes on pages 8 to 16 form part of these accounts.

THE DORCHESTER LIMITEDNOTES TO THE ACCOUNTS1. ACCOUNTING POLICIESConsolidation

The consolidated financial statements incorporate the financial statements of the company and its subsidiaries made up to the end of the financial year, and have been prepared under the historical cost rules.

Turnover

Turnover represents amounts invoiced to outside customers excluding value added tax.

Depreciation

Prior to the closure of the hotel for refurbishment it has been the group's practice to maintain freehold property, which comprises the Dorchester Hotel in a continual state of sound repair and to extend and improve it from time to time. The cost of all repairs is charged in the profit and loss account. The directors consider the residual value of the hotel building to be at least equal to its book value and accordingly no provision for depreciation is made.

The group has applied the following policy to the hotel's major refurbishment programme:

Freehold property has been reclassified as Freehold property in the course of construction. The cost of the refurbishment will be included within freehold property in the course of construction and re-allocated between plant and equipment and freehold property when the work is complete.

Plant and equipment which is to be replaced will be written off.

Fixed assets will be carried at cost to the group subject to a professional valuation which the group proposes will be undertaken as at 31st December, 1990.

The cost of long leasehold property is written off in equal annual instalments over the period of the leases.

Depreciation is provided to write off the cost of all other tangible fixed assets over their expected useful lives in equal annual instalments at the following rates:

| | |
|-----------------------------|--------------|
| Long leasehold improvements | - 25% |
| Plant and equipment | - 10% to 20% |
| Motor vehicles | - 25% |

Stocks

Stocks are valued at the lower of cost and net realisable value. Cost is calculated using the average purchase price method.

THE DORCHESTER LIMITEDNOTES TO THE ACCOUNTS1. ACCOUNTING POLICIES (continued)Foreign currency

Transactions denominated in foreign currencies are translated into sterling and recorded at the rate of exchange ruling at the date of the transaction. Balances denominated in a foreign currency are translated into sterling at the exchange rate ruling on the balance sheet date.

Deferred taxation

Provision is made for deferred taxation expected to become payable in the foreseeable future using the liability method.

2. TURNOVER AND PROFIT

All the group's turnover and profit on ordinary activities before taxation is derived from the operation of the Dorchester Hotel, London and therefore arose within the United Kingdom.

3. DIRECTORS AND EMPLOYEES

(a) Excluding pension contributions, the emoluments of the chairman were £21,454 (1987:£10,000); the emoluments of the highest paid director were £71,938 (1987:£46,343); the emoluments of the other directors were within the following ranges:

| | <u>1988</u> | <u>1987</u> |
|-------------------|-------------|-------------|
| £nil | 1 | 3 |
| £1 - £ 5,000 | 2 | - |
| £10,001 - £15,000 | - | 1 |
| £25,001 - £30,000 | 1 | - |
| £30,001 - £35,000 | - | 1 |
| | === | === |

(b) The number of employees whose emoluments, excluding pension contributions, fell within the following range were:

| | <u>1988</u> | <u>1987</u> |
|-------------------|-------------|-------------|
| £35,001 - £40,000 | 2 | 1 |
| £40,001 - £45,000 | 1 | 3 |
| £55,001 - £60,000 | 1 | - |
| £60,001 - £65,000 | 2 | - |
| £70,001 - £75,000 | 1 | - |
| | === | === |

(c) The average number of persons employed by the group during the year was 569 (1987:580).

(d) The aggregate remuneration of all employees of the group comprised:

| | <u>1988</u> | <u>1987</u> |
|-----------------------|------------------|------------------|
| | £ | £ |
| Wages and salaries | 7,337,570 | 6,756,676 |
| Social security costs | 587,826 | 528,893 |
| Other pension costs | 346,812 | 317,638 |
| | <u>8,272,208</u> | <u>7,603,207</u> |

