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A copy of this document, which comprises listing particulars relating to Hanover International PLC ("the Company") prepared in accordance with the listing rules made under Section 142 of the Financial Services Act 1986, has been delivered to the Registrar of Companies in accordance with Section 149 of that Act. Application has been made to the London Stock Exchange for all of the Ordinary Shares of the Company, issued and now being issued, to be admitted to the Official List. It is anticipated that admission will become effective and dealings in the Ordinary Shares will commence on 17th August, 1995. It is expected that definitive certificates will be despatched by 29th August, 1995.

The Directors and the Proposed Directors of the Company, whose names appear in the section entitled "Directors and Advisers", accept responsibility for the information contained in this document. To the best of the knowledge and belief of such Directors and Proposed Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

Charles Stanley & Company Limited, regulated by The Securities and Futures Authority Limited and a member of the London Stock Exchange, is acting for the Company and no-one else in connection with the placing referred to in this document and is not advising any other person or treating any other person as its customer in relation to any transaction contemplated in this document.

## HANOVER INTERNATIONAL PLC

(Incorporated in England and Wales under the Companies Act 1985,  
registered number 3043860)

### Placing by

**Charles Stanley & Company Limited**

of

**550,000 Ordinary Shares  
of 25p each at £1 per Ordinary Share**

### SHARE CAPITAL AND INDEBTEDNESS

Authorised		Issued and to be issued fully paid (following the Placing and the Acquisition)	
Nominal Value	Number	Nominal Value	Number
£1,250,000	5,000,000	£262,500	1,050,002
£350,000	1,400,000	£350,000	1,400,000
			Ordinary Shares
			Preference Shares

The share capital of the Company also comprises 50,000 Redeemable Preference Shares of £1 each all of which have been allotted, partly paid and will be redeemed following the Placing.

At the close of business on 30th June, 1995 the Company and Imperial ("the Group") had outstanding secured bank loans of IR£1,500,000 and contingent liabilities of IR£152,800. Save as aforesaid, at the close of business on 30th June, 1995, the Group had no loan capital (including term loans) outstanding or created but unissued, nor any other borrowings or indebtedness in the nature of borrowing, including bank overdrafts, liabilities under acceptances (other than normal trade bills) or acceptance credits, mortgages, charges, hire purchase commitments or obligations under finance leases, guarantees or other contingent liabilities.

At the close of business on 30th June, 1995, the Group had cash balances at the bank amounting to IR£49,624.



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## EXPECTED TIMETABLE

	1995
Extraordinary General Meeting of Bridgend	16th August
Dealings commence in the Ordinary Shares	17th August
Definitive Share certificates despatched by	29th August

## DEFINITIONS

In this document the following words and expressions shall, unless the context requires otherwise, have the following meanings:

<b>"Acquisition"</b>	the acquisition by the Company from Bridgend of all the issued shares of Imperial
<b>"Acquisition Agreement"</b>	the conditional agreement dated 28th July, 1995 relating to the Acquisition
<b>"Admission"</b>	the admission of the Ordinary Shares to the Official List becoming effective
<b>"Bridgend"</b>	Bridgend Group PLC (or, where the context so requires, Woodington)
<b>"Charles Stanley"</b>	Charles Stanley & Company Limited
<b>"Company"</b>	Hanover International PLC
<b>"Consideration Shares"</b>	the 500,000 Ordinary Shares and 1,400,000 Preference Shares proposed to be issued to Bridgend pursuant to the Acquisition Agreement
<b>"Directors" or "Board"</b>	the directors of the Company and, where the context so requires, the Proposed Directors, set out on page 5 of this document
<b>"Group"</b>	the Company and Imperial
<b>"Hotel"</b>	the Imperial Hotel, in Cork, Ireland
<b>"Imperial"</b>	The Imperial Hotel (Cork) Limited, a company incorporated in Ireland
<b>"Initial Shares"</b>	the redeemable preference shares, which are to be redeemed following Admission
<b>"Ireland"</b>	the Republic of Ireland
<b>"Listing Particulars"</b>	the listing particulars relating to the Company which this document comprises
<b>"London Stock Exchange"</b>	The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited

<b>"Official List"</b>	the Official List of the London Stock Exchange
<b>"Ordinary Shares"</b>	Ordinary Shares of 25p each in the Company
<b>"Placing"</b>	the placing of the Placing Shares, as described herein
<b>"Placing Price"</b>	£1 per Ordinary Share
<b>"Placing Shares"</b>	the 550,000 Ordinary Shares proposed to be issued pursuant to the Placing
<b>"Preference Shares"</b>	the 1,400,000 Redeemable Convertible Preference Shares of 25p each in the Company to be issued pursuant to the Acquisition Agreement
<b>"Proposed Directors"</b>	the persons who have agreed to become directors of the Company upon the Acquisition Agreement becoming unconditional
<b>"Share Option Scheme"</b>	the Company's Share Option Scheme
<b>"Valuation"</b>	the valuation of the Hotel carried out by John D. Wood International Limited set out in Part II
<b>"Woodington"</b>	Woodington PLC, a wholly-owned subsidiary of Bridgend and which at the date hereof is the owner of Imperial
<b>"£"/"p"</b>	Pounds/pence sterling
<b>"IR£"/"IRp"</b>	Irish pounds/pence

## DIRECTORS AND ADVISERS

<b>Directors</b>	Peter George Hyles (Executive Chairman) David John Greene (Finance Director) of 7 Hanover Street, London W1R 9HH.
<b>Proposed Directors</b>	Neil Philip List (Non-executive) Dermot James Kelly (Hotel Director) of 7 Hanover Street, London W1R 9HH.
<b>Secretary and registered office</b>	David John Greene FCA, Kempson House, Camomile Street, London EC3A 7AN.
<b>Sponsor and Stockbroker</b>	Charles Stanley & Company Limited, 25 Luke Street, London EC2A 4AR.
<b>Auditors and reporting accountants</b>	KPMG, Chartered Accountants, 8 Salisbury Square, London EC4Y 3BB.
<b>Solicitors to the Company</b>	Norton Rose, Kempson House, Camomile Street, London EC3A 7AN.
<b>Solicitors to the Placing</b>	Gouldens, 22 Tudor Street, London EC4Y 0JJ.
<b>Principal bankers</b>	The Bank of Ireland, 33 South Mall, Cork, Republic of Ireland.
<b>Registrars</b>	Barclays Registrars, Bourne House, 34 Beckenham Road, Beckenham, Kent BR3 4TU.
<b>Valuers</b>	John D. Wood International Limited, 49 Berkeley Square, Mayfair, London W1X 6AL.

## SUMMARY INFORMATION

*The information in this section should be read in conjunction with the rest of this document from which it is derived and of which it forms part.*

- The Company has not yet commenced trading.
- The business of the Group will be the acquisition, management and development of hotels of a four star quality. The Directors believe that conditions are now appropriate for the launch of a new hotel group.
- The Company has conditionally agreed, as its first acquisition, to acquire Imperial, which owns the Imperial Hotel in Cork, from Bridgend at a price which represents a discount to net assets, based on the Valuation by John D. Wood as at 10th November, 1994, of approximately 18.5 per cent.
- The Hotel is a 19th century, 98 bedroom hotel in the centre of Cork, Ireland's second largest city. The Hotel has modern amenities and approximately IR£820,000 has been spent on refurbishment since 1990. It also has a restaurant which has a history of winning Bord Failte awards and a range of bars. In common with a large number of Irish hotels, the Hotel's sales are predominantly food and drink.
- The consideration for the acquisition of Imperial will be £2,100,000 to be satisfied by the payment of £200,000 in cash and the issue of 500,000 new Ordinary Shares at the Placing Price and 1,400,000 Preference Shares at a deemed consideration of £1 per preference share.
- Bridgend will, through the Consideration Shares (comprising the Preference Shares and Ordinary Shares which will amount to 47.6 per cent. of the Ordinary Shares in issue following the Placing), retain a significant indirect interest in Imperial. Bridgend have undertaken not to sell the Consideration Shares they will own following the Placing for 18 months, without the consent of the Company.
- The Directors are Peter Eyles and David Greene all of whom have had extensive experience of hotel and leisure businesses. They will assist in the management and development of the Hotel, and will formulate the Group's strategy and its further development. Dermot Kelly, the Hotel's General Manager and Neil List, the Chairman of Bridgend, will join the Board upon completion of the Acquisition. The composition of the Board is such that the majority of the Directors are independent of Bridgend as a controlling shareholder, enabling Hanover to operate and make decisions independently of Bridgend.

### Reasons for the Placing

The Placing, pursuant to which conditional commitments have been received in respect of all the Placing Shares, will raise some £300,000 (net of the expenses of the Placing and the Acquisition). The net proceeds will be applied in settling the £200,000 cash element of the consideration under the Acquisition Agreement and providing approximately £100,000 additional working capital for the Group. Until such time as these funds are required by the Group they will remain on deposit.

### Key financial statistics

The following summary is extracted from the Accountants' Report on Imperial set out in Part III:-

	Year ended 31st December			3 months ended 31st March 1995
	1992 IRE'000	1993 IRE'000	1994 IRE'000	
Turnover . . . . .	2,489	2,497	2,757	598
Operating profit/(loss) . . .	196	181	263	(8)
Interest . . . . .	(43)	(11)	(22)	(32)
Profit/(loss) before taxation	163	173	241	(40)

### Key Placing Statistics

Placing Price	£1
Estimated net proceeds of the Placing	£300,000
Percentage of ordinary share capital represented	
by the Placing Shares	52.4 per cent.
by the Consideration Shares (Ordinary Shares prior to conversion of Preference Shares)	47.6 per cent.

**Risk factors**                      Your attention is drawn to the section entitled "Risk factors" in Part I.

*For the purposes of this document an exchange rate of IRE£ to £1 has been assumed.*

## PART I

### INTRODUCTION

The Company has not yet commenced trading. It intends to operate as the holding company for an hotel group and, as a first step in this design, it has conditionally agreed to acquire Imperial, which owns the Imperial Hotel in Cork, from Bridgend. The consideration will be £2,100,000, to be satisfied by the issue of 500,000 Ordinary Shares and 1,400,000 Preference Shares and £200,000 in cash, and will represent a discount to net assets, based on the Valuation as at 10th November, 1994, of approximately 18.5 per cent. As shown in the Accountant's Report in Part III, in the year ended 31st December, 1994 the Hotel made pre-tax profits of IR£241,000 and in the first three months of this year, a pre-tax loss of approximately IR£40,000. Further information is set out under "Recent developments, current trading and prospects" below. The Directors intend the Hotel to form the basis for the future development of the Group in the UK and in other countries of the European Union.

The Directors believe that the UK hotel industry is coming out of recession and is benefitting from improved occupancies and room rates, but that the prices of hotels have not recovered at the same rate. Accordingly, they believe that the conditions are appropriate for the launch of a new hotel group and they have formulated a strategy to take advantage of how they expect the hotel industry will develop, as described below.

The Directors' philosophy for the Group is to create a group of hotels which deliver the consistently high facilities and service associated with four star quality hotels and which, through their consistency, achieve a value-for-money reputation, and, as a result, consumer loyalty. The Directors will therefore seek, for acquisition by the Group, well-located hotels which have, or have the ability to achieve, this quality.

The purpose of the Placing, pursuant to which conditional commitments have been received in respect of all the Placing Shares, is to raise some £300,000 (net of the expenses of the Placing and of the Acquisition). The net proceeds will be applied in settling the £260,000 cash element of the consideration under the Acquisition Agreement and providing some £100,000 additional working capital for the Group.

Application has been made to the London Stock Exchange for the admission of the Ordinary Shares to be issued pursuant to the Placing and the Acquisition Agreement to the Official List. The Preference Shares are not being listed.



## THE HOTEL

The Hotel, which has been categorised as 3 Star by Bord Failte (the tourist agency for the Republic of Ireland), is centrally located in the financial district of Cork, Ireland's second largest city, which is well served by ferries and by direct flights from Dublin, London and other destinations in the United Kingdom and Europe. In addition to the provision of accommodation, the Hotel conducts a successful restaurant trade, as further described below. A significant proportion of the Hotel's clientele comprises commercial guests and visitors. Following the Acquisition, the Directors intend to develop the Hotel's tourist trade.

The Hotel is situated within an historic building, constructed in the early 19th century of brick under a rendered facade and slated roof. It is one of the oldest hotels in Ireland and seeks to combine modern facilities with traditional elegance. The Hotel contains many antiques including a fine collection of old Cork silhouettes and prints, as well as the magnificent Watertford crystal chandelier over the main reception area.

The Hotel is on a site of 0.65 acres. It has a total floor area of some 80,000 square feet arranged over four floors which are served by two passenger lifts. The Hotel has regularly hosted a number of major local and national events in its largest function rooms. The Hotel also caters for a number of outside events and has, for a number of years, catered for the Cork Senior Chamber of Commerce Dinner in the City Hall. The Accountant's Report in Part III states that, since 1990, approximately IR£820,000 has been spent on refurbishment.

The main competition to the Hotel's accommodation facilities comes from the Jurys, Silver Springs, Rochestown Park and Metropole Hotels, which, together, offer approximately 400 competing rooms in Cork. Cork also has a number of good quality restaurants. However, the Hotel has the advantage of its unique ambience and its strategic location, being not only in the heart of Cork's financial district, but also close to the main administrative and cultural areas.

