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**ANNUAL AUDITED REPORT
FORM X-17A-5
PART III**

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FACING PAGE

**Information Required of Brokers and Dealers Pursuant to Section 17 of the
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**

REPORT FOR THE PERIOD BEGINNING 01/01/2004 AND ENDING 12/31/2004
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: HANOVER INVESTMENT SECURITIES, INC.

OFFICIAL USE ONLY
FIRM I.D. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

1519 HIGHWAY 22 WEST, SUITE 8

(No. and Street)

MADISONVILLE

LOUISIANA

70447

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

B.J. WELLMAYER, JR.

(504) 888-5190

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

ERIC E. BOSCH, CPA

(Name - if individual, state last, first, middle name)

110 VETERANS BLVD., SUITE 200

METAIRIE,

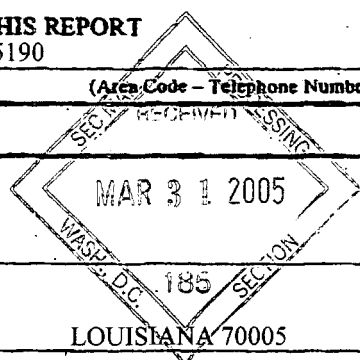
LOUISIANA 70005

(Address)

(City)

(State)

(Zip Code)



CHECK ONE:

- Certified Public Accountant
- Public Accountant
- Accountant not resident in United States or any of its possessions.

PROCESSED

APR 25 2005

THOMSON
FINANCIAL

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*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

SEC 1410 (06-02)

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Handwritten signature


OATH OR AFFIRMATION

I, B.J. WELLMAYER, JR., swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of HANOVER INVESTMENT SECURITIES, INC., as of DECEMBER 31, 2004, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:


Signature

CHIEF FINANCIAL OFFICER

Title


W. K. PORTER
Notary Public #12745
MY COMMISSION IS FOR LIFE

This report ** contains (check all applicable boxes):

- (a) Facing Page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss).
- (d) Statement of CASH FLOWS
- (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- (g) Computation of Net Capital.
- (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-3 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- (l) An Oath or Affirmation.
- (m) A copy of the SIPC Supplemental Report.
- (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

**For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

HANOVER INVESTMENT SECURITIES, INC.

December 31, 2004

Audit of Financial Statements

December 31, 2004

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LAPORTE SEHRT
ROMIG HAND
CERTIFIED PUBLIC ACCOUNTANTS

The Shareholders
Hanover Investment Securities, Inc.

Independent Auditor's Report

We have audited the accompanying statement of financial condition of **HANOVER INVESTMENT SECURITIES, INC.** as of December 31, 2004, and the related statements of income, changes in stockholders' equity, and cash flows for the year then ended that you are filing pursuant to Rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **HANOVER INVESTMENT SECURITIES, INC.** as of December 31, 2004, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in Schedules I, II, III and IV is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by Rule 17a-5 under the Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Laporte, Sehart, Romig + Hand
A Professional Accounting Corporation

Metairie, Louisiana
March 25, 2005

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RSM McGladrey Network
An Independently Owned Member

HANOVER INVESTMENT SECURITIES, INC.
STATEMENT OF FINANCIAL CONDITION
December 31, 2004

ASSETS

Cash and Cash Equivalents	\$ 5,779
Compensating Balance Held at Clearing Organization	<u>6,006</u>
Total Assets	<u>\$ 11,785</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

LIABILITIES \$ -

STOCKHOLDERS' EQUITY

Common Stock - \$1 Par Value	
Authorized, Issued, and Outstanding 30,000 shares	\$ 30,000
Nonvoting Common Stock - \$5 Par Value	
Authorized - 15,000 Shares	
Issued and Outstanding - 12,100 Shares	60,500
Accumulated Deficit	<u>(78,715)</u>
Total Stockholders' Equity	<u>\$ 11,785</u>
Total Liabilities and Stockholders' Equity	<u>\$ 11,785</u>

The accompanying notes are an integral part of these financial statements.

HANOVER INVESTMENT SECURITIES, INC.
STATEMENT OF INCOME
For The Year Ended December 31, 2004

REVENUES	
Concessions Earned	\$ 20,246
Interest Income	<u>35</u>
Total Revenues	<u>20,281</u>
EXPENSES	
Professional Fees	8,300
Commissions Paid	7,747
NASD Registration Fees	1,795
Insurance	826
Bank Charges	216
Office Expense	192
Taxes and Licenses	<u>62</u>
Total Expenses	<u>19,138</u>
NET INCOME BEFORE TAXES	1,143
INCOME TAX EXPENSE	<u>-</u>
NET INCOME	<u><u>\$ 1,143</u></u>

The accompanying notes are an integral part of these financial statements.

HANOVER INVESTMENT SECURITIES, INC.
STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

	<u>Common Stock</u>	<u>Nonvoting Common Stock</u>	<u>Accumulated Deficit</u>	<u>Total Stockholders' Equity</u>
BALANCE - DECEMBER 31, 2003	\$ 30,000	\$ 60,500	\$ (79,858)	\$ 10,642
Net Income - Year Ended December 31, 2004	-	-	1,143	1,143
BALANCE - DECEMBER 31, 2004	<u>\$ 30,000</u>	<u>\$ 60,500</u>	<u>\$ (78,715)</u>	<u>\$ 11,785</u>

The accompanying notes are an integral part of these financial statements.

