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KEY INFORMATION

INVESTMENT POLICY AND BENCHMARK

Hansa Trust PLC invests in a portfolio of special situations, where individual holdings or specific sectors may constitute a significant proportion of the portfolio or that of the equity of the companies concerned. This investment approach may produce returns which are not replicated by movements in any market indices. *Performance is measured against an absolute benchmark derived from the three-year average rolling rate of return of the five year government bond, plus two percent.* Investments are intended to add value over the medium to longer term through a non-market correlated, conviction based investment style.

STATISTICS	31 March 2004	31 March 2003	% change
Return/(deficit) per 'A' Ordinary and Ordinary Share	162.4p	(97.1p)	-
Shareholders' Funds	£102.44m	£64.90m	57.8
Net Asset Value per			
'A' Ordinary share	426.8p	270.4p	57.8
Ordinary share	426.8p	270.4p	57.8
Share Price			
'A' Ordinary shares	346.5p	218.0p	58.9
Ordinary shares	350.0p	215.0p	62.8
FTSE All-Share Index	2,197	1,736	26.6
Discount			
'A' Ordinary shares	18.8%	19.4%	-
Ordinary shares	18.0%	20.5%	-

CAPITAL STRUCTURE

The Company has 8,000,000 Ordinary shares of 5p and 16,000,000 'A' non-voting Ordinary shares of 5p each in issue.

The Ordinary shareholders are entitled to one vote per Ordinary share held.

The 'A' non-voting Ordinary shares do not entitle the holders to vote or receive notice of meetings but in all other respects they have the same rights as the Company's Ordinary shares.

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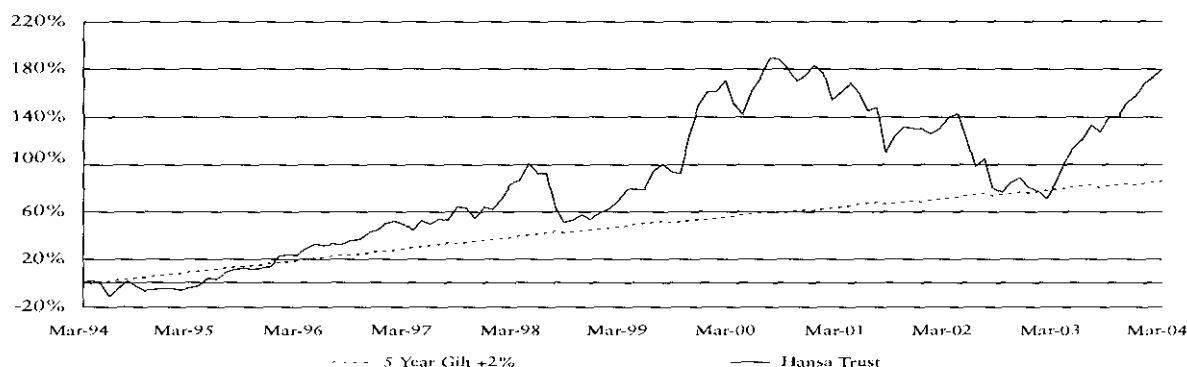


PERFORMANCE SUMMARY

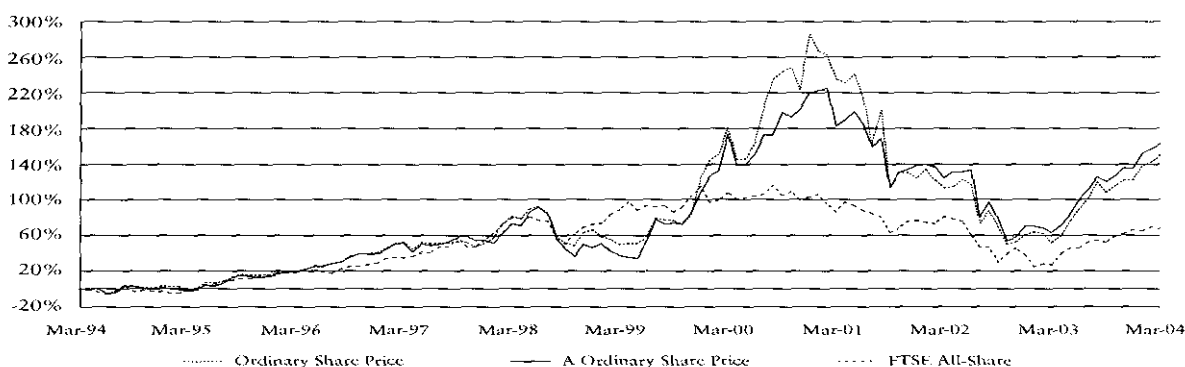
FIVE YEAR RECORD

	31 March 2000	31 March 2001	31 March 2002	31 March 2003	31 March 2004	% change over year
Shareholders' Funds	£106.79m	£99.32m	£89.16m	£64.90m	£102.44m	58.4
Net Asset Value per						
'A' Ordinary share	445.0p	413.9p	371.5p	270.4p	426.8p	57.8
Ordinary share	445.0p	413.9p	371.5p	270.4p	426.8p	57.8
Share Price						
'A' Ordinary shares	382.5p	390.0p	305.0p	218.0p	346.5p	58.9
Ordinary shares	416.5p	490.0p	307.5p	215.0p	350.0p	62.8
FTSE All-Share Index	3,111	2,711	2,557	1,736	2,197	26.6
Discount/(Premium)						
'A' Ordinary shares	14.0%	5.8%	17.9%	19.4%	18.8%	-
Ordinary shares	6.4%	(18.4%)	17.2%	20.5%	18.0%	-

TEN YEAR TOTAL RETURN RECORD



	1 year	3 years	5 years	10 years
Net Asset Value - income re-invested	60.04%	7.48%	61.69%	173.48%
Performance Benchmark	6.89%	21.76%	37.80%	85.70%



	1 year	3 years	5 years	10 years
Ordinary Share - income re-invested	65.09%	-25.31%	67.17%	149.81%
Ordinary Share 'A' - income re-invested	61.20%	-6.99%	91.86%	162.84%
FTSE All-Share - total return	31.47%	-9.77%	-10.96%	67.50%

Source: Internal unaudited management information.



CHAIRMAN'S STATEMENT

PERFORMANCE

I am pleased to report that Total Return on the Net Asset Value per Ordinary and 'A' Ordinary shares for the year was 60.0% against the performance benchmark of 6.9%. The Ordinary and 'A' Ordinary share prices rose by 62.8% and 58.9% respectively. We have also seen the discount narrow marginally from an average of 20% to 18.4%. The performance in both the Net Asset Value and the share price is most encouraging and is a welcome reversal of fortunes from those depressing days a year ago when the markets were grappling with prospects of a long war in Iraq and the worldwide threat from the SARS virus.

Total Returns for the medium and long term are as follows:

Period ending	Net Asset Value	Performance Benchmark	Ordinary Shares	"A" Ordinary Shares	FTSE All-Share Index
31 March 2004					
1 Year	60.0%	6.9%	65.1%	61.2%	31.5%
3 Year	7.5%	21.7%	(25.1%)	(7.0%)	(9.8%)
5 Year	61.7%	37.8%	67.2%	91.9%	(11.0%)
10 Year	173.5%	85.7%	149.8%	162.8%	67.5%

Although our primary objective is to maximise the total return to shareholders through dividends and increasing the underlying Net Asset Value of the Trust the Board is mindful of the discount as well as the growth of the Net Asset Value. The factors explaining both the discount and its movement are numerous and not easy to disentangle; nevertheless the Board regularly reviews the actions that may reduce it.

One option available to the Board may be to buy back 'A' Ordinary shares for cancellation and it will consider doing so if an appropriate opportunity presents itself. The power to buy back 'A' Ordinary shares lapses at the AGM and a renewal of the authority will be proposed at that meeting.

In addition, a recent change in The Listing Rules enables the Board, subject to shareholders approval, to purchase shares for treasury. This means that the Company could purchase shares in the market up to a limit of 10% of the issued share capital of any one class of share and then at a later stage re-sell the same shares back into the market. The Board is not yet convinced that this option will bring lasting benefits to shareholders but will continue to monitor the position and seek shareholder approval if circumstances change.

This has been the first year in which we have been operating with the new performance benchmark. Whilst the reported total returns for this year far exceed the benchmark, it should be recognised that this is not an easy benchmark to beat over the medium to long term. This is illustrated by the table above, which demonstrates the unrelenting power of a compounding benchmark which is market neutral.

It has also been the year in which Hansa Capital Limited took over the investment process in its entirety replacing Artemis Investment Management Limited from 1 December 2003.

REVENUE AND DIVIDENDS

I am delighted to announce that the Company's trading subsidiary had an excellent year, reporting profits of £326,000 contributing to the Group increasing its Profit before taxation from £963,000 to £1,489,000 for the year. The Company distributes the majority of its income. The Board are therefore recommending a final dividend of 4.2p (2003: 2.2p) per Ordinary and 'A' Ordinary share. The dividend will bring the total dividend for the year to 6p (2002: 4p) per share. The dividend will be payable on 6 August 2004, subject to shareholder's approval at the AGM, to shareholders on the register at 25 June 2004.

At the expense of repeating myself each year, the Company's focus is on total return and the balance between income and capital returns will vary depending on market conditions and the types of investments made; therefore it is highly unlikely that the level of dividend will remain constant from year to year, although over the long term we would expect it to grow.



CHAIRMAN'S STATEMENT

(continued)

INVESTMENTS

The Company has a £10 million short-term banking facility which is managed on a daily basis to maximise the returns. At 31 March 2004, £1.65 million of the borrowing facility was being utilised.

Strategic

Last year I mentioned the disposal of Adam and Harvey Group PLC, which was completed during this financial year. This year I would like to inform you of the disposal of our holding in Finsbury Growth Trust PLC, which was completed in the first week of April 2004. That leaves Ocean Wilsons Holdings Limited as the remaining asset in this class. The shares in Ocean Wilsons have performed very well during the year, increasing in value by some 177%

Portfolio

The portfolio of investments, giving a breakdown of the investments by size and market, is detailed on page 9. Further details on the portfolio and its performance are covered in the Review of Portfolio Investments.