## The Facilities

The Hotel, whose sales, in common with the majority of Irish hotels, are predominantly food and drink, has 98 bedrooms, all with *en suite* bath or shower rooms, in the following configurations:-

- 26 Single Rooms
- 17 Double Rooms
- 51 Twin Rooms
- 1 Triple Room
- 3 Quadruple Rooms

All of the rooms have central heating, direct dial telephone and radio, TV and video.

The Hotel also has a large range of conference and meeting rooms, some of which are air conditioned and sound-proofed, comprising:-

<u>Room</u>	<u>Size (Sq. feet)</u>
Clarence Hall	2688
Supper Room	1120
Cork & County	640
Mallroom	580
Deane	459
Anglesea	352
Berwick	340
Mardyke	216

These rooms provide a wide range of potential configurations for conferences, exhibitions, trade shows, seminars, weddings and banquets. The Hotel can cater for up to 820 day delegates at any one time, while providing private access, cloakroom and toilet facilities to the key areas. This flexibility enables the Hotel to offer facilities to cater for confidential private meetings through to major public launches.

The Hotel also has a restaurant and bars, which offer a broad range of high quality dining facilities from home-made pastries and snack food to Clouds Restaurant, which has won a number of Bord Fáilte awards. All are popular with residents and non-residents alike throughout the day and the Hotel served over 130,000 covers in 1994.

## **Recent developments, current trading and prospects**

The Directors believe that Imperial has achieved a creditable performance given the unfavourable market conditions in recent years. The operating profit for the year ended 31 December 1994 (as extracted from the Accountants' Report in Part III) was IR£263,000. In respect of the first quarter of 1995 an operating loss of IR£8,000 was made, which represented little variation in the trading programme against the same period in 1994. Since November, 1994 Imperial has also been paying interest on its loan from the Bank of Ireland which was drawn down at that date.

There has been a downturn in turnover in the second quarter of 1995 compared with the same period in 1994 which is attributed by the Hotel's management principally to the loss of overseas tour business and a downturn in business activity in Cork. The year on year reduction in sales has

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continued through July with a resultant reduction in operating profit. Consequently, the Acquisition Agreement provides for Bridgend to pay to Hanover an amount of £99,000 (subject to adjustment) immediately upon completion of the acquisition at the time of the Listing. To supplement the Group's existing bank facilities, Bridgend has agreed to provide Hanover with a standby facility of £50,000.

Once the Acquisition is completed, the Directors intend to take vigorous action to increase Imperial's sales effort particularly towards the tourist market. They will also put in place new financial and management control procedures as well as adopting a new targeted sales and marketing approach.

The Directors expect that the greater concentration and focus that they intend to bring to bear on the Hotel following its independence from Bridgend will improve its overall performance.

**Reasons for disposal  
and relationship  
with Bridgend**

The disposal of Imperial is a continuation of Bridgend's declared policy of disposing of its direct leisure portfolio holdings. Nevertheless, Bridgend has elected to receive 500,000 Ordinary Shares and 1,400,000 Preference Shares as part consideration for the disposal and thus will be retaining a material investment in the Company. The Ordinary Shares to be issued to Bridgend under the Acquisition will represent 47.6 per cent. of the issued ordinary share capital of the Company immediately following the Placing and the Acquisition.

The Preference Shares may be converted into Ordinary Shares on a one-for-one basis at any time at the election of Bridgend provided that its resultant holding of Ordinary Shares does not exceed 29.9 per cent. of the Ordinary Shares in issue following the conversion. Subject to the requirements of the applicable laws, the Preference Shares will be redeemed on 31st August, 1998 at £1 each and may be redeemed earlier with the consent of the Company and the holder. The Preference Shares will be entitled to a preferential dividend of 5 per cent. net subject (inter alia) to the achievement of certain levels of profit by the Company. Further details of the Preference Share rights are set out in paragraph 5(j) of Part IV.

Bridgend has agreed not to dispose of all or any of the Consideration Shares for 18 months without the consent of the Company pursuant to the Acquisition Agreement, save in certain circumstances including conversion or redemption of the Preference Shares in accordance with their terms.

Bridgend has also agreed that it will not compete directly with the Hotel for 5 years following completion of the Acquisition. None of the current directors of Bridgend, other than Neil List, will be directors of the Company and none will have service agreements with either company in the Group.

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In view of the size of Imperial relative to Bridgend, the Acquisition is conditional (inter alia) upon the passing of an ordinary resolution of Bridgend to approve the transaction, which will be proposed at an Extraordinary General Meeting of Bridgend on 16th August, 1995.

## **MANAGEMENT AND STAFF**

### **Directors**

**PETER EYLES**, aged 49, is the Executive Chairman. He joined the Board on 7th April, 1995. He is a senior executive with wide ranging experience in management of many industries and has been responsible for the development of both public and private companies. He was chief executive of Norfolk Capital Plc, the hotel group, from 1981-1990. After he left Norfolk Capital Plc he was involved in the attempted, but unsuccessful, rescue of Pavilion Leisure Plc. Subsequently he became involved, in his own right and as a consultant, in a number of projects relating to the proposed financing and acquisition of hotel interests.

**DAVID GREENE**, FCA, aged 41 is the Finance Director. He joined the Board on 7th April, 1995. He is a chartered accountant who trained and qualified in 1976 with Longcrofts & Co., in London. He then spent the next 7 years with Ernst & Young in Brussels before joining the Belgian Racing Division of Ladbroke Group PLC ("Ladbroke") as finance director in 1984. His responsibilities with Ladbroke included all financial, tax and accounting matters as well as legal, property and, for several years, personnel.

In 1991 he departed to head a private investors' project to convert a chateau into an hotel and conference centre but, as a consequence of the recessionary climate, funding was ultimately not available.

In early 1993, he returned to England to join The Franklin Mint Corporation as Vice-President, Europe Finance. The Franklin Mint Corporation is US-based and the world's largest direct-response marketer, operating in 20 countries.

Over the last 16 months he has worked with Peter Eyles on the development of two hotel related projects.

### **Proposed Directors**

The following have agreed to become directors of the Company following the Acquisition Agreement becoming unconditional in accordance with its terms:-

**DERMOT KELLY**, aged 48, will be the Hotel Director and is currently the General Manager of the Hotel. He joined the Hotel in 1974 following

extensive training in the hotel industry encompassing The Savoy in London, the Schweitzerhof in Berne and the Gresham Hotel in Dublin.

NEIL LIST, aged 49, will be a non-executive Director. He was appointed Chairman of Bridgend in 1983 and a director of Imperial in 1990. He became a Member of the London Stock Exchange in 1972 and has been a partner in two member firms. Between 1973 and 1981, he was an executive director of R&W Hawthorne, Leslie & Co. Limited, a public company with interests in electrical wholesaling and engineering.

The consultancy agreements for certain of the Directors are summarised in paragraph 3(c) of Part IV.

### Corporate governance

The Board will comprise 3 executive and 1 non-executive Directors. The Directors intend to appoint a further independent non-executive director in due course but consider that, in view of the current market capitalisation of the Company, it is inappropriate to do so at this stage. The Board will meet regularly to approve the long-term objectives and strategy of the Group and to provide overall financial and organisational control.

A Remuneration Committee will be established, and once established will decide upon the policy in respect of options under the Share Option Scheme (including the setting of any performance targets in relation thereto) and any Group bonus schemes which may be established.

An Audit Committee will also be established. It will carry out its roles and duties broadly in line with the Cadbury Committee Report on Corporate Governance.

### Staff

The Hotel has a dedicated team of key managers, the majority of whom have served in excess of ten years and who report directly to the General Manager of the Hotel.

Manager	Department	Years' service
David Harney	Assistant manager	17
Dudley Fitzell	Personnel	16
Tedgh O'Casey	Purchasing	16
Ciaran McCabe	Sales and banqueting	1
Mary Harney	Marketing	1
John Morrin	Head Chef	20
Martin Lawless	Financial Controller	9

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The Hotel currently employs 98 full time staff, divided into the following categories:

	Number
Rooms	
Housekeeping	12
Reception	7
Porters	8
Food	
Kitchen	25
Restaurant	23
Bar	11
Maintenance	2
Marketing	1
Administration	9
	<hr/>
	98
	<hr/>

The Group is committed to encouraging and developing the careers of its staff by providing opportunities for advancement within clearly defined management and reporting structures. The Directors propose to promote bonuses related to the achievement of sales, profit and service targets.

#### Share Option Scheme

The Share Option Scheme is being established for the benefit of all eligible Directors, and future directors, and employees of the Group.

Broadly, a maximum of 5 per cent. of the Company's issued share capital may be issued in respect of options granted under the Share Option Scheme during any seven year period.

Further details of the Share Option Scheme are set out in paragraph 4 of Part IV.

## **THE PLACING**

### **Reasons for the Listing**

As explained above, the Placing combined with the Listing will enable the transfer of the Hotel into a dedicated hotel group with specialist management who intend to bring a more concentrated and focused approach to enhancing the performance of the Hotel and to the creation of a quality hotel group. The Directors further consider that the status and profile accorded by a Listing will increase the awareness of the Company and assist in its future development.

### **Placing arrangements**

The Company and the executive Directors have entered into the Placing Agreement with Charles Stanley, pursuant to which Charles Stanley conditionally agreed to use all reasonable endeavours to procure subscribers in the Placing for all the Placing Shares at the Placing Price. Conditional commitments have been procured in respect of all the Placing Shares.

The Placing is conditional (inter alia) on the resolution of the Bridgend shareholders referred to above being passed and on the Placing Agreement not being terminated in accordance with its terms at any time prior to the satisfaction of the other conditions contained in it and on Admission.

Further details of the Placing are set out in paragraph 7 of Part IV.

### **The City Code on Takeovers and Mergers**

Under the Acquisition, Bridgend will be issued with 500,000 Ordinary Shares which will represent 47.6 per cent of the issued ordinary share capital of the Company immediately following the Placing and the Acquisition.

Under Rule 9 of the City Code on Takeovers and Mergers ("City Code"), when a person, or a group of persons acting in concert, acquires shares in a company which is subject to the City Code and such shares, when taken with shares, if any, already held, would result in such person or group holding shares carrying 30% or more of the voting rights, such person or group would normally be obliged to make a general offer to all other shareholders for the remaining equity shares in the capital of that company.

The Panel has agreed to waive any requirement for Bridgend or any person deemed to be acting in concert with it to make a general offer under Rule 9 of the City Code where such obligation would otherwise have arisen as a result of the issue of Ordinary Shares under the Acquisition.

Investors should, however, note that the City Code will apply to any subsequent acquisition of Ordinary Shares in the Company by Bridgend. In addition, Rule 9 of the City Code provides that where any person, or a group of persons acting in concert holds not less than 30% but not more than 49% of a company's voting rights and such persons, or any person acting in concert with it acquires, in any period of 12 months, additional shares carrying more than 1% of the voting rights, such a person will be required to make a general offer to the shareholders of that company.

In relation to the Preference Shares issued to Bridgend under the Acquisition, the terms of such shares provide for conversion into Ordinary Shares on a one-for-one basis at any time provided that the resultant aggregate holding of Ordinary Shares of the converting holder (and any person acting in concert with it) does not exceed 29.9 per cent. of the Ordinary Shares in issue following the conversion. Accordingly, these restrictions will apply to Bridgend in respect of their holding of Preference Shares.

As a consequence, Bridgend may be restricted in its ability to acquire further shares in the Company without being required to make a general offer under Rule 9 of the City Code.

The attention of investors is drawn to the fact that if Bridgend, or any person deemed to be acting in concert (for the purposes of the City Code) with it, at any time becomes the holder of more than 49% of the issued share capital of the Company, it may be entitled to increase its shareholding without triggering any obligation under Rule 9 of the City Code to make a general offer to other shareholders of the Company.

## **DIVIDEND POLICY AND ACCOUNTS**

If any dividend is declared in respect of the Company's first period of account, ending on 31st December 1995, it would be payable in July 1996. In respect of subsequent financial years, the Directors intend, if practicable, to pay an interim dividend and a final dividend in respect of each financial year in December and in July of the following year, respectively.

## **RISK FACTORS**

There are various risk factors associated with an investment of the type described in this document of which the following, in particular, relate to the Company:-

- The establishment of further competitive operations within the catchment area and/or other fiscal or economic factors could prejudice the business of the Group.



The sterling value of an investment in the Company could be affected by movements in the exchange rate between pound sterling and the Irish pound.

Accordingly, a prospective investor should consider whether an investment in the Company is suitable for them in the light of their personal circumstances and the financial resources available to them.

## **TAXATION**

Information concerning the taxation of the Company and the taxation of shareholders under current United Kingdom taxation legislation is contained in paragraph 8 of Part IV.

If a potential investor is in doubt about the taxation consequences of his acquiring, holding or disposing of Ordinary Shares he should seek advice from his own professional adviser.

## **PART II**

### **HOTEL VALUATION**

The following is a copy of a valuation report on the Hotel prepared by John D. Wood International Limited, Consultants in Commercial Property.

31st July 1995

The Directors,  
Hanover International Group PLC,  
Kempson House,  
Camomile Street,  
London EC3A 7AN.

The Directors,  
Charles Stanley & Company Limited,  
25 Luke Street,  
London EC2A 4AR.

