

HYDRO HOTEL, EASTBOURNE, PLC

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NOTICE IS HEREBY GIVEN that the ONE HUNDRED AND TENTH ANNUAL GENERAL MEETING of the Company will be held at the HYDRO HOTEL, EASTBOURNE, on FRIDAY the 22nd DAY OF APRIL 2005, at 11.30 am for the following purposes:

1. To receive the Accounts for the year ended 31 October 2004 and the Reports of the Directors and Auditors thereon.
2. To declare a dividend.
3. To re-elect Mr J M S Piper as a Director.
4. To re-elect Mr C P Freeman as a Director.
5. To vote Directors' remuneration for the year ending 31 October 2005.
6. To re-appoint the Auditors and to authorise the Directors to fix their remuneration.

Any member of the Company entitled to attend and vote at this meeting is also entitled to appoint a proxy to attend and vote in his stead. A proxy need not be a member of the Company.

Registered Office
Mount Road
Eastbourne
East Sussex
BN20 7HZ
24 March 2005

By Order of the Board,


C P FREEMAN, FCA, CTA(Fellow),

Secretary



HYDRO HOTEL, EASTBOURNE, PLC

CHAIRMAN'S STATEMENT

Results

Turnover at the Hydro Hotel for the year ended 31 October 2004 rose by 5.6% (2003 3.2%), and at the White Lodge by 10.0% (2003 decrease 7.7%). The increase at White Lodge was mainly attributable to the business generated by the "exclusive wedding" package.

Headline pre-tax profit at the Hydro rose by 11.3% (2003 5.6%). After adjusting for the exceptional profit arising from the release of the provision for the late Miss J P Hornsby's unfunded pension, the pre-tax profit at Hydro fell by 6.4%. At White Lodge the pre-tax loss was reduced to £99,614 (2003 £109,012).

Headline post-tax profit for the Company has increased by 18.3% (2003 15.8%), after adjusting for the exceptional item it fell 5.4%. Current year advance bookings at the Hydro are behind last year but management are working hard to promote additional business.

Dividends

The Board recommends the payment of a final dividend of 17.5p per share (2003 16.5p) which, together with the interim dividend paid in January 2005 of 6.5p per share (2004 6.5p), makes a total of 24p per share (2003 23p). The dividends, increased overall by 4.4% (2003 4.5%), are covered 1.8 times by distributable profit, excluding the exceptional item (2003 1.9 times).

Capital Projects and Current Year Developments

At the Hydro £108,418 (2003 £195,460) was invested in additions to fixed assets. The major items were, £38,000 on the Crystal Restaurant and £33,000 on the continuing bedroom refurbishment programme. During 2004/2005 the Lounge Areas have been refurbished at a capital cost of £62,000, a room key card system has been introduced, and additional fire safety equipment added in the kitchen.

Disposal of White Lodge

The Board concluded that the business at White Lodge could not be improved sufficiently to make a proper return on the capital invested. A satisfactory offer of £1.7 million was received from Oakdene Homes plc for the property and this was accepted. The Board were concerned to meet the forward booking commitments, particularly exclusive weddings, and so have negotiated completion to take place on 31 October 2005. The hotel will continue to trade up to 30 September 2005 when it will close for business.

Personal Note

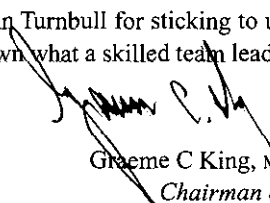
Sadly I must report the passing of Miss J P Hornsby on 6 September 2004. For over 37 years Miss Hornsby set high standards of customer service that established our reputation as Eastbourne's preferred venue for so many of us. Her memory will be with us for many years to come and a plaque has been inscribed in the Hornsby suite in the Hotel.

On behalf of all the Board I would like to state our appreciation of the outstanding leadership given to the company by Mr Michael Piper who has Chaired us since 1998. His quiet, consistent and determined manner has made a huge contribution to the success over the years since his first appointment to the Board in 1979. We are delighted that Michael has agreed to remain a director as we value his contribution.

Mr Robin Miller has stated his intention to retire from the Board and I would like to personally thank him for helping me find my way into the Hydro family over the last year or so. Since he joined the Board in 1989 we have enjoyed the benefit of his professional expertise and wise counsel as our Finance Director and in more recent years as our Deputy Chairman. We will miss him and wish him a well earned retirement.