THE BOARD

I have been your Chairman for over 12 years and now believe that it is time to hand over the reins. I hope to continue to serve as a Director but will resign as Chairman at a Board meeting on 29 July 2004, at which time Alex Hammond-Chambers will become your new Chairman. I am sure that you will be in good hands with Alex.

Following the recent introduction of changes to the Combined Code - Corporate Governance the Board has decided that in the interests of shareholder democracy all of the members of the Board will resign annually at the Company's AGM and offer themselves for re-election.

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held on 29 July 2004 in the Curzon Suite, at the Radisson Edwardian Mayfair Hotel, Stratton Street, London, W1A 2AN. I do hope that as many shareholders as are able will attend and meet your Board of Directors. In addition William Salomon, who is the Chairman of the Investment Manager, together with John Alexander, who has recently joined the Investment Manager will make a short presentation and be available to answer questions.

OUTLOOK

Last year I commented on the fact that markets had fallen for the preceding three years, and although this year has seen some substantial reversal of these losses, the UK market is still more than 30% below its 2000 level.

The future of world markets still relies heavily on continuing US spending and low cost Chinese production, both of which may falter. It would therefore be wise to expect some volatility in the world markets as the Iraqi post war situation unfolds and the US presidential election draws nearer.

In the UK the outlook is clouded by the Chancellor's instructions to the Bank of England to target a new price index, the CPI, rather than the RPI with which we have for many years been familiar. This change, by both novelty and by excluding all housing costs, will greatly complicate economic management. Its novelty means that policy makers will be less experienced in controlling it, while its exclusion of housing costs (including taxes on housing) makes it rather different from the inflation most people experience and will therefore tend to undermine confidence in policy.

Nevertheless we remain confident that our new investment strategy, appropriate to our new performance benchmark will deliver high quality earnings over the years to come, as we seek out investment opportunities. What perhaps is a little more difficult in this uncertain investment world is predicting the timing of when these opportunities will bear fruit.

Jamie Borwick

Chairman

28 June 2004



REVIEW OF PORTFOLIO INVESTMENTS

Background

The UK stockmarket bottomed on 12 March 2003, with investors' cyclical and smaller companies leading the way up, which greatly benefited the portfolio. This reflected investors' increased appetite for risk and search for recovery in a low interest rate environment. Weak economies and a paranoid fear of deflation amongst Central Banks, saw interest rates at ultra low levels. The Federal Reserve has flooded the world with a tidal wave of cheap money, with an interest rate of 1%. This has had the effect of kick-starting economic growth and fuelling a rise in asset prices, including property and commodities. On the demand side the Chinese economy has continued its rapid rate of industrialisation, becoming a major factory to the world.

Overall Performance

During the year under review, the Capital and Revenue returns per Ordinary and 'A' Ordinary shares amounted to 162.4 pence or 60.0%, and the share prices rose by 62.8% and 58.9% respectively. This compares with a rise of 6.9% in the company's benchmark, the three-year rolling average of the yield of a five-year government bond with interest being reinvested semi-annually plus 2%. Four major contributors to the 162.4 pence per share rise were Ocean Wilson Holdings 46.6p, Finsbury Growth Trust 17.7p, Cairn Energy 16.6p and Felix Resources (formerly Auiron Energy) 13.5p.

Time weighted

Sector Performance	1 Year performance	% of the portfolio at
	to 31 March 2004	31 March 2004
	%	%
Strategic	111.7	26.3
Insurance	13.0	23.1
Small Cap/AIM	91.0	16.7
Oil and Energy	57.1	13.7
Large Cap	28.8	11.6
Property	16.6	5.1
Funds	133.0	3.5

Portfolio Review

Strategic (26.3%)

Ocean Wilsons Holdings Limited is an investment holding company. The group's principal activities are the provision of towage, port operations and ship agency services in Brazil and the holding of investments. The holding has performed spectacularly well following the rally in the Brazilian Real (against the US dollar) rising by 177% over the year. The holding in Finsbury Growth Trust was sold at a 5% discount to net asset value just after our year end.

Insurance (23.1%)

Our insurance portfolio rose by 13% (time weighted basis) over the year, with a particularly strong performance in the last quarter. Amlin rose by 47% with BRIT Insurance and Chaucer Holdings rising by 18%. Goshawk was the laggard, but this position has now been stabilised.

The Lloyd's market announced record pre-tax profits of £1.9bn (under annual accounting) for 2003, and said that underwriting conditions remain attractive, both in terms of rates and terms and conditions. These profits compare to the £834m reported in 2002, which was itself a record year. The huge growth in profits was helped by a 10% increase in net premiums earned to £11.7bn and the lowest net losses from global catastrophes since 1997.

Historically the stockmarket has been wary of viewing insurers as value creators and rightly so. Prejudice runs high, but prejudice can point the way to opportunity. It may be time for the stockmarket to revisit such preconceptions in the light of the recent figures announced by our Lloyd's companies. They are delivering on two key criteria, namely return on equity and dividend promises. It is becoming more likely that Lloyd's insurers will be able to achieve an annual after tax return on equity over a full cycle of 15%, and return on equity is being seen as the key financial ratio. Profit is key, not premium volume, as the underwriting result will be the key driver of returns. Our companies



REVIEW OF PORTFOLIO INVESTMENTS

(continued)

recognise the importance to shareholders of providing cash returns and a clear dividend policy. **BRIT Insurance** has announced a minimum dividend of 70% of annual post tax profit. **Amlin** has stated that in respect of the years 2004, 2005 and 2006 the board intends, in the absence of unusual circumstances, to pay a minimum dividend of 30% of distributable earnings in the relevant year. **Wellington** intends to pay dividends of at least 3p in 2004 and 4p in 2005. We believe that dividend pay-outs from these three companies alone could rise from the current level of £91,000 to £743,000 this year. **Beazley** expect dividends to increase significantly in respect of the years from 2005 as the first year of accounting underwriting profits for the group, 2003, are released from Lloyd's. A few words on our unquoted investment in **Cathedral Capital**. A M Best Co has affirmed the Best's Syndicate Rating of A- (excellent) of Lloyd's Syndicate 2010, which is managed by Cathedral Underwriting Limited. The rating reflects the syndicate's growing leadership position and increasing operating profitability. A M Best is the world's oldest and most authoritative insurance rating and information source.

The arguments being put forward that the insurance cycle will last longer than in the past are beginning to gain traction for a number of reasons. Reserving issues continue to afflict insurance carriers worldwide and there is a great deal of work to be done to rebuild weakened balance sheets. As a result there is not enough capital chasing premiums, so rates are remaining firm. Possibly the most important factor is the discipline being imposed on underwriters by the lack of investment returns. The last severe downturn in premium rates between 1997 and 2001 was because the huge gains insurers had made on equities in the bull market had encouraged them to chase volume rather than focusing on margins. In a low interest-rate environment insurers can no longer substitute investment income for underwriting performance. It must also be remembered that the insurance industry is under much greater scrutiny from investors like ourselves who have committed capital to the industry over the past couple of years, and who are demanding much higher returns on equity. Finally, Lloyd's regulatory regime is now much tougher following the implementation of the franchise board, which takes a more active commercial role at Lloyd's. Within the wider market, Lloyd's is seen to be in much better shape relative to the competition than was the case only a few years ago.

Finally, a few words on **Britannic Group**, which is now focused on two core businesses, asset management and closed life funds in run-off. With its capital strength, tight focus on costs and efficient systems, its board has adopted a target of 9% dividend growth over the next six years, with a starting yield of 4.2%. In addition the Board sees an opportunity and need for the consolidation of closed funds to achieve optimum efficiency in support of both policyholder and shareholder returns.

Smaller Companies (16.7%)

Our smaller company portfolio rose by 91% (time weighted basis), with some stocks recovering from oversold positions. **Morgan Sindall** rose by 146% followed by a rise of 96% in **Christian Salvesen**. **SSL International** rose by 92%.

Glenmorangie had a satisfactory year, rising by 32%. This is the UK's only listed independent Scotch distiller, with three malt brands, namely Glenmorangie, Ardbeg and Glen Moray. This is a very capital intensive industry with considerable investment required to support the high level of whisky stocks until they reach maturity, leading to a poor return on equity and on capital employed, leaving the company trading at a considerable discount to net tangible assets. Glenmorangie has world class brands which are being well invested in, the market demand for malt whisky is increasing globally, and there are high barriers to entry. **FKI** is a recovery situation in the capital goods sector, with plenty of turnover, plenty of borrowings, good cash generation and new management. **Morgan Sindall** is an excellent play in a sector of the construction market growing well over 20% per annum, namely the provision of social housing, where Morgan Sindall is the market leader operating under the Lovell Partnership name. Directors own 30% of the stock, which has put in a stellar recovery over the year. **Christian Salvesen** is a transport and logistics company which continues to issue profit warnings, but generates cash and pays a high dividend yield. **SSL International** has reiterated the strategy to concentrate on its consumer business post the surgical gloves disposal, and we believe that there is more value in breaking up SSL than keeping the business units together. **Xansa** could benefit from the segments of the IT services market that should grow irrespective of the level of IT spending, namely business process outsourcing and offshoring. UK corporates are likely to look for domestic providers who can bridge the UK and offshore worlds. **Dairy Crest** has been moving into value-added branded



REVIEW OF PORTFOLIO INVESTMENTS

(continued)

products such as spreads, yoghurts and milk shakes, offering the scope for higher margins and taking the group into higher growth areas. In the short term the company is suffering from weaker than expected sales of its premium branded cheese and lower than planned recovery of costs on mainstream cheese. The shares offer a free cash flow yield of 10%, underscoring the strength of the group's cash generation. **Delta** is an international engineering group with a strong balance sheet, and a number of market leading positions. **Loyalward Group** has successfully raised £6m to progress the development of a resort complex at Cavo Sideto, Crete.

Oil and Energy (13.7%)

Our oil and energy portfolio rose by 57% (time weighted basis) over the year. **Cairn** and **Premier** rose by 190% and 94% respectively, with **Hunting** rising by 48%. The laggards were **Ramco** and **Shell**.