Gentlemen,

#### **THE IMPERIAL HOTEL, SOUTH MALL, CORK, EIRE**

In accordance with instructions for us to provide our opinion of the value of the above hotel prior to a Stock Exchange Listing, we are pleased to report as follows. For the avoidance of doubt we confirm that the valuation of the operational entity includes the land and buildings, the trade fixtures, fittings, furniture, furnishings and equipment and the inherent goodwill. Consumable stocks are excluded from the valuation.

We confirm that we reinspected the property on 9th and 10th November 1994.

#### **Location**

The property is within the financial centre of the City of Cork. It is in the primary commercial road, South Mall, which is close to the central shopping and legal centres of Cork. The Imperial Hotel appears to be an integral part of the local commercial community.

The City of Cork is on the southern coast of the Republic of Ireland approximately 160 miles south-west of Dublin. It is well served by its international airport with direct flights to London Heathrow and other European destinations. The City has direct ferry links to Britain and the Continent.

## Description

We understand that the property was originally constructed in the 1830's. It is an elegant period property.

We are informed by Niall Fitzsimons & Co., Consulting, Civil & Structural Engineers that the Hotel is on a site of approximately 0.634 acres. They calculate the total floor area to be approximately 79,900 square feet on a gross internal basis arranged over four floors which are served by two lifts.

The property forms the majority of the front section of the block bounded by Morgan Street to the west, Pembroke Street to the east and South Mall to the southern frontage.

The property is of a rendered brick construction with part original slate covered roofs. Substantial remedial works to the roofs have been undertaken with a variety of materials that have been designed to blend into the general street scene. The principal access is from South Mall but there is a separate yard entrance from Morgan Street and a further access from Pembroke Street between the hotel building and the Post Office.

Internally the property has an excellent and elegant entrance and lobby area. The floor is of Italian marble and the fittings and furniture are of the highest quality. The public areas have historical local antiques such as the Cork Silhouettes as well as antique furniture, paintings and an impressive Waterford Crystal Chandelier. The Captains Bar and the Orangery Coffee Lounge are fitted to a good standard. Clouds restaurant and cocktail bar are to a fair decorative standard but will need refitting in the medium term. The WC's to the ground floor have been refurbished to a high standard.

The hotel bedrooms are in the main to a modern design with modern furniture but there are some bedrooms that are fitted with antique and period style furniture. A rolling programme of improvements to the shower/bathroom facilities has been underway for some years and the majority are to a high standard.

## Accommodation

As at the date of inspection there were approximately 98 bedrooms available. The definition depends to some extent upon the number of bedrooms which are used for small meeting rooms or trade/sales rooms. The bedrooms range from impressive suites to simple single rooms but all have either bathrooms or shower rooms.

The Imperial Hotel has a number of meeting and function rooms, the largest being the refurbished Clarence Hall which seats 400 theatre style or 300 seated for dinner. These central City meeting rooms are attractive as they combine the facilities of the Hotel with the central City location.

The hotel has a good variety of restaurant and bar amenities on the ground floor. Clouds restaurant has a history of winning Bord Fáilte awards and has a reputation for fine food. There is also an attractive cocktail bar, a further bar known as The Captains

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Bar and the Orangery Coffee Lounge. There are two six bedroomed three storey terraced staff houses at 6 and 7 Park View Victoria Road, Cork.

#### Services

The property has the benefit of all main services. There is central heating throughout and two passenger lifts which together serve all floors.

#### Car Parking

There is no on-site car parking. The hotel has taken a Lease of 40 spaces within a modern purpose built property at the corner of Union Quay and Copley Street. The property is within walking distance of the hotel. A valet service for customers with luggage would be appropriate.

The car park spaces are held by a Lease dated 26th March 1993 for a term of 35 years commencing from 1st November 1993. The rent for the first fifteen years of the term is IR £59,450 per annum.

We do not consider that the car park lease has any capital value but are of the view that the availability of car parking adds value to the leasehold hotel.

#### Condition

We have not undertaken a structural survey nor have we tested the services. The building is old and although a programme of repair and improvement works have been undertaken for a number of years, there clearly could be further ongoing works necessary.

For the purposes of our valuation we have assumed that there are no large items of work to the structure or services required that cannot be accommodated within a yearly repair budget of circa IR £52,000.

While the property appears to have been maintained to a fair standard and indeed in many areas has been refurbished to an excellent finish, we are unable to confirm that there are not structural problems or that the services are free from defect. We do note, however, that major items such as the replacement of windows have been completed.

#### Town and country planning

We have visited and made enquiries of the local planning authority and understand that the use of the building as a hotel is established.

In early 1991 planning permission was granted for:

"Extension to existing hotel comprising 28 bedrooms, stock rooms, conference centre, night club, health club and auxiliary services at Morgan Street, South Mall for the Imperial Hotel Limited."

The development as detailed on the plans could not now be undertaken as works to create new fire escapes have subsequently taken place. Nevertheless the planning permission is of interest as it established the principle of a night club extension within the redundant buildings to the rear.

#### Fire certificate

We understand from the local manager that the Fire Officer has approved the substantial improvements and alterations carried out at the property. He informs us that no Fire Certificate has yet been granted. We draw your attention to the Basis of Valuation paragraph 12. We have assumed for the purposes of our valuation that a prospective purchaser would be able to satisfy themselves that the property as existing complies with fire regulations.

#### Trade and competition

We have been supplied with audited accounts for the three years ending December 1991, 1992 and 1993. We have also been provided with management accounts to September 1994. The turnover figures are as follows:

To December 1992	IR £2,488,516
To December 1993	IR £2,497,326

The primary hotels in Cork are Jurys Hotel, Western Road and Fitzpatrick Silver Springs, Tivoli. The central town competition is the Metropole which is being refurbished slowly and has a new health and leisure facility opening in mid-December 1994. At the budget end of the market a new Jury Inn with 133 bedrooms has recently opened and will compete for trade at the cheaper end of the market where full hotel facilities are not required.

We have discussed the trade performance with the local manager and he sees the commercial trade holding up well and the possibility of a medium term "peace dividend" on the tourist trade. With substantial capital investment to the under used buildings fronting Morgan Street to create leisure and health facilities, and a separate night club, there is opportunity to expand the trade into further sectors of the market.

#### Tenure

We are informed that the hotel property is held under various leasehold interests.

The majority of the property is held on Long Leases at low rents. We are advised by Matheson Ormsby Prentice Solicitors of the following:

The Property Fronting South Mall and Pembroke Street (Excluding Basement and Ground Floor 77 South Mall).

This part of the hotel is held under two Leases dated 30th April 1760 and 22nd May 1771 for terms of 880 years from 25th March 1760 and 800 years from 25th March 1771 respectively subject to the single adjusted yearly rent of £98.61. The originals of these Leases are unavailable and are presumed lost or destroyed nor are any copies available. There are statutory declarations with the title documents confirming that no notices have been served on the hotel company regarding any alleged breach of covenant under either Lease.

The Corner of South Mall and Pembroke Street. Basement and Ground Floor 77 South Mall.

This part of the hotel has been sub-let under two separate sub-leases as follows:

- (i) Sub-lease between the Imperial Hotel Cork Limited (1) and R & H Hall Limited (2) for a term of 190 years from 25th May 1896 at a yearly rent of £55.00.
- (ii) Sub-lease dated 17th July 1829 Commercial Buildings Company of Cork (1) and Frederick Hall (2) for a term of 500 years from 25th March 1829 subject to the yearly rent of £50.00 thereby reserved.

Part Property Fronting Morgan Street

This part is held under a Lease dated 17th July 1830 for a term of 824 years from 25th March 1830 at a rent of £88.16.

Part Property Fronting Morgan Street

This section (excluding the ground floor thereof) is held under the aforementioned Lease of 1830. It would appear however that the hotel Company has for many years been in undisputed possession of the ground floor and basement of the portion numbered four and would appear to have some form of possessory title thereto.

Part Property Fronting Morgan Street

Held under the 1830 Lease aforesaid.

Part Property

Held under two Leases dated 11th October 1791 and 17th May 1800 for terms of 870 years from 1st November 1791 and 860 years from 1st March 1880 respectively and

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indemnified against payment of rent. Copies of these Leases are unavailable and we are unaware of any onerous covenants. We understand no notices have been served.

**Rear Part of Property Fronting Morgan Street**

Part of the property is held by a short Leasehold interest, namely a Lease of 3rd December 1976 between Helen Nagle and Others and the Imperial Hotel (Cork) Limited. The Lease is for a term of twenty-one years from 25th March 1972. The rent reserved by the Lease is unclear but it would appear to be £800.00 per annum as opposed to £2,000.00 per annum. This Lease has expired but we understand that statutory rights will accrue to the hotel Company to renew the Lease at a market rent for any term between five years and twenty years at the hotel Company's option. No renewal negotiations have taken place as yet.

We have had sight of the Lease for the car parking accommodation and have set out its main terms in the section of this report headed Car Parking.

We are informed by Bridgend Group plc that the two staff houses, 6 and 7, Park View, Victoria Road, Cork are Freehold.

We have not had sight of any Deeds or Documents of Title and draw your attention to the Basis of Valuation paragraph 13.

**Basis of valuation**

- 1 The property has been valued as at 10th November 1994.
- 2 The valuation is in respect of the open market value in accordance with the RICS Statements of Asset Valuation Practice and Guidance Notes.
- 3 Open Market Value means the best price at which the sale of an interest in property might reasonably be expected to have been completed unconditionally for cash consideration on the date of valuation, assuming:
  - (a) a willing seller;
  - (b) that, prior to the date of valuation, there had been a reasonable period (having regard to the nature of the property and the state of the market) for the proper marketing of the interest, for the agreement of price and terms and for the completion of the sale;
  - (c) that the state of the market, level of values and other circumstances were, on any earlier assumed date of exchange of contracts, the same as on the date of valuation; and
  - (d) that no account is taken of any additional bid by a purchaser with a special interest.

- 4 The property has been valued in its existing use as a fully operational hotel.
- 5 Information regarding Town Planning has been obtained orally from the Local Authority and we reserve the right to alter our valuation should their written and oral answers to our questions conflict.
- 6 We have inspected a copy of the occupational lease in respect of the car park supplied to us by your company.
- 7 We have not measured the property. We have relied on floor areas supplied to us by Niall Fitzsimons & Co., Consulting, Civil & Structural Engineers which we understand have been scaled from plans.
- 8 We have not carried out a structural survey nor tested any of the services nor inspected woodwork or other parts of the structure which are covered, unexposed or inaccessible and we are therefore unable to report that any part of the property is free from defect.
- 9 We have not arranged for any investigation to be carried out to determine whether or not high alumina cement concrete or calcium chloride additive or any other deleterious material has been used in the construction of the property and we are therefore unable to report that it is free from risk in this respect. For the purposes of this valuation we have assumed that such an investigation would not disclose the presence of any such material in any adverse condition.
- 10 No allowance has been made for any liability which might arise upon a disposal in respect of Capital Gains Tax or any other tax imposition and the valuation is gross of costs of realisation.
- 11 No allowance has been made for any rights, obligations or liabilities arising under the Defective Premises Act 1972 (or similar legislation).
- 12 We have assumed that the property complies with all statutory requirements as to Planning, Public Health Notices, Health & Safety at Work Act provisions, Fire Regulations, Licensing Regulations etc.
- 13 We have not inspected any Deeds or any Documents of Title in respect of the leasehold interest in the property and hence have assumed that good marketable title free from any onerous or restrictive covenants can be deduced.
- 14 Neither the whole nor any part of this Report or any reference thereto may be included in any published document, circular or statement nor published in any way without the Valuer's written approval of the form and context in which it may appear.
- 15 The Report is for the client to whom it is addressed for the specific purpose to which it refers and we accept no responsibility to any other party for its use in whole or in part, nor in any other context.



- 16 We have not inspected the various existing licences, consents, certificates and permits required for the operation of the business. We have assumed that all that are required are in place and that they are renewable. We must recommend verification of this aspect by your lawyers.
- 17 Bridgend Group PLC have supplied us with audited accounts for the years to 31st December 1991, 1992 and 1993. They have also provided us with management accounts to September 1994. With these to hand we have inspected the property and discussed the trade performance with local management and have formed a view of value in the open market based upon that information. In the event of a change in trading potential the open market value could also change.

## Advice and valuation

We are of the opinion that as at 10th November 1994 the value of the Leasehold Interests of the Imperial Hotel, Cork, the Freehold Interests of the staff houses 6 and 7 Park View, Victoria Road, Cork, and the Leasehold Interest of 40 car spaces at Union Quay, may be fairly put at Irish £4,350,000, (FOUR MILLION, THREE HUNDRED AND FIFTY THOUSAND IRISH POUNDS), based upon trading information supplied by Bridgend Group PLC and upon our inspection of the property.

If there are any matters which you wish to discuss do not hesitate to let us know.

Yours faithfully,

John D. Wood International Limited"

<u>"Imperial Hotel, Cork, Eire</u>			<u>Open Market Value for</u>
<u>Property</u>	<u>Description</u>	<u>Tenure</u>	<u>existing use</u>
6 & 7 Park View Victoria Road Cork	2 three storey terraced houses	Freehold	IR £110,000
Imperial Hotel South Mall Cork	98 bedroom hotel with restaurants and bars in Central City location	Long Leasehold part short Leasehold	IR £4,240,000
Union Quay Car Park Union Quay/Copley Street Cork	40 car parking spaces in modern development near Hotel	Short Leasehold 35 years from 1st November 1993 at a current rent of IR £59,450 per annum	IR £ NIL
TOTAL			IR £4,350,000

The above values are given in accordance with the attached Basis of Valuation.