THE DORCHESTER LIMITEDNOTES TO THE ACCOUNTS4. INTEREST PAYABLE

| | <u>1988</u> £ | <u>1987</u> £ |
|---|---------------------------|---------------------------|
| Interest payable on bank and other borrowings repayable within five years | 1,173 | 1,085 |
| Interest payable to fellow subsidiary company | 4,429,131 | 4,310,728 |
| | <u>4,430,304</u> ===== | <u>4,311,813</u> ===== |

5. EXCEPTIONAL ITEM

| | <u>1988</u> £ | <u>1987</u> £ |
|---|---------------------------|-------------------------|
| Profit on disposal of long leasehold properties | - | (93,563) |
| Additional provisions made as a result of a reassessment of employees' remuneration package (see note 17) | 177,000 | 307,455 |
| Ex gratia payment to former employee | 57,500 | - |
| Expenses attributable to temporary closure of hotel: | | |
| Redundancy payments | 4,017,361 | - |
| Disposal of fixed assets | 3,133,964 | - |
| Other | 560,190 | - |
| | <u>7,946,015</u> ===== | <u>213,892</u> ===== |

6. (LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The (loss)/profit on ordinary activities before taxation is stated after charging/(crediting) the following:

| | <u>Note</u> | <u>1988</u> £ | <u>1987</u> £ |
|--|-------------|---------------------------|---------------------------|
| Depreciation | | 1,100,412 | 1,121,653 |
| Auditors' remuneration | | 19,800 | 22,700 |
| Hire of plant and machinery | | 132,386 | 92,587 |
| Foreign exchange losses/(gains) on loans | | 6,820 | (127,359) |
| Directors emoluments | 3 | 129,777 | 98,247 |
| Employment costs | 3 | 8,142,431 | 7,504,960 |
| | | <u>8,421,626</u> ===== | <u>8,752,890</u> ===== |

THE DORCHESTER LIMITEDNOTES TO THE ACCOUNTS7. TAXATION

| | <u>1988</u> £ | <u>1987</u> £ |
|---|------------------|------------------|
| Taxation based on the results for the year of the company and its subsidiaries: | | |
| Corporation tax at 35% (1987: 35%) | - | - |
| Underprovision in previous year | - | 65,072 |
| | <u>-</u> | <u>65,072</u> |
| | ===== | ===== |

No provision has been made for deferred taxation. The full potential liability to deferred taxation is as follows:

| | <u>1988</u> Amount provided £'000 | Full potential liability/ (asset) £'000 | <u>1987</u> Amount provided £'000 | Full potential liability/ (asset) £'000 |
|--------------------------------|--|---|--|---|
| Accelerated capital allowances | 1,215 | 1,215 | 1,721 | 1,721 |
| Short term timing differences | (1,215) | (3,309) | (1,721) | (2,473) |
| | <u>-</u> | <u>(2,094)</u> | <u>-</u> | <u>(752)</u> |
| | ===== | ===== | ===== | ===== |

8. (LOSS)/PROFIT FOR THE FINANCIAL YEAR

A profit for the financial year after taxation dealt with within the accounts of the parent company amounted to £3,089 (1987:£1,616). A separate profit and loss account for the company is not presented.

THE DORCHESTER LIMITEDNOTES TO THE ACCOUNTS9. TANGIBLE FIXED ASSETS

| <u>Group</u> | <u>Freehold property £</u> | <u>Long leasehold property £</u> | <u>Plant equipment and vehicles £</u> | <u>Freehold property in the course of construction £</u> | <u>Total £</u> |
|------------------------|------------------------------------|--|---|--|--------------------|
| Cost or valuation: | | | | | |
| At 1st January, 1988 | 46,292,995 | 181,209 | 6,819,250 | 1,144,189 | 54,437,643 |
| Additions | - | - | 206,338 | 3,495,696 | 3,702,034 |
| Transfers | (45,488,093) | - | 149,290 | 45,338,803 | - |
| Disposals | (804,902) | - | (6,169,227) | - | (6,974,129) |
| At 31st December, 1988 | - | 181,209 | 1,005,651 | 49,978,688 | 51,165,548 |
| Depreciation: | | | | | |
| At 1st January, 1988 | - | 106 | 3,183,728 | - | 3,183,834 |
| Charge for the year | - | 1,715 | 1,098,697 | - | 1,100,412 |
| Disposals | - | - | (3,825,340) | - | (3,825,340) |
| At 31st December, 1988 | - | 1,821 | 457,085 | - | 458,906 |
| Net book value: | | | | | |
| At 31st December, 1988 | - | 179,388 | 548,566 | 49,978,688 | 50,706,642 |
| At 31st December, 1987 | 46,292,995 | 181,103 | 3,635,522 | 1,144,189 | 51,253,809 |