A year ago the oil markets feared that western technology would deliver a brisk increase in Iraq's oil production and flood the market with 1.5 mmb/d of new supplies and drive oil prices down to US\$15/b. One year on, oil prices have been trading well above US\$30 a barrel and oil consumers' hopes of a meaningful second-quarter pullback in prices have taken a set-back. Economic and political events have combined to alter the outlook, with the threat of supply disruptions looming large. Iraq's March production figure of 2.3m barrels per day are threatened by civil war, while in Venezuela **Hugh Chavez's** position as president is under threat. Meanwhile the latest US data shows that an anticipated further increase in crude inventories failed to materialise and petrol inventories have fallen. US crude output in February was 254,000 b/d lower than a year ago. Buoyed by brisk growth in Chinese consumption, demand is expected to increase by 1.65 mmb/d this year, far outstripping any conceivable expansion in non-OPEC supplies. We believe that the main oil price risk may now be on the upside, a good backdrop for oil shares.

Shell shocked the market by owning up to overbooking a colossal 20% of proved oil and gas resources. The near-term implications in terms of production and cash flow are minimal, and do not change **Shell's** strategy of focusing on stranded gas. **Shell** is the established industry leader in liquefied natural gas, and has pioneered gas-to-liquids technologies which will enable stranded gas to be converted in situ into hydrocarbon liquids. The oil leakage looks to be over since 90% of **Shell's** reserves have now been audited externally. This debacle tells that replacement reserves of oil and gas are becoming harder to find, and that the scarcity of reserves is likely to drive prices higher and lead to corporate activity. Our smaller upstream exploration and production companies have given us a much more exciting ride, both on the upside and downside. **Cairn** has been a stellar performer following its world class oil discovery in Rajasthan, India, where it has now drilled two successful wells. This oil field is on land rather than at sea, reducing exploration and development costs, and at shallow depths, making it more accessible. India is regarded as being a good deal safer than some other parts of the oil-producing world. **Cairn** has a strong balance sheet, good cash flow to finance its drilling activity, and an extensive multi-rig drilling programme over the course of the year. Last September **Premier Oil**, also a strong performer, focused on exploration when it liberated itself from **Amerada Hess** of the US and **Petronas** of Malaysia. The company is financially strong and enjoys good cash flow enabling it to pursue a drilling programme that spans seven countries including **Guinea Bissau**, **Mauritania**, **Pakistan** and the UK. **Ramco** on the other hand has lost almost all its economic value following production problems on the **Seven Heads** gas field six weeks after it commenced production. The news flow has continued to deteriorate, with the field continuing to under-perform. With over £60m of debt there is now a very real possibility that the equity value of the company will be wiped out. Oil and gas exploration is a risky business, particularly when a company is reliant on a single asset as in **Ramco's** case. **Hunting** performed well, and earnings per share should be significantly enhanced this year by the acquisition of the 36% minority in **Gibson Energy**. The company's strategy is to harvest its existing assets, minimise capital expenditure and maximise free cash flow to pay down debt.

Large Companies (11.6%)

Our larger companies rose by 29% (time weighted basis) over the year, lagging the performance of our smaller companies. Our holding in **RMC Group** rose by 140%. The producer of building and construction materials has seen a further delay in the recovery of its German operations and remains a dividend yield play with potential earnings recovery. **GUS** rose by 12%, and this retailing conglomerate continues to prosper, with **Argos**, **Homebase**, **Burberry** and **Experian**, the financial data business, all continuing to trade well. Edinburgh-based **Royal Bank of Scotland** produced a good increase in earnings in 2003, but the pressure to grow income without a commensurate increase in costs remains. The bank continues to be acquisitive, and last year funded £2.7bn of deals from its own



REVIEW OF PORTFOLIO INVESTMENTS

(continued)

resources. **Unilever** is a market leader in its product areas, offering a global reach, scale and early presence in developing economies. The company has increased its focus on high value-added brands, cost control and cashflow generation. **United Utilities** is an attractive total return story, and the company we believe will maintain its current dividend policy. We believe that the Water Regulator is much more "pro" the water companies in this current regulatory review, and does not want to scare off equity investors. **Galen** is a speciality pharmaceutical company with a focus on womens' healthcare and dermatology, and continues to grow strongly.

Property (5.1%)

DV3 Limited is an unquoted property investment company, where the total amount committed by investors was £330.9m, comfortably ahead of the target figure of £300m. Investments currently under consideration for DV3 cover the entire spectrum of the investment market. This includes direct real estate, venture capital opportunities and potential corporate acquisitions. Most of the transactions either completed or under serious negotiation by DV3 have never been offered on the open market. **Halladale** is a property trading and development company that creates value for shareholders through active and entrepreneurial management and risk controlled development of commercial property assets throughout the UK.

Funds (3.5%)

Baillie Gifford Japan Trust invests in mid-cap Japanese companies, with the managers running a focused portfolio of around fifty stocks, and since mid-2003 there has been a strong investment bias towards operationally geared cyclical companies. Japan's recovery has been driven by exports, especially to China, and more recently by private investment, mainly by companies exposed to the export sector. Consumer spending in Japan is also showing signs of picking up. **Henderson European Micro Trust** invests in European smaller companies with market capitalisations of up to £250m. A continuation vote linked to performance to 30 June 2004 has been put in place.

Outlook

We suspect that stockmarkets will become more testing as the year progresses, if the excess liquidity starts to dry up as the electoral cycle matures. The US economy has recently registered stronger than forecast March data for retail sales and the consumer price index. This, plus recent positive data on employment and manufacturing, suggests that a broad based recovery is under way in the US. As a result, a number of economists now expect increases in US interest rates before the end of the year to deal with inflation. Meanwhile the deteriorating security situation in Iraq and elsewhere in the Middle East is doing little to improve sentiment.

Back home UK GDP growth continues to surprise on the upside, with economists generally revising up their GDP forecasts from 2.9% to 3.1%. In the fourth quarter of last year home owners withdrew £16.2bn against the rising value of their houses, bringing the figure to a record £53bn for the year. As a percentage of disposable incomes, equity withdrawal rose to 8.3%, exceeding 1988s high of 7.7%. Houses are by far the most important financial asset held by UK individuals, and the continuing rise in values is prolonging a spending and borrowing spree. In effect this era of easy money has brought forward sales from the future. With little sign of cooling in house prices, borrowing or consumer spending which the Bank of England has long predicted, many economists are forecasting further rise in UK interest rates too. This would trouble the housing market and slow the process of house equity extraction, causing a retrenchment in consumer spending. Low interest rates may be with us for longer than the economists think as the authorities try to keep the "party going".

Currently there is a struggle between better-than-expected corporate earnings growth, actual or anticipated increases in interest rates and falling bond prices. Higher interest rates will prove to be a challenge for equity markets and could exert downwards pressure on price earnings multiples and hence valuations going forward. Over the past few months we have become a bit more cautious on the market, and have taken profits on some of the smaller cyclical holdings that have performed so well. We have purchased holdings in a number of larger quality companies at attractive valuations and offering good yields. Having said that, we believe that liquidity conditions will remain generally favourable, and that corporate earnings have the scope to push ahead.



PORTFOLIO INFORMATION

As at 31 March 2004

Investment	Market value £000	Percentage of investments
Ocean Wilsons Holdings Limited	16,601	15.73
Finsbury Growth Trust PLC	12,248	11.60
BRIT Insurance Holdings PLC	7,426	7.04
Cairn Energy PLC	6,067	5.75
Glenmorangie plc	5,639	5.34
Chaucer Holdings PLC	4,777	4.53
Amlin plc	4,056	3.84
Cathedral Capital Plc	3,999	3.79
Premier Oil plc	3,997	3.79
GUS PLC	3,370	3.19
Top 10 investments	68,180	64.60
The Baillie Gifford Japan Trust PLC	2,610	2.47
Beazley Group PLC	2,299	2.18
Hunting PLC	2,239	2.12
Royal Bank of Scotland PLC	2,238	2.12
FKI Plc	2,220	2.10
United Utilities PLC	2,158	2.04
Unilever PLC	2,154	2.04
Christian Salvesen PLC	1,875	1.78
SSL International Plc	1,815	1.72
Shell Transport and Trading PLC	1,778	1.68
Top 20 investments	89,566	84.85
Morgan Sindall plc	1,694	1.60
Galen Holdings PLC	1,651	1.56
Halladale Group PLC	1,550	1.47
Wellington Underwriting PLC	1,403	1.33
Henderson European Micro Trust Plc	1,284	1.22
Xansa PLC	1,190	1.13
RMC Group PLC	1,102	1.04
Dairy Crest Group PLC	1,094	1.04
Delta Oil PLC	880	0.83
Goshawk Insurance Holdings	810	0.77
Top 30 investments	102,224	96.84
Other investments	3,327	3.16
Total investments	105,551	100.00
Quoted	98,707	93.51
AIM	2,185	2.07
OFFEX	343	0.33
Unquoted	4,316	4.09
	105,551	100.00



COMPANY INFORMATION

DIRECTORS

Jamie Borwick (*Chairman*)

Aged 49. Joined the Board in 1984.

He is Chairman of route2mobility Ltd finances wheelchair and scooters as part of the Motability Scheme and of Federated Trust Corporation Ltd, an investor in small companies. He is also Managing Director of Love Lane Investments Ltd, an investor in property in the UK and Florida.

Alex Hammond-Chambers

Aged 61. Joined the Board in 2002.

He worked for Ivory & Sime for 27 years, retiring as Chairman in 1991. He is chairman of four investment trust companies and a director of two other, as well as a number of other investment companies. He is Chairman of the Association of Investment Trust Companies.

William Salomon

Aged 46. Joined the Board in 1999.

He is chairman of Hansa Capital Limited, deputy chairman of Ocean Wilsons Holdings Limited, and a non-executive director of Cathedral Capital PLC.

Geoffrey Wood

Aged 58. Joined the Board in 1997.

He is professor of Economics at Cass Business School, in the City of London and has been visiting professor at the University of South Carolina and at the National Bureau for Economic Research at Harvard. In addition he is and has been an adviser to a number of Central Banks.

SECRETARY AND REGISTERED OFFICE

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Please contact the Company Secretary if you have a query concerning the Company's administration.

COMPANY NUMBER

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STOCKBROKERS

Close Brothers Securities Limited

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INVESTOR INFORMATION

Please contact the Investment Manager, as below, if you have any queries concerning the Company's investments or performance.