HANOVER INVESTMENT SECURITIES, INC.
STATEMENT OF CASH FLOWS
For The Year Ended December 31, 2004

OPERATING ACTIVITIES

Net Income	\$ 1,143
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:	
Increase in Compensating Balance Held at Clearing Organization	(3)
Decrease in Prepaid Expenses	307
Decrease in Receivables	4,667
Decrease in Commissions Payable	<u>(3,967)</u>
Net Cash Provided by Operating Activities	<u>2,147</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,147
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>3,632</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 5,779</u></u>

The accompanying notes are an integral part of these financial statements.

HANOVER INVESTMENT SECURITIES, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE A

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BUSINESS OF THE COMPANY

At December 31, 2004, **HANOVER INVESTMENT SECURITIES, INC.** (Company) was registered as a broker/dealer with the Securities and Exchange Commission and was a member of the National Association of Securities Dealers, Inc. The Company, acting in an agency capacity, buys and sells securities and other investments for its customers and receives a commission.

ORGANIZATION

The Company was incorporated in Missouri on March 1, 1983, under the name of J. Penner and Company, Inc. On October 19, 1984, a Certificate of Amendment to the corporation was issued by the Secretary of State of Missouri amending the name of the corporation to Hanover Investment Securities, Inc. Accordingly, on November 14, 1984, new stock was issued under the new name to the parties holding the stock at the date of the name change.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS

For purposes of the Statement of Cash Flows, the Company considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

REVENUE RECOGNITION

Customers' securities transactions are recorded on a settlement date basis with related commission income and expenses recorded on a trade date basis. Other customers' investments are recorded on a trade date basis with related commission income and expenses recorded on a trade date basis.

NOTE B

INCOME TAXES AND UNUSED OPERATING LOSS CARRYFORWARDS

The Company has available at December 31, 2004, \$71,949 of unused operating loss carryforwards that may be applied against future taxable income and that expire in various years from 2005 to 2023.

Although management expects the Company to generate taxable profits in future years, the Company has recognized a valuation allowance equal to the amount of the deferred tax asset associated with the operating loss carryforwards. As such, no deferred tax asset has been recognized on the Statement of Financial Condition. In addition, the amount of income tax expense applicable to the Company's taxable income for the year ended December 31, 2004 is fully offset by the utilization of available operating loss carryforwards. As such, no amount of income tax expense has been recognized on the Statement of Income.

HAVOVER INVESTMENT SECURITIES, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE C

COMMITMENTS AND CONTINGENCIES

The Company clears all customers' securities transactions through a clearing broker, on a fully disclosed basis, which, in accordance with accounting principles generally accepted in the United States of America, are not included on the Statement of Financial Condition. These transactions are referred to as an "off-statement of financial condition commitments" and differ from the Company's Statement of Financial Condition activities in that they do not give rise to funded assets or liabilities. The Company receives a commission for initiating such transactions for its customers. Initiating these trades for its customers involves various degrees of credit and market risk in excess of amounts recognized on the Statement of Financial Condition. The Company minimizes its exposure to loss under these commitments by subjecting the customer accounts to credit approval and monitoring processes.

Once a trade is executed, a customer is allowed three business days to settle the transaction by payment of the settlement price (when purchasing securities) or the delivery of the securities (when selling securities). The Company is required by law to immediately complete a securities transaction when a customer fails to settle. The Company is at risk for any loss realized in completing transactions for its customers. At December 31, 2004, all unsettled transactions were subsequently settled by customers without loss to the Company or open commitments were adequately collateralized.

NOTE D

NET CAPITAL REQUIREMENTS

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (Rule 15c3-1), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. At December 31, 2004, the Company had net capital of \$11,785 which was \$6,785 in excess of its required net capital of \$5,000. The Company's net capital ratio was 0.0 to 1 at December 31, 2004.

HANOVER INVESTMENT SECURITIES, INC.
SUPPLEMENTARY INFORMATION
For The Year Ended December 31, 2004

SCHEDULE I
COMPUTATION OF NET CAPITAL UNDER RULE 15c-3-1 OF
THE SECURITIES AND EXCHANGE COMMISSION

NET CAPITAL	
Total Stockholders' Equity	\$ 11,785
Deductions and/or Charges	<u>-</u>
Net Capital	<u>\$ 11,785</u>
AGGREGATE INDEBTEDNESS	
	<u>\$ -</u>
COMPUTATION OF BASIC NET CAPITAL REQUIREMENT	
Net Capital Required	<u>\$ 5,000</u>
Excess of Net Capital	<u>\$ 6,785</u>
Excess Net Capital at 1,000%	<u>\$ 11,785</u>
Ratio: Aggregate Indebtedness to Net Capital	<u>0 to 1</u>
RECONCILIATION WITH COMPANY'S COMPUTATION	
(included in Part II of Form X-17A-5 as of December 31)	
Net Capital, as Reported in Company's Part II (Unaudited)	
FOCUS Report	\$ 11,785
Other Adjustments	<u>-</u>
Net Capital Per Above	<u>\$ 11,785</u>

