

Hanover International Limited

Company No. 3043860

Annual Report

For the year ended

31 December 2004



Hanover International Limited

Company Information

Directors

S C Ackerman
K Ranjan

Secretary

K Ranjan

Registered Office

Exchange House, 13-14 Clements Court
Clements Lane
Ilford, Essex
IG1 2QY

Auditors

Kingston Smith
Orbital House
20 Eastern Road
Romford
Essex, RM1 3DP

Hanover International Limited

Report of the Directors

The directors have pleasure in presenting their report and financial statements for the year ended 31 December 2004.

Principal activities and business review

On 10 August 2005 the company changed its status from a public limited company to a private limited company.

The principal activity of the group throughout the year was the management and development of hotels and training and conference centres.

During the year the group has sold a number of its hotels and after the year end the group sold its remaining hotels and other assets and has ceased to trade.

Results and dividends

The consolidated profit and loss account for the year is set out on page 5. The company paid a dividend of £2,000,000.

Directors

The following directors have held office since 1 January 2004:

M E Jourdain	(Resigned 29 April 2005)
S C Ackerman	
K Ranjan	
R C Mills	(Resigned 30 June 2004)

Directors' Interests

The directors held no beneficial interests in the shares of the group at 31 December 2004, or at any time during the year, apart from R C Mills who owned 5,404 ordinary shares at 1 January 2004 but had sold all the shares before the year end. None of the directors held any beneficial interests in the Incorporated Holdings Limited group at any time during the year.

Charitable donations

	2004 £'000	2003 £'000
During the year the group made the following payments:		
Charitable donations	2,210,345	12,306

Employee involvement

The group recognises the important role all employees play in meeting the needs of our customers on which our success is based. The group has developed formal and informal systems of communication with its employees, especially in relation to monthly and accumulated financial results, in order to support and develop the contribution that each employee makes to the business.

The group's employment policies respect the individual and offer career opportunities regardless of gender, race or religion. It is the group's policy to give fair consideration to applications for employment received from disabled persons and to ensure continued employment, training and development, where possible, of employees who are, or become, temporarily or permanently disabled according to their skills and capabilities.

Hanover International Limited

Report of the Directors (Continued)


Creditor payment policy

It is the group's policy to develop long term relationships with its suppliers including agreeing payment practices with each of them. The group does not follow a universal code or standard on payment practices but payments to suppliers are expected to be made on terms of trade consistent with the above policy, provided each supplier complies with all relevant terms and conditions. The number of days credit provided by suppliers to the group at the year end was 30 days (2003: 35 days). The company had no trade creditors at the year end.

Auditors

Kingston Smith were appointed auditors to the company and in accordance with section 385 of the Companies Act 1985, a resolution proposing that they be re-appointed will be put to the Annual General Meeting.

On behalf of the Board



K Ranjan
Director

Exchange House, 13-14 Clements Court
Clements Lane
Ilford, Essex
IG1 2QY

Date: 31/10/05

Hanover International Limited

Directors' Responsibilities & Report of the Auditors

Statement of Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the group and of the profit or loss of the group for that period.

In preparing those financial statements, the directors are required to select suitable accounting policies and then apply them consistently; make judgements and estimates that are reasonable and prudent; state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; prepare the financial statements on a going concern basis unless it is inappropriate to assume that the group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and the group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent Auditors' Report to the Shareholders of Hanover International Limited

We have audited the financial statements of Hanover International Limited which comprise the Profit and Loss Account, the Statement of Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement and related notes for the year ended 31 December 2004. These financial statements have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken for no purpose other than to draw to the attention of the company's members those matters which we are required to include in an auditors' report addressed to them. To the fullest extent permitted by law, we do not accept or assume responsibility to any party other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's and the group's circumstances, consistently applied and adequately disclosed.