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London W1J 5HS
Telephone 020 7647 5750
www.hansagr.com

Please contact the ISA, Savings Scheme and PEP Manager, as below, if you have any queries concerning a Close Finsbury ISA, Savings Scheme or PEP account.

Close Finsbury Asset Management Limited
3 Finsbury Avenue
London EC2M 2NB
Freephone 0800 169 6968
www.closefinsbury.com

Please contact the Registrars, as below, if you have a query about a certificated holding in the Company's shares.

Capita Registrars PLC
The Registry
34 Beckenham Road
Beckenham Kent BR3 4TU
Telephone: 08701 623 100
www.capitaregistrars.com

SHARE PRICE LISTINGS

The price of your shares can be found in the Financial Times under the heading Investment Companies.

Share price information is also available from FT City line by dialling the following numbers:

Ordinary shares	0906 003 – 3954
or	0906 843 – 3954
'A' Ordinary shares	0906 003 – 3955
or	0906 843 – 3955

In addition, share price information can be found under the following:

	<u>Code</u>
<i>Reuters</i>	
Ordinary shares	HAN.I.
'A' Ordinary shares	HANA.L
<i>Bloomberg</i>	
Ordinary shares	HAN LN
'A' Ordinary shares	HANA LN
<i>SEAQ</i>	
Ordinary shares	HAN
'A' Ordinary shares	HANA

INTERNET ADDRESSES

Association of Investment Trusts	www.aite.co.uk
London Stock Exchange	www.londonstockexchange.com
TrustNet	www.trustnet.com
Ample Investor	www.iii.co.uk

FINANCIAL CALENDAR

Company year end	31 March
Preliminary full year results announced	11 June
Annual Report sent to shareholders	2 July
Annual General Meeting held	29 July
Final Dividend payment	6 August
Announcement of interim results	November
Interim Report sent to shareholders	December
Interim Dividend payment	December



REPORT OF THE DIRECTORS

for the year ended 31 March 2004

The Directors present their Report and Financial Statement for the year ended 31 March 2004.

STATUS AND ACTIVITIES

During the year under review the Company has operated as an investment company, under Section 266 of the Companies Act 1985 and in compliance with Section 842 of the Income and Corporation Taxes Act 1988. The Company has received approval as an investment trust for the year ended 31 March 2003. The Directors are of the opinion that the Company has subsequently directed its affairs so as to enable it to continue to obtain Inland Revenue approval as such.

There has been no significant change in the activities of the Company and its subsidiary (the 'Group') during the year and the Directors anticipate that the Group will continue to operate in the same manner during the current year.

The Company currently manages its affairs so as to be a qualifying investment trust for ISA purposes. As a result, under current UK legislation, the Ordinary and 'A' non-voting Ordinary shares qualify for investment in the stocks and shares component of a non-CAT Standard ISA up to the full annual subscription limit (currently £7,000 per tax year until 5 April 2006 for maxi-account ISAs and £3,000 for mini-account ISAs). The Company's Ordinary and 'A' non-voting Ordinary shares qualify for inclusion in an existing general PEP. It is the present intention that the Company will conduct its affairs so as to continue to qualify for ISA and PEP products.

RESULTS AND DIVIDENDS

The results attributable to shareholders for the year and the transfer to reserves are shown on page 22. The dividends paid and proposed are as follows:

	2004 £000	2003 £000
Ordinary and 'A' non-voting Ordinary shares		
Interim paid of 1.8p (2003: 1.8p) per share	432	432
Final proposed of 4.2p (2003 paid: 2.2p) per share	1,008	528
Total dividends	1,440	960

The final dividend will, if approved, be paid on 6 August 2004 to Ordinary and 'A' non-voting Ordinary shareholders registered at the close of business on 25 June 2004.

FIXED ASSET INVESTMENTS

The market value of the Group's investments at 31 March 2004 was £105,551,000 (2003: £72,466,000). Taking these investments at this valuation, the net assets attributable to each Ordinary and 'A' non-voting Ordinary share amounted to 426.8p at 31 March 2004 (2003: 270.4p).



REPORT OF THE DIRECTORS

(continued)

APPOINTMENT OF THE INVESTMENT MANAGER

During the year ended 31 March 2004 the Directors have regularly reviewed the performance of Hansa Capital Limited as the Company's Investment Manager. A summary of the terms of appointment including the notice of termination period and fees are detailed below.

Hansa Capital Limited charges investment management fees at an annual rate of 0.75 per cent. of the valuation of the Company's portfolio, after deducting the investments held during the year in Finsbury Growth Trust PLC and Finsbury Smaller Quoted Companies Trust PLC and Ocean Wilsons Holdings Limited on which investment management fees are charged at an annual rate of 0.33 per cent. for the two investment Trusts and 0.00 per cent. for Ocean Wilsons Holdings Limited respectively. Under the terms of the investment management agreement with Hansa Capital Limited the investment management fee is reduced by the amount the Company is charged under its administration agreement with Cogent Investment Operations Limited.

The investment management fee outstanding at the year end amounted to £44,412 excluding VAT (2003: £33,386).

In addition, Hansa Capital Limited charge an investment management fee to the dealing subsidiary of 15 per cent. of the pre-tax profits of that company after adjusting for a notional interest charge on capital employed.

Secretarial and accounting services were provided by Hansa Capital Limited at an annual rate of £40,000 excluding VAT (2003: £40,000).

The terms of the investment management and secretarial services agreements permit either party to terminate the agreement by giving to the other not less than 12 month's notice or such shorter period that is mutually acceptable.

The Directors believe that it is in the best interests of shareholders for the Company to continue the appointment of the Investment Manager on the current terms of appointment.

DIRECTORS

The present members of the Board are shown on page 10. During the year Mr Edwin Teideman retired on 29 July 2003. The Board believes that it is appropriate for all members to retire annually at the AGM and therefore Mr Borwick, Mr Hammond-Chambers, Mr Salomon and Professor Wood will retire and offer themselves for re-election at the forthcoming AGM.

The interests of Directors and their families in the Company are shown below:

	Ordinary shares of 5p each		'A' Ordinary shares of 5p each		Nature of interest
	31 March 2004	1 April 2003	31 March 2004	1 April 2003	
Mr J Borwick	2,200	2,200	—	—	Beneficial
Mr R A Hammond-Chambers	7,500	7,500	—	—	Beneficial
Mr W H Salomon	2,143,469	2,090,675	98,700	86,000	Beneficial
Professor G E Wood	5,000	3,000	—	—	Beneficial

Mr Salomon is chairman of Hansa Capital Limited. Fees payable net of VAT to Hansa Capital Limited amounted to £524,070 (2003: £465,142).

During the year, no rights to subscribe were granted to, or exercised by Directors, their spouses or infant children.



REPORT OF THE DIRECTORS

(continued)

SUBSTANTIAL SHAREHOLDERS

As at 28 June 2004 the following interests in the Ordinary shares of the Company which exceeded 3 per cent. of the voting issued share capital of that class have been notified:

	No. of voting shares	% of voting shares
Nicholas B. Dill, Jr. & Codan Trust Company Limited (<i>note</i>)	4,096,350	51.20
British Empire Securities and General Trust PLC	625,000	7.81
HBOS plc	365,792	4.57

Note: Of the shares held by Nicholas B. Dill, Jr & Codan Trust Company Limited, Mr W H Salomon is interested in 2,048,175 and Mrs J A V Townsend is interested in 2,048,175, each holding representing 25.60 per cent. of the voting share capital. In addition, Mr W H Salomon has a further interest in the Company's shares as detailed in the paragraph above.

AUDITORS

The auditors, RSM Robson Rhodes LLP have expressed their willingness to continue to act as Auditors to the Company and a resolution to re-appoint RSM Robson Rhodes LLP as Auditors to the Company will be proposed at the forthcoming Annual General Meeting.

CREDITORS PAYMENT POLICY

While the Company does not follow a formal code, it is the Company's continuing policy to pay amounts due to creditors as and when they become due. Payments relating to investment transactions are made in accordance with the settlement practices of the relevant exchange. At 31 March 2004 outstanding trade creditors amounted to £nil (2003: £Nil).

GOING CONCERN

The Directors, having made relevant enquiries, are satisfied that it is appropriate to prepare financial statements on the going concern basis as the net assets of the Group consist of securities, the majority of which are traded on recognised stock exchanges.

DIRECTORS' RESPONSIBILITIES

Company law in the United Kingdom 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 the Group and of the profit and loss of the Group for that period. In preparing these Financial Statements, the Directors have:

- selected suitable accounting policies and applied them consistently;
- made judgements and estimates that are reasonable and prudent;
- followed applicable United Kingdom accounting standards; and
- prepared the Financial Statements on the going concern basis.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and 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.



REPORT OF THE DIRECTORS

(continued)

The Directors are responsible for ensuring that the Directors' Report and other information included in the Annual Report is prepared in accordance with company law in the United Kingdom. They are also responsible for ensuring that the Annual Report includes information required by the Listing Rules of the Financial Services Authority.

The Financial Statements are available on the Hanseatic Group website www.hansagrp.com, as well as www.closefinbury.com website, which is a website maintained by the Company's ISA, Savings Scheme and PEP Manager. The work carried out by the Auditors does not involve consideration of the maintenance and integrity of either websites and accordingly, the Directors and the Auditors' accept no responsibility for any changes that may have occurred to the Financial Statements since they were initially presented on the websites. Visitors to the websites need to be aware that the legislation in the United Kingdom governing the preparation and dissemination of the Financial Statements may differ from legislation in their jurisdiction.

CORPORATE GOVERNANCE

All listed companies are required by the UK Listing Authority to disclose how they have applied the principles and complied with the provisions of the Combined Code.

In July 2003 a revised Combined Code on Corporate Governance was issued by the Financial Services Authority Financial Reporting Council. The Revised Combined Code is effective for financial years commencing on or after 1 November 2003. The Board has adopted much of the Revised Combined Code and is scheduled to implement the remainder. In the preamble of the Combined Code on Corporate Governance it was recognised that Investment Companies typically have a different board structure, which may affect the relevance of particular provisions.

Also in July 2003 the Association of Investment Trust Companies (AITC) issued its Code of Corporate Governance (AITC Code). The Board attaches great importance to the matters set out in the Revised Code and in particular the AITC Code, which it has adopted as its Corporate Governance template having been specifically compiled for investment trusts. The Board has confirmed that arrangements are in place to enable compliance with Section 1 of the Combined Code, as required by Listing Rule 12.43A issued by the Financial Services Authority.