In July 1984, the Dorchester Hotel was revalued to £45m which approximates to the amount arrived at by a valuation of the hotel by Pannell Kerr Forster Associates calculated on an open market value basis having regard to the trading potential of the property. Subsequent additions to freehold property are included at cost.

The net book value of fixed assets at 31st December, 1988 using the historical cost basis unadjusted by revaluations would be as follows:

| | <u>Freehold property £</u> | <u>Long leasehold property £</u> | <u>Plant equipment and vehicles £</u> | <u>Property in the course of construction £</u> | <u>Total £</u> |
|---------------------|------------------------------------|--|---|---|--------------------|
| Net book value: | | | | | |
| 31st December, 1988 | - | 179,388 | 548,566 | 17,987,396 | 18,715,350 |
| 31st December, 1987 | 14,301,703 | 181,103 | 3,635,522 | 1,144,189 | 19,262,517 |

A tax liability of approximately £10.4 million could arise if the freehold property were disposed of at its book value. However, since there is no intention to dispose of the property, this liability is unlikely to arise and no provision has been made in these accounts.

Company

The company has no tangible fixed assets.

THE DORCHESTER LIMITEDNOTES TO THE ACCOUNTS10. INVESTMENTS

| <u>Cost</u> | <u>Group</u> £ | <u>Company</u> £ |
|----------------------------------|-------------------|---------------------|
| Investment in subsidiary company | - | 19,139,920 |
| Other investments: | | |
| Unquoted shares | 193 | - |
| | <u>193</u> | <u>19,139,920</u> |

The company's subsidiaries are:

| <u>Company name</u> | <u>Country of incorporation</u> | <u>Shares and proportion held</u> |
|--|-------------------------------------|---------------------------------------|
| Dorchester Hotel Limited | United Kingdom | Ordinary shares 100% |
| Pageguide Limited | United Kingdom | Ordinary shares 100% |
| | | Preference shares 100% |
| Dorchester Jewellers Limited | United Kingdom | Ordinary shares 100% |
| New London Dorchester Jewellers Limited | United Kingdom | Ordinary shares 100% |

11. STOCKS

| <u>Group</u> | <u>1988</u> £ | <u>1987</u> £ |
|-------------------|------------------|------------------|
| Food and beverage | 101,168 | 283,859 |
| Consumable stock | 236,011 | 271,447 |
| | <u>337,179</u> | <u>555,306</u> |

Company

The company has no stocks.

THE DORCHESTER LIMITEDNOTES TO THE ACCOUNTS12. DEBTORSGroup

| | <u>1988</u> £ | <u>1987</u> £ |
|--------------------------------|------------------|------------------|
| Trade debtors | 1,328,105 | 1,786,358 |
| Other debtors | 122,005 | 114,046 |
| Prepayments and accrued income | 401,277 | 157,906 |
| | <u>1,851,387</u> | <u>2,058,310</u> |
| | ===== | ===== |

Company

| | | |
|--------------------------------|------------|------------|
| Prepayments and accrued income | 641 | 462 |
| | <u>641</u> | <u>462</u> |
| | ===== | ===== |

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEARGroup

| | <u>1988</u> £ | <u>1987</u> £ |
|---|------------------|------------------|
| Trade creditors | 928,637 | 1,477,876 |
| Other creditors including taxation and social security | 1,613,639 | 1,738,013 |
| Accruals and deferred income | 731,863 | 185,732 |
| | <u>3,274,139</u> | <u>3,401,621</u> |
| | ===== | ===== |