Mr Crispin Freeman FCA, CTA(Fellow), our Company Secretary, has joined the Board to take on the Finance Director role.

I have much enjoyed the support of the staff and management of both Hotels and would like to thank all of them for making our business such a success. Special thanks must go to Mr Ian Turnbull for sticking to us in the ups and downs of White Lodge. His unstinting personal commitment has shown what a skilled team leader is needed in running a Hotel. Thank you.


Graeme C King, MA, CA,
Chairman of the Board

8 March 2005

HYDRO HOTEL, EASTBOURNE, PLC

REPORT OF THE DIRECTORS

The Directors submit their Report and the audited Accounts for the year ended 31 October 2004.

PRINCIPAL ACTIVITY – The Company carries on the business of hoteliers. It has no subsidiary companies.

REVIEW OF THE BUSINESS – The review of the business is included in the Chairman's Statement on page 2.

TRADING RESULTS – The profit for the financial year after taxation of £317,247 (2003 £268,173) is stated after crediting an exceptional item – release of pension provision of £78,350 (2003 £Nil) less taxation thereon.

DIVIDENDS – An interim dividend at the rate of 6.5p per share was paid on 27 January 2005 amounting to £39,000 and the Directors recommend and have made provision in the Accounts for the payment of a final dividend at the rate of 17.5p per share amounting to £105,000 together representing 24 per cent of the issued capital of the Company. Subject to approval at the Annual General Meeting, the final dividend will be paid on 12 May 2005 to shareholders on the register on 12 April 2005.

RESERVES – The profit retained in the business after provision for the dividend amounted to £173,247 (2003 £130,173) which has been carried to Reserves.

POST BALANCE SHEET EVENT – On 13 January 2005 an unconditional agreement for the disposal of White Lodge Country House Hotel for a consideration of £1.7 million was entered into. Details are included in Note 13 to the Accounts.

DIRECTORS – Mr J M S Piper retires by rotation and, being eligible, offers himself for re-election. Mr C P Freeman who was appointed a Director in January 2005 also retires at the forthcoming Annual General Meeting and, being eligible, offers himself for re-election.

Mr R Miller has decided to retire at the forthcoming Annual General Meeting.

Those persons who held office during the year ended 31 October 2004 and their interest in the shares of the Company at the beginning and end of the year were as follows:

		<i>1 November 2003</i>	<i>31 October 2004</i>
G Bean, MHCIMA	beneficial	1,402 shares	1,402 shares
G C King, MA, CA	beneficial	(appointed 13 January 2004)	500 shares
Mrs J Mann	beneficial	1,500 shares	(retired 30 April 2004)
R Miller, FCA	beneficial	1,200 shares	1,200 shares
Mrs M R Peck, MA(Oxon)	beneficial	2,541 shares	2,541 shares
	non-beneficial	5,000 shares	5,000 shares
J M S Piper, ARICS	beneficial	15,141 shares	15,141 shares
	non-beneficial	–	16,689 shares

The beneficial interest of Mr G Bean was increased by 7,000 shares on the 8 February 2005. There were no other changes in the Directors' registered interests in the shares of the Company during the period 1 November 2004 to 8 March 2005.

HYDRO HOTEL, EASTBOURNE, PLC

REPORT OF THE DIRECTORS (*continued*)

SUBSTANTIAL SHAREHOLDINGS – The following shareholders have reported an interest of 3 per cent or more in the ordinary shares of the Company at 8 March 2005.

Mr M S and Mrs E M Foster	46,173 shares	7.70 per cent
Mr R S and Mrs P A Gray	46,172 shares	7.70 per cent
Mrs N Priestley	32,802 shares	5.47 per cent
Mr J W and Mrs M M Cheesbrough	24,855 shares	4.14 per cent
Mr R C James	23,625 shares	3.94 per cent
Mr J S and Mrs B Halifax	18,141 shares	3.02 per cent

GOING CONCERN – The Directors are confident, on the basis of current financial projections and facilities available, that the Company has adequate resources to continue in operation for the foreseeable future. For this reason, the Directors continue to adopt the going concern basis in preparing the Financial Statements.

PAYMENT TO CREDITORS – The Company agrees terms and conditions for business transactions with its suppliers. Payment is then made in accordance with these terms, subject to the terms and conditions being met by the supplier. Suppliers' accounts are settled on average within 30 days of invoice.

