126107

HANSA TRUST PLC

ANNUAL REPORT Year Ended 31 March 2008

Contents

KEY INFORMATION

SUMMARY INVESTMENT POLICY AND BENCHMARK

To achieve growth of shareholder value, 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 index Performance is measured against an absolute benchmark derived from the three year average rolling rate of return of a five year UK government bond, plus 2% with interest being re-invested semi-annually Investments are intended to add value over the medium to longer term through a non market correlated, conviction based investment style

STATISTICS

	31 March 2008	31 March 2007	% change
Shareholders' Funds	**£221 9m**	£249 5m	(11 1)
Dividends (see Note 7)	**13.0p**	12 5p	4 0
Net Asset Value per			
Ordinary share	**924.5p**	1,039 4p	(11 1)
'A' non-voting Ordinary share	**924.5p**	1,039 4p	(11 1)
Performance Benchmark	**6.8%**	6 7%	–
Share Price			
Ordinary shares	**820 0p**	1,123 0p	(27 0)
'A' non-voting Ordinary shares	**815.0p**	1,022 5p	(20 3)
FTSE All-Share Index	**2,927**	3,283	(10 8)
Discount / (Premium)			
Ordinary shares	**11.3%**	(8 0%)	–
'A' non-voting Ordinary shares	**11 8%**	1 6%	–
Total Return			
Ordinary shares	**(26.1%)**	34 1%	–
'A' non-voting Ordinary shares	**(19 3%)**	26 6%	–
FTSE All-Share Index	**(7 4%)**	11 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

STATUS AND ACTIVITIES

During the year under review the Company has operated as an investment company, under Section 833 of the Companies Act 2006 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 2007 The Directors are of the opinion that the Company has subsequently directed its affairs so as to enable it to continue to obtain HMRC 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

COMPANY REGISTRATION AND NUMBER

The Company is registered in England and its number is 126107

10 Year Performance Statistics

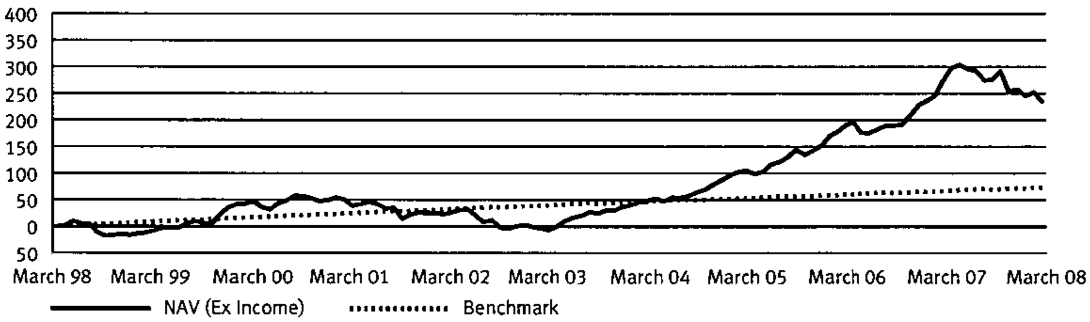
TEN YEAR RECORD

Year ended	Shareholders' Funds	Net Asset Value per share Ordinary	'A' Ordinary	Share Price Ordinary	'A' Ordinary	FTSE All-Share Index	Discount/(Premium) Ordinary	'A' Ordinary
2008	£221 88m	924 5p	924 5p	820 0p	815 0p	2,927	11 3%	11 8%
2007	£249 47m	1,039 4p	1,039 4p	1,123 0p	1,022 5p	3,283	(8 0%)	1 6%
2006	£196 38m	818 2p	818 2p	847 5p	818 0p	3,048	(3 6%)	0 0%
#2005	£140 05m	583 5p	583 5p	566 0p	546 5p	2,458	3 0%	6 3%
2004	£102 44m	426 8p	426 8p	350 0p	346 5p	2,197	18 0%	18 8%
2003	£64 90m	270 4p	270 4p	215 0p	218 0p	1,736	20 5%	19 4%
2002	£89 16m	371 5p	371 5p	307 5p	305 0p	2,557	17 2%	17 9%
2001	£99 32m	413 9p	413 9p	490 0p	390 0p	2,711	(18 4%)	5 8%
2000	£106 79m	445 0p	445 0p	416 5p	382 5p	3,111	6 4%	14 0%
1999	£67 96m	281 9p	281 9p	225 0p	195 0p	2,894	20 2%	30 8%
1998	£74 79m	310 4p	310 4p	276 5p	250 5p	2,781	10 9%	19 3%

Restated to comply with IFRS, which was adopted in 2006, no prior information before this date has been restated

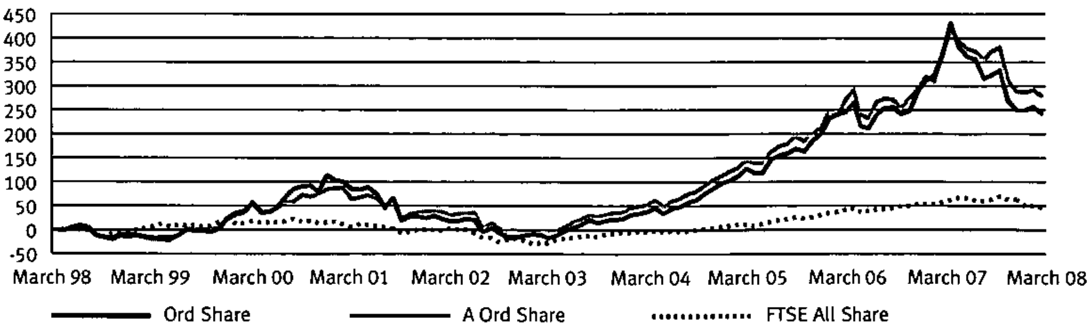
TEN YEAR SHAREHOLDERS' TOTAL RETURN RECORD