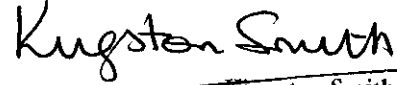
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity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

Hanover International Limited

Directors' Responsibilities & Report of the Auditors (Continued)

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's and the group's affairs as at 31 December 2004 and of the group's loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Kingston Smith
Chartered Accountants
and Registered Auditor

Orbital House
20 Eastern Road
Romford

Essex, RM1 3DP

Date: 3 October 2005

Hanover International Limited
Consolidated Profit and Loss Account
For the year ended 31 December 2004

	Notes	2004 £'000	2003 £'000
Turnover			
Continuing operations		32,301	33,721
Acquisitions		289	-
		<hr/>	<hr/>
		32,590	33,721
Discontinued activities		6,156	5,909
		<hr/>	<hr/>
Continuing operations - group and share of joint venture		38,746	39,630
Less: share of joint venture turnover		(6,304)	(7,320)
		<hr/>	<hr/>
Group Turnover	2	32,442	32,310
Cost of sales		(16,003)	(13,992)
		<hr/>	<hr/>
Gross profit		16,439	18,318
Administrative expenses		(14,773)	(21,672)
Impairment loss - goodwill		(9,849)	-
Other operating income		54	426
		<hr/>	<hr/>
		(8,129)	(2,928)
Share of operating profit in joint venture		1,309	1,532
		<hr/>	<hr/>
Continuing operations		2,378	(1,677)
Acquisitions		3	-
Discontinued activities		(9,201)	281
		<hr/>	<hr/>
Operating loss	4	(6,820)	(1,396)
Profit on sale of assets		733	-
		<hr/>	<hr/>
Loss on ordinary activities before interest and taxation		(6,087)	(1,396)
- Group		(2,571)	(2,664)
- Joint Venture		(1,504)	(2,312)
		<hr/>	<hr/>
Net interest payable and similar charges	7	(4,075)	(4,976)
		<hr/>	<hr/>
- Before Joint Venture		(9,967)	(5,592)
- Share of loss on joint venture		(195)	(780)
		<hr/>	<hr/>
Loss on ordinary activities before taxation		(10,162)	(6,372)
- Group		9,197	(188)
- Joint Venture		383	149
		<hr/>	<hr/>
Taxation on loss on ordinary activities	8	9,580	(39)
		<hr/>	<hr/>
Loss on ordinary activities after taxation		(582)	(6,411)
Dividends	10	(2,000)	8
		<hr/>	<hr/>
Retained loss for the year	21	(2,582)	(6,403)
		<hr/>	<hr/>

Hanover International Limited
Consolidated Statement of Total Recognised Gains and Losses
For the year ended 31 December 2004

	Notes	2004 £'000	2003 £'000
Loss for the financial year		(582)	(6,411)
Unrealised surplus/(deficit) on revaluation of properties	21	1,665	(7,403)
Total recognised gains and losses relating to the year		<u>1,083</u>	<u>(13,814)</u>

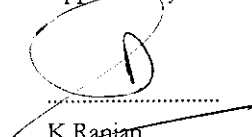
Note of Historical Cost Profits and Losses

	2004 £'000	2003 £'000
Reported loss on ordinary activities before taxation	(10,162)	(6,372)
Difference between an historical cost depreciation charge and the actual depreciation charge of the year calculated on the revalued amount	117	100
Historical cost loss on ordinary activities before taxation	<u>(10,045)</u>	<u>(6,272)</u>
Historical cost loss for the year retained after taxation, and dividends	<u>2,465</u>	<u>(6,303)</u>

Hanover International Limited
Balance Sheet
As at 31 December 2004

		Group	2003	Company	2003
	Notes	2004 £'000	£'000	2004 £'000	£'000
Fixed Assets					
Tangible assets	12	91,061	98,500	-	-
Investments	13	-	-	39,971	35,639
Interest in Joint Venture					
Share in gross assets	13	-	28,158	-	-
Share in gross liabilities	13	-	(28,603)	-	-
		<u>91,061</u>	<u>98,055</u>	<u>39,971</u>	<u>35,639</u>
Current Assets					
Stocks	14	223	350	-	-
Debtors	15	14,667	3,918	36,666	39,264
Investments	16	23,541	5,927	-	-
Cash at bank and in hand		2,973	1,055	152	5
		<u>41,404</u>	<u>11,250</u>	<u>36,818</u>	<u>39,269</u>
Creditors: Amounts falling due within one year	17	(85,602)	(11,906)	(35,691)	(7,242)
Net Current (Liabilities)/Assets		<u>(44,198)</u>	<u>(656)</u>	<u>1,127</u>	<u>32,027</u>
Total Assets Less Current Liabilities		46,863	97,399	41,098	67,666
Creditors: Amounts falling due after more than one year	18	-	(40,461)	-	(40,450)
Provisions for Liabilities and Charges	19	-	(9,158)	-	-
		<u>46,863</u>	<u>47,780</u>	<u>41,098</u>	<u>27,216</u>
Capital and Reserves					
Share capital	20	7,648	7,648	7,648	7,648
Share premium account	21	21,136	21,136	21,136	21,136
Revaluation reserve	21	12,383	11,000	-	-
Other reserves	21	7,261	7,261	7,261	7,261
Profit and loss account	21	(1,565)	735	5,053	(8,829)
Shareholders' Funds - Equity Interests	22	<u>46,863</u>	<u>47,780</u>	<u>41,098</u>	<u>27,216</u>