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 profit or loss of the Company 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 the going concern basis unless it is inappropriate to presume that the Company 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 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for ensuring that the Directors' Report is prepared in accordance with company law in the United Kingdom.

AUDITORS – A resolution to re-appoint the retiring Auditors, PKF, will be proposed at the Annual General Meeting.

Mount Road
Eastbourne
East Sussex
BN20 7HZ
8 March 2005

By Order of the Board,


C P FREEMAN, FCA, CTA(Fellow),

Secretary

HYDRO HOTEL, EASTBOURNE, PLC

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HYDRO HOTEL, EASTBOURNE, PLC

We have audited the financial statements of Hydro Hotel, Eastbourne, plc for the year ended 31 October 2004 which comprise the Profit and Loss Account, the Balance Sheet, Cash Flow Statement and related notes and 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 so that we might state to the Company's members those matters we are required to state to them in an auditor's report, and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the 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

The Directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities on page 4.

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 Report of the Directors 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 other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only the Report of the Directors and the Chairman's Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of Opinion

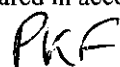
We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates 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 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company at 31 October 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

London, UK
9 March 2005


PKF
Registered Auditors

HYDRO HOTEL, EASTBOURNE, PLC

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 OCTOBER 2004

		2004	2003
	Notes	£	£
TURNOVER	2	3,956,492	3,719,581
Cost of sales		3,452,457	3,194,257
GROSS PROFIT		504,035	525,324
Administrative expenses			
Normal		186,178	187,186
Exceptional – release of pension provision	9	(78,350)	–
OPERATING PROFIT	3	396,207	338,138
INTEREST RECEIVED	4	5,165	935
INTEREST PAID	4	(9,096)	(6,233)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		392,276	332,840
TAXATION ON PROFIT ON ORDINARY ACTIVITIES	5	75,029	64,667
PROFIT FOR THE FINANCIAL YEAR AFTER TAXATION		317,247	268,173
DIVIDENDS			
Interim of 6.5p per share (2003 6.5p)		39,000	39,000
Proposed final of 17.5p per share (2003 16.5p)		105,000	99,000
RETAINED PROFIT – carried to Reserves	10	£173,247	£130,173
Earnings per share	14	52.87p	44.70p
Total dividends per share		24.00p	23.00p

TOTAL RECOGNISED GAINS AND LOSSES – there are no recognised gains or losses other than the profit for the year as stated above.

Movements in Reserves are set out in Note 10.

RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS can be found on page 7.

All the above relate to continuing activities.

HYDRO HOTEL, EASTBOURNE, PLC

NOTE OF HISTORICAL COST PROFITS AND LOSSES

	2004	2003
	£	£
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	392,276	332,840
Difference between the historical cost depreciation charge on furniture and equipment and freehold land and buildings and the actual depreciation charge for the year calculated on revalued amounts	7,829	7,827
	<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION USING HISTORICAL COST DEPRECIATION CHARGE FOR YEAR	£400,105	£340,667
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RETAINED PROFIT FOR YEAR ON HISTORICAL COST BASIS	£181,076	£138,000
	<hr/>	<hr/>

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2004	2003
	£	£
PROFIT FOR THE FINANCIAL YEAR AFTER TAXATION	317,247	268,173
Dividends	(144,000)	(138,000)
	<hr/>	<hr/>
NET ADDITION TO SHAREHOLDERS' FUNDS	173,247	130,173
	<hr/>	<hr/>
SHAREHOLDERS' FUNDS AT 1 NOVEMBER	2,903,007	2,772,834
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SHAREHOLDERS' FUNDS AT 31 OCTOBER	£3,076,254	£2,903,007
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HYDRO HOTEL, EASTBOURNE, PLC