Net Asset Value



	1 year	3 years	5 years	10 years
Net Asset Value – income re-invested	(10 54%)	63 61%	259 55%	234 80%
Performance Benchmark	6 78%	20 06%	33 65%	73 53%

Share Price



	1 year	3 years	5 years	10 years
Ordinary shares – income re-invested	(26 08%)	50 54%	309 48%	243 00%
'A' non-voting Ordinary shares income re-invested	(19 26%)	55 29%	302 35%	279 62%
FTSE All-Share – total return	(7 43%)	32 69%	102 36%	46 82%

Past Performance is not a guide to future performance Source Internal unaudited management information

CHAIRMAN'S STATEMENT

THE YEAR'S RESULTS:

NAV -11.1% to 924.5p per share

The year ended 31 March 2008 proved to be a rather frustrating year It was of course dominated by the news of events in the banking industry as the credit crisis unfolded, starting with the debacle in America's sub-prime mortgage market However sub prime mortgages are really only the beginning and the credit crisis is now spreading to many other corners of the banking business It was a year to avoid investing in the shares of banks – which we by and large did, as measured by the FTSE Bank Index, banks lost their shareholders circa 22% of their investment It was, however, a year to be invested in the shares of mining companies, which returned c 38% and in oil & gas shares which returned c 9% We largely missed out on the mining sector but we did have exposure to the oil & gas sector The rest of the market, weighed down by evermore depressing news, lost c 12 5% John Alexander provides his usual comprehensive Investment Manager's Report, which goes into the activity within and returns from the portfolio during the year

Our own net asset value declined 11 1%, falling from 1,039 4p to 924 5 per share That compares with a return from our fixed interest benchmark of 6 8% and a loss from the FTSE All-Share Index of 10 8% Shareholders will remember we use a fixed interest benchmark rather than a relative performance one, because our primary goal is to make money – after all that is why shareholders invest in Hansa Trust's shares Of course we also aim to do better than the market – we were a little behind it last year – and than those investment trusts in our peer group – we were about in line with its average It was not a great year but, given the circumstances, not a disaster either

The one area we did not do too well in was that of our investment in smaller companies It was not that the underlying companies traded poorly but rather that the *shares* of smaller companies tend to perform rather poorly in the circumstances of a credit crisis and the threat of a domestic recession

The top five contributors to our performance came from our holdings in Resolution PLC, BG Group, Christian Salvesen, Foseco and DV 3 returning c £9 0m but their contribution was more than offset by our holdings in certain smaller companies, including our top five detractors Ark Therapeutics, Wolseley, Acertec, Galliford Try and Engel East Europe, losing us c £12 4m As William Salomon has remarked, "smallcap stocks become private equity in a bear market" But providing they are well managed and financially sound there is no reason to suppose the holdings won't ultimately prove profitable

DIVIDEND

+4 0% to 13.0p per share

Shareholders are aware that the Company is run to earn capital gains over the long-term The income generated by the portfolio in any one year will depend on its make up in that year We aim to pay out most of what is earned but the payout will of course be higher or lower depending on the results This year the net income amounted to 13 8p per share (v 12 8p in 2006/7) and as a consequence the Board is recommending a final dividend of 9 5p per share to be paid on 11 August 2008, making a total of 13 0p in respect of the year as a whole (v 12 5p in 2006/7) being £3 12m

SHARE PRICE PERFORMANCE:

Ordinary Shares -	**-27.0% to 820p per share,**	**Discount to NAV 11.3%**
"A" Ordinary Shares	**-20.3% to 815p per "A" share;**	**Discount to NAV 11.8%**

The performance of our shares was decidedly disappointing with the decline in the net asset value being accompanied by a return to a discount for the ordinary shares and a higher discount for the "A" Ordinary shares When the Plan Manager terminated arrangements and most of the holdings were switched to Alliance Trust, a number of share sales were precipitated The discounts widened to levels of just under 20% at one stage but I am pleased to say they have reverted to the industry average of around 10% at present Over the longer term, given good shareholder returns, I would expect the discount to narrow from these levels

CHAIRMAN'S STATEMENT (continued)

The table below provides a breakdown of shareholders' total return over the course of the year

Attribution of Shareholders' Total Return

	Ordinary shares	'A' Ordinary shares
Change in the NAV	-114 9p	-114 9p
Change in the premium/discount	-188 1p	-92 6p
Dividends	+13 0p	+13 0p
Shareholders' Total Return	**-290p (-25.8%)**	**-194 5p (-19 0%)**

LONG-TERM TOTAL RETURNS:

5 Years. NAV: +259.6%; Benchmark: +33.7%; FTSE A-s Index +102.4%

We state – ad nauseam I am afraid – that the goal of the Company is to earn above average returns *over the long-term* Put another way that means making money for shareholders It is why we have a fixed interest benchmark, being one that compares the amount of money we make with a reasonably safe alternative and therefore being relevant to our goal We do not "play portfolio betting games" against stock markets indices The "ALEX" cartoon (below) was published shortly after the recent London Marathon, it makes the point with some wit and we thought it worthwhile reproducing here