Approved by the Board on 31/10/05


K Ranjan
Director

Hanover International Limited
Consolidated Cash Flow Statement
For the year ended 31 December 2004

	2004		2003
	£'000	£'000	£'000
Net cash (Outflow)/Inflow from Operating Activities (Note 1)		(23,551)	5,274
Returns on Investments and Servicing of Finance			
Interest received	479		397
Interest paid	(3,050)		(3,407)
Interest element of finance lease rentals	-		(9)
Sale of investment in own shares	-		346
	<hr/>		<hr/>
Net Cash (Outflow) for Returns on Investments and Servicing of Finance		(2,571)	(2,673)
Capital Expenditure and Financial Investments			
Payments to acquire tangible assets	(844)		(1,650)
Receipts from sales of tangible assets	12,897		47
	<hr/>		<hr/>
Net Cash Inflow/(Outflow) for Capital Expenditure and Financial Investment		12,053	(1,603)
Equity Dividends Paid		(2,000)	(378)
		<hr/>	<hr/>
Net Cash (Outflow)/Inflow before Financing		(16,069)	620
Financing			
Issue of ordinary share capital	-		(18)
Long term loans	-		450
Short term loans	18,012		(2,250)
Capital element of finance lease contracts	(25)		(28)
	<hr/>		<hr/>
Net Cash Inflow/(Outflow) from Financing		17,987	(1,846)
		<hr/>	<hr/>
Increase/(Decrease) in Cash in the Year		1,918	(1,226)
		<hr/>	<hr/>

Hanover International Limited
Notes to the Consolidated Cash Flow Statement
For the year ended 31 December 2004

1	Reconciliation of Operating Loss to Net Cash (Outflow)/Inflow from Operating Activities	2004	2003
		£'000	£'000
	Operating loss	(8,129)	(2,928)
	Depreciation of tangible assets	3,429	3,527
	Amortisation of profit share shares	-	122
	Exceptional loss (provision on loan to joint venture)	-	4,650
	Impairment loss on goodwill acquired	9,849	-
	Decrease in stocks	127	54
	(Increase)/decrease in debtors	(10,749)	118
	Increase/(decrease) in creditors within one year	15,023	(269)
	Joint Venture	(33,383)	-
	Reserves movement	282	-
	Net Cash (Outflow)/Inflow from Operating Activities	(23,551)	5,274

2	Reconciliation of Net Cash Flow to Movement in Net Debt (Note 3)	2004	2003
		£'000	£'000
	Increase/(decrease) in cash in the year	1,918	(1,226)
	Cash inflow from movement in debt and lease financing	(17,987)	1,828
	Movement in net debt in the year	(16,069)	602
	Opening net debt	(46,481)	(47,083)
	Closing net debt	(62,550)	(46,481)

3	Analysis of Net Debt	1 January 2004	Cash flow	Other non-cash changes	31 December 2004
		£'000	£'000	£'000	£'000
	Net cash:				
	Cash at bank and in hand	1,055	1,918	-	2,973
		1,055	1,918	-	2,973
	Finance leases	(36)	25	-	(11)
	Debts falling due within one year	(3,800)	(18,012)	(43,700)	(65,512)
	Debts falling due after one year	(43,700)	-	43,700	-
		(47,536)	(17,987)	-	(65,523)
	Net debt	(46,481)	(16,069)	-	(62,550)

Non-cash movements comprise the reclassification of short and long term debt.

Hanover International Limited

Notes to the Consolidated Financial Statements

For the year ended 31 December 2004

1 Accounting Policies

a) Accounting basis and standards

The financial statements have been prepared under the historical cost convention modified to include the revaluation of all classes of assets and in accordance with applicable accounting standards.

b) Basis of consolidation

The Group accounts consolidate the financial statements of the company and its subsidiary undertakings made up to 31 December 2004. The joint venture is included in the accounts in accordance with FRS 9, Associates and Joint Ventures to the date when it became a wholly owned subsidiary. Subsidiaries which are held for subsequent resale are transferred to current assets at the lower of cost and net realisable value. Investments in subsidiaries which are classified as current assets are not consolidated in accordance with FRS 2.