**HANOVER INVESTMENT SECURITIES, INC.
SUPPLEMENTARY INFORMATION**

**SCHEDULE II
COMPUTATION FOR DETERMINATION OF RESERVE
REQUIREMENTS UNDER RULE 15c3-3 OF THE
SECURITIES AND EXCHANGE COMMISSION**

HANOVER INVESTMENT SECURITIES, INC. is exempt from the reserve requirements and the related computations for the determination thereof under paragraph k(2)(ii) of Rule 15c3-3 under the Securities and Exchange Act of 1934 as **HANOVER INVESTMENT SECURITIES, INC.** carries no margin accounts in connection with its activities as a broker or dealer, does not otherwise hold funds or securities for, or owe money or securities to customers.

During the year ended December 31, 2004, **HANOVER INVESTMENT SECURITIES, INC.** has maintained its compliance with the conditions for exemption specified in paragraph k(2)(ii) of Rule 15c3-3.

**SCHEDULE III
INFORMATION RELATING TO POSSESSION OR CONTROL
REQUIREMENTS UNDER RULE 15c3-3 OF THE
SECURITIES AND EXCHANGE COMMISSION**

HANOVER INVESTMENT SECURITIES, INC. is exempt from the reserve requirements and the related computations for the determination thereof under paragraph k(2)(ii) of Rule 15c3-3 under the Securities and Exchange Act of 1934 as **HANOVER INVESTMENT SECURITIES, INC.** carries no margin accounts in connection with its activities as a broker or dealer, does not otherwise hold funds or securities for, or owe money or securities to customers.

During the year ended December 31, 2004, **HANOVER INVESTMENT SECURITIES, INC.** has maintained its compliance with the conditions for exemption specified in paragraph k(2)(ii) of Rule 15c3-3.

**SCHEDULE IV
SCHEDULE OF SEGREGATION REQUIREMENTS
AND FUNDS IN SEGREGATION FOR CUSTOMERS' REGULATED
COMMODITY FUTURES AND OPTIONS ACCOUNTS**

HANOVER INVESTMENT SECURITIES, INC. is exempt from the reserve requirements and the related computations for the determination thereof under paragraph k(2)(ii) of Rule 15c3-3 under the Securities and Exchange Act of 1934 as **HANOVER INVESTMENT SECURITIES, INC.** carries no margin accounts in connection with its activities as a broker or dealer, does not otherwise hold funds or securities for, or owe money or securities to customers.

During the year ended December 31, 2004, **HANOVER INVESTMENT SECURITIES, INC.** has maintained its compliance with the conditions for exemption specified in paragraph k(2)(ii) of Rule 15c3-3.



LAPORTE SEHRT
ROMIG HAND
CERTIFIED PUBLIC ACCOUNTANTS

The Board of Managers
Hanover Investment Securities, Inc.

Independent Auditor's Report on Internal Control

In planning and performing our audit of the financial statements of **HANOVER INVESTMENT SECURITIES, INC.** for the year ended December 31, 2004, we considered its internal control, including control activities for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control.

Also, as required by Rule 17a-5(g)(1) of the Securities and Exchange Commission (SEC), we have made a study of the practices and procedures followed by **HANOVER INVESTMENT SECURITIES, INC.** including tests of such practices and procedures that we considered relevant to the objectives stated in Rule 17a-5(g) in making the periodic computations of aggregate indebtedness and net capital under Rule 17a-3(a)(11) and the procedures for determining compliance with the exemptive provisions of Rule 15c3-3. We did not review the practices and procedures followed by the company in making the quarterly securities examinations, counts, verifications and comparisons, and the recordation of differences required by Rule 17a-13 or in complying with the requirements for prompt payment for securities under Section 8 of Regulation T of the Board of Governors of the Federal Reserve System, because the Company does not carry security accounts for customers or perform custodial functions relating to customer securities.

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, *estimates and judgments by management are required to assess the expected benefits and related costs of controls, and of the practices and procedures referred to in the preceding paragraph, and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives.* Two of the objectives of internal control and the practices and procedures are to provide management with reasonable, but not absolute, assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in conformity with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

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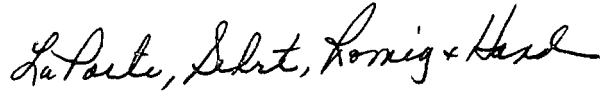
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Because of inherent limitations in internal control or the practices and procedures referred to above, errors or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

Our consideration of the internal control would not necessarily disclose all matters in internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control components does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving internal control, including control activities for safeguarding securities that we consider to be material weaknesses as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures were adequate at December 31, 2004, to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Shareholders, management, the Securities and Exchange Commission, the National Association of Securities Dealers, the New York Stock Exchange and other regulatory agencies which rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.


A Professional Accounting Corporation

Metairie, Louisiana
March 25, 2005