Your Board has determined that five years is the time span over which it judges the long-term results and I am pleased to be able to report that they remain excellent It is a testament to William, John and their colleagues' investing skills generally and to their ability to take long-term views when investing – so key to outstanding long-term returns

Shareholders will not be surprised to learn the independent directors have concluded it is very much in your interests that Hansa Capital remains engaged as the Company's Manager It isn't just the excellent long-term returns – important though they undoubtedly are – it is also the excellent management and administration of the Company's affairs generally that persuades us we are in good hands

Alex by Peattie & Taylor appears in the Daily Telegraph, reprinted with permission

OCEAN WILSONS HOLDINGS LTD: An important year of change

Shareholders will be well aware of the enormous success stemming from our holding of 26 4% of the share capital of Ocean Wilsons, a Bermuda based company with two basic interests

- Its holding in Wilson Sons Ltd, a company that is one of the largest operators of port, towage and maritime logistics in Brazil, and
- Through Ocean Wilson Investments, a portfolio of investments in quoted and unquoted shares of companies and funds spread throughout the world

In last year's report we highlighted the history of the holding which has been held without change since it was first acquired in 1959 at a cost of circa £2 5m It was, I reported, a classic example of the huge rewards that accrue to patient investors in sound, well managed companies (the much admired but little followed Warren Buffett approach) The value of our holding at the end of our year was £73 0m – down 2 5% from a year ago but up massively over the last five years The table below illustrates the history of the holding over the five year period

Year Ending	OWHL Share Price	Valuation of holding of OWHL shares 9,352,770	Per Cent Share-holders' Funds	Valuation per Ord & 'A' Ord Share 24,000,000	Year on Year Change
31-Mar-08	780 0p	£72,951,606	32 9%	304 0p	**-2.5%**
31-Mar-07	800 0p	£74,822,160	30 0%	311 8p	**+69 0%**
31-Mar-06	473 3p	£44,261,984	22 5%	184 4p	**+58.3%**
31-Mar-05	299 0p	£27,964,782	20 0%	116 5p	**+68.5%**
31-Mar-04	177 5p	£16,601,167	16 2%	69 2p	**+177 3%**
31-Mar-03	64 0p	£5,985,773	9 2%	24 9p	

The wonderful increase in the value of our holding stems mainly from the success of Wilson Sons and its operations in Brazil It is a well managed company and has enjoyed the benefits of the growth of Brazil's trade (particularly with China) and the emergence of Brazil's oil and gas industry Indeed there have been some huge offshore discoveries made recently, promising an even rosier future for it The table below provides a record of revenues and operating profits for Wilsons Sons, demonstrating the progress made by the company during the past five years

31 December	2007 (US$ m)	2006 (US$ m)	% change	2002 (US$ m)	% change
Revenues	**404 0**	334 2	**+20.9%**	120 5	**+235.2%**
Operating Profit	**85.6**	72 6	**+17 9%**	32 9	**+159.9%**

The table below shows where those $404m of revenues earned in 2007 came from

31 December	2007 (US$ m)	2006 (US$ m)	% change
Port Terminals	**149.0**	127 4	**+17 0%**
Towage	**146.8**	118 8	**+23.6%**
Logistics	**69 1**	49 3	**+40.2%**
Other	**39.1**	38 7	**+1 0%**
Total Revenues	**404.0**	334 2	**+20.9%**

The financial nature of such maritime activities is that they involve lots of contracts set at different rates and different times with different currencies involved It can make the reporting of the finances complex and the results volatile but the progress has been real 2007 was another good year during which, importantly, it embarked on a significant expansion, increasing its capital investment in new facilities and thereby setting the platform for yet more growth, the prospects for Brazil generally, for its trade particularly and for Wilson Sons specifically remain most promising

A single holding accounting for a third of shareholders' funds can be regarded as rather risky and indeed is so But the Board of Directors has always viewed the holding in Ocean Wilsons as a diversification in its own right – diversifying away from the London Stock Market on which the rest of its portfolio holdings is quoted and which carries the risks of political, economic and commercial Britain Investment in Brazil, of course, carries its own risks but they, like Brazil's opportunities, are quite different from those of Britain Brazil's investment risks, it can be argued, are rather greater than those of Britain (certainly history would suggest so) but by the same token the opportunities are also much greater

In any event and mindful of the opportunities that emerging economies generally offer the investor, Ocean Wilsons made a significant move to diversify its own risk base in 2007 In April 2007 it established a listing for the shares of Wilson Sons on the Brazilian and Luxembourg stock exchanges by divesting itself of 18 7 million shares in its subsidiary, raising just over US$200m in the process Wilson Sons then issued a further 11 0 million shares in May 2007 raising circa US$120m to help finance the expansion plans referred to above Ocean Wilsons now holds 58 25% of the share capital of Wilson Sons

Ocean Wilsons' board of directors has subsequently determined that the proceeds of the sale should be used to bolster the investment portfolio which forms the other segment of its business, Ocean Wilson Investments Ltd

They have decided that – and I quote "to increase the scale and breadth of that company's investments and expand the remit to include alternative investment classes, including illiquid securities with a particular emphasis on emerging markets" So it is that the large holding in Ocean Wilsons has been diversified We are often asked whether we shouldn't top slice the holding from time to time but the fact is that our interests would not necessarily be best served by doing so, I do not anticipate the Board of Directors authorising any change in the holding