COMPLIANCE WITH THE COMBINED CODE

The Board considers that the Company has complied with the provisions of Section 1 of the Combined Code throughout the year ended 31 March 2004, other than those it believes are not appropriate to an investment trust company (as detailed below under Principles of the Combined Code).

The Combined Code also requires the Directors to review the effectiveness of the Company's system of internal controls. The Directors, through the procedures outlined below, have kept the system of internal controls under review for the period of the report and will keep the procedures under review up to the date of approval of the Annual Report and Accounts. The Board has identified risk management controls in the key areas of business objectives, accounting, compliance, operations and secretarial as areas for the extended review. This accords with the guidance in "Internal Control – Guidance for Directors on the Combined Code".

The Board recognises its ultimate responsibility for the Company's system of internal controls and for monitoring its effectiveness. It receives regular reports on all aspects of internal control (including financial, operational and compliance controls, risk management and relationships with external service providers), and believes that an appropriate framework is in place to meet the requirement of the Combined Code. The Board does not believe that an internal audit department is necessary.



REPORT OF THE DIRECTORS

(continued)

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

During the year the Company purchased and maintained liability insurance for its directors and officers as permitted by Section 310(3) of the Companies Act 1985.

PRINCIPLES OF THE COMBINED CODE

(a) Board Composition, Independence and Attendance

The Board consists of four members, all of whom are non-executive and are considered to be independent except Mr Salomon who is employed by the Manager, Hansa Capital Limited. Mr Borwick, although having served on the Board for over 19 years, is considered independent. The Board believes that the appointment of a senior independent director is not appropriate as all members are available to be contacted by shareholders. There is no position of Chief Executive Officer.

The Directors meet as a Board on a quarterly basis and at other times as necessary. The Board is responsible for investment policy and has a schedule of matters reserved for the resolution of the Directors. The Board has contractually delegated to external organisations the management of the investment portfolio, the custodial services which include safeguarding of the assets, and the day to day accounting and company secretarial requirements. Each of these contracts is only entered into after proper consideration of the quality and cost of services. The Board approves all requests from Directors who in the furtherance of their duties, wish to take independent professional advice.

	Board	Audit Committee
No. of Meetings	4	2
Jamie Borwick	4	2
Alex Hammond-Chambers	4	2
William Salomon	4	2
Geoffrey Wood	4	2

Mr Teideman who retired as a Director of the Company on 29 July 2003 continues to serve as a member of the Audit Committee, where his skills and experience strengthens the Committee.

A full report is received from the Manager at the quarterly meetings on the investment holdings and performance. In the light of these reports, the Board gives directions to the Investment Manager as to the investment objectives and guidelines.

The Board as a whole fulfils the function of a nomination committee. The Company's Articles of Association require newly appointed Directors to submit themselves for election by shareholders at the next Annual General Meeting after appointment and that they will be subject to re-election at intervals of no more than three years. However the Board has determined that all Directors will retire and offer themselves for re-election each year at the Annual General Meeting.

(b) Remuneration

The Board as a whole fulfils the function of a remuneration committee and considers that the specific appointment of such a committee is not appropriate for an investment trust company. The level of Directors' fees is reviewed on a regular basis relative to other comparable companies and in the light of the Directors' duties and responsibilities.



REPORT OF THE DIRECTORS

(continued)

(c) Directors' Training

When a new director is appointed they attend an induction seminar held by the Investment Manager. Directors are also provided on a regular basis with industry, regulatory and investment updates. Directors regularly participate in industry seminars and training courses where appropriate.

(d) Performance Evaluation

The Board have instituted an annual performance valuation procedure whereby each Director is required to complete a questionnaire and attend a meeting with the Chairman. The Chairman compiles these findings and reports these to the Board.

(e) Relations with Shareholders

The Company, through the Investment Manager, has regular contact with its institutional shareholders. The Board supports the principle that the Annual General Meeting be used to communicate with all shareholders and promotes its website to them.

(f) Accountability and Audit

The Company's Audit Committee, which contains all Board members, meets representatives of the Investment Manager and its Compliance Officer who report as to the proper conduct of business in accordance with the regulatory environment in which both the Company and the Investment Manager operate. The Company's external Auditors also attend this Committee at its request and report on their work procedures, the quality and effectiveness of the Company's accounting records and their findings in relation to the Company's statutory audit. The responsibilities of the Audit Committee include review of internal financial controls, accounting policies, financial statements, management contract, Auditors' appointment and remuneration and the value of the unquoted investments.

INTERNAL CONTROL

The Directors are responsible for overseeing the effectiveness of the internal control systems for the Company, which are designed to ensure that proper accounting records are maintained, that the financial information on which the business decisions are made and which are issued for publication is reliable, and that the assets of the Company are safeguarded. Such a system of internal control can provide only reasonable and not absolute assurance against material mis-statement or loss.

ANNUAL GENERAL MEETING

Special resolutions relating to the following items will be proposed at the forthcoming Annual General Meeting:

(a) Authority to Repurchase 'A' non-voting Ordinary shares

A resolution will be proposed at the forthcoming Annual General Meeting seeking shareholder approval for the renewal of the authority for the Company to repurchase its own 'A' non-voting Ordinary shares. The Board believes that the ability of the Company to repurchase its own 'A' non-voting Ordinary shares in the market will potentially benefit all equity shareholders of the Company. The repurchase of 'A' non-voting Ordinary shares at a discount to the underlying net asset value ('NAV') will enhance NAV per share of the remaining equity shares and it may also enable the Company to address more effectively any imbalance between supply and demand for the Company's 'A' non-voting Ordinary shares.



REPORT OF THE DIRECTORS

(continued)

The Company's Articles are drafted in such a way that the Company may from time to time purchase and cancel its own shares. However, company law requires that shareholders' approval to repurchase shares be sought. At the Annual General Meeting the Company will therefore seek the authority to purchase up to 2,398,400 'A' non-voting Ordinary shares (representing 14.99 per cent of the Company's issued 'A' non-voting Ordinary share capital, the maximum permitted under the Listing Rules of the Financial Services Authority) at a price that is not less than 5p per share (the nominal value of each share) and not more than 5 per cent above the average of the middle-market quotations for the five business days preceding the day of purchase. The authority being sought, the full text of which can be found in Resolution 9 in the Notice of Meeting, will last until the date of the next Annual General Meeting.

It is proposed that the Company uses its realised capital reserve to repurchase shares in the market. The decision as to whether the Company repurchases any shares will be at the absolute discretion of the Board. Any shares purchased will be cancelled. The Directors consider that the creation of a facility to repurchase the Company's own 'A' non-voting Ordinary shares is in the interests of shareholders as a whole and unanimously recommend all shareholders' to vote in favour by ticking the appropriate boxes on the enclosed form of proxy. The proxy form should be returned to the Company's Registrar as soon as possible but in any event so as to arrive no later than 48 hours before the time of the Annual General Meeting.

By order of the Board

Hansa Capital Limited

Secretary

28 June 2004



DIRECTORS' REMUNERATION REPORT

The Board has prepared this report, in accordance with the requirements of Schedule 7A to the Companies Act 1985. An ordinary resolution for the approval of this report will be put to the members at the forthcoming Annual General Meeting.

The law requires your Company's Auditors to audit certain of the disclosures provided. Where disclosures have been audited, they are indicated as such. The Auditors' opinion is included in their report on page 21.

REMUNERATION COMMITTEE

The Company has four non-executive Directors. The Board as a whole fulfils the function of a Remuneration Committee. The Board have appointed the Company Secretary, Hansa Capital Limited, to provide relevant information when the Directors consider the level of Directors' fees.

The Board carried out a review of the level of Directors' fees during the year, and concluded that the amounts should remain unchanged for current financial year.

POLICY ON DIRECTORS' FEES

The Board's policy is that the remuneration of non-executive Directors should reflect the experience of the Board as a whole, be fair and comparable to that of other investment trusts similar in size (net assets £50 million to £150 million), have a similar capital structure (ordinary shares and bank borrowings) and have a similar investment objective (special situations). It is intended that this policy will continue.

The fees for the non-executive Directors are determined within the limits set out in the Company's Articles of Association, and they are not eligible for bonuses, pension benefits, share options, long-term incentive schemes or other benefits.

DIRECTORS' SERVICE CONTRACTS

It is the Board's policy that all of the directors have a service contract. None of the service contracts is for a fixed term. The terms of their appointment provide that a director shall retire and be subject to re-election at the first Annual General Meeting after their appointment and at least every three years by rotation after that. The Board have agreed to retire annually at the AGM. The terms also provide that either party may give three months' notice and in certain circumstances a Director may be removed without notice and that compensation will not be due on leaving office.

YOUR COMPANY'S PERFORMANCE

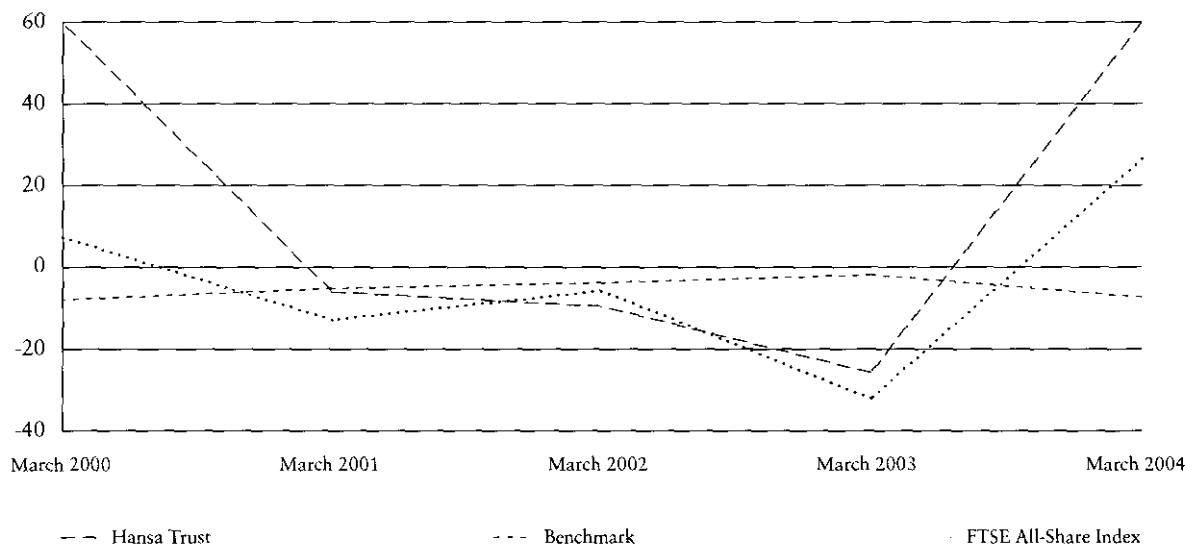
The graph overleaf compares the total return to shareholders, compared to the total return of the Company's Performance Benchmark.