JOHN D WOOD INTERNATIONAL LIMITED  
31st JULY 1995"

**PART III**

**ACCOUNTANTS' REPORTS**

The following are copies of reports on the Company from KPMG, Chartered Accountants, Reporting Accountants and Auditors to the Company and on Imperial from KPMG and KPMG Stokes Kennedy Crowley Auditors to Imperial:

"KPMG  
8 Salisbury Square  
London EC4Y 8BB

The Directors  
Hanover International PLC  
Kempson House  
Camomile Street  
LONDON EC3A 7AN

The Directors  
Charles Stanley & Company Limited  
25 Luke Street  
LONDON EC2A 4AR

31st July 1995

Dear Sirs

**Hanover International PLC**

Hanover International PLC (the Company) was incorporated on 4th April 1995. The Company has not yet commenced business, no accounts have been made up nor have any dividends been declared or paid since the date of incorporation.

Yours faithfully,

KPMG"

"KPMG  
8 Salisbury Square  
London EC4Y 8BB

KPMG Stokes Kennedy Crowley  
Chartered Accountants  
Ninety South Mall  
Cork

The Directors  
The Imperial Hotel (Cork) Limited  
The Imperial Hotel  
South Mall  
Cork

The Directors  
Hanover International PLC  
Kempson House  
Camomile Street  
London EC3A 7AN

The Directors  
Charles Stanley & Co Limited  
25 Luke Street  
London EC2A 4AR

31 July 1995

Dear Sirs

**The Imperial Hotel (Cork) Limited**

We have examined the audited accounts of the Imperial Hotel (Cork) Limited for the period ended 31 March 1995 and the three years ended 31 December 1994. Our examination has been carried out in accordance with the Auditing Guideline: Prospectuses and the Reporting Accountant.

KPMG Stokes Kennedy Crowley have been auditors of the company for the period ended 31 March 1995 and for the financial years ended 31 December 1994 and 31 December 1993. BDO Binder were auditors of the company for the financial year ended 31 December 1992.

No audited financial statements of the company have been prepared in respect of any period subsequent to 31 March 1995.

KPMG Stokes Kennedy Crowley issued an unqualified audit opinion on the financial statements for the period ended 31 March 1995 and for the year ended 31 December 1994.

KPMG Stokes Kennedy Crowley and BDO Binder qualified their audit opinions on the financial statements for the years ended 31 December 1993 and 31 December 1992 respectively, on the basis of the valuation of the company's freehold and long leasehold land and buildings, including fixtures, fittings and equipment. These assets were revalued and included in the financial statements at 31 December 1992 and 31 December 1993 at open market value for existing use basis in the amount of IR£4,750,000. On the basis of all relevant circumstances and information to hand, at that time, it was considered that the carrying value of the foregoing assets should have been IR£3,750,000 which if reflected in the financial statements would have required an additional provision of IR£1,000,000 to be charged against the revaluation reserve.

For the purposes of this report the company's freehold and long leasehold land and buildings, including fixtures, fittings and equipment for the years ended 31 December 1993 and 31 December 1992 have been restated at IR£3,750,000. Accordingly it is not necessary to repeat the above qualification in the context of our opinion.

The financial information set out at paragraphs one to five following is based on the audited financial statements of the company, after making such adjustments as we consider necessary.

In our opinion the financial information gives, for the purposes of the Listing Particular, a true and fair view of the profits and losses, cash flows and of the state of affairs for the period and years, and as at the dates stated.

## 1 Profit and loss accounts

The summarised profit and loss accounts of the Imperial Hotel (Cork) Limited for the period ended 31 March 1995 and for the three years ended 31 December 1994 are as follows:

		Year ended 31 December 1992 IR£000	Year ended 31 December 1993 IR£000	Year ended 31 December 1994 IR£000	3 months ended 31 March 1995 IR£000
	Notes				
Turnover	5.2	2,489	2,497	2,757	598
Cost of sales		(1,585)	(1,617)	(1,717)	(414)
Gross profit		904	880	1,040	184
Other operating expenses (net)	5.3	(708)	(699)	(777)	(192)
Operating profit/(loss)		196	181	263	(8)
Investment income	5.4	10	3	-	-
Interest payable and similar charges	5.5	(43)	(11)	(22)	(32)
Profit/(loss) on ordinary activities before taxation	5.6	163	173	241	(40)
Tax on profit on ordinary activities	5.9	(76)	(66)	(49)	-
Profit/(loss) for the financial period		87	107	192	(40)
Dividends paid	5.10	-	-	(1,545)	-
Retained profit/loss for the period		87	107	(1,353)	(40)
Retained profit at 1 January		1,358	1,445	1,552	199
Retained profit at period end		1,445	1,552	199	159
Earnings/(loss) per share	5.11	94.36p	116.05p	208.24p	(43.38)p
Dividends per share	5.10	-	-	IR£16.76	-
All results are derived from continuing activities					

## 2.1 Statements of total recognised gains and losses

The statements of total recognised gains and losses of The Imperial Hotel (Cork) Limited for the period ended 31 March 1995 and the three years ended 31 December 1994 are as follows:

	Year ended 31 December 1992 IR£000	Year ended 31 December 1993 IR£000	Year ended 31 December 1994 IR£000	3 months ended 31 March 1995 IR£000
Profit for the financial period	87	107	192	(40)
(Deficit)/surplus on revaluation of tangible fixed assets	(2,189)	-	640	-
Total recognised (losses) and gains for the period	(2,102)	107	832	(40)

## 2.2 Reconciliation of shareholders' funds

	Year ended 31 December 1992 IR£000	Year ended 31 December 1993 IR£000	Year ended 31 December 1994 IR£000	3 months ended 31 March 1995 IR£000
Shareholders' funds at beginning of period	5,285	3,183	3,290	2,577
Total recognised (losses) and gains for the period	(2,102)	107	832	(40)
Dividends paid	-	-	(1,545)	-
Shareholders' funds at end of period	3,183	3,290	2,577	2,537

## 2.3 Note of Historical Cost Profits and Losses

There is no material difference between the historical cost profits and losses and the profits and losses as presented in the profit and loss accounts above.

## 3 Balance sheets

The summarised balance sheets of The Imperial Hotel (Cork) Limited as at 31 March 1995 and at 31 December for each of the three years ended 1994 are as follows:

		Year ended 31 December 1992 IR£000	Year ended 31 December 1993 IR£000	Year ended 31 December 1994 IR£000	3 months ended 31 March 1995 IR£000
	Notes				
<b>Fixed assets</b>					
Tangible assets	5.12	3,767	3,763	4,343	4,324
<b>Current assets</b>					
Stocks	5.13	72	66	72	40
Debtors	5.14	127	167	150	184
Cash at bank and in hand		79	81	97	32
		278	314	319	256
Creditors: amounts falling due within one year	5.15	(684)	(684)	(496)	(457)
Net current liabilities		(406)	(370)	(177)	(201)
Total assets less current liabilities		3,361	3,393	4,166	4,123
Creditors: amounts falling due after more than one year	5.16	(145)	(76)	(1,562)	(1,559)
Provisions for liabilities and charges	5.17	(33)	(27)	(27)	(27)
Net assets		3,183	3,290	2,577	2,537
<b>Capital and reserves</b>					
Called up share capital	5.19	92	92	92	92
Revaluation reserve	5.18	1,646	1,646	2,286	2,286
Profit and loss account	5.18	1,445	1,552	199	159
Total capital employed - equity		3,183	3,290	2,577	2,537



#### 4 Cash flow statement

The cash flow statement of The Imperial Hotel (Cork) Limited for the period ended 31 March 1995 and for the three years ended 31 December 1994 are as follows:

		Year ended 31 December 1992 IR£000	Year ended 31 December 1993 IR£000	Year ended 31 December 1994 IR£000	3 months ended 31 March 1995 IR£000
	Notes				
Net cash inflow from operating activities	5.24	292	246	372	(49)
<i>Returns on investments and servicing of finance</i>					
Interest received		11	3	-	-
Interest paid		(6)	(11)	(21)	(20)
Dividend paid		-	-	(1,545)	-
Net cash inflow/(outflow) from returns on investments and servicing of finance		5	(8)	(1,566)	(20)
<i>Taxation</i>					
Corporation tax		(45)	(73)	(69)	-
<i>Investing activities</i>					
Purchase of fixed assets		(153)	(128)	(60)	(8)
Sale of fixed assets		-	-	-	6
Net cash outflow from investing activities		(153)	(128)	(60)	(2)
Net cash inflow/(outflow) before financing		99	37	(1,323)	(71)
<i>Financing</i>					
Repayment of long term loan		299	55	123	-
New loan in year		-	-	(1,500)	-
Net cash outflow/(inflow) from financing		299	55	(1,377)	-
(Decrease)/increase in cash and cash equivalents	5.25	(200)	(18)	54	(71)
		99	37	(1,323)	(71)

## 5 Notes to the financial information

### 5.1 Accounting policies

#### (a) Basis of accounting

The financial information is prepared under the historical accounting convention, modified to include the revaluation of freehold and long leasehold land and buildings including fixtures, fittings and equipment, drawn up in accordance with applicable United Kingdom accounting standards.

#### (b) Turnover

Turnover comprises the value of sales, excluding VAT and trade discounts, of goods and services in the normal course of business.

#### (c) Tangible fixed assets

Land and buildings including fixtures, fittings and equipment are shown at valuation. Other fixed assets are shown at original cost. Fixtures and fittings additions incorporate refurbishment expenditure thereon.

Depreciation is provided at rates calculated to write off the cost or valuation, less estimated residual value, of each asset, other than freehold land and hotel premises, over its expected useful life as follows:

Hotel premises	-	Nil
Fixtures and fittings	-	10% per annum straight-line
Leased equipment	-	10% per annum straight-line
Linen	-	20% per annum straight-line
Motor vehicles	-	20% per annum on reducing balance

No depreciation is provided for the hotel premises. It is the company's practice to maintain such assets in a continual state of sound repair and to make improvements thereto from time to time. Accordingly the directors consider the assets' life so long and the residual value, based on prices prevailing, at the time or subsequent valuations, so high that their depreciation is insignificant. Any permanent diminution in value is charged to the profit and loss account as appropriate.

#### (d) Stocks

Stocks, which consist of goods purchased for resale, are stated at the lower of cost and net realisable value. Cost is based on invoice price.

Net realisable value is based on estimated normal selling price less further costs expected to be incurred on completion and disposal. Provision is made for obsolete, slow moving or defective items, where appropriate.

#### (e) Taxation

Corporation tax payable is provided on taxable profits at the current rate.

Tax deferred or accelerated is accounted for in respect of all material timing differences only to the extent that it is probable that a liability or asset will crystallise in the foreseeable future. Timing differences arise from the inclusion of items of income and expenditure in tax computations in periods different from those in which they are included in the financial statements. Provision is made at the rate which is expected to be applied when the liability or asset is expected to crystallise.

No provision is made for the potential deferred tax liability that would arise if revalued properties were sold at their revalued amount as it is not the current intention of the company to dispose of these properties.

*(f) Pension costs*

The company operates a defined contribution pension scheme.

Pension benefits are funded over the relevant employee's period of service by way of contribution to an insured fund. Annual contributions are charged to the profit and loss account in the period to which they relate.

*(g) Government grants*

Capital based grants are reported as deferred income and amortised over the expected useful lives of the assets concerned. The balance of unamortised grants is included under creditors and separately identified.

*(h) Operating leases*

Operating lease rentals are charged to the profit and loss account as incurred.

*(i) Revaluation reserve*

Surpluses/deficits arising on the revaluation of tangible fixed assets are credited to a non-distributable reserve known as revaluation reserve. On the disposal of a revalued fixed asset the revaluation surplus corresponding to the item is also transferred to the profit and loss account.