BALANCE SHEET AT 31 OCTOBER 2004

	Notes	2004		2003	
		£	£	£	£
FIXED ASSETS					
Tangible Assets					
Freehold land and buildings	1 & 6	2,675,450		2,681,758	
Furniture and equipment	1 & 6	572,097		566,291	
		3,247,547		3,248,049	
CURRENT ASSETS					
Stocks	1	47,931		50,685	
Debtors	7	112,809		101,731	
Cash at bank and in hand		527,604		387,055	
		688,344		539,471	
CREDITORS					
Amounts falling due within one year	8	(775,075)		(706,546)	
NET CURRENT LIABILITIES			(86,731)	(167,075)	
TOTAL ASSETS LESS CURRENT LIABILITIES		3,160,816		3,080,974	
CREDITORS					
Amounts falling due after one year	8	(65,406)		(87,967)	
PROVISION FOR LIABILITIES AND CHARGES	9	(19,156)		(90,000)	
TOTAL ASSETS LESS LIABILITIES		<u>£3,076,254</u>		<u>£2,903,007</u>	
CAPITAL AND RESERVES					
Ordinary Shares – Authorised and Issued:					
600,000 Shares of £1 each fully paid		600,000		600,000	
Revaluation Reserve	10	463,350		471,179	
Profit and Loss Account	10	2,012,904		1,831,828	
EQUITY SHAREHOLDERS' FUNDS		<u>£3,076,254</u>		<u>£2,903,007</u>	

G C King
R Miller

} Directors

8 March 2005

HYDRO HOTEL, EASTBOURNE, PLC

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 OCTOBER 2004

		2004		2003	
	<i>Notes</i>	£	£	£	£
NET CASH INFLOW FROM OPERATING ACTIVITIES	<i>1</i>		480,489		493,928
RETURNS ON INVESTMENT AND SERVICING OF FINANCE					
Interest received		5,165		935	
Interest paid		(80)		(265)	
Interest element of finance lease rental payments		(9,016)		(5,968)	
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND FROM SERVICING OF FINANCE			(3,931)		(5,298)
TAXATION					
Corporation tax paid			(53,342)		(46,166)
CAPITAL EXPENDITURE					
Payments to acquire tangible fixed assets		(124,441)		(96,649)	
Receipts from sales of tangible fixed assets		—		125	
			(124,441)		(96,524)
			298,775		345,940
EQUITY DIVIDENDS PAID			(138,000)		(132,000)
			160,775		213,940
FINANCING					
Capital element of finance lease rental payments			(20,226)		(10,004)
INCREASE IN CASH	<i>3</i>		£140,549		£203,936

HYDRO HOTEL, EASTBOURNE, PLC

NOTES TO THE CASH FLOW STATEMENT

	2004	2003	
	£	£	
1. RECONCILIATION OF OPERATING PROFIT TO NET CASH			
INFLOW FROM OPERATING ACTIVITIES			
Operating profit	396,207	338,138	
Administrative expenses – Exceptional	(78,350)	–	
Pension to former Director	(11,650)	(13,625)	
Increase in provisions for pension to former Director	–	13,625	
Depreciation	123,605	115,368	
Loss/(Profit) on disposal of fixed assets	1,338	(125)	
Decrease/(Increase) in Stocks	2,754	(679)	
(Increase)/Decrease in Debtors	(14,268)	35,866	
Increase in Creditors	60,853	5,360	
	<u>£480,489</u>	<u>£493,928</u>	
NET CASH INFLOW FROM OPERATING ACTIVITIES			
	<u>£480,489</u>	<u>£493,928</u>	
2. ANALYSIS OF CHANGES IN NET FUNDS			
	1 November 2003	Cash Flows	31 October 2004
Cash in hand	4,285	–	4,285
Cash at bank	382,770	140,549	523,319
	<u>387,055</u>	<u>140,549</u>	<u>527,604</u>
Debt due within one year	(20,226)	(2,335)	(22,561)
Debt due after one year	(87,967)	22,561	(65,406)
	<u>£278,862</u>	<u>£160,775</u>	<u>£439,637</u>
	<u>£278,862</u>	<u>£160,775</u>	<u>£439,637</u>
		2004	2003
		£	£
3. RECONCILIATION OF MOVEMENT IN CASH TO MOVEMENT IN NET FUNDS			
Increase in cash for the year		140,549	203,936
Change in net debt		20,226	(108,193)
		<u>160,775</u>	<u>95,743</u>
Net funds at 1 November		278,862	183,119
		<u>£439,637</u>	<u>£278,862</u>
Net funds at 31 October		£439,637	£278,862

HYDRO HOTEL, EASTBOURNE, PLC

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

Accounting Convention

The Accounts have been prepared under the historical cost convention with the exception of certain freehold buildings, furniture and equipment that had been revalued. The accounting policies comply in all material respects with all applicable United Kingdom Accounting Standards.

Turnover

The turnover represents the net amount charged for services rendered.