DIRECTORS' REMUNERATION REPORT

(continued)

BENCHMARK COMPARISON



DIRECTORS' EMOLUMENTS FOR THE YEAR (AUDITED)

The Directors who served in the year received the following emoluments in the form of fees:

	2004 £000	2003 £000
Mr J Borwick (Chairman of the Board)	16	16
Mr R A Hammond-Chambers (appointed in year to 31 March 2003)	11	4
Mr J Harris (resigned in year to 31 March 2003)	—	4
Mr M Reeve (resigned in year to 31 March 2003)	—	4
Mr W Salomon*	11	11
Mr F Teideman (resigned 29 July 2003)	6	11
Professor G Wood	11	11
	<u>55</u>	<u>61</u>

*In addition Mr W Salomon receives directors fees from three companies in which the Company has an investment. These are Ocean Wilsons Holdings Limited, Cathedral Capital PLC and DV3 Limited.

APPROVAL

The Directors' Remuneration Report on pages 19 to 20 was approved by the Board of directors on 10 June 2004 and signed on its behalf by Mr J Borwick.



REPORT OF THE AUDITORS

Independent Auditors' Report to the Shareholders of Hansa Trust PLC

We have audited the financial statements on pages 22 to 35. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the company's shareholders, 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 shareholders those matters we are required to state to them in an auditors' 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 shareholders 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, the Directors' Remuneration Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards and the Listing Rules of the Financial Services Authority. We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been 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 and other members of the group is not disclosed.

We review whether the Corporate Governance Statement reflects the company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls or form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors' Report, the unaudited part of the Directors' Remuneration Report, the Chairman's Statement, the review of market investments, the Corporate Governance Statement and the Five Year Summary. 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 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 and the part of the Directors' Remuneration Report to be audited. 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 and the part of the Directors' Remuneration Report to be audited 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 and the part of the Directors' Remuneration Report to be audited.

OPINION

In our opinion:

- the financial statements give a true and fair view of the state of affairs of the company and the group as at 31 March 2004 and of the group's net revenue, total return and cashflow for the year then ended; and
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985.

RSM Robson Rhodes LLP

Chartered Accountants and Registered Auditors

London, England

28 June 2004



CONSOLIDATED STATEMENT OF TOTAL RETURN

incorporating the revenue account for the year ended 31 March

	Notes	Revenue 2004 £000	Capital 2004 £000	Total 2004 £000	Revenue 2003 £000	Capital 2003 £000	Total 2003 £000
Profit/(losses) on investments	11	-	37,493	37,493	-	(24,256)	(24,256)
Exchange losses on currency balances		-	(6)	(6)	-	-	-
Income	2	2,751	-	2,751	2,366	-	2,366
Investment management fees	3	(573)	-	(573)	(547)	-	(547)
Other expenses	4	(520)	-	(520)	(459)	-	(459)
Ner return/(loss) before finance costs and taxation		1,658	37,487	39,145	1,360	(24,256)	(22,896)
Interest payable and similar charges	5	(169)	-	(169)	(397)	-	(397)
Return/(loss) on ordinary activities before taxation		1,489	37,487	38,976	963	(24,256)	(23,293)
Taxation charge on ordinary activities	6	-	-	-	-	-	-
Return/(loss) on ordinary activities after taxation		1,489	37,487	38,976	963	(24,256)	(23,293)
Dividends on Ordinary and 'A' Ordinary shares (equity)	7	(1,440)	-	(1,440)	(960)	-	(960)
Transfer to/(from) reserves	17	49	37,487	37,536	3	(24,256)	(24,253)
Return/(deficit) per Ordinary and 'A' Ordinary share	8	6.2p	156.2p	162.4p	4.0p	(101.1p)	(97.1p)

The revenue column of this statement is the profit and loss account of the Group.

All revenue and capital items in the above statement derive from continuing operations.

The accompanying notes are an integral part of this statement.



BALANCE SHEET OF THE GROUP AND COMPANY

as at 31 March

		Group 2004 £000	Group 2003 £000	Company 2004 £000	Company 2003 £000
	Notes				
Fixed assets – investments					
Group undertaking	10	–	–	376	50
Other investments	11	105,551	72,466	105,551	72,466
		<u>105,551</u>	<u>72,466</u>	<u>105,927</u>	<u>72,516</u>
Current assets					
Debtors	13	212	92	212	197
Investments	14	123	126	–	–
Cash at bank		57	51	52	21
		<u>392</u>	<u>269</u>	<u>264</u>	<u>218</u>
Creditors					
Amounts falling due within one year	15	(3,503)	(7,831)	(3,751)	(7,830)
Net current liabilities		<u>(3,111)</u>	<u>(7,562)</u>	<u>(3,487)</u>	<u>(7,612)</u>
Net assets		<u>102,440</u>	<u>64,904</u>	<u>102,440</u>	<u>64,904</u>
Capital and reserves					
Called up share capital	16	1,200	1,200	1,200	1,200
Capital reserve – realised	17	77,342	77,725	77,342	77,725
Capital reserve – unrealised	17	22,063	(15,807)	22,436	(15,760)
Revenue reserve	17	1,835	1,786	1,462	1,739
Total equity shareholders' funds		<u>102,440</u>	<u>64,904</u>	<u>102,440</u>	<u>64,904</u>
Net asset value per Ordinary share	18	<u>426.8p</u>	<u>270.4p</u>	<u>426.8p</u>	<u>270.4p</u>

The Financial Statements on pages 22 to 35 were approved by the Board of Directors on 10 June 2004 and were signed on its behalf by:

Jamie Borwick

Chairman

The accompanying notes are an integral part of this statement.



CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 March

	<i>Notes</i>	2004 £000	2003 £000
Net cash inflow from operating activities	22	<u>1,631</u>	<u>1,347</u>
Servicing of finance			
Interest paid		<u>(171)</u>	<u>(395)</u>
Net cash outflow from servicing of finance		<u>(171)</u>	<u>(395)</u>
Taxation			
Taxation recovered		<u>—</u>	<u>23</u>
Financial investment			
Purchase of investments		<u>(31,079)</u>	<u>(42,771)</u>
Sale of investments		<u>36,121</u>	<u>35,394</u>
Net cash inflow/(outflow) from financial investment		<u>5,042</u>	<u>(7,377)</u>
Equity dividends paid	7	<u>(960)</u>	<u>(1,200)</u>
		<u>(960)</u>	<u>(1,200)</u>
Financing			
(Repayment)/drawdown of loans		<u>(5,530)</u>	<u>7,165</u>
Increase/(decrease) in cash	23	<u>12</u>	<u>(437)</u>

The accompanying notes are an integral part of this statement.



NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

The principal accounting policies, have been applied consistently throughout the period in the preparation of these Financial Statements, and are set out below:

(a) Accounting Convention

The Financial Statements have been prepared under the historical cost convention, except where stated in (b) and (c) below and in accordance with applicable accounting standards and with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies' 2003.

(b) Basis of Consolidation

The Financial Statements comprise the accounts of the Company and its subsidiary undertaking made up to 31 March 2004.

In the Company's Financial Statements, the investment in its subsidiary undertaking is stated at the net asset value as shown by the most recent accounts.

(c) Investments held as Fixed Assets

The value of the fixed asset investments is stated in the Financial Statements on the following basis:

- (i) Listed investments are stated at closing middle market prices on recognised stock exchanges.
- (ii) Alternative Investment Market ("AIM") investments are stated at closing middle market prices.
- (iii) OFEX investments are valued by reference to the latest traded prices.
- (iv) Unquoted investments are stated at Directors' valuation. Investments are valued at cost, the latest available traded price or where permanent diminution in value has occurred at an amount which approximates to its fair value.

A provision against the valuation of an unquoted investment is made where in the opinion of the Directors, either there has been a reduction in value from cost or a previous valuation above cost is no longer supportable by events. In either case, a write down is made against unrealised reserves. Where there has been a permanent diminution in value below cost, the write down is made to the realised capital reserve.

(d) Investments held as Current Assets

Listed investments are stated individually at the lower of cost and market value.

(e) Investment Income

Dividends receivable on equity shares are recognised on the ex-dividend date.

Franked dividends are stated net of related tax credits.

Where no ex-dividend date is quoted, dividends are recognised when the Company's right to receive payment is established.

Dividends and interest on investments in unlisted shares and securities are recognised when they become receivable.



NOTES TO THE FINANCIAL STATEMENTS

(continued)

1. ACCOUNTING POLICIES *continued*

Underwriting commission is recognised as income insofar as it relates to shares not required to be taken up. Where a proportion of the shares underwritten is required to be taken up the same proportion of the commission received is treated as a deduction from the cost of the shares taken up, with the balance taken to the revenue account.

(f) *Expenses*

All expenses are accounted for on an accruals basis. Expenses are charged through the revenue account except as follows:

- (i) Expenses which are incidental to the acquisition or disposal of an investment are treated as part of the cost or proceeds of that investment;
- (ii) Expenses are charged to realised capital reserve where a connection with the maintenance or enhancement of the value of the investments can be demonstrated.

(g) *Taxation*

The payment of taxation is deferred or accelerated because of timing differences between the treatment of certain items for accounting and taxation purposes. Full provision for deferred taxation is made under the liability method, without discounting, on all timing differences that have arisen, but not reversed by the Balance Sheet date, unless such provision is not permitted by Financial Reporting Standard 19.