## 5.2 Turnover

The analyses of turnover by activities are as follows:

	Year ended 31 December 1992 IR£000	Year ended 31 December 1993 IR£000	Year ended 31 December 1994 IR£000	3 months ended 31 March 1995 IR£000
Food	1,151	1,163	1,282	294
Bar	544	541	578	133
Apartment	677	687	773	137
Room hire	65	60	76	24
Telephone	52	46	48	10
	2,489	2,497	2,757	598

## 5.3 Other operating expenses (net)

	Year ended 31 December 1992 IR£000	Year ended 31 December 1993 IR£000	Year ended 31 December 1994 IR£000	3 months ended 31 March 1995 IR£000
Administration expenses	722	713	791	196
Government capital grants released	(14)	(14)	(14)	(4)
	<u>708</u>	<u>699</u>	<u>777</u>	<u>192</u>

## 5.4 Investment income

	Year ended 31 December 1992 IR£000	Year ended 31 December 1993 IR£000	Year ended 31 December 1994 IR£000	3 months ended 31 March 1995 IR£000
Interest receivable and similar income	10	3	-	-

## 5.5 Interest payable and similar charges

	Year ended 31 December 1992 IR£000	Year ended 31 December 1993 IR£000	Year ended 31 December 1994 IR£000	3 months ended 31 March 1995 IR£000
Interest payable on bank loans and overdrafts repayable within five years	6	11	4	1
Interest payable to group companies	37	-	-	-
Interest payable on bank loan repayable in more than five years	-	-	18	31
	<u>43</u>	<u>11</u>	<u>22</u>	<u>32</u>

## 5.6 Profit on ordinary activities before taxation

	Year ended 31 December 1992 IR£000	Year ended 31 December 1993 IR£000	Year ended 31 December 1994 IR£000	3 months ended 31 March 1995 IR£000
<i>Stated after crediting</i>				
Government capital grants released	14	14	14	3
<i>And after charging</i>				
Directors' emoluments for management services	43	45	46	11
Auditors' remuneration - audit	7	7	9	2
- non audit	2	1	1	-
<i>Depreciation and amounts written off</i>				
Tangible fixed assets	99	107	114	27
<i>Rentals payable under operating leases</i>				
Motor vehicles	-	-	3	1
Car park	-	5	60	15

## 5.7 *Employees*

The average weekly number of employees, including executive directors, during the year, analysed by category, was as follows:

	Year ended 31 December 1992 Number	Year ended 31 December 1993 Number	Year ended 31 December 1994 Number	3 months ended 31 March 1995 Number
Hotel staff	89	73	79	79
Administration	19	19	19	19
	<u>99</u>	<u>92</u>	<u>98</u>	<u>98</u>

The aggregate payroll costs of these employees were as follows:

	Year ended 31 December 1992 IR£000	Year ended 31 December 1993 IR£000	Year ended 31 December 1994 IR£000	3 months ended 31 March 1995 IR£000
Wages and salaries	766	794	813	195
Social Welfare costs	105	104	100	36
Pension costs	25	25	25	6
	<u>896</u>	<u>923</u>	<u>938</u>	<u>237</u>

## 5.8 *Remuneration of directors*

	Year ended 31 December 1992 IR£	Year ended 31 December 1993 IR£	Year ended 31 December 1994 IR£	3 months ended 31 March 1995 IR£
Remuneration as executives	40,628	42,034	43,325	11,175
Benefits in kind	6,159	6,019	6,632	821
Pension	-	-	-	-
	<u>46,787</u>	<u>48,053</u>	<u>49,957</u>	<u>11,996</u>

The emoluments, excluding pension contributions, of the highest paid director for the three months ended 31 March 1995 were IR£11,996 (year ended 31 December 1994: IR£49,957; year ended 31 December 1993: IR£48,053; year ended 31 December 1992: IR£46,787). The chairman received no emoluments throughout the period to 31 March 1995.

The emoluments, excluding pension contributions, of the directors were within the following ranges:

	Year ended 31 December 1992	Year ended 31 December 1993	Year ended 31 December 1994	3 months ended 31 March 1995
IR£0 - IR£5,000	3	2	2	2
IR£5,001 - IR£10,000	-	-	-	1
IR£10,001 - IR£15,000	1	1	1	-

## 5.9 Tax on profit on ordinary activities

	Year ended 31 December 1992 IR£000	Year ended 31 December 1993 IR£000	Year ended 31 December 1994 IR£000	3 months ended 31 March 1995 IR£000
Corporation tax at 40%	77	72	52	-
Adjustment in respect of previous year	17	-	(3)	-
Deferred tax (see note 5.17)	(18)	(6)	-	-
	<u>76</u>	<u>66</u>	<u>49</u>	<u>-</u>

## 5.10 Dividends

	Year ended 31 December 1992 IR£000	Year ended 31 December 1993 IR£000	Year ended 31 December 1994 IR£000	3 months ended 31 March 1995 IR£000
Dividend paid of IR£16.76 per share	-	-	1,545	-

## 5.11 EPS

The earnings per share calculation is based on 92,200 (1994: 92,200 ; 1993:92,200; 1992:92,200) ordinary shares, being the weighted average number of ordinary shares in issue during the period ended 31 March 1995, and the loss for the period of IR£40,000 (1994: profit IR£192,000 ; 1993: profit IR£107,000 ; 1992: profit IR£87,000).

## 5.12 Tangible fixed assets

	Premises IR£000	Fixtures & fittings (incl lease) IR£000	Leased equipment IR£000	Motor vehicles IR£000	Total IR£000
<b>Cost or valuation</b>					
Balance at 1 January 1993	3,230	1,542	17	48	4,837
Additions: 1993	20	83	-	-	103
Additions: 1994	2	58	-	-	60
Additions: 1995	-	8	-	-	8
Disposals: 1994	-	-	-	(24)	(24)
Revaluation: 1994	640	-	-	-	640
<b>Balance at 31 March 1995</b>	<u>3,892</u>	<u>1,691</u>	<u>17</u>	<u>24</u>	<u>5,624</u>
<b>Depreciation</b>					
Balance at 1 January 1993	-	1,027	11	32	1,070
Charge: 1993	-	102	2	3	107
Charge: 1994	-	109	2	3	114
Charge: 1995	-	27	-	-	27
Disposals: 1994	-	-	-	(18)	(18)
<b>Balance at 31 March 1995</b>	<u>-</u>	<u>1,265</u>	<u>15</u>	<u>20</u>	<u>1,300</u>
<b>Net book value</b>					
31 March 1995	3,892	426	2	4	4,324
31 December 1993	3,250	496	4	13	3,763

The company's freehold and long leasehold land and buildings, including fixtures, fittings and equipment, were revalued at 10 November 1994 at open market value for existing use basis at IR£4,350,000 by John D Wood International Limited, Consultants in Commercial Property. The historical cost of the premises is IR£1,585,110.

The company has included within tangible fixed assets costs of some IR£820,000 in respect of refurbishments incurred since 1990.

## 5.13 Stocks

	Year ended 31 December 1993 IR£000	Year ended 31 December 1994 IR£000	3 months ended 31 March 1995 IR£000
Food	14	12	12
Bar	52	60	28
	<u>66</u>	<u>72</u>	<u>40</u>

The replacement cost of stocks does not materially exceed their balance sheet value.

## 5.14 Debtors

	Year ended 31 December 1993 IR£000	Year ended 31 December 1994 IR£000	3 months ended 31 March 1995 IR£000
Trade debtors	81	88	79
Other debtors	30	-	-
Prepayments and accrued income	56	62	105
	<u>167</u>	<u>150</u>	<u>184</u>

Costs of IR£5,000 relating to the company's ten year bank loan facility of IR£1,500,000 are charged to the profit and loss account on an annual basis over ten years commencing 1 January 1995. The unamortised balance is held within prepayments. All of the above debtors fall due within one year.

## 5.15 Creditors (amounts falling due within one year)

	Year ended 31 December 1993 IR£000	Year ended 31 December 1994 IR£000	3 months ended 31 March 1995 IR£000
Bank overdraft	69	31	37
Trade creditors	344	268	210
Accruals and deferred income	38	55	87
Amounts owed to group companies	103	-	8
Government grants	14	14	14
Pension and social welfare			
- Corporation tax	72	52	52
- PAYE/PRSI	44	36	26
- VAT	-	40	23
	<u>624</u>	<u>496</u>	<u>457</u>

**5.16 Creditors (amounts falling due after more than one year)**

	Year ended 31 December 1993 IR£000	Year ended 31 December 1994 IR£000	3 months ended 31 March 1995 IR£000
Bank loan (see below)	-	1,500	1,500
Government grant (see below)	76	62	59
	<u>76</u>	<u>1,562</u>	<u>1,559</u>
Government grants unamortised	90	76	73
Included in creditors falling due within one year (see note 5.15)	(14)	(14)	(14)
	<u>76</u>	<u>62</u>	<u>59</u>

The bank loan is secured by a specific charge over the property of the Imperial Hotel (Cork) Limited for IR£1,550,000 and by a letter of guarantee from Bridgend Group PLC for IR£1,550,000.

The bank loan is repayable by instalments over eight and a half years as follows: between one and two years IR£264,000 ; between two and five years IR£528,000 ; after more than five years IR£708,000.

**5.17 Provision for liabilities and charges**

The amounts provided for deferred taxation are as follows:

	Year ended 31 December 1993 IR£000	Year ended 31 December 1994 IR£000	3 months ended 31 March 1995 IR£000
Beginning of period	33	27	27
Credit to profit and loss account (see note 5.9)	(6)	-	-
End of period	<u>27</u>	<u>27</u>	<u>27</u>

The amounts provided for deferred taxation are due to the effect of timing differences due to the excess of tax allowances over depreciation.

No provision has been made for further potential taxation liabilities arising from timing differences associated with accelerated capital allowances of IR£242,127 (1994:IR£243,720 ; 1993:IR£286,552 ; 1992:IR£287,079).

The potential liability does not include a further provision for the deferred tax which would arise if the revalued property was sold at its revalued amount as, in the opinion of the directors, the revaluation does not constitute a timing difference.



## 5.18 Reserves

	Profit and loss	Non distributable reserve	Revaluation reserve	Total
	IR£000	IR£000	IR£000	IR£000
Reserves at 1 January 1992	1,323	35	3,835	5,193
Retained profit for the financial year: 1992	73	14	-	87
Retained profit for the financial year: 1993	93	14	-	107
Retained profit for the financial year: 1994	(1,367)	14	-	(1,353)
Retained profit for the financial year: 1995	(43)	3	-	(40)
Deficit on revaluation of fixed assets: 1992	-	-	(2,189)	(2,189)
Surplus on revaluation of fixed assets: 1994	-	-	640	640
Reserves at 31 March 1995	79	80	2,286	2,445

## 5.19 Share capital

	Year ended 31 December 1992	Year ended 31 December 1993	Year ended 31 December 1994	3 months ended 31 March 1995
	IR£000	IR£000	IR£000	IR£000
<b>Authorised</b>				
100,000 ordinary shares of IR£1 each	100	100	100	100
<b>Allotted and fully paid up</b>				
92,200 ordinary shares of IR£1 each	92	92	92	92

## 5.20 Commitments

### (a) Capital commitments

	Year ended 31 December 1993	Year ended 31 December 1994	3 months ended 31 March 1995
	IR£000	IR£000	IR£000
Authorised but not contracted for	60	60	60

### (b) Operating lease commitments

The company has commitments under operating leases to make payments totalling IR£65,516 for the next year (1994: IR£67,094 ; 1993: IR£59,450) as follows:

	31 December 1993		31 December 1994		31 March 1995	
	Car park	Motor vehicles	Car park	Motor vehicles	Car park	Motor vehicles
	IR£000	IR£000	IR£000	IR£000	IR£000	IR£000
<b>Expiring</b>						
Between two and five years	-	-	-	8	-	6
More than five years	59	-	59	-	59	-

**5.21 Contingencies**

There exists a contingent liability to repay in whole or in part capital grants received from Bord Failte of IR£152,800 if certain conditions set out in the agreements are not adhered to.

**5.22 Pensions**

The company operates a defined contribution pension scheme.

Pension benefits are funded over the related employees period of service by way of contribution to an insured fund. Annual contributions are charged to the profit and loss account in the period to which they relate. The pension charge for the period ended 31 March 1995 is IR£6,287 (year to 31 December 1994: IR£25,000 ; year to 31 December 1993: IR£25,000 ; year to 31 December 1992: IR£25,000).

There was no material prepayment recognised in the balance sheet at the period end.

**5.23 Group membership**

The company is a wholly owned subsidiary of Woodington plc, incorporated in the Republic of Ireland. The ultimate holding company is Bridgend Group PLC, incorporated in the United Kingdom.

**5.24 Reconciliation of operating profit to net cash inflow/(outflow) from operating activities**

	Year ended 31 December 1992 IR£000	Year ended 31 December 1993 IR£000	Year ended 31 December 1994 IR£000	3 months ended 31 March 1995 IR£000
Operating profit/(loss)	196	181	263	(8)
Depreciation	99	107	114	27
Grant amortisation	(14)	(14)	(14)	(3)
Loss on disposal of fixed assets	-	-	-	2
(Increase)/ decrease in stocks	(5)	6	(6)	32
Decrease/(increase) in debtors	(14)	(39)	23	(42)
(Decrease)/ increase in creditors	30	5	(8)	(57)
	<u>292</u>	<u>246</u>	<u>372</u>	<u>(49)</u>

**5.25 Analysis of balances in cash and cash equivalents and movements during the year**

	Cash at bank and in hand IR£000	Bank overdraft IR£000	Total IR£000
At 1 January 1992	234	(4)	230
Net cash (outflow)	(155)	(45)	(200)
At 31 December 1992	79	(49)	30
Net cash inflow/(outflow)	2	(20)	(18)
At 31 December 1993	81	(69)	12
Net cash inflow	16	38	54
At 31 December 1994	97	(31)	66
Net cash outflow	(65)	(6)	(71)
At 31 March 1995	32	(37)	(5)

Yours faithfully

Yours faithfully

KPMG

KPMG Stokes Kennedy Crowley"

## **PART IV**

### **GENERAL INFORMATION**

#### **1 Incorporation and administration**

- (a) The Company was incorporated and registered in England and Wales with limited liability as a public limited company on 4th April, 1995 under the Companies Act 1985 (the "Act") with registered number 3043860. The Company operates under the Act and the regulations made under the Act.
- (b) The Company's principal place of business is at 7 Hanover Street, London, W1R 9HH and its registered office is at Kempson House, Camomile Street, London EC3A 7AN.
- (c) The Company's principal object, as set out in clause 4(a) of its Memorandum of Association, is to carry on the business of a holding company. The Company will become the holding company of the Group and will, following the Acquisition, have as its only subsidiary, Imperial, the registered office of which is the Imperial Hotel, South Mall, Cork, Eire.
- (d) The Company was issued with a certificate under section 117 of the Act by the Registrar of Companies on 11th April, 1995.
- (e) KPMG of 8 Salisbury Square, London EC4Y 3BB have been the only auditors of the Company since its incorporation.