Depreciation

(i) Freehold land and buildings

The Directors adopted Financial Reporting Standard 15 on fixed assets for the Company's Accounts for the year ended 31 October 2000. The Directors took advantage of the transitional arrangements available to retain the book amounts of the freehold properties which were revalued on 31 October 1990 by a firm of Chartered Surveyors on the open market value basis. This revaluation has not been updated.

Depreciation has been provided from 1 November 1999 at rates calculated to write off the cost or valuation on a straight line basis over the following expected useful lives:

Land – not depreciated

Buildings – 100 years

Impairment of Buildings is considered and assets are written down to their recoverable amounts when required.

(ii) Furniture and equipment

Depreciation is provided on furniture and equipment at rates calculated to write off the cost or revaluation of the fixed assets over their useful lives. The depreciation rates are determined in accordance with commercial practice for the hotel industry and vary between 6.67 per cent and 20 per cent on a straight line basis.

Stocks

Stocks comprise provisions and stores valued at the lower of cost or net realisable value.

Hire of Equipment

Rentals payable under operating leases are charged to Profit and Loss Account as incurred.

Assets held under finance leases and hire purchase contracts are capitalised and depreciated over their useful lives. The corresponding lease and hire purchase obligations are treated in the balance sheet as liabilities. The interest element of rental obligations is charged to the profit and loss account so as to produce a constant periodic rate of charge on the remaining balance of the obligation for each accounting period.

Pensions

(i) Defined benefit pension schemes

The Company operated a defined benefit pension scheme covering employees who were eligible on the basis of age and length of service. The assets of the scheme were held separately from those of the Company being invested with an insurance company. The Company pension scheme was closed to new members from 1 November 1992. The scheme was terminated with effect from 31 October 2003 and the formal process of winding up the scheme took place during 2004.

The Company also provided a defined benefit pension arrangement for a former director. This arrangement was unfunded although a provision had been included in the financial statements. The arrangement ceased during the year ended 31 October 2004.

(ii) Defined contribution pension schemes

Defined contribution schemes are set up for employees at the Directors' discretion and the assets of these schemes are held separately being invested with an insurance company.

HYDRO HOTEL, EASTBOURNE, PLC

NOTES TO THE ACCOUNTS (continued)

1. ACCOUNTING POLICIES (continued)

Deferred taxation

In accordance with Financial Reporting Standard 19 "Deferred tax" the Company provides deferred tax in full on timing differences which result in an obligation at the Balance Sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law.

Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

2. TURNOVER

The turnover and operating profit are wholly attributable to the Company's sole activity as hoteliers.

3. OPERATING PROFIT

	2004 £	2003 £
The operating profit has been arrived at after charging:		
Administrative expenses:		
Normal	186,178	187,186
Exceptional – release of pension provision	(78,350)	–
	£107,828	£187,186
Hire of equipment (operating leases)	£15,817	£15,327
Auditors' remuneration:		
Audit fee	10,650	10,100
Other services	4,890	2,017
	£15,540	£12,117
Depreciation:		
Freehold buildings	13,480	13,406
Furniture and equipment	110,125	101,962
	£123,605	£115,368
Directors' emoluments:		
Directors' fees	30,000	21,000
Management salary (including pension and life assurance premiums)	–	13,378
Aggregate emoluments	£30,000	£34,378

See also Note 9 for information on pension to a former Director.

HYDRO HOTEL, EASTBOURNE, PLC

NOTES TO THE ACCOUNTS *(continued)*

	2004 £	2003 £
3. OPERATING PROFIT <i>(continued)</i>		
Employee information		
Staff costs:		
Wages and salaries	1,516,426	1,424,478
Employer's social security costs	112,037	100,468
Employer's pension costs	4,072	4,308
	<u>£1,632,535</u>	<u>£1,529,254</u>
The average number of employees during the year was:		
Full-time	93	87
Part-time	36	38
	<u>129</u>	<u>125</u>
4. INTEREST RECEIVED AND INTEREST PAID		
Received on bank accounts	<u>£5,165</u>	<u>£935</u>
Paid on bank overdraft	80	265
Finance lease charges	9,016	5,968
	<u>£9,096</u>	<u>£6,233</u>
5. TAXATION		
U.K. corporation tax charge at the rate of 19% (2003 rate: 19%)		
For the year	52,208	52,867
Payable in respect of previous periods	475	235
Current tax charge	52,683	53,102
Deferred taxation on origination and reversal of timing differences	22,346	11,565
Taxation on profit on ordinary activities	<u>£75,029</u>	<u>£64,667</u>
Factors affecting tax charge for period:		
Profit on ordinary activities before taxation	<u>392,276</u>	<u>332,840</u>
Profit on ordinary activities multiplied by the small companies rate of corporation tax in the U.K. for the year of 19% (2003 rate: 19%)	74,532	63,240
Release of provision not chargeable to tax	(17,100)	—
Expenses not deductible for tax purposes	23	91
Capital allowances for year in excess of depreciation	(5,247)	(10,464)
Adjustment to tax charge in respect of previous period	475	235
Current tax charge for period	<u>£52,683</u>	<u>£53,102</u>