The balance sheet of Ocean Wilsons at its year end (31 December 2007) was quite different from that of a year earlier Now the majority of the Ocean Wilsons shareholders' funds are accounted for by Ocean Wilson Investments and a minority by Wilson Sons, as the table below shows

31 December	**2007 (US$ m)**		**2006 (US$ m)**	
Wilson Sons				
Assets	**575.4**		326 9	
Liabilities	**253.8**		181 9	
Minority Interest	**134.3**		3 8	
Net Interest	**187.3**	**39.1%**	141 2	**63 6%**
Ocean Wilson Invest				
Assets	**299.3**		82 8	
Liabilities	**7.8**		2 2	
Net Interest	**291.5**	**60.9%**	80 6	**36 4%**
Total Shareholder's Funds	**478.8**	**100.0%**	221 8	**100.0%**

Indeed at 31 March I have estimated that Hansa Trust's indirect interest in Wilson Sons was worth circa £62m and in Ocean Wilson Investments circa £40m, leaving our own valuation selling at a discount of circa 28 4% to the underlying value of Ocean Wilsons itself

31 March 2008		
Underlying Value of Hansa Trust's 26 4% of holding in	Wilson Sons	£62 0m
	Ocean Wilson Investments	£40 0m
Total Underlying Value in Ocean Wilsons Holdings		£102 0m
Valuation of Hansa Trust's holding in Ocean Wilsons Holdings		£73 0m

I appreciate that my report on Ocean Wilsons is rather longer than usual but I thought it worthwhile given the significant changes that the company has undertaken

ANNUAL GENERAL MEETING
31 July 2007 at 11.30am at the Washington Hotel, Curzon Street, London

Please, please come and join us for the AGM, which will be held at the Washington Hotel, Curzon Street, London (Green Park tube station, see map on page 59) at 11 30am on Thursday 31 July 2007 Your attendance is important to us because it gives us, the Directors and Management, the chance to hear your views, concerns and suggestions So I do urge as many shareholders as possible to join us for the occasion at which Mr John Alexander will give his presentation of the events of the past year and the prospects for the current one Following the formal AGM shareholders will have the chance to meet the Directors and the Management should you wish to do so

The Annual Report which you will be asked to adopt as the first of the AGM's resolutions, contains three matters which I would like to draw to your attention First of all, following the successful case brought by the Association of Investment Companies and JPMorgan Claverhouse against Her Majesty's Revenue and Customs ("HMRC") in the European Court of Justice, investment trusts no longer have to pay VAT on the management fee, a saving of circa £280,000 each year, furthermore we are able to claim back VAT paid in the past which in our case will amount to at least £674,000 You will notice a credit has been made in the Group Income Statement for that amount and it is possible there will be more to come

Secondly, the new Stock Exchange Listing Rules, under the heading of Chapter 15, have determined, amongst other things, that there should be a formal statement of Hansa Trust's investment policy You will find this laid out on pages 18 & 19 Shareholders will be aware that material changes to the investment policy can only be made with your formal consent in general meeting

And finally, laid out on pages 55 – 58, under note 21 to the accounts is the statement required of us in compliance with IFRS 7 It is a standard we met last year and deals with the matter of those risks that the standard requires of us, being those of market price, currency, interest rate, credit and liquidity I mention this because these are not the main risks you face as shareholders but rather they are some of the symptoms of those risks which we lay out on page 15 of the Report of the Directors As I emphasised earlier in this statement, the holding in the shares of Ocean Wilsons, representing about one third of shareholders' funds is a particularly big individual risk (even much mitigated as it now is)

CHAIRMAN'S STATEMENT (continued)

OUTLOOK
Short-term cautious, long-term bullish

The heading above – short term cautious, long-term bullish – is precisely the same as last year The first part of it has proved to be perceptive even though we had little inkling of the size of problems to come That there were excesses of dishonesty, ambition and greed at work in the banking industry, most especially the investment banking sector, was there for all to see It should not have been difficult to realise such behaviour would come back to haunt us all and so it has proved Billion and billions of Dollars, Pounds, Euros and Yen have been wiped out as banks – and others – have had both to write down and to write off bad loans and bad investments A leading economic and stock market consultant makes the point that there are two types of bubbles – ones which result in excess capital expenditure on productive facilities but which provide capacity for good economic growth for years to come (the railroads in the nineteenth century, for instance) and others, which result in the destruction of capital through excess lending on overvalued, even flawed, assets – often property (Japan in the 1980s, for instance) There is no doubt that this time around it is the latter kind of bubble that has just burst Managing the consequences is going to be very difficult, for central banks are torn between the threats of deflation from contracting banking capacity on the one hand and inflation on the other

But the picture is actually both more complicated and less pessimistic than that It seems highly likely that we are in the midst of a generational change in the world order, much as the baton of world economic and political leadership passed from Great Britain to the United States of America 100 years ago, so it is now in all probability being passed on to China The national cornerstones that helped the USA – and to a greater or lesser extent Europe and Japan – to the prosperity it now enjoys are not working properly democracy is failing to produce sound and effective leadership, free speech in the hands of the media is delivering negativism and pessimism, the law favours compensation for mishaps and vengeance rather than justice and finally religious discipline has given way to anything-goes atheism, provoking crime and social disorder It is the sort of decline that has been repeated throughout history