(h) *Foreign Currencies*

Transactions denominated in foreign currencies are recorded in the local currency at the actual exchange rates as at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the year end are reported at the rate of exchange prevailing at the year end. Any gain or loss arising from a change in exchange rates, subsequent to the date of the transaction, is included as an exchange gain or loss in capital reserve or in the revenue account, depending on whether the gain or loss is of a capital or revenue nature respectively.

(i) *Reserves*

Capital reserves – Realised

The following are credited or charged to this reserve:

- gains and losses on the realisation of investments;
- realised exchange differences of a capital nature.

Capital reserves – Unrealised

The following are credited or charged to this reserve:

- increases and decreases in the valuation of investments held at the year end;
- unrealised exchange differences of a capital nature.



NOTES TO THE FINANCIAL STATEMENTS

(continued)

2. INCOME

	Revenue 2004 £000	Revenue 2003 £000
Income from listed investments		
Franked dividends	1,773	1,781
Unfranked interest	13	50
Overseas dividends	561	561
	<u>2,347</u>	<u>2,392</u>
Other operating income		
Dealing profit/(loss)	397	(77)
Placement and underwriting income	–	18
Interest receivable	7	18
Rental income	–	15
	<u>404</u>	<u>(26)</u>
Total income	<u>2,751</u>	<u>2,366</u>
Total income comprises:		
Dividends	2,334	2,342
Interest	20	68
Other income	397	(44)
	<u>2,751</u>	<u>2,366</u>

3. INVESTMENT MANAGEMENT FEE

	Revenue 2004 £000	Revenue 2003 £000
Periodic fees	488	466
Irrecoverable VAT thereon	85	81
	<u>573</u>	<u>547</u>

Details of the management agreement are disclosed in the Report of the Directors on page 13.

4. OTHER EXPENSES

	Revenue 2004 £000	Revenue 2003 £000
Secretarial services	47	47
Directors' remuneration	55	61
Auditors' remuneration for audit services	18	12
Auditors' remuneration for non-audit services	2	–
Other expenses	398	339
	<u>520</u>	<u>459</u>



NOTES TO THE FINANCIAL STATEMENTS

(continued)

5. INTEREST PAYABLE AND SIMILAR CHARGES

	Revenue 2004 £000	Revenue 2003 £000
Bank interest	169	397

All bank interest relates to short-term bank loans and overdrafts repayable on demand.

6. (a) TAXATION CHARGE ON ORDINARY ACTIVITIES

	Revenue 2004 £000	Revenue 2003 £000
UK Corporation tax @ 30%	-	-
Overprovision in previous years	-	-
	-	-

(b) FACTORS AFFECTING TAX CHARGE FOR PERIOD

Approved investment trusts are exempt from tax on capital gains made within the Trust.

The tax charge for the period is lower than the standard rate of corporation tax in the UK of 30% (2003: 30%). The differences are explained below:

	2004 £000	2003 £000
Return on ordinary activities before tax	1,489	963
Return on ordinary activities multiplied by standard rate tax rate of corporation tax	447	289
Effects of:		
Non taxable UK investment income	(532)	(534)
Excess administration expenses unused	47	186
Disallowed expenses	38	37
Subsidiary dealing losses	-	22
Overprovision in previous years	-	-
Current tax charge	-	-

(c) PROVISION FOR DEFERRED TAXATION

No provision for deferred taxation has been made in the current or prior accounting period.

(d) FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

The Company has not recognised a deferred tax asset of £1,052,000 (2003: £907,000) arising as a result of having unutilised management expenses and loan relationship deficits. In addition there are unrecognised deferred tax assets of £117,000 (2003: £215,000) relating to the subsidiary's unutilised tax losses of £390,000 (2003: £715,000). The expenses will only be utilised if the tax treatment of the capital gains made by the Company or the Company's investment profile changes. The subsidiary has tax losses which will only be recoverable to the extent that there are sufficient future taxable revenues.



NOTES TO THE FINANCIAL STATEMENTS

(continued)

7. DIVIDENDS

	Revenue 2004 £000	Revenue 2003 £000
Dividends on equity shares:		
Interim paid on 19 December 2003 – 1.8p (2003: 1.8p)	432	432
Final proposed payable on 6 August 2004 – 4.2p (2003: 2.2p)	1,008	528
	<u>1,440</u>	<u>960</u>

8. RETURN ON ORDINARY SHARES (EQUITY)

	Revenue 2004	Capital 2004	Total 2004	Revenue 2003	Capital 2003	Total 2003
Return/(deficit) per Ordinary share	<u>6.2p</u>	<u>156.2p</u>	<u>162.4p</u>	<u>4.0p</u>	<u>(101.1p)</u>	<u>(97.1p)</u>

Revenue return

Revenue return per share is based on revenue return attributable to equity shareholders of £1,489,000 (2003: £963,000).

Capital return

Capital return per share is based on capital gain attributable to equity shareholders of £37,487,000 (2003: loss £24,256,000).

Both revenue and capital return are based on: 8,000,000 Ordinary shares (2003: 8,000,000) and 16,000,000 'A' Ordinary shares (2003: 16,000,000), in issue throughout the year.

9. REVENUE ATTRIBUTABLE TO SHAREHOLDERS

The return on ordinary activities after taxation dealt with in the accounts of the holding company is £1,163,000 (2003: £1,036,000). As permitted by Section 230 of the Companies Act 1985, no separate revenue account for the holding company has been included in these accounts.

10. GROUP UNDERTAKING

The Company owns 100% of the ordinary share capital and voting rights of Consolidated Investment Funds Limited, an investment dealing company, which is registered and operates in England.

	2004 £000	2003 £000
Shares at cost	3	3
Unrealised appreciation	373	47
	<u>376</u>	<u>50</u>



NOTES TO THE FINANCIAL STATEMENTS

(continued)

11. FIXED ASSETS – INVESTMENTS

Other investments	Listed £000	AIM & OFEX £000	Group and Company 2004	
			Unquoted £000	Total £000
Cost at 1 April 2003	67,287	16,338	4,952	88,577
Unrealised depreciation at 1 April 2003	(4,063)	(11,130)	(614)	(15,807)
Provision for permanent diminution in value	–	–	(304)	(304)
Valuation at 1 April 2003	63,224	5,208	4,034	72,466
Movements in the year:				
Changes in listing	3,762	(3,762)	–	–
Purchases at cost	30,582	357	774	31,713
Sales – proceeds	(34,020)	(1,644)	(457)	(36,121)
– realised gains/(losses) on sales	616	(958)	–	(342)
– loss on permanent diminution in value	–	–	(35)	(35)
Movement in unrealised appreciation	34,543	3,327	–	37,870
Valuation as at 31 March 2004	98,707	2,528	4,316	105,551
Cost at 31 March 2004	68,227	10,331	5,269	83,827
Unrealised appreciation/(depreciation) at 31 March 2004	30,480	(7,803)	(614)	22,063
Provision for permanent diminution in value	–	–	(339)	(339)
	98,707	2,528	4,316	105,551
Gains on investments:				
Realised losses based on historical cost				(342)
Loss on permanent diminution in value				(35)
Add: amount recognised as unrealised in the previous year on disposals				10,088
amount recognised as unrealised in the previous year on permanent diminution in value				–
Realised gains based on carrying value at 31 March 2003				9,711
Movement on unrealised depreciation				27,782
Total capital gains on investments				37,493

AIM traded investments include convertible unsecured loan stock with a value of £NIL (2003: £677,000).



NOTES TO THE FINANCIAL STATEMENTS

(continued)

12. SIGNIFICANT HOLDINGS

The Company holds 10% or more, of any class of shares in the following investment company and 20% or more of any class of shares in the following non-investment company:

Company	Country of incorporation or registration	Class of capital	% of class held	Latest available audited accounts	Aggregate capital and reserves 000s	Profit after tax for the year 000s
Investment Companies						
Finsbury Growth Trust PLC	Scotland	ordinary	17.8	30.09.03	£64,408	£1,957
Non Investment Company						
Ocean Wilsons Holdings Limited	Bermuda	ordinary	26.4	31.12.03	US\$114,588	US\$29,665

The above are included as part of the investment portfolio and are accounted for as stated in Note 1(c)(i) and not on an equity accounting method, which in the Directors' opinion, would not give a true and fair view of the Group's interests in these undertakings. The Group does not participate in or exercise control over the commercial and policy decisions of these companies, nor are they a media through which the Group carries out its business.

The Company has material holdings in the following companies which represent more than 3% of any class of equity share capital:

Company	Class of capital	% of class held
Halladale Group PLC	ordinary	10.8
Cathedral Capital PLC	ordinary	8.6
Glenmorangie plc	ordinary	5.4
B V Group PLC	ordinary	4.7
The Scottish Oriental Smaller Companies Trust PLC	ordinary	3.9
Yeoman Group plc	ordinary	3.8
Chaucer Holdings plc	ordinary	3.6
Ramco Energy plc	ordinary	3.6
Veos Plc	ordinary	3.3

13. DEBTORS

	Group 2004 £000	Group 2003 £000	Company 2004 £000	Company 2003 £000
Due from subsidiary undertaking	-	-	-	105
Prepayments and accrued income	212	92	212	92
	212	92	212	197



NOTES TO THE FINANCIAL STATEMENTS

(continued)

14. INVESTMENTS HELD BY DEALING SUBSIDIARY

	Group 2004 £000	Group 2003 £000
Listed investments at the lower of cost and market value	123	126
Listed investments at aggregate market value	123	126

15. CREDITORS

	Group 2004 £000	Group 2003 £000	Company 2004 £000	Company 2003 £000
Amounts falling due within one year				
Bank loans and overdrafts	1,635	7,165	1,635	7,165
Dividend payable	1,008	528	1,008	528
Due to subsidiary undertaking	–	–	318	–
Securities purchased for future settlement	634	–	634	–
Other creditors and accruals	226	138	156	137
	3,503	7,831	3,751	7,830

16. SHARE CAPITAL

	Group 2004 £000	Group 2003 £000
Authorised		
300,000 7.5% Cumulative preference shares of £1	300	300
8,000,000 Ordinary shares of 5p	400	400
16,000,000 'A' non-voting Ordinary shares of 5p	800	800
	1,500	1,500
Allotted, called up and fully paid		
8,000,000 Ordinary shares of 5p	400	400
16,000,000 'A' non-voting Ordinary shares of 5p	800	800
	1,200	1,200

The 'A' non-voting Ordinary shares do not entitle the holders to receive notices or to vote, either in person or by proxy, at any general meeting of the Company, but in all other respects rank pari passu with the Ordinary shares of the Company.