The acquisition method of accounting has been adopted whereby the results of subsidiaries acquired or sold are included in the profit and loss account from the date of acquisition or up to the date of disposal, such date as being the date on which control passes. Intra-group sales and profits are eliminated fully on consolidation.

In the company's accounts investments in subsidiary undertakings are stated at cost less any provision for impairment. Dividends received and receivable are credited to the company's profit and loss account to the extent that they represent a realised profit for the company.

In accordance with Section 230 (4) of the Companies Act 1985, the company is exempt from the requirement to present its own profit and loss account. The amount of profit for the financial year within the company is disclosed in the notes to these accounts.

c) Investments

Current asset investments are stated at the lower of cost and net realisable value.

d) Tangible fixed assets and depreciation

Depreciation on fixed assets is provided at rates estimated to write off the cost or valuation, less estimated residual value of each asset over its expected useful life, as follows:

Freehold land and buildings	80 years
Building surfaces	25 years
Computer and other office equipment	5 years
Fixtures and fittings	5 to 8 years
Motor vehicles	4 years

The part of the annual depreciation charge on revalued assets which relates to the revaluation surplus is transferred from the revaluation reserve to the profit and loss account.

Freehold land is not depreciated.

All the group's assets were sold after the year end and have been revalued to the sales price.

e) Stocks

Stocks are stated at the lower of cost and net realisable value.

f) Turnover

Turnover represents amounts derived from the provision of accommodation and related services for hotel, training and conferencing.

g) Deferred taxation

In accordance with FRS 19, deferred tax is recognised as a liability or asset if transactions or events that give the obligation to pay more tax in future or a right to pay less tax in future have occurred by the balance sheet date.

Hanover International Limited

Notes to the Consolidated Financial Statements

For the year ended 31 December 2004 (Continued)

h) Goodwill

Goodwill is determined by comparing the aggregate fair value of the consideration paid on the acquisition of a business and the aggregate fair value of its separable net assets, and is written off over its estimated economic life.

i) Leasing commitments

Assets held under finance lease and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives.

The interest element of the rental obligations is charged to the profit and loss account over the period of the lease (and represents a constant proportion of the balance of capital repayments outstanding).

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

j) Pension scheme arrangements

The group operates defined contribution pension schemes in the UK. The costs of these schemes are charged to the profit and loss accounts in the year to which they relate.

2 Turnover

The total turnover of the group for the year has been derived from its principal activity wholly undertaken in the United Kingdom.

3 Net operating expenses and comparative details

	2004			2003		
	Continuing £'000	Discontinued £'000	Total £'000	Continuing £'000	Discontinued £'000	Total £'000
Cost of sales	13,434	2,569	16,003	11,410	2,582	13,992
Administrative expenses	11,831	2,942	14,773	18,626	3,046	21,672
Impairment review - goodwill	-	9,849	9,849	-	-	-
Other operating income	(54)	-	(54)	(426)	-	(426)
	<u>25,211</u>	<u>15,360</u>	<u>40,571</u>	<u>29,610</u>	<u>5,628</u>	<u>35,238</u>

The total figures for continuing operations in 2004 include the following amounts relating to acquisitions: cost of sales £123,000 and administrative expenses £163,000.

Hanover International Limited
Notes to the Consolidated Financial Statements
For the year ended 31 December 2004 (Continued)

4 Operating Profit	2004 £'000	2003 £'000
Operating loss is stated after charging:		
Depreciation of tangible assets:		
- Owned assets	3,414	3,512
- Leased assets	15	15
Exceptional costs included within operating profit:		
- Provision for loan to joint venture	-	4,650
- Costs associated with takeover of group (including directors' compensation for loss of office)	-	1,768
- Impairment loss - goodwill	9,849	-
Operating lease rentals:		
- Land and buildings	288	247
- Plant and machinery	619	390
Auditors' remuneration (company £5,000; 2003: £5,000)	50	64
Remuneration of auditors for non-audit work	15	33
	<u> </u>	<u> </u>

5 Employee Information

Number of employees

The average number of employees (including directors) during the year was:

2004 Number	2003 Number
775	857
<u> </u>	<u> </u>

Employment costs

	£'000	£'000
Wages and salaries	9,867	10,382
Social security costs	804	809
Other pension costs	70	142
	<u> </u>	<u> </u>
	10,741	11,333
	<u> </u>	<u> </u>

6 Directors' Emoluments	2004 £'000	2003 £'000
Salaries and fees	103	617
Company pension contributions to money purchase schemes	-	72
Compensation for loss of office	-	460
	<u> </u>	<u> </u>
	103	1,149
	<u> </u>	<u> </u>

The number of directors who exercised share options during the year was 0 (2003- 3).