#### **2 Share capital**

- (a) The Company was incorporated with an authorised share capital of £100,000 divided into 200,000 Ordinary Shares of 25p each, two of which were agreed to be taken by the subscribers to the Memorandum of Association and 50,000 redeemable preference shares of £1 each ("Initial Shares"). On 7th April, 1995 the two subscribers' shares were transferred to Peter Eyles and David Greene.
- (b) On 7th April, 1995 Peter Eyles and David Greene were each allotted 25,000 Initial Shares (one quarter paid) to enable the Company to obtain a certificate under section 117 of the Act. The Initial Shares will be redeemed by the Company at par out of the proceeds of the Placing (having been fully paid) and thereupon such shares will automatically be cancelled.
- (c) By ordinary and special resolutions passed on 28th July, 1995;
  - (i) the authorised share capital of the Company was increased to £1,650,000 by the creation of 4,800,000 Ordinary Shares and 1,400,000 Preference Shares;

- (ii) the Directors were generally and unconditionally authorised in accordance with section 80 of the Act to exercise all the powers of the Company to allot relevant securities (as defined in that section) up to an aggregate nominal amount of £1,200,000, such authority to expire at the conclusion of the annual general meeting of the Company in 1996, (unless previously revoked, varied or extended by the Company in general meeting);
- (iii) the Directors were empowered (pursuant to section 95(1) of the Act) to allot equity securities (as defined by section 94(2) of the Act) pursuant to the authority referred to in paragraph (ii) above as if section 89(1) of the Act did not apply to any such allotment provided that such power is expressed to expire at the conclusion of the annual general meeting of the Company in 1996 and is limited to the allotment of equity securities in connection with:
  - (1) the Placing and the Acquisition;
  - (2) any offer of securities by way of rights or open offer;
  - (3) the exercise of options under the Share Option Scheme;
  - (4) the issue of Ordinary Shares upon the exercise of conversion rights of the Preference Shares;
  - (5) (otherwise than pursuant to sub-paragraphs (1), (2), (3), or (4) above) an offer of equity securities up to an aggregate nominal amount equal to 5 per cent. of the issued share capital of the Company following completion of the Placing and the Acquisition;
- (iv) the Company adopted new Articles of Association; and
- (v) the Company adopted the Share Option Scheme.
- (d) Pursuant to the authority conferred upon them as described in paragraph 2(c)(iii) above and by a resolution of the Board passed on 28th July, 1995, the Directors resolved to offer up to 550,000 Ordinary Shares pursuant to the Placing at a price of £1 per Ordinary Share and also to issue the Consideration Shares conditionally upon the terms of the Acquisition.
- (e) Following the Placing, the issued ordinary share capital of the Company will be fully paid as to its nominal value. The Placing Price represents a premium of 75p over the nominal value of each Ordinary Share.
- (f) The provisions of section 89(1) of the Act (which, to the extent not disapplied pursuant to section 95 of the Act, confer on shareholders rights of pre-emption in respect of the allotment of equity securities which are or are to be paid up

in cash) apply to the authorised but unissued share capital of the Company save to the extent disappplied as mentioned in paragraph 2(c)(iii) above.

- (g) Save as disclosed in this Part IV, since the date of its incorporation, there has been no alteration in the share capital of the Company, no share or loan capital of the Company has been issued or agreed to be issued, or is now proposed to be issued, for cash or any other consideration and no commissions, discounts, brokerages or other special terms have been granted by the Company in connection with the issue or sale of any such capital and no share or loan capital of the Company is under option or agreed, conditionally or unconditionally, to be put under option.
- (h) Other than pursuant to the Placing and the Acquisition or as referred to in paragraph 2(c)(iii) above, no material issue of shares (other than to Shareholders pro rata to existing holdings) will be made by the Company within one year of the date of the admission to the Official List of the Ordinary Shares without the prior approval of Shareholders in general meeting.
- (i) The Ordinary Shares and Preference Shares will be in registered form. Temporary documents of title will not be issued. Share certificates are expected to be posted not later than 29th August, 1995.

### 3 Directors' and other interests in the Company

- (a) The Directors are aware of the following persons, who immediately following the Placing and the Acquisition (assuming full subscription under the Placing), will be directly or indirectly interested in 3 per cent. or more of the Company's issued ordinary share capital:-

	Number of Ordinary Shares	Percentage of issued ordinary share capital
Bridgend	500,000	47.6

Bridgend will acquire the Ordinary Shares set out in the above table pursuant to the Acquisition Agreement. Further details of the Acquisition Agreement are set out in paragraph 7 below.

Save as disclosed in this paragraph, the Directors are not aware of any person who immediately following the Placing will be interested directly or indirectly (within the meaning of Part VI of the Act) in 3 per cent. or more of the issued Ordinary Shares or could directly or indirectly exercise control over the Company.

- (b) The following number of Ordinary Shares (representing in aggregate 4.29 per cent. of the ordinary share capital following the Placing and the Acquisition) will be placed with the Directors named below and their connected persons as defined by section 346 of the Act. These Ordinary Shares are to be issued immediately prior to Admission.

	Number of Ordinary Shares
P.G. Eyles	25,000
D.J. Greene	20,000

Save as disclosed in this paragraph, in paragraph 2(a) above and in paragraph 4 below, neither the Directors nor any persons connected with them within the meaning of section 346 of the Act have any interest in any shares of the Company which is required to be notified to the Company pursuant to sections 324 or 328 of the Act, or is required, pursuant to section 325 of the Act to be entered in the register referred to therein.

- (c) No Director or Proposed Director is interested, whether directly or indirectly in the issued share capital of Y-LEE Limited ("Y-LEE") and no such person has any interest in any transactions with such company. Details of the agreement between the Company and Y-LEE are set out in paragraph 7(d) below.
- (d) Neil List, a Proposed Director, is a director and Chairman of Bridgend and a party to the Acquisition Agreement, details of which are set out in paragraph 7(a) below.
- (e) Peter Eyles and David Greene have entered into consultancy agreements with the Group, the principal terms of which are summarised below.
- (i) Peter Eyles has a consultancy agreement with the Company dated 31st July, 1995, which is conditional upon the Listing. Under the agreement, Mr. Eyles has agreed to spend not less than 2 days per week in the performance of his duties. The agreement, which is for a fixed initial period of 6 months and may thereafter be terminated on 1 year's notice by either party, provides that Mr. Eyles will receive a fee of £25,000 per annum. The agreement, unless previously terminated, will automatically terminate in the event that the aggregate of Mr. Eyles' and Mr. Greene's remuneration pursuant to the service agreements described below would be less than 20 per cent. of the board operating profit forecast (before taxation, and interest head office and other expenses (but not, for the avoidance of doubt relating to the on-site operation of hotels owned by the Group) of the Group ("the threshold profit")).

Upon the termination of the consultancy agreement in the circumstances described above where the threshold profit is attained, the Company and Mr. Eyles will enter into a service agreement providing that Mr. Eyles shall be a full-time employee of the Company. This agreement will provide for an annual salary of £120,000 together with certain additional benefits, including commission based on the growth in earnings per share of the Company and will be for an initial period of 2 years. In normal circumstances, the agreement will be terminable on one year's notice by either party save that such notice may not be given earlier than the first anniversary of the agreement. The service agreement will provide for certain restrictions upon Mr. Eyles following termination.

- (ii) David Greene has a consultancy agreement with the Company dated 31st July, 1995, which is conditional upon the Listing. Under the agreement, Mr. Greene has agreed to spend not less than 2 days per week in the performance of his duties. The agreement, which is for a fixed initial period of 6 months and may thereafter be terminated on 1 years notice by either party, provides that Mr. Greene will receive a fee of £25,000 per annum together with certain additional benefits, including commission based on the growth in earnings per share of the Company. The agreement will automatically terminate in the event that the aggregate of Mr. Eyles' and Mr. Greene's remuneration pursuant to the service agreements described herein is less than 20 per cent of the threshold profit.

Upon the termination of the consultancy agreement in the circumstances described above where the threshold profit is attained, the Company and Mr. Greene will enter into a service agreement providing that Mr. Greene shall be a full-time executive employee of the Company. This agreement will provide for an annual salary of £80,000 together with certain additional benefits and will be for an initial period of 2 years. In normal circumstances, the agreement will be terminable on one year's notice by either party, save that such notice may not be given earlier than the first anniversary of the agreement. The service agreement will provide for certain restrictions upon Mr. Greene following termination.

- (f) No loan or guarantee has been granted or provided by the Company to or for the benefit of any Director.
- (g) Save as disclosed in this paragraph 3 and in paragraphs 2 and 7, none of the Directors or their immediate families has or has had any interest in any transaction or transactions which are or were unusual in their nature or conditions or significant to the business of the Company or Imperial and which were effected by the Company or Imperial since, in the case of the Company, its incorporation or in the case of Imperial, (i) during its current or immediately preceding financial year or (ii) during any earlier financial year and which remains in any respect outstanding or unperformed. Save as disclosed in this



paragraph 3, there are no other service or consultancy agreements in force with the Group.

- (ii) It is estimated that the aggregate amount payable to the Directors by the Company for the financial period ending on 31st December, 1995 under the arrangements in force at the date of this document will not exceed £25,000.

#### 4 Share Option Scheme

On 31st July, 1995 the Company adopted the Share Option Scheme. The principal features of the scheme, the terms of which are set out in full in the Rules of the scheme, are as follows:-

##### (i) Administration

The Share Option Scheme will be administered by the Board, which may grant options to acquire Ordinary Shares of the Company at the Exercise Price (see paragraph (iv) below). No consideration shall be paid for the grant of each option; the grant of each option shall be made by deed.

##### (ii) Eligible employees

Participants in the Share Option Scheme must be (i) directors of the Company and/or one or more of its subsidiaries in the U.K. or overseas who are selected by the Board, or (ii) other employees of the Company and/or one or more of its subsidiaries in the U.K. or overseas, who devote substantially the whole of their working time each week to the business of the Company (and/or the relevant subsidiary) and who are selected by the Board. Part-time directors may therefore participate in the Share Option Scheme, if selected by the Board. Part-time employees may participate in the Share Option Scheme, if selected by the Board, provided that broadly their employment with the Company (and/or the relevant subsidiary) is their sole employment.

##### (iii) Offers of options

Although the grant of options in any year is at the discretion of the Board, if offers are made in any year pursuant to the Share Option Scheme, they will be made during the period commencing on the 2nd dealing day following and ending 6 weeks following the announcement of the annual results or the announcement of any interim results of the Company, although they may not be granted prior to the fixing of the exercise price.

Options shall not be offered to any individual who is due for retirement at normal retirement age within two years.

Options granted under the Share Option Scheme will be personal to the participants to whom they are granted and may not be transferred or assigned. However, they will be exercisable by the legal personal representative of a participant who dies before exercising his option.

(iv) Exercise price

The price per share payable on the exercise of an option will be determined by the Board and will be not less than the greater of:

- (a) the nominal value of the Ordinary Shares;
- (b) the price equal to the middle market quotation for the Ordinary Shares as derived from the London Stock Exchange Daily Official List on the dealing day immediately preceding the date of the offer of the relevant option, provided that no such dealing day shall be a dealing day preceding the latest announcement of the results of the Company for any period; and
- (c) if the Ordinary Shares are not listed on the London Stock Exchange, the market value of the Ordinary Shares on the day immediately preceding the date of the offer of the relevant option.

(v) Exercise of options

Options will normally be exercisable by the participant at any time between the third and seventh anniversaries of grant provided that no Option shall be exercisable unless the Placing is effected and the London Stock Exchange agrees to admit the Ordinary Shares of the Company to be issued in connection with the Acquisition and the Placing. Earlier exercise is permitted in the event of a takeover, reconstruction or liquidation of the Company or if the company by which the participant is employed leaves the Group, or if the participant's employment terminates by reason of his death, ill health, injury, disability or redundancy. There are time limits within which early exercise of options in such circumstances must be made, failing which the options lapse. Except in these circumstances, options will lapse if the participant ceases to be employed by the Group.

The Scheme Rules provide that options may be granted subject to such objective condition or conditions of exercise as the Board may determine.

An unexercised option may be exercised in the case of:

- (a) a general offer being made to all holders of Ordinary Shares and such offer becoming or being declared unconditional, within 6

months from the date on which such offer becomes or is declared unconditional;

- (b) the Court sanctioning a compromise or arrangement proposed for the purposes of a scheme for the reconstruction of the Company or its amalgamation with any other company, within one month of such compromise or arrangement becoming effective; and
- (c) the Company convening a general meeting for the purpose of considering a resolution for its winding-up, at any time prior to the passing of such resolution.

(vi) Issue of shares

Shares allotted and issued following exercise of an option will rank *pari passu* in all respects and form one class with the Ordinary Shares then in issue, save as regards dividends payable by reference to a record date prior to the date of issue. The Company will apply to the London Stock Exchange for the Ordinary Shares issued on the exercise of options pursuant to the Share Option Scheme to be admitted to the Official List. The Company will at all times keep available sufficient authorised and unissued share capital to satisfy outstanding options save to the extent that such options may be satisfied by the transfer of shares which have already been issued.