NOTES TO THE FINANCIAL STATEMENTS

(continued)

17. RESERVES

Group	Capital Reserve Realised £000	Capital Reserve Unrealised £000	Revenue Reserve £000
Balance at 1 April 2003	77,725	(15,807)	1,786
Revenue surplus	-	-	49
Realised gain on investments	9,746	-	-
Loss on permanent diminution in value	(35)	-	-
Transfer on disposal or permanent diminution in value of investments	(10,088)	10,088	-
Exchange losses	(6)	-	-
Increase in unrealised appreciation on investments	-	27,782	-
Balance at 31 March 2004	<u>77,342</u>	<u>22,063</u>	<u>1,835</u>
Company			
Balance at 1 April 2003	77,725	(15,760)	1,739
Revenue deficit	-	-	(277)
Realised loss on investments	9,746	-	-
Loss on permanent diminution in value	(35)	-	-
Transfer on disposal or permanent diminution in value of investments	(10,088)	10,088	-
Exchange losses	(6)	-	-
Increase in unrealised appreciation on investments	-	27,782	-
Increase in valuation of subsidiary	-	326	-
Balance at 31 March 2004	<u>77,342</u>	<u>22,436</u>	<u>1,462</u>

Capital Reserve Realised includes the Capital Redemption Reserve of £300,000 (2003: £300,000).

18. NET ASSET VALUE PER ORDINARY SHARE

	2004	2003
Net asset value per Ordinary share	<u>426.8p</u>	<u>270.4p</u>

The net asset value per Ordinary and 'A' Ordinary share is based on the net assets attributable to equity shareholders of £102,440,000 (2003: £64,904,000) and on 8,000,000 Ordinary shares (2003: 8,000,000) and 16,000,000 'A' Ordinary shares (2003: 16,000,000), in issue at 31 March 2004.

19. MOVEMENT IN SHAREHOLDERS' FUNDS

	2004 £000	2003 £000
Total recognised gains/(losses) for the year	38,976	(23,293)
Dividends	(1,440)	(960)
Opening shareholders' funds	64,904	89,157
Closing shareholders' funds	<u>102,440</u>	<u>64,904</u>



NOTES TO THE FINANCIAL STATEMENTS

(continued)

20. COMMITMENTS AND CONTINGENCIES

During the year the Company has entered into a commitment agreement with DV3 Limited an unquoted property investment company. The commitment is for a period of four years from 30 March 2004 and amounts to £4,000,000 (2003: £nil). At 31 March 2004 the amount drawdown under the agreement was £317,000.

21. DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

Background

The Group's financial instruments comprise securities, cash balances and debtors and creditors that arise directly from its operations. For example, in respect of sales and purchases awaiting settlement and debtors for accrued income. The numerical disclosures below exclude short-term debtors and creditors.

The Group has little exposure to credit and cash flow risk. Fixed asset investments (other than listed investments) in the portfolio are subject to liquidity risk. This risk is taken into account by the Directors when arriving at their valuation of these items. The principal risks the Group faces in its portfolio management activities are:

Foreign currency risk

The Group does not normally hedge against foreign currency movements affecting the value of the investment portfolio, but takes account of this risk when making investment decisions.

Interest rate risk

Interest rate risk is managed by the utilisation of borrowing facilities via short-term loans and overdrafts, this minimises the interest rate risk to the Company.

Market price risk

By the nature of its activities, the Group's investments are exposed to market price fluctuations. Further information on the investment portfolio and investment policy is set out in the Review of Market Investments.

Use of derivatives

It is not the Group's policy to enter into derivative contracts.

Financial Assets

	Floating rate cash balances 2004 £000	Fixed interest investments 2004 £000	Equity investments 2004 £000	Total 2004 £000	Floating rate cash balances 2003 £000	Fixed interest investments 2003 £000	Equity investments 2003 £000	Total 2003 £000
Sterling	57	–	105,167	105,224	51	677	70,990	71,718
US Dollar	–	–	4	4	–	–	35	35
Canadian Dollar	–	–	–	–	–	–	764	764
Australian Dollar	–	–	380	380	–	–	–	–
	<u>57</u>	<u>–</u>	<u>105,551</u>	<u>105,608</u>	<u>51</u>	<u>677</u>	<u>71,789</u>	<u>72,517</u>

During the period the average rate of interest earned on cash balances was 2.3%. A coupon of 8.5% was payable on the fixed interest investments held during the year.



NOTES TO THE FINANCIAL STATEMENTS

(continued)

21. DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS *continued*

Financial Liabilities

The Group's financial liabilities at 31 March 2004, mature within one year or less. These financial liabilities consist of short-term bank loans amounting to £1,635,000 (2003: £7,165,000) that bear interest based on the prevailing LIBOR rate plus an agreed margin. The Company has a total revolving credit facility of £10m. The facility is made up of a £5.5m committed facility repayable on or before 18 December 2005 and an uncommitted facility repayable on or before 23 October 2004.

The Group had no financial liabilities at 31 March 2004 that bore an interest or currency exposure risk.

Borrowing Facility

The Group has an undrawn loan facility with Allied Irish Bank PLC of £8,365,000 (2003: £4,835,000).

Fair values

All Financial Assets and Liabilities of the Group are shown at fair value.

22. RECONCILIATION OF OPERATING RESULTS TO NET CASH FLOW FROM OPERATING ACTIVITIES

	2004 £000	2003 £000
Net revenue return before finance costs and taxation	1,658	1,360
(Increase)/decrease in prepayments and accrued income	(120)	116
Decrease/(increase) in current asset investments	3	(83)
Increase/(decrease) in other creditors and accruals	90	(46)
Net cash inflow from operating activities	1,631	1,347

23. RECONCILIATION OF NET CASH FLOW MOVEMENT TO MOVEMENT IN (DEBT)/NET FUNDS

	2004 £000	2003 £000
Movement in net funds resulting from cashflows	5,542	(7,602)
Exchange losses	(6)	—
Movement in net funds in the year	5,536	(7,602)
Net (debt)/funds at start of year	(7,114)	488
Net debt at end of year	(1,578)	(7,114)

Represented by:

	At 31 March 2003 £000	Cashflow £000	Exchange movements £000	At 31 March 2004 £000
Cash at bank	51	12	(6)	57
Short-term bank loans	(7,165)	5,530	—	(1,635)
Net debt	(7,114)	5,542	(6)	(1,578)

24. RELATED PARTIES

Details of the relationship between the Company and Hansa Capital Limited are disclosed in the Report of the Directors and in Note 3.

25. CONTROLLING PARTIES

At 31 March 2004 Nicholas B. Dill, Jr and Codan Trust Company Limited held 51.20% of the issued voting shares. Additional information is disclosed in the Report of the Directors, "Substantial Shareholders" on page 14.



NOTICE OF THE ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of Hansa Trust PLC will be held in the Curzon Suite at the Radisson Edwardian Mayfair Hotel, Stratton Street, London W1A 2AN on 29 July 2004 at 11.00 a.m., for the following purposes:

Ordinary Business

- 1 To receive and consider the audited Financial Statements and the Report of the Directors for the year ended 31 March 2004.
- 2 To declare a final dividend.
- 3 To re-appoint the Auditors and to authorise the Directors to determine the remuneration of the Auditors.
- 4 To re-elect Mr William Salomon (a biography can be found on page 10), who retires, a Director of the Company.
- 5 To re-elect Mr Alex Hammond-Chambers (a biography can be found on page 10), who retires, a Director of the Company.
- 6 To re-elect Mr Jamie Borwick (a biography can be found on page 10), who retires, a Director of the Company.
- 7 To re-elect Professor Geoffrey Wood (a biography can be found on page 10), who retires, a Director of the Company.
- 8 To authorise the Board to determine the remuneration of the Directors, and approve the Directors' Remuneration Report.

Special Business

To consider, and if thought fit, pass the following resolution which will be proposed as a special resolution:

Authority to Repurchase up to 14.99% of the 'A' non-voting Ordinary Shares

- 9 THAT
the Company be unconditionally authorised to make market purchases of up to an aggregate of 2,398,400 'A' non-voting Ordinary shares of 5p of the Company at a price (exclusive of expenses) which is:
 - (a) not less than 5p per share; and
 - (b) not more than 5 per cent above the average of the middle-market quotations (as derived from the Daily Official List of the London Stock Exchange) for 'A' non-voting Ordinary shares of 5p each in the five business days immediately preceding any such purchase; AND

THAT the authority conferred by this resolution shall expire on the date of the next Annual General Meeting (except in relation to the purchase of shares, the contract for which was concluded before such date and which might be executed wholly or partly after such date).

By order of the Board
Hansa Capital Limited
Secretary
1 July 2004

17a Curzon Street
London W1J 5HS



NOTICE OF THE ANNUAL GENERAL MEETING

(continued)

NOTES

1 Attendance at Meeting

Ordinary shareholders, proxies and authorised representatives of corporations which are Ordinary shareholders, are entitled to attend the meeting. Shareholders' names must be entered on the register by 11.00 a.m. on 27 July 2004, so that they may have the right to vote at the meeting.

2 Appointment of Proxies

A member entitled to attend and vote at this meeting is entitled to appoint one or more proxies to attend and, upon a poll, to vote instead of him/her. A proxy need not also be a member.

- 3 To be entitled to attend and vote at the meeting (and for the purpose of the determination by the Company of the number of votes they may cast), members must be entered on the Company's register of members at 11.00 a.m. on 27 July 2004 ('the specified time'). If the meeting is adjourned to a time not more than 48 hours after the specified time applicable to the original meeting, that time will also apply for the purpose of determining the entitlement of members to attend and vote (and for the purpose of determining the number of votes they may cast) at the adjourned meeting. If however the meeting is adjourned for a longer period then, to be so entitled, members must be entered on the Company's register of members at the time which is 48 hours before the time fixed for the adjourned meeting or, if the Company gives notice of the adjourned meeting, at the time specified in that notice.