In investment terms it amounts to a huge transfer of earning power and to a redistribution of wealth The era of cheap commodities combining with cheap labour to produce cheap goods and services for the economically emerged world (the USA etc, accounting for one sixth of the world's population) is on its way out Many of those former third world countries, which include China, India, Brazil and Russia with their emerging economies, now want the living standards the emerged economies enjoy They (with their populations accounting for over half of that of the world) are prepared to work hard to achieve prosperity for today and to save enough to invest in prosperity for tomorrow But there are not enough resources to go around – for the moment at least – to satisfy those ambitions so the emerged economies are going to have to make do with less if the emerging economies are to have more Understanding how that process will unfold will be the key to investment success over the next several years

It will happen – is happening – through rising global inflation and major realignments of exchange rates With their high rates of savings and strong work ethic, the emerging economies will be able to acquire commodities and other goods and services that the emerged economies will find increasingly difficult to afford It will not, however, happen overnight nor will it be a smooth transition The emerged economies will seek to protect their life styles, provoking the risks of protectionism and even war China for its part is almost certainly growing too fast at the moment and will have to cut back the rate of its development or the problems of water shortages, pollution, congestion and inflation will cause the very social unrest that the economic development is supposed to allay So the process and the progress will be uneven

The changing world order is a challenge for investors for although its outcome is certain, its course is uncertain It is – in part at least – why the board of directors of Ocean Wilsons decided to keep investing in the emerging world It offers enormous opportunities for investment but not without risk With good foresight and sound portfolio management, both of which Hansa Trust has, there is the real prospect of earning excellent returns in the future by reading the tea leaves right and by playing them long It is the second half of the heading above long-term bullish

Alex Hammond-Chambers
Chairman 26th June 2008

Report of the Directors

for the year ended 31 March 2008

The Directors present their Report and Financial Statements for the year ended 31 March 2008

THE BOARD'S OBJECTIVES

The Board's primary objective is to achieve growth of shareholders value over the medium to long-term

THE BOARD

Your Board consists of the following, each of whom brings certain individual and complementary skills and experience to the Board's workings, as summarised below

Mr Hammond-Chambers (Chairman)

Alex's career has been involved with portfolio management and investment trusts, from which he brings – inter alia – experience and understanding of investment policies, strategies, stock selection and risk management Born in 1942, he joined the Board in 2002 He worked for Ivory & Sime for 27 years, retiring as chairman in 1991 He is chairman of three investment trust companies and a director of two others, as well as a number of other investment companies He has served as a chairman of the Association of Investment Trust Companies and as a governor of the NASD (NASDAQ)

Lord Borwick

Jamie's business life has been involved with the automotive industry particularly and manufacturing generally, as well as involvement with the property sector He brings his experience of industry and property to the Board's stewardship Born in 1955, he joined the Board in 1984 He is chairman of Modec Limited which makes battery powered vans and of route2mobility Limited which finances wheelchairs and scooters as part of the Motability Scheme He is also a partner of Federated Investments LLP and an investor in property in the UK and Florida

Mr Salomon

William's career in investment banking and management has involved working on and understanding corporate strategies His own skills and experience are important to the Board in developing and monitoring investment in special investment themes and in strategic investments Born in 1957, both a German and British citizen, he joined the Board in 1999 He is the senior partner of Hansa Capital Partners LLP, chairman of New India Investment Trust PLC, deputy chairman of Ocean Wilsons Holdings Limited and its listed subsidiary Wilson Sons Limited

Professor Wood

Geoffrey has great knowledge of economics generally and monetary and fiscal policy issues specifically His skills and experience are important to the Board, particularly in understanding the effect of such policy issues on the markets Born in 1945, he joined the Board in 1997 He is professor of Economics at Cass Business School, in the City of London, and a visiting Professorial Fellow at the Centre for Commercial Law at Queen Mary and Westfield College of London University He 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 and City of London financial firms

THE BOARD'S RESPONSBILITIES

The Board is charged by the shareholders with the responsibility for looking after the affairs of the Company It involves the '*STEWARDSHIP*' of the Company's assets and liabilities and '*THE PURSUIT OF GROWTH OF SHAREHOLDER VALUE*' These responsibilities are discharged in many ways and are detailed below

STEWARDSHIP

In discharging its responsibilities of stewardship the Board is governed by the Companies Acts and the Financial Services Authority UKLA Listing Rules

Under UK Company Law the Directors are responsible for ensuring that

- proper accounting records are kept, 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
- the assets of the Company are safeguarded and for taking reasonable steps for the prevention and detection of fraud and other irregularities
- the Directors' Report and other information included in the Annual Report is prepared in accordance with company law in the UK The Directors are also responsible for ensuring the Annual Report includes information required by the Listing Rules of the Financial Services Authority
- the Company has effective internal control systems, 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 Such a system of internal control can provide only reasonable, but not absolute, assurance against material mis-statement or loss
- the Group Financial Statements for each financial year are prepared in accordance with IFRS, as adopted by the EU and have elected to prepare Company financial statements on the same basis The Company and Group Financial Statements are required by law and IFRS as adopted by the EU to present fairly the financial position of the Company and the Group and the performance of the Group for that period In preparing these financial statements the Directors are required to
  - select suitable accounting policies and apply them consistently,
  - make judgements and estimates that are reasonable and prudent,
  - state whether they have been prepared in accordance with IFRS as adopted by the EU,
  - prepare the financial statements on the going concern basis, unless it is inappropriate to presume the Company and Group will continue in business

Under the Financial Services Authority, UKLA Listing Rules – Combined Code the Board is responsible for

- Disclosing how it has applied the principles and complied with the provisions of the Combined Code or where not to explain the reasons for divergence
- Reviewing the effectiveness of the Company's system of internal controls