Hanover International Limited
Notes to the Consolidated Financial Statements
For the year ended 31 December 2004 (Continued)

7	Net interest payable and similar charges	2004	2003
		£'000	£'000
	On bank loans and overdrafts	3,015	2,906
	Lease finance charges	-	9
	On loan note	35	146
		<hr/>	<hr/>
	Group interest payable	3,050	3,061
	Bank interest receivable and similar income	(89)	(37)
	Interest receivable on loan to Joint Venture	(390)	(360)
		<hr/>	<hr/>
	Net group interest payable	2,571	2,664
	Share of Joint Ventures interest payable	1,504	2,312
		<hr/>	<hr/>
		4,075	4,976
		<hr/>	<hr/>
8	Taxation	2004	2003
		£'000	£'000
	Domestic current year tax		
	U.K. corporation tax	19	-
		<hr/>	<hr/>
	Current tax charge	19	-
		<hr/>	<hr/>
	Deferred tax		
	Deferred tax (credit)/charge current year	(9,216)	188
	Share of joint venture's deferred taxation	(383)	(149)
		<hr/>	<hr/>
		(9,580)	39
		<hr/>	<hr/>
	Factors affecting the tax charge for the year		
	Loss on ordinary activities before taxation	(10,162)	(6,372)
		<hr/>	<hr/>
	Loss on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30.00% (2003: 30.00%)	(3,049)	(1,912)
		<hr/>	<hr/>
	Effects of:		
	Non deductible expenses	77	1,738
	Accelerated capital allowances and other timing differences	(1,322)	183
	Tax losses utilised	388	(9)
	Goodwill	2,955	-
	Other tax adjustments	970	-
		<hr/>	<hr/>
		3,068	1,912
		<hr/>	<hr/>
	Current tax charge	19	-
		<hr/>	<hr/>

Hanover International Limited
Notes to the Consolidated Financial Statements
For the year ended 31 December 2004 (Continued)

9 Profit/(loss) for the financial year

As permitted by section 230 of the Companies Act 1985, the holding company's profit and loss account has not been included in these financial statements. The profit/(loss) for the financial year is made up as follows:

	2004	2003
	£'000	£'000
Holding company's profit/(loss) for the financial year	15,882	(10,421)

10 Dividends

	2004	2003
	£'000	£'000
Ordinary interim paid	2,000	-
Write back of over accrual of dividends in prior year	-	(8)

11 Intangible assets
Group

	Goodwill £'000
Cost	
At 1 January 2004	-
Additions	9,849
Impairment losses	(9,849)
	<hr/>
At 31 December 2004	-
	<hr/>
Net book value	
At 31 December 2004	-
	<hr/>
At 31 December 2003	-
	<hr/>

The goodwill arises on the acquisition of the remaining share capital of Tweed Investments Limited.

Hanover International Limited
Notes to the Consolidated Financial Statements
For the year ended 31 December 2004 (Continued)

12 Tangible assets
Group

	Freehold land and buildings	Short leasehold land and buildings	Computer & other office equipment	Fixtures, fittings & equipment	Motor vehicles	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation						
At 1 January 2004	81,470	12,261	3,415	14,149	45	111,340
Additions	345	26	117	356	-	844
Revaluation	1,368	(8,617)	(2,439)	(4,186)	-	(13,874)
Disposals	(6,359)	-	(309)	(538)	(12)	(7,218)
At 31 December 2004	76,824	3,670	784	9,781	33	91,092
Depreciation						
At 1 January 2004	2,088	1,123	1,846	7,748	35	12,840
Revaluation	(2,715)	(1,458)	(2,113)	(8,972)	-	(15,258)
On disposals	(328)	-	(237)	(411)	(2)	(978)
Charge for the year	955	335	504	1,635	-	3,429
At 31 December 2004	-	-	-	-	33	33
Net book value						
At 31 December 2004	76,825	3,670	784	9,782	-	91,061
At 31 December 2003	79,382	11,138	1,569	6,401	10	98,500

Included above are assets held under finance leases or hire purchase contracts as follows:

	Computer & other office equipment	Fixtures, fittings & equipment	Motor vehicles	Total
	£'000	£'000	£'000	£'000
Net book values				
At 31 December 2004	-	36	-	36
At 31 December 2003	-	51	-	51
Depreciation charge for the year				
31 December 2004	-	(15)	-	(15)
31 December 2003	-	(15)	-	(15)

Tangible assets have all been revalued to reflect the value for which they were sold subsequent to the balance sheet.