HYDRO HOTEL, EASTBOURNE, PLC

NOTES TO THE ACCOUNTS *(continued)*

6. TANGIBLE FIXED ASSETS

	Freehold Land and Buildings £	Furniture and Equipment £	Total £
<i>Revaluation/Cost</i>			
Brought forward at 1 November 2003	2,731,496	1,441,419	4,172,915
Additions in the year	7,172	117,269	124,441
Disposals in the year	–	(3,348)	(3,348)
Carried forward at 31 October 2004	£2,738,668	£1,555,340	£4,294,008
Valuation at 31 October 1990	1,440,000	317,860	1,757,860
Additions at cost to 31 October 2004	1,298,668	1,240,828	2,539,496
Disposals in the year	–	(3,348)	(3,348)
Carried forward at 31 October 2004	£2,738,668	£1,555,340	£4,294,008
<i>Depreciation</i>			
Brought forward at 1 November 2003	49,738	875,128	924,866
Charge for the year	13,480	110,125	123,605
Disposals in the year	–	(2,010)	(2,010)
Carried forward at 31 October 2004	£63,218	£983,243	£1,046,461
Book Value at 31 October 2004	£2,675,450	£572,097	£3,247,547
Book Value at 1 November 2003	£2,681,758	£566,291	£3,248,049

The transitional provisions of Financial Reporting Standard 15 have been adopted.

The Book Value at 1 November 2003 and 31 October 2004 is stated on the basis of an open market valuation made by a specialist firm of Chartered Surveyors at 31 October 1990 and additions at cost thereafter less depreciation charged. The valuation as at 31 October 1990 has not been updated.

The Book Value of Furniture and Equipment includes £98,461 (2003 £110,789) in respect of assets held under finance leases. The amount of depreciation in respect of such assets is £24,616 (2003 £12,308).

The Book Value at 31 October 2004 of the Company's fixed assets on a historic cost basis is:-

	Freehold Land and Buildings £	Furniture and Equipment £	Total £
Cost	1,461,348	1,287,837	2,749,185
Accumulated depreciation	(33,584)	(717,641)	(751,225)
Net historic book value	£1,427,764	£570,196	£1,997,960

HYDRO HOTEL, EASTBOURNE, PLC

NOTES TO THE ACCOUNTS *(continued)*

	2004 £	2003 £
7. DEBTORS		
Recoverable within one year:		
Trade debtors	84,954	68,026
Deferred tax	—	3,190
Prepayments and accrued income	27,855	30,515
	<u>£112,809</u>	<u>£101,731</u>
8. CREDITORS		
Amounts falling due within one year:		
Trade creditors	290,437	265,213
Obligations under finance leases and hire purchase contracts	22,561	20,226
Corporation tax	52,208	52,867
Taxation and social security	196,403	172,155
Accruals	69,466	58,085
Dividends	144,000	138,000
	<u>£775,075</u>	<u>£706,546</u>
Amounts falling due after one year:		
Obligations under finance leases and hire purchase contracts	65,406	87,967
	<u>£65,406</u>	<u>£87,967</u>
Net obligations under finance leases are payable:-		
Within one year	22,561	20,226
In two to five years	65,406	87,967
	<u>£87,967</u>	<u>£108,193</u>
9. PROVISION FOR LIABILITIES AND CHARGES		
Provision for pension payments to former Director:		
Balance at 1 November	90,000	90,000
Amount paid to former Director during the year	(11,650)	(13,625)
(Release)/increase in future pension provision	(78,350)	13,625
	—	90,000
Deferred tax	19,156	—
Balance at 31 October	<u>£19,156</u>	<u>£90,000</u>

The pension provision was no longer required at 31 October 2004.