Internal Controls

The Combined Code requires the Directors to review the effectiveness of the Company's system of internal controls on an annual basis The Directors, through the procedures outlined below, keeps the system of internal controls under review 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

The Board recognises its ultimate responsibility for the Company's system of internal controls and for monitoring its effectiveness In order to perform this responsibility the Board receives regular reports on all aspects of internal control from the Company's service providers (including financial, operational and compliance controls, risk management and relationships with external service providers), the Board will authorise necessary action in response to any significant failings or weaknesses identified by these reports However, it must be noted that this system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material mis-statement or loss

Compliance with the provisions of the Combined Code

The Board has considered the principles and recommendations of the AIC Code of Corporate Governance ("AIC Code") by reference to the AIC Corporate Governance Guide for Investment Companies ("AIC Guide") The AIC Code, as explained by the AIC Guide, addresses all the principles set out in Section 1 of the Combined Code, as well as setting out additional principles and recommendations on issues of specific relevance to the Hansa Trust Plc The Board confirms it follows the Combined Code, except for those areas which the AIC Guide identifies as being irrelevant in a non self-managed investment company namely the role of the Chief Executive, Executive Director's remuneration and the need for an internal audit function

The Board confirms, with the exception of the composition of the Audit Committee as detailed on page 17, that it has in all respects followed the AIC Code in meeting its obligations under the Listing Rules and the Combined Code

The AIC Guide has 21 principles, the vast majority of which the Board of the Company has been following for many years However, modern corporate governance requires boards not only govern their companies sensibly and responsibly, but that they are seen to do so Hence there is a requirement to follow a check list of principles, which in our case is drawn from the AIC Guide They include

The Board

- **The Chairman should be independent**

  Mr Hammond-Chambers has been assessed by the Board to be an independent director

- **A majority of the Board should be independent of the Manager**

  With the exception of Mr Salomon, who is employed by the Manager, all the other board members are considered to be independent Both Professor Wood and Lord Borwick, who have served as Directors of the Company for more than nine years, have been assessed as independent by virtue of their personal characteristics, their experience, their financial independence and their directorial performance

- **Directors should be elected for a fixed term of no more than three years. Nomination for re-election should not be assumed but be based on disclosed procedures**

  All Directors resign at each Annual General Meeting and where appropriate offer themselves for re-election

- **There should be full disclosure of information about the Board**

  A biography of each member of the Board can be found on page 10

- **The Board should have a policy on tenure which is disclosed in the Annual Report**

  The Board has determined that neither age nor length of service necessarily compromise independence, rather that experience and knowledge gained in service normally strengthen independent performance All Directors have contracts for services, details of which are contained in the Directors' Remuneration Report on page 38

- **The Board should aim to have a balance of skills and experience, ages and length of service**

  The Board regularly reviews its requirements to direct the affairs of the Company Where and when appropriate, individuals are identified who would strengthen the Board and put forward as candidates for board membership

- **The Board should undertake a formal and rigorous annual evaluation of its own performance and that of its committees and individual directors**

  The Board undertakes a formal evaluation every three years The other years the Board, at its strategy meeting, carries out an evaluation of the independence of each Director, the progress of the actions resulting from the previous reviews and of any new ideas for improving the returns to shareholders through improving the effectiveness of the Board The Chairman is evaluated by Mr Salomon on behalf of the Board

- **Directors' remuneration should reflect their duties and responsibilities and the value of their time spent**

  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 and the value of the time committed to the interests of the Company

- **The Independent Directors should take a lead in the appointment of new directors and the process should be disclosed in the Annual Report**

  The identification and appointment of a new board member is a matter for the whole Board The Chairman would take the lead in all of the processes leading to the appointment of a new director

- **Directors should be offered relevant training and induction**

  When a new director is appointed, he or she attends an induction seminar held by the Company Secretary and the Chairman 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

Board meetings and the relationship with the Manager:

- **Boards and Managers should operate in a supportive, co-operative and open environment**

  The Board and Manager operate in an environment of mutual trust and respect both, at the formal Board meetings and during the year when ad-hoc communications are instigated by either party

- **The primary focus at regular Board Meetings should be the review of the investment performance and associated matters such as gearing, asset allocation, marketing/investor relations, peer group information and industry issues**

  At the regular Board meetings, discussions are held and reports and papers are reviewed, all of which cover the above mentioned aspects

- **Boards should give sufficient attention to overall strategy**

  The Board holds an annual strategy meeting with the Manager to discuss the Company's future investment and corporate strategies

- **The Board should regularly review both the performance of and contractual arrangements with, the Manager**

  The Board formally reviews the performance of the Manager each quarter, at which Board meeting the Manager presents a written report At the annual review of the Manager all aspects of its service to the Board are reviewed, including and particularly the long-term returns to shareholders and the terms and conditions of its contract

- **The Board should agree policies with the Manager covering key operational issues**

  Within the agreement between the Manager and the Company, service levels are defined In addition the Board determines certain investment restrictions and guidelines for the Manager, on which it reports on a monthly basis

- **Boards should monitor the level of share price discount or premium (if any) and, if desirable, take action to reduce it**

  The Board continually monitors the levels of discount and premium and comments on it at its regular meetings

- **The Board should monitor and evaluate the other service providers**

  The Board, through its Audit Committee, receives independent reports from the auditors of the main service providers, these reports are called either FRAG 21 or AAF 01/06 reports

Shareholder Communication

- **The Board should regularly monitor the shareholder profile of the Company and put in place a system for canvassing shareholder views and for communicating the Board's views to shareholders**