(vii) Scheme limits

The maximum number of Ordinary Shares over which options may be granted on any date, when added to the number of Ordinary Shares issued and remaining issuable in respect of rights conferred in the previous 10 years under the Share Option Scheme and any other share option scheme, other than an SAYE share option scheme, operated by the Company for its employees and directors shall not exceed 5 per cent. of the number of the issued Ordinary Shares of the Company.

The number of Ordinary Shares over which options may be granted on any date, when added to the number of Ordinary Shares issued and remaining issuable in respect of rights conferred in the previous 10 years under the Share Option Scheme and any other share scheme for the Company's employees, shall not exceed 10 per cent. of the number of Ordinary Shares of the Company.

Additionally, the number of Ordinary Shares over which options may be granted on any date shall not, when added to the number of Ordinary Shares issued and remaining issuable in respect of rights conferred in the previous 3 years under the Share Option Scheme and any other share option or incentive scheme or profit sharing scheme operated by the

Company, exceed 3 per cent. of the number of Ordinary Shares of the Company.

It should be noted that the above limits apply only to new shares issued or issuable upon the exercise of options under the relevant schemes and not to shares which the Company has procured to be transferred to participants in satisfaction of their options.

No options may be granted more than 10 years after the date on which the Share Option Scheme is adopted by resolution of the Board.

An individual employee's participation in the Share Option Scheme is limited so that, broadly, no option may be granted which would result in the aggregate market value (as defined in Part VIII of the Taxation of Chargeable Gains Act 1992), ascertained in accordance with schedule 9 to the Income and Corporation Taxes Act 1988, of the shares which he may acquire, might have acquired or has acquired in pursuance of rights granted under the Share Option Scheme and any other share option schemes for the Company's employees (except SAYE share option schemes) where such rights were granted within the 10 years ending on the date of the proposed grant exceeding a sum equal to 4 times his current total annual earnings from Group companies. In applying this limit to an individual employee's participation in the Share Option Scheme there may be disregarded subject to certain conditions (for example, there must have been a significant improvement in the Company's performance during the two financial years ended next before, and any subsequent period in respect of which half-yearly results of the Company have been announced to the London Stock Exchange before, the date of the proposed grant) any shares which he has already acquired within the period of 10 years.

(viii) Alteration of capital of the Company

The number, nominal amount and class of Ordinary Shares subject to the Share Option Scheme and the number and nominal amount of shares subject to any option are subject to appropriate adjustment in the event of any capitalisation or rights issue by the Company or any consolidation, sub-division or reduction of the Company's share capital.

(ix) Amendments

The Directors have the power to amend the Share Option Scheme at any time, provided that, it cannot be amended to the advantage of the participants without prior approval of shareholders in general meeting (except for minor amendments to benefit the administration of the scheme, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants in the scheme or for the company operating the scheme or

for members of its group) save that no amendment shall be made to the Scheme limits without the prior approval of shareholders in general meeting.

## 5 Articles of Association

The following is a summary of certain provisions of the Articles of Association of the Company (the "Articles"), a copy of which is available for inspection as stated in paragraph 12 below:

### (a) Share capital

- (i) The authorised share capital of the Company consists of 5,000,000 Ordinary Shares, 50,000 Initial Shares and 1,400,000 Preference Shares. The Initial Shares are to be redeemed following the Placing and will, thereafter, be cancelled.
- (ii) The Company in general meeting may from time to time by ordinary resolution:
  - (1) increase its share capital by such sum to be divided into shares of such amount as the resolution prescribes;
  - (2) consolidate and divide all or any of its share capital into shares of larger nominal amount than its existing shares;
  - (3) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled; and
  - (4) subject to the provisions of the Act, sub-divide its shares or any of them into shares of smaller amount, and may by such resolution determine that, as between the shares resulting from such sub-division, one or more of the shares may, as compared with others, have any such preferred, deferred or other special rights or be subject to any such restrictions as the Company has power to attach to unissued or new shares.

### (b) Transfer of shares

- (i) Each member may transfer all or any of his shares by instrument of transfer in writing in any usual form or in any form approved by the Board. Such instrument shall be executed by or on behalf of the transferor and, in the case of partly paid shares, by or on behalf of the transferee.

(ii) The Board may, in its absolute discretion and without giving any reason, refuse to register any share transfer unless:

- (1) it is in respect of a share which is fully paid up;
- (2) it is in respect of a share upon which the Company has no lien;
- (3) it is in respect of only one class of share;
- (4) it is in favour of a single transferee or not more than four joint transferees;
- (5) it is duly stamped (if so required);
- (6) it is delivered for registration to the registered office of the Company or such other place as the Board may from time to time determine, accompanied (except in the case of a transfer by a recognised person where a certificate has not been issued) by the certificate for the shares to which it relates and such other evidence as the Board may reasonably require to prove the title of the transferor and the due execution by him of the transfer or, if the transfer is executed by some other person on his behalf, the authority of that person to do so; and
- (7) in the case of partly paid shares which are listed, any refusal prevents dealings in the shares taking place on an open and proper basis.

(iii) If a member has been issued with a notice under section 212 of the Act and is in default in relation to any shares (the "Default Shares") for the prescribed period in supplying the information thereby required, unless the Board otherwise determines, where the Default Shares represent at least 0.25 per cent of their class, no transfer of any shares held by the member shall be registered unless it is an excepted transfer, meaning (inter alia) a transfer in relation to a takeover offer or a sale on a recognised stock exchange.

(c) Dividends

(i) The Company may by ordinary resolution declare dividends to be paid to members of the Company but no dividend is to exceed the amount recommended by the Board. The Board may declare and pay such interim dividends as appear to the Board to be justified by the profits of the Company available for distribution. Payment of dividends is subject always to there being profits available for distribution under the provisions of the Act.

- (ii) All dividends unclaimed for a period of 12 years after having become due for payment shall (if the Board so resolves) be forfeited and cease to remain owing by the Company.
  - (d) Voting
    - (i) At any general meeting on a show of hands every member who is present in person or, being a corporation, by a corporate representative, shall have one vote and on a poll every member present in person or by proxy shall have one vote for each share held by him.
    - (ii) No member shall, unless the Board otherwise determines, be entitled to vote at a general meeting either personally or by proxy or to exercise any other right as a member if any call or other sum then payable by him to the Company remains unpaid in respect of that share or if that member, or any other person appearing to be interested in shares held by him, has been duly served with a notice under section 212 of the Act and is in default for the prescribed period in supplying the information thereby required.
  - (e) The Initial Shares carry the right to receive a fixed dividend at the rate of 0.1 per cent per annum (exclusive of any imputed tax credit available to the shareholders) on the nominal amount thereof but confer no other right to a dividend, confer no right to receive notice of, or to attend or vote at general meetings (except where the rights of the holders of the Initial Shares are to be varied or abrogated) and on a winding up, confer the right to be paid the nominal amount paid up on such shares.
- The Initial Shares are redeemable by the Company at any time on payment of their nominal amount and each Initial Share which is redeemed shall thereafter be cancelled without any further resolution or consent.
- (f) Variation of rights and alteration of capital
    - (i) If at any time the share capital of the Company is divided into shares of different classes, all or any of the rights for the time being attached to any share or class of shares (and notwithstanding that the Company may be or may be about to be in liquidation) may be varied or abrogated in such manner (if any) as may be provided by such rights or, in the absence of any such provisions, either with the consent in writing of the holders of not less than three quarters in nominal value of the issued shares of the class or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of the shares of the class. To every such separate general meeting the provisions of the Articles relating to general meetings shall apply, but so that the quorum thereat shall be two or more persons holding or representing by proxy at least one third in nominal value of the issued shares of the class in question.

- (ii) The Company may, subject to applicable law and any rights attached to any shares, by special resolution reduce its share capital or any capital redemption reserve or share premium account in any manner.
- (g) Directors
  - (i) Unless otherwise determined by the Company by ordinary resolution the number of Directors (other than any alternate Directors) shall not be more than 8 nor less than two.
  - (ii) The Directors (other than alternate Directors) shall be entitled to receive by way of fees for their services as Directors (such fees being distinct from any salary or other remuneration of employment) such sum as the Board may from time to time determine provided that the aggregate amount paid to Directors by way of fees shall not exceed £50,000 in any financial year, or such greater sum as may be determined from time to time by ordinary resolution of the Company. The Directors shall also be entitled to be repaid all reasonable travelling, hotel and other expenses properly incurred by them in or about the performance of their duties as Directors, including expenses incurred in attending meetings. If, by arrangement with the Board, any Director shall perform or render any special duties or services outside his ordinary duties as a Director, he may be paid such reasonable additional remuneration as the Board may determine.
  - (iii) At each annual general meeting of the Company, one third of the Directors who are subject to retirement by rotation or, if their number is not three or a multiple of three, the number nearest to but not exceeding one third shall retire from office. If there are fewer than three Directors who are subject to retirement by rotation, one Director shall retire from office. Retiring Directors will be eligible for re-appointment. Directors are required to retire at the next annual general meeting after attaining the age of 70 in accordance with section 293 of the Act but may offer themselves for re-election.
  - (iv) Save as provided below, a Director shall not vote on, or be counted in the quorum in relation to, any resolution of the Board or of a committee of the Board concerning any contract, arrangement, transaction or any other proposal whatsoever to which the Company is or is to be a party and in which he is, to his knowledge, alone or together with any person connected with him, materially interested unless the resolution concerns any of the following matters:-
    - (1) the giving to him of any guarantee, security or indemnity in respect of money lent or obligations incurred by him at the request of or for the benefit of the Company or any of its subsidiaries;



- (2) the giving to a third party of any guarantee, security or indemnity in respect of a debt or obligation of the Company or any of its subsidiaries for which he himself has assumed responsibility in whole or in part, either alone or jointly with others, under guarantee or indemnity or by the giving of security;
- (3) the subscription or purchase by him of any shares, debentures or other securities of the Company or any of its subsidiaries pursuant to any offer or invitation or the underwriting or sub-underwriting by him of any such shares, debentures or other securities;
- (4) any contract, arrangement, transaction or proposal to which the Company is or is to be a party concerning any other company (including any subsidiary of the Company) in which he is interested, directly or indirectly (and whether as an officer or shareholder, creditor or otherwise), provided that he is not directly or indirectly the holder of or beneficially interested in one per cent. or more of either a relevant company or an intermediate company (such terms being defined in the Articles);
- (5) any contract, arrangement, transaction or proposal concerning the adoption, modification or operation of a pension fund, retirement, death or disability benefits scheme or personal pension plan under which he may benefit and which either (i) has been approved by or is subject to and conditional on approval by the Board of Inland Revenue for taxation purposes or (ii) relates to both employees and Directors of the Company (or directors of any of its subsidiaries) and does not accord to any Director as such any privilege or advantage not accorded to the employees to which such scheme or fund relates; and
- (6) any contract, arrangement, transaction or proposal concerning the purchase and/or maintenance of any insurance policy pursuant to the Articles of Association.

(h) Borrowing powers

Subject as provided in the Articles, the Board may exercise all the powers of the Company to borrow money and to mortgage or charge all or any part of the undertaking, property and assets (present or future) and uncalled capital of the Company and, subject to the provisions of the Act, to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

The Board shall restrict the borrowings of the Company and exercise all voting and other rights and powers of control exercisable by the Company in relation to subsidiary undertakings (if any) so as to secure (so far as it is able) that the

aggregate principal amount from time to time outstanding of borrowings by the Company or any of its subsidiary undertakings (exclusive of moneys owing by one member of the group to another and after deducting cash deposited) shall not at any time, without the previous sanction of an ordinary resolution of the Company, exceed an amount to equal 3 times the Adjusted Capital and Reserves (as defined in the Articles) provided that prior to the publication of the first annual accounts of the Company any such aggregate principal amount shall be limited to £6 million.

(i) Winding-up

If the Company is wound up, the liquidator may, with the sanction of an extraordinary resolution of the Company and any other sanction required by law, divide among the members *in specie* the whole or any part of the assets of the Company. Any such division may be otherwise than in accordance with the existing rights of the members, but if any division is resolved otherwise than in accordance with such rights, the members of the Company shall have the same right of dissent and consequential rights as if such resolution were a special resolution pursuant to section 110 of the Insolvency Act 1986.