Hanover International Limited
Notes to the Consolidated Financial Statements
For the year ended 31 December 2004 (Continued)

13 Investments

Company	Investment in joint venture £'000	Shares in subsidiary undertakings £'000	Total £'000
Cost			
At 1 January 2004			
Shares	725	35,639	36,364
Loans	4,650	-	4,650
Reclassification	(5,375)	5,375	-
At 31 December 2004	-	41,014	41,014
Provisions for diminution in value			
At 1 January 2004	5,375	-	5,375
Movement during the year	(4,332)	-	(4,332)
Reclassification	(1,043)	1,043	-
At 31 December 2004	-	1,043	1,043
Net book value			
At 31 December 2004	-	39,971	39,971
At 31 December 2003	-	35,639	35,639

In the opinion of the directors, the aggregate value of the company's investment in subsidiary undertakings is not less than the amount included in the balance sheet.

The subsidiary companies, all of which are wholly owned by the company, at 31 December 2004, were as follows:

Company	Country of registration and principal place of business	Issued ordinary share capital	Issued preference share capital
Subsidiary undertakings		£	£
Hanover International Hotels Limited	UK	2	-
Hanover International Hotels Management (Daventry) Limited	UK	20,000	-
Hanover International Hotels (Reading) Limited	UK	20,000	600,000
Hanover Hotels No 2 Limited	UK	26,644,222	-
Hanover International Club Limited (Dormant)	UK	1	-
Basingstoke Country Hotel Limited (Dormant)	UK	100	-
Basingstoke Country Club Limited (Dormant)	UK	2	-
Cardiff Bay Hotel Limited (Dormant)	UK	28,000	-
Hartford Entertainments Limited (Dormant)	UK	4	-
Tweed Investments Limited	UK	1,450,000	-
Tyne Limited	UK	270,000	180,000
Midmint Limited	UK	4,800,000	-
Sundridge Park Management Centre Limited	UK	400,000	-

All of the above trading subsidiaries are involved in the provision of accommodation for hotel, training and conferencing and related services.

Hanover International Limited

Notes to the Consolidated Financial Statements

For the year ended 31 December 2004 (Continued)

13 Investments (cont'd)

The company owned 50% of the issued ordinary share capital of Tweed Investments Limited until it acquired the remaining share capital in December 2004. Tweed Investments Limited owned hotels and residential training and conference centres through its wholly owned subsidiary companies. Two of the subsidiary companies owned by Tweed Investments Limited, Sundridge Park Management Centre Limited and Midmint Limited, were sold shortly after the year end and the investment in these companies has been reclassified in the consolidated financial statements as a current asset investment.

Tweed Investments Limited has been accounted for as a Joint Venture until the date of acquisition.

Joint Venture

	2004	2003
	£'000	£'000
Share of turnover	6,304	7,320
Share of loss before taxation	(195)	(780)
Share of taxation	383	149
Share of profit on sale of assets	(63)	-
Share of profit/(loss) after taxation	125	(631)
Share of fixed assets	-	27,010
Share of current assets	-	1,148
Share of liabilities due within one year*	-	3,633
Share of liabilities due after more than one year*	-	24,970
Share of capital commitments on operating leases in the year ahead	-	65

*The debt within Tweed Investments Limited is wholly non-recourse to the Group.

14 Stocks

	Group		Company	
	2004	2003	2004	2003
	£'000	£'000	£'000	£'000
Goods for resale and consumption	223	350	-	-

15 Debtors

	Group		Company	
	2004	2003	2004	2003
	£'000	£'000	£'000	£'000
Trade debtors	1,516	2,150	-	-
Amounts owed by group undertakings	-	-	36,573	39,080
Amounts owed by group undertakings not consolidated	12,199	-	-	-
Other debtors	228	557	93	184
Prepayments and accrued income	724	1,211	-	-
	14,667	3,918	36,666	39,264

Hanover International Limited
Notes to the Consolidated Financial Statements
For the year ended 31 December 2004 (Continued)