  The Board reviews the shareholder profile at its regular meetings The Company, through the Manager, has regular contact with its institutional shareholders The Board supports the principle that the Annual General Meeting should be used to communicate with all shareholders and promotes its website to them The Company Secretary regularly receives and handles communications from shareholders These communications are received by letter, email or telephone Any matter requiring the Board's attention is referred to it for action

- **The Board should normally take responsibility for, and have a direct involvement in, the content of communications regarding major corporate issues even if the Manager is asked to act as spokesman**

  The Board is responsible for all major corporate issues and as such would have a direct involvement in both the issue and the contents of its communications

- **The Board should ensure shareholders are provided with sufficient information for them to understand the risk: reward balance to which they are exposed by holding the shares**

  The Board through the issuance of the Annual Report, Half Yearly Report, Interim Management Statements and Monthly Fact Sheet aims to ensure both shareholders and prospective shareholders are made fully aware of the investment aims and benchmark of the Company, the types of investments the Company is likely to enter into, the disposition of those investments in the portfolio, the gearing of the Company and the period over which its performance should be judged

THE PURSUIT OF GROWTH OF SHAREHOLDER VALUE

In pursuit of shareholder value, the Board·

- **Contracts out the administration and management of the Company**

  The Board, in contracting out the administration and management of the Company, seeks to engage organisations which can provide the relevant levels of experience and expertise at an acceptable cost

- **Monitors third party suppliers, performance and costs**

  The Board at its regular meetings reviews reports prepared by both the Manager and the Administrator which enables it to monitor the performance and costs of the third party suppliers to the Company

- **Monitors investment performance and risks**

  The Board reviews reports prepared by the Manager at its regular meetings which enable it to monitor the investment performance and risks

- **Determines investment strategy, guidelines and restrictions**

  The Board determines the investment strategy in conjunction with the Manager The strategy is monitored at the regular meetings and refinements made to it as required, with formal review at the Board's annual strategy meeting

  The Board issues formal investment guidelines and restrictions and compliance with these are reported by the Manager's compliance officer on a regular basis

- **Determines gearing levels and capital preservation through the use of hedging instruments**

  The Board, acting on advice from the Manager, determines the maximum level of borrowings the Company will undertake at the time of borrowing The Company has entered into a short-term loan facility with the ING Barings Bank, currently the maximum level of the facility is £30m The Board has approved the utilisation of hedging instruments in order to provide the portfolio with a limited degree of protection from extreme market declines

- **Monitors the share discount**

  The Board regularly monitors the level of discount and, whilst it has the option to re-purchase shares, it considers that the best means of attaining a good rating for the shares is to concentrate on increasing shareholder returns

- **Determines the level and timing of dividends payable to shareholders**

  The Board's policy is to distribute to shareholders the majority of the Company's income by way of an interim dividend, normally paid in December each year and a final dividend paid as soon as is practically possible following the approval by shareholders at the Company's Annual General Meeting

BUSINESS REVIEW, RISKS AND KEY PERFORMANCE INDICATORS

The review of the performance and development of the business, including an analysis using the KPIs listed below, is given in the Chairman's Statement on pages 4 to 9

Risks

The Board considers that the risks the shareholders face can be divided into external and internal risks

External risks to shareholders and their returns are those that can severely influence the investment environment within which the Company operates, include economic recession, declining corporate profitability, rising inflation and interest rates and excessive stockmarket speculation At the annual strategy meeting, the Directors and Management highlighted certain risks that concerned them, including

- an economic recession in some or all parts of the G7 countries,
- rising inflation caused in part by commodity shortages, particularly oil and food,
- high, even rising interest rates to counter inflation,
- incompetent government, particularly in the UK,
- the bad debt crisis spreading to areas other than housing, including consumer credit, hedge and private equity funds,
- falling corporate profits consequent upon weak sales and inflating costs,
- a sharp slowdown in the economic growth in China and India,
- the Brazilian risks, whether political, economic or financial

It should be stressed that these are the risks of which the Directors and Management are most concerned – not forecasts of future events

The mitigation of these risks is achieved by sensible stock and sector diversification and the use of investment restrictions and guidelines and monthly reporting to the Board of the Company's adherence to these restrictions and guidelines

Internal risks to shareholders and their returns are portfolio (stock and sector selection and concentration), balance sheet (gearing), and/or administrative mis-management In particular the Board has identified the exposure to Ocean Wilsons Holdings Limited as a notably large single investment risk In respect to the risks associated with administration, continuing compliance with s 842 ICTA 1988 would have the greatest impact if it ceased to be complied with by the Company The portfolio is continuously monitored by the Manager to ensure the Company is compliant with the key aspects of s 842, with any discrepancies being reported to the Board

The mitigation of these risks is achieved by the Board performing regular reviews of all service providers and monthly reviews of s 842 ICTA compliance

The Board considers the risks to the Company's two share prices, apart from those mentioned above, to include the level of discount or premium The Board monitors the discount/premium and may take action when appropriate However, given the Company's stated objective of increasing shareholder value over the medium to long-term, the Board does not consider short-term net asset value or share price volatility to be a material risk to long-term shareholders

Details of how the principal risks arising from financial instruments are managed, have been summarised in Note 21 on Pages 55 and 58

Key Performance Indicators ('KPI')