(j) The following rights shall be attached to the Preference Shares:

- (i) as to voting: the Preference Shares shall not confer any right to receive notice of or to attend or vote at any general meeting of the Company;
- (ii) as to dividend: the Preference Shares shall not confer any right to dividends in respect of the year ended 31st December, 1995. In respect of subsequent financial years, they shall not confer any right to dividends unless for the relevant financial year the profit after tax ("PAT") of the Company is equal to or exceeds a specified amount and Hanover has distributable profits. The amount for 1996 is £100,000 and for subsequent financial years £200,000. In respect of each financial year other than 1995, the aggregate net dividend payable in respect of all the Preference Shares is equal, subject to scaling down in respect of conversion or redemption of Preference Shares, to the lower of (i) £70,000, (ii) PAT less the specified amount and (iii) the profits of the Company available for distribution at the time of payment. Any dividends payable but not paid shall accrue and shall be payable ahead of any later dividends on Preference Shares. No dividends shall be payable on the Ordinary Shares while any dividends on Preference Shares have become payable but not been paid;
- (iii) on a winding up or return of capital: the Preference Shares shall confer the right to be paid out of the assets of the Company available for distribution amongst the members the capital paid up on such shares *pari passu* with and in proportion to any amounts of capital paid to the holders of the Ordinary Shares, but shall not confer any right to

participate in any surplus remaining following payment of the amount of capital paid up thereon;

- (iv) as to conversion: the Preference Shares may be converted into Ordinary Shares on the basis of 4 Ordinary Shares for every 4 Preference Shares at any time at the election of the holder provided that the resultant aggregate holding of Ordinary Shares of the converting holder (and any person acting in concert with it) does not exceed 29.9 per cent. of the Ordinary Shares in issue following the conversion;
- (v) as to redemption:
  - (A) the Company may, subject to and in accordance with the provisions of the Act, by notice in writing and upon tendering to a registered holder of Preference Shares (with the consent of such holder) the amount of capital paid up (as to capital and premium) thereon, redeem any Preference Share at any time (subject to the provisions of the Act) and such holder shall be bound to deliver up any certificate which he may have representing the same; and upon redemption the name of the registered holder shall be removed from the Register and the Preference Shares which have been redeemed shall be cancelled;
  - (B) the Preference Shares shall be issued on the condition that if not previously redeemed or converted they are, subject to and in accordance with the provisions of the Act, to be redeemed by the Company on 31st December, 1998;
  - (C) the price payable by the Company to the holders of the Preference Shares on their redemption shall be £1 per share.

## 6 The Imperial Hotel (Cork) Limited

Imperial will become a wholly owned subsidiary of the Company upon the Acquisition Agreement becoming unconditional. Further details of the Acquisition Agreement are set out in paragraph 7(a) below.

Imperial was incorporated on 17th December, 1973 under the laws of the Republic of Ireland. It has an authorised share capital of IR£ 100,000 comprising 100,000 Ordinary Shares of IR£1 each, of which 92,200 Ordinary Shares are issued fully paid to Woodington, of which it is currently a wholly owned subsidiary. Its principal activity is the operation of the Hotel. The Directors of Imperial since 28th July, 1992 have been M.A. Bretherton, N.P. List and D.J. Kelly. Messrs. Bretherton and List will resign as directors of Imperial following completion of the Acquisition.

Details of the properties comprising the Hotel are set out in the Valuation.

Imperial has entered into a lease dated 26th November, 1993 with Union Quay Car Parks Limited, of a parcel of land comprising a car park at an annual rent of IR£59,450 for a term of 35 years.

The average number of employees of Imperial over the three financial periods ending on 31st December, 1994 was 96.

Save as disclosed in this paragraph 6, the Company does not, and has not given any contractual commitments to hold any shares or other interest in the capital of any company, whether incorporated in England and Wales or elsewhere.

## 7 Material Contracts

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Company since incorporation and are, or may be, material:

- (a) The Acquisition Agreement dated 31st July, 1995, and made between Bridgend (1), Woodington (2) and the Company (3) relating to the acquisition of the entire issued share capital of Imperial by the Company. The Acquisition Agreement, which is conditional upon (inter alia) Admission, provides that the Company will pay £200,000 in cash, and issue 500,000 Ordinary Shares together with 1,400,000 Preference Shares to Bridgend as consideration for the Acquisition. Under the Acquisition Agreement, Bridgend has agreed to pay £99,000 to Hanover (subject to certain adjustments to reflect certain inter. company indebtedness between Bridgend and Imperial following completion of the Acquisition. The Acquisition Agreement contains certain restrictions on, and warranties and indemnities given by, Bridgend and Woodington in favour of the Company, including the restrictions on the disposal of the Consideration Shares referred to in Part I of this document.

Imperial has entered into certain financing facilities with the Bank of Ireland ("BOI") dated 26th May 1994, comprising an overdraft facility of IR£50,000 and a loan facility of IR£1,500,000 ("the Existing Facilities"). The obligations of Imperial under the Existing Facilities are fully guaranteed by Bridgend ("the Existing Guarantee").

Under the Acquisition Agreement the Company has agreed to replace the Existing Guarantee by the provision of a new guarantee to BOI in respect of Imperial's obligations under the Existing Facilities, save that an amount equal to £250,000 of the Existing Facilities shall continue to be guaranteed by Bridgend ("the Residual Bridgend Guarantee"). The Company has also agreed to counter-indemnify Bridgend in respect of its obligations under the Residual Bridgend Guarantee.

Completion of the Acquisition, and accordingly Admission, are conditional upon the entry into the new banking arrangements by the Company described above.

Bridgend has also agreed to make a £50,000 standby facility available to Hanover. Sums drawn down under the facility will bear interest at an annual rate of ¼ per cent. above the rate payable by Imperial under its existing bank facility with Bank of Ireland.

- (b) A placing agreement (the "Placing Agreement") dated 31st July, 1995 between the Company (1), the Directors (2), Dermot Kelly (3) and Charles Stanley (4) and whereby Charles Stanley has undertaken as agent for the Company to use its reasonable endeavours to procure subscribers for the Placing Shares at the Placing Price.

Under the Placing Agreement, Charles Stanley will, subject to the Placing Agreement becoming unconditional, receive a fee of £40,000.

The Placing Agreement contains warranties by the Company and the Directors and Dermot Kelly in favour of Charles Stanley, and also indemnities by the Company in favour of Charles Stanley for losses and liabilities arising out the proper performance of Charles Stanley's duties, save that where such losses and liabilities result from the negligence, bad faith, wilful default of, or breach of the Placing Agreement or applicable regulations by Charles Stanley. The Placing Agreement may be terminated by Charles Stanley in certain circumstances prior to the admission of the Ordinary Shares to the Listing.

- (c) The Consultancy Agreements referred to in paragraph 3.

No material contracts have been entered into by Imperial in the two years immediately preceding the date of this document.

- (d) An agreement dated 31st July, 1995 between the Company and Y-LEE Limited pursuant to which the Company shall, subject to Admission, pay an introduction fee of £100,000 in respect of services in connection with introducing Imperial to Hanover.

## 8 Taxation

The following information is based on the law and practice currently in force in the UK. If applicants are in any doubt as to their taxation position, they should consult their professional advisers.

The statements below are based on current law and practice in the UK. They are intended only as a general outline of tax treatment of shareholders and may not apply to certain classes of shareholder, such as dealers. Any shareholder who is in doubt about his tax position should consult his professional adviser.

- (a) Stamp duty and stamp duty reserve tax

No stamp duty or stamp duty reserve tax will be payable on the subscription of Ordinary Shares pursuant to the Placing.

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(b) Dividends

Under current UK tax legislation, no tax is withheld from dividend payments by the Company, but the Company is required to account to the UK Inland Revenue for advance corporation tax ("ACT") when it pays a dividend. The rate of ACT is currently equal to a quarter of the net dividend.

Subject as mentioned below, shareholders resident in the UK for taxation purposes (other than corporate shareholders) will generally be liable to income tax on the aggregate amount of the dividend and a tax credit equal, currently, to a quarter of the net dividend (ie 20% of the aggregate of the dividend and the associated tax credit). For example, on a dividend of £80, the tax credit would be £20 and the individual would be liable to income tax on £100. The tax credit satisfies in full the income tax liability in respect of the dividend for UK resident individual shareholders (and the trustees of certain trusts) who are liable to income tax at the basic or lower rate only. Individual shareholders resident in the UK whose income tax liability is less than the aggregate of the amount of income tax deducted from other income paid to them and the tax credit in respect of dividends are entitled to an appropriate repayment of tax. UK resident individual shareholders who are subject to tax at the higher rate (currently, 40 per cent) will have to account for further tax to the extent that the tax at such rate on the aggregate of the dividend and tax credit exceeds the tax credit. For example, on a dividend of £80, such a taxpayer would have to account for further tax of £20. For this purpose, dividends will be treated as the top slice of the individual's income. UK resident trustees of discretionary trusts liable to account for income tax at a rate of 35 per cent on the trust's income may also be required to account for further tax.

Subject as mentioned below, UK resident shareholders who are exempt from tax in respect of investment income are entitled to repayment by the UK Inland Revenue of the tax credit in respect of dividends.

UK resident corporate shareholders (other than certain insurance companies) are not liable to corporation tax or income tax in respect of dividends received from the Company, and such dividends are available to frank dividends paid by such companies.

Subject as mentioned below, an entitlement to a payment from the Inland Revenue of a proportion of the tax credit may be available to some non-UK shareholders if there is an appropriate provision granting such entitlement in a double taxation agreement between the country where they are resident and the UK. Non-UK resident shareholders may also be subject to tax on dividend income under any law to which they are subject outside the UK. Shareholders who are not resident in the UK should consult their own tax advisers concerning their tax liabilities on

dividends received, whether they are entitled to claim any part of the tax credit and, if so, the procedure for doing so.

This section assumes that the company does not elect to pay dividends as foreign income dividends ("FIDs"). The tax treatment of a FID is different from that outlined above. The Company has no present intention of paying dividends as FIDs.

(c) Tax on capital gains

A liability to tax on capital gains may arise on a disposal of Ordinary Shares.

(d) Inheritance Tax

Depending on precise circumstances, UK inheritance tax may be charged on the death of a shareholder or on a gift of Ordinary Shares.

(e) Close Status

Although the Directors have been advised that the Company is currently a close company within the meaning of section 414 of the Income and Corporation Taxes Act 1988, they have been advised that the Company is unlikely to be a close company following the Placing.

(f) General

No withholding tax will be imposed on dividends paid by Imperial to the Company. Advance corporation tax may be imposed in Ireland on the payment of dividends to the Company by Imperial. The Company will not be entitled to a tax credit from the Irish tax authorities, but will obtain credit against its UK tax liabilities for Irish corporation tax paid on profits of Imperial which are distributed to the Company by way of dividend.

**9 Working Capital**

The Directors and the Proposed Directors are of the opinion that, after taking into account the cash proceeds of the Placing to be received by the Company, the facilities available to Hanover and Imperial and the payments by and to the Company of £99,000 pursuant to the terms of the Acquisition Agreement, the Group has sufficient working capital for its present requirements.

**10 Litigation**

No member of the Group is, or has been, engaged in any legal or arbitration proceedings, nor, so far as the Directors are aware, are any such proceedings pending or threatened against any member of the Group which may have or

have had during the period of 12 months preceding the date of this document a significant effect on the Group's financial position

11 General

- (a) The total expenses payable by the Company in connection with the admission of the Ordinary Shares to the Official List and the Acquisition (including value added tax where applicable) will amount to 45 per cent. of the gross amount raised under the Placing. Except for the fee of £40,000 payable to Charles Stanley, no commissions or fees are payable to financial intermediaries under the Placing.
- (b) Peter Eyles and David Greene are or may be promoters of the Company and will receive remuneration and the benefits from the Company as described in paragraph 2, 3 and 4 above. Save as disclosed in paragraph 2, 3 and 4 above, no amount or benefit has been paid or given to any promoter of the Company and none is intended to be paid or given.
- (c) The Company is a newly incorporated company. As set out in the report of the Accountants Reports in Part III it has not yet commenced trading and accordingly there has been no significant change in the financial or trading position of the Company since incorporation.
- (d) Save as disclosed herein, there has been no significant change in the financial or trading position of Imperial, since 31st March, 1995, being the date to which the most recent audited financial statements for the Company have been made up.
- (e) KPMG and KPMG Stokes Kennedy Crowley have given and not withdrawn their consents to the inclusion in this document of their reports in the form and context in which the same are included, and have authorised the contents of those reports, for the purposes of section 152(1)(e) of the Financial Services Act 1986.
- (f) John D. Wood, Valuers, have given and not withdrawn their consent to the issue of this document and the respective references to them in the form and context in which the same is included, and have authorised the contents of Part II of the Listing Particulars, for the purposes of section 152(1)(e) of the Financial Services Act 1986.
- (g) Charles Stanley is regulated by the Securities and Futures Authority Limited and a member of the London Stock Exchange. It's registered office is at 25 Luke Street, London EC2A 4AR. Charles Stanley has given and not withdrawn its consent to the issue of this document and the respective references to them in the form and context in which the same is included.



- (h) The financial information set out in Part III relating to the Company and Imperial does not constitute statutory accounts within the meaning of Section 240 of the Act.
- (i) None of the shares have been marketed or are available to the public in conjunction with the application, save in connection with the Placing. 27,500 Ordinary Shares, representing 5 per cent of Ordinary Shares comprised in the Placing are being made available to independent market makers at the Placing Price.
- (j) The Group is not dependent on any patents, licences, industrial, commercial or financial contracts or new manufacturing processes.

## 12 Documents available for inspection

Copies of the following documents will be available for inspection at the registered office of the Company which is also the offices of Norton Rose, Kempson House, Camomile Street, London EC3A 7AN, during normal business hours on any weekday (Saturdays and public holidays excepted) for a period of 14 days from the date of this document:

- (a) the Memorandum and Articles of Association of the Company;
- (b) the Valuation Report of John D. Wood International Limited set out in Part II;
- (c) the Accountants' Reports set out in Part III;
- (d) the audited accounts of Imperial for the two financial years ended 31st December, 1994 and for the 3 months ended 31st March, 1995;
- (e) the rules of the Share Option Scheme;
- (f) the consultancy agreements referred to in paragraph 3 of Part IV
- (e) the material contracts referred to in paragraph 7 of Part IV; and
- (f) the letters of consent referred to in paragraph 11 of Part IV.

31st July, 1995

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