16 Investments

	Group		Company	
	2004	2003	2004	2003
	£'000	£'000	£'000	£'000
Investment in subsidiary undertakings	23,541	-	-	-
Properties held for resale	-	5,927	-	-
	<u>23,541</u>	<u>5,927</u>	<u>-</u>	<u>-</u>

As referred to in note 13, the investment in subsidiary undertakings represents the cost of the company's shares in Midmint Limited and Sundridge Park Management Centre Limited. This has been reclassified as a current asset investment in accordance with the requirements of FRS 2, as the subsidiaries were purchased for subsequent resale. The results of Midmint Limited and Sundridge Park Management Centre Limited have not been consolidated in the financial statements of Hanover International Limited. The audited accounts for the year ended 31 December 2004 show:

	Sundridge Park Management Centre Limited	Midmint Limited
	£'000	£'000
Profit on ordinary activities after taxation	<u>1,213</u>	<u>1,666</u>
Net assets	<u>438</u>	<u>16,035</u>

17 Creditors: Amounts falling due within one year

	Group		Company	
	2004	2003	2004	2003
	£'000	£'000	£'000	£'000
Bank loans and overdrafts	65,512	3,800	33,867	3,800
Net obligations under finance lease and hire purchase contracts (Note 23)	11	25	-	-
Trade creditors	1,319	2,163	-	-
Loan from parent company	777	3,250	777	3,250
Amounts owed to group undertakings	-	-	875	-
Amounts owed to group undertakings not consolidated	9,274	-	-	-
Corporation tax	225	-	-	-
Other taxes and social security costs	865	899	-	-
Other creditors	5,756	724	141	154
Accruals and deferred income	1,863	1,045	31	38
	<u>85,602</u>	<u>11,906</u>	<u>35,691</u>	<u>7,242</u>

The bank borrowings were secured by way of a first legal charge over each freehold and leasehold property owned by each group company and by a first and only debenture from each group company and a composite guarantee by each group company in favour of Royal Bank of Scotland on account of each group company. Since the year end all bank borrowings have been repaid.

Hanover International Limited
Notes to the Consolidated Financial Statements
For the year ended 31 December 2004 (Continued)

18 Creditors: Amounts falling due after more than one year

	Group		Company	
	2004	2003	2004	2003
	£'000	£'000	£'000	£'000
Bank loans	-	40,450	-	40,450
Net obligations under finance leases and hire purchase agreements (Note 23)	-	11	-	-
	<u>-</u>	<u>40,461</u>	<u>-</u>	<u>40,450</u>
	<u>-</u>	<u>40,461</u>	<u>-</u>	<u>40,450</u>
Analysis of loans				
Wholly repayable within five years	65,512	33,386	33,867	47,500
Included in current liabilities	(65,512)	(7,075)	(33,867)	(7,050)
	<u>-</u>	<u>26,311</u>	<u>-</u>	<u>40,450</u>
	<u>-</u>	<u>26,311</u>	<u>-</u>	<u>40,450</u>

19 Provisions for liabilities and charges

Group	Deferred taxation £'000
Balance at 1 January 2004	9,158
Profit and loss account	(9,158)
	<u>-</u>
Balance at 31 December 2004	<u>-</u>

20 Share Capital

	2004	2003
	£'000	£'000
Authorised		
60,000,000 Ordinary shares of 25p each	15,000	15,000
	<u>15,000</u>	<u>15,000</u>
Allotted, called up and fully paid		
30,592,670 Ordinary shares of 25p each	7,648	7,648
	<u>7,648</u>	<u>7,648</u>

Hanover International Limited
Notes to the Consolidated Financial Statements
For the year ended 31 December 2004 (Continued)

21 Statements of movements on Reserves
Group

	Share premium account	Revaluation reserve	Merger reserves	Profit and loss account
	£'000	£'000	£'000	£'000
Balance at 1 January 2004	21,136	11,000	7,261	735
Retained loss for the year	-	-	-	(2,582)
Revaluation in year	-	1,665	-	-
Transfer from revaluation reserve to profit and loss account	-	(282)	-	282
Balance at 31 December 2004	<u>21,136</u>	<u>12,383</u>	<u>7,261</u>	<u>(1,565)</u>

Company

	Share premium account	Merger reserves	Profit and loss account
	£'000	£'000	£'000
Balance at 1 January 2004	21,136	7,261	(8,829)
Retained profit for the year	-	-	13,882
Balance at 31 December 2004	<u>21,136</u>	<u>7,261</u>	<u>5,053</u>