The Board reviewed the risks from the point of view of the long-term shareholder, the principal one being that over the long-term (which we determined was five years) he/she did not make a return from his/her investment in the Company The key performance indicator, against which the Board compared shareholders' share price and dividend returns, is the benchmark, which is in essence a proxy for the return from a risk free, five year investment Other KPIs include the net asset value returns against those of the benchmark, against the Company's peer group average returns and against the market (the FTSE All-Share Index) and the total expense ratio in relation to the returns shareholders have received The numbers are computed on a one, three, five and ten year basis – five years being the better time period over which to judge the progress of the Company

i) Shareholder – Total Returns

A comparison is made between the 'Total Return' of each class of shares to that of the three-year average rolling rate of return of a five year UK Government bond plus 2% with interest re-invested semi-annually (the Company's Benchmark) This comparison illustrates how Shareholders' returns compared with the returns of the benchmark

	2008 (1 year)	**2005 (3 years)**	**2003 (5 years)**	**1998 (10 years)**
Share Price				
Ordinary shares	**(26 08%)**	50 54%	309 48%	243 00%
'A' non-voting Ordinary shares	**(19.26%)**	55 29%	302 35%	279 62%
Company's benchmark	**6.78%**	20 06%	33 65%	73 53%

ii) Company – Total Returns

These comparisons are used to determine the effectiveness of the investment strategy and of the Manager

	2008 (1 year)	**2005 (3 years)**	**2003 (5 years)**	**1998 (10 years)**
Net Asset Value	**(10.54%)**	63 61%	259 55%	234 80%
Absolute comparison				
Company's Benchmark	**6.78%**	20 06%	33 65%	73 53%
Relative comparison				
FTSE All-Share Index	**(7.43%)**	32 69%	102 36%	46 82%
Peer Group Average	**(16 4%)**	40 0%	161 5%	99 1%

iii) Discount/ (Premium)

A comparison is made between the discounts/ (premiums) of the Company's two classes of shares and those of the Company's Peer Group and of the AIC Average

	2008 (1 year)	**2005 (3 years)**	**2003 (5 years)**	**1998 (10 years)**
Share Price				
Ordinary shares	**11.3%**	2 1%	20 5%	10 9%
'A' non-voting Ordinary shares	**11 8%**	5 5%	19 4%	19 3%
Peer Group Average	**8 7%**	8 9%	12 8%	10 1%
AIC IC Average	**9 1%**	8 3%	7 9%	6 3%

iv) Expense ratios

A comparison is made between the level of expenses (administrative and management) of the Company and the Net Asset Returns (both annualised) in order to assess the value for money that Shareholders receive

	2008 (1 year)	**2005 (3 years)**	**2003 (5 years)**	**1998 (10 years)**
Total expense ratio per annum	**0.80%**	0 85%	0 92%	1 00%
NAV Total Return per annum	**(10.54%)**	21 20%	51 91%	23 48%

BOARD POLICIES

The Board consists entirely of non-executive directors, it delegates the day to day implementation of its policies to third party service providers 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 which are reviewed and monitored either by the Board or its Committees

The Board's Committees and the main service provider contracts are detailed below and any additional requirements which the Board is required to carry out in fulfilment of its obligations under the Companies Acts or Listing Rules

Details of the Directors' attendance at Board, Strategy and Audit Committee meetings are in the Directors' Remuneration Report on page 38

BOARD COMMITTEES

Audit Committee

The Directors consider that all members of the Board should be members of the Audit Committee in order for them to fulfil their responsibilities as Directors of the Company and so the Audit Committee consists of all four Directors and is assisted by Mr Teideman, a former director whose skills and experience strengthen the Committee The Committee is chaired by Mr Hammond-Chambers The Smith Report's guidance to the Combined Code emphasises the need for 'Audit Committee arrangements to be proportionate to the task' With such a small Board, it was deemed both proportionate and practical to involve all Directors in its workings even though Mr Salomon is not regarded as being independent The Company's Audit Committee 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 Auditors also attend this Committee 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 (no non-audit services are provided by the Auditors) and the valuation of the unquoted investments The Board has issued the Committee with Terms of Reference which are available from the Company Secretary at the registered address of the Company

Nomination Committee

The Board as a whole fulfils the function of the 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

Management Engagement Committee

The Board, with the exception of Mr Salomon, fulfils the function of this Committee The level of management fees, level of service provided and the performance of the manager, are reviewed on a regular basis

Remuneration Committee

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 in the light of their duties and also relative to other comparable companies

SERVICE PROVIDERS

Investment Manager

Hansa Capital Partners LLP charged an investment management fee at an annual rate of 1% of the net assets of the Company, (after any borrowings) but after deducting the investment in Ocean Wilsons Holdings Limited on which no fee is payable The terms of the investment management agreement permit either party to terminate the agreement by giving to the other not less than 12 months' notice or such shorter period that is mutually acceptable The investment management fee outstanding at the year end amounted to £125,857 excluding VAT (2007 £101,336) In its annual assessment, the Board has concluded that, because of the calibre and commitment of the whole management team to the Company and the excellent long-term returns to shareholders it has produced, it is in the best interest of shareholders that the Manager remain in situ

Auditors

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

Company Secretary

Secretarial services were provided by Hansa Capital Partners LLP at an annual rate of £100,000, excluding VAT (2007 £40,000)

Administrator

The Company has appointed BNP Paribas Services UK Limited as its Administrators

BOARD STATEMENTS AND DISCLOSURES

In accordance with the Companies Acts and Financial Services Authority UKLA Listing Rules the Board is required to make various statements and disclosures to shareholders They are

Investment Policy

The investment policy adopted by the