Other creditors including taxation and social security:

| | | |
|-----------------|------------------|------------------|
| Other taxation | 627,069 | 920,865 |
| Social security | 189,104 | 98,589 |
| Other creditors | 797,466 | 718,559 |
| | <u>1,613,639</u> | <u>1,738,013</u> |
| | ===== | ===== |

Company

| | £ | £ |
|------------------------------------|------------------|------------------|
| Trade creditors | 1,000 | 1,000 |
| Amounts owed to subsidiary company | 1,083,086 | 1,083,086 |
| | <u>1,084,086</u> | <u>1,084,086</u> |
| | ===== | ===== |

THE DORCHESTER LIMITEDNOTES TO THE ACCOUNTS14. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

Loans at 31st December, 1988 were as follows:

| <u>Group</u> | <u>1988</u> £ | <u>1987</u> £ |
|--|-------------------|-------------------|
| Subordinated loan from holding company (unsecured) | 8,336,743 | 8,336,743 |
| Loans from fellow subsidiary (unsecured) | 46,939,909 | 44,539,062 |
| | <u>55,276,652</u> | <u>52,875,805</u> |
| | ===== | ===== |

Company

| | | |
|--|------------------|------------------|
| Subordinated loan from holding company (unsecured) | <u>8,336,743</u> | <u>8,336,743</u> |
| | ===== | ===== |

The subordinated loan from the holding company is interest free and is not repayable before 1995.

Loans from the follow subsidiaries are at the following interest rates:

| | <u>1988</u> £ | <u>1987</u> £ |
|------------------|-------------------|-------------------|
| Floating rate | 32,000,000 | 32,000,000 |
| 9% fixed | 4,960,000 | 4,960,000 |
| 13% fixed | 514,294 | 507,268 |
| | <u>37,474,924</u> | <u>37,467,268</u> |
| Accrued interest | 9,465,615 | 7,071,794 |
| | <u>46,939,909</u> | <u>44,539,062</u> |
| | ===== | ===== |

The interest on the floating rate loan of £32,000,000 is related to prevailing market rates. At 31st December, 1988, the interest rate on this loan was 15.125% (1987:10.625%).

No interest is charged on the accrued interest.

THE DORCHESTER LIMITEDNOTES TO THE ACCOUNTS15. CALLED UP SHARE CAPITAL

| | <u>1988</u> £ | <u>1987</u> £ |
|----------------------------|---------------------|--------------------|
| Authorised: | | |
| Ordinary shares of £1 each | 14,000,000 ===== | 1,000,000 ===== |

At the AGM held on 29th June, 1988 the authorised share capital of the company was increased to 14,000,000 ordinary shares of £1 each.

Allotted and fully paid:

| | | |
|----------------------------|---------------------|--------------------|
| Ordinary shares of £1 each | 12,000,000 ===== | 1,000,000 ===== |
|----------------------------|---------------------|--------------------|

A further 2,000,000 ordinary shares of £1 each were issued fully paid in January 1989.

16. CAPITAL COMMITMENTSGroup

| | <u>1988</u> £ | <u>1987</u> £ |
|-------------------------------|---------------------|------------------|
| Contracted but not provided | 11,092,221 ===== | 35,101 ===== |
| Authorised but not contracted | 51,653,454 ===== | 629,400 ===== |

Company

The company has no capital commitments.

17. PENSION SCHEME

The group operates a pension scheme covering certain employees. Contributions to the fund, which are charged against profit, are based upon actuarial advice, following the most recent valuation of the fund.

Pension benefits of certain long serving employees were improved during 1987 for which an additional final provision of £177,000 has been made in the 1988 accounts (note 5).

The latest valuation of the fund showed that the scheme is fully funded.

18. POST BALANCE SHEET EVENT

During January 1989, the company issued a further 2,000,000 ordinary shares of £1 each, bringing the total issued share capital to 14,000,000 ordinary shares of £1 each.

19. ULTIMATE HOLDING COMPANY

The company's ultimate holding company is Azim Investment Establishment, a company incorporated in Liechtenstein.