Hanover International Limited
Notes to the Consolidated Financial Statements
For the year ended 31 December 2004 (Continued)

22	Reconciliation of movements in shareholders' funds	2004	2003
	Group	£'000	£'000
	Profit/(Loss) for the financial year	(582)	(6,411)
	Dividends	(2,000)	8
		<hr/>	<hr/>
		(2,582)	(6,403)
	Other recognised gains and losses	1,665	(7,403)
	New share capital subscribed	-	204
		<hr/>	<hr/>
	Net addition to/(depletion in) shareholders' funds	(917)	(13,602)
	Opening shareholders' funds	47,780	61,382
		<hr/>	<hr/>
	Closing shareholders' funds	46,863	47,780
		<hr/>	<hr/>
		2004	2003
	Company	£'000	£'000
	Profit/(Loss) for the financial year	15,882	(10,420)
	Dividends	(2,000)	8
	New share capital subscribed	-	204
		<hr/>	<hr/>
	Net addition to/(depletion in) shareholders' funds	13,882	(10,208)
	Opening shareholders' funds	27,216	37,424
		<hr/>	<hr/>
	Closing shareholders' funds	41,098	27,216
		<hr/>	<hr/>

Hanover International Limited

Notes to the Consolidated Financial Statements

For the year ended 31 December 2004 (Continued)

23 Future Financial Commitments

a) Operating leases

At 31 December 2004 the group had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	2004	2003	2004	2003
	£'000	£'000	£'000	£'000
Operating lease which expire:				
within one year	-	-	30	33
in the second to fifth year	94	-	219	153
after five years	810	242	77	-
	<u>904</u>	<u>242</u>	<u>326</u>	<u>186</u>

b) Finance leases

At 31 December 2004 the group had obligations under finance leases and hire purchase contracts which are set out below:

	Group		Company	
	2004	2003	2004	2003
	£'000	£'000	£'000	£'000
Gross amount payable				
within one year	11	25	-	-
in the second to fifth year	-	11	-	-
after five years	-	-	-	-
	<u>11</u>	<u>36</u>	<u>-</u>	<u>-</u>

Finance lease and hire purchase contracts are analysed as follows:

due within one year (Note 17)	11	25	-	-
due after more than one year (Note 18)	-	11	-	-
	<u>11</u>	<u>36</u>	<u>-</u>	<u>-</u>

24 Pensions

The company operates defined contribution contributory and non-contributory UK pension schemes providing for fixed rates of contribution based upon salaries. Contributions are fully accrued and charged to the profit and loss account in the year to which they relate. The total pension charge for the year was £69,965 (2003: £142,000). There were outstanding contributions, as at 31 December 2004, of £1,439 (2003: £9,000) in respect of the schemes.

Hanover International Limited
Notes to the Consolidated Financial Statements
For the year ended 31 December 2004 (Continued)

25 Joint Venture

At the balance sheet date Tweed Investments Limited was 100% owned by Hanover International Limited. Hanover International Hotels Limited (a subsidiary of Hanover International Limited) had a contract to operate and manage the hotels and training and conference centres and was paid a management fee of £45,500 (2003: £45,500). At the year end £91,000 (2003: £45,500) was owed in respect of these charges. A loan of £4,650,000 was made to Tweed Investments Limited in previous years, which has been fully provided against in previous years, and remains outstanding at the year end. As shown in note 13 part of this provision has been released in the year.

26 Related Party Transactions

Throughout the year funds were transferred between the group and Incorporated Holdings Limited (the ultimate parent company). At the year end £777,101 (2003: £3,250,000) was owed to Incorporated Holdings Limited.

The group is also related to Petchey (Holdings) Plc, which is ultimately owned by the Bulgham Charitable Trust. During the year funds were transferred between the group and Petchey (Holdings) Plc. At the year end £2,099 (2003: £nil) was owed to Petchey (Holdings) Plc.

27 Ultimate parent company

The company is a wholly owned subsidiary of Newforge Limited, a company resident in the Isle of Man. Newforge Limited is owned by Incorporated Holdings Limited which is ultimately owned by the Bulgham Charitable Trust, an Isle of Man discretionary Trust, exclusively for the benefit of charitable beneficiaries. The trustees of the Bulgham Charitable Trust are Mr D J Morgan and Mr M F Crowe.

28 Post Balance Sheet Events

After the year end the group ceased its trade.