The deferred taxation liability of £19,156 relates to the effects of accelerated capital allowances claimed.

HYDRO HOTEL, EASTBOURNE, PLC

NOTES TO THE ACCOUNTS (*continued*)

10. RESERVES

	Revaluation Reserve £	Profit and Loss £	2004 Total £	2003 Total £
Balance at 1 November	471,179	1,831,828	2,303,007	2,172,834
Retained profit for the year	–	173,247	173,247	130,173
Transfer of depreciation on revaluation of assets	(7,829)	7,829	–	–
Balance at 31 October	<u>£463,350</u>	<u>£2,012,904</u>	<u>£2,476,254</u>	<u>£2,303,007</u>

11. PENSIONS

(i) Defined benefit pension scheme

The company scheme was terminated with effect from 31 October 2003 and the formal process of winding up the scheme took place during 2004.

At 31 October 2004 the scheme fund was valued by actuaries who confirmed that after providing for the estimated expenses of winding up the scheme, the fund was in estimated surplus.

As there were no current contributors or deferred pensioners the anticipated surplus was used to enhance the pensions of the current pensioners from 1 January 2005.

(ii) Defined contribution pension schemes

Contributions paid during the year ended 31 October 2004 amounted to £4,072 (2003 £4,212).

In addition an unfunded index-linked ex-gratia pension was paid to a former Director (see Note 9).

12. DIRECTORS' AND OFFICERS' INTERESTS AND RELATED PARTY MATTERS

No Director was materially interested, either at the year end or during the year, in any contract of significance in relation to the business of the Company.

Mr C P Freeman the Company Secretary is a partner in Perkins Copeland, Chartered Accountants. This firm provided accountancy, taxation, secretarial and registration services to the Company costing £65,050 during the year ended 31 October 2004 (2003 £65,225). The amount outstanding and due to Perkins Copeland at 31 October 2004 was £18,500 (2003 £18,500) and is included in Trade Creditors (Note 8).

HYDRO HOTEL, EASTBOURNE, PLC

NOTES TO THE ACCOUNTS *(continued)*

13. POST BALANCE SHEET EVENT

On 13 January 2005, Hydro Hotel, Eastbourne, plc entered into an unconditional agreement with Oakdene Homes plc for the disposal of White Lodge Country House Hotel, Alfriston, (White Lodge) for a consideration of £1.7 million, completion to take place on or before, subject to agreement by both parties, 31 October 2005.

It is the directors intention that White Lodge will continue to remain fully open for business until 30 September 2005.

On the basis that completion of the sale of the property takes place, the Board anticipates that a net profit before taxation of approximately £690,000 will arise. Corporation tax of approximately £308,000 will be chargeable on the taxable profit arising.

The net profit and taxation stated above do not take into account losses on trading at the White Lodge that may arise from the Balance Sheet date to date of disposal, nor the costs of termination of the operation.

14. EARNINGS PER SHARE

	2004	2003
	£	£
Earnings are based on the profit for the financial year after taxation	317,247	268,173
Earnings per share (basic and diluted)	52.87p	44.70p
Adjusting earnings to exclude the effect of the exceptional item – the release of pension provision (£78,350), net of taxation (£14,887) – earnings become	253,784	268,173
Adjusted earnings per share (basic and diluted)	42.30p	44.70p

15. FINANCIAL INSTRUMENTS

Treasury activities take place under procedures and policies approved and monitored by the Board. They are designed to minimise the financial risks faced by the Company which primarily arise from liquidity risk. Interest and currency risks are not considered to be significant.

Cash at bank and in hand earns interest at floating rates, based principally on short term inter bank rates. Appropriate bank overdraft facilities are in place for the foreseeable working capital requirements and secured lending is arranged for significant capital projects.

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GENERAL INFORMATION

Registered office: Hydro Hotel
 Mount Road
 Eastbourne
 East Sussex
 BN20 7HZ

Company Registration No.: 44514

Share transfer and
Registration Department: 15 Gildredge Road
 Eastbourne
 East Sussex
 BN21 4RA

Auditors: PKF
 Farringdon Place
 20 Farringdon Road
 London
 EC1M 3AP

Bankers: Barclays Bank plc
 63-67 Terminus Road
 Eastbourne
 East Sussex
 BN21 3PQ

HYDRO HOTEL, EASTBOURNE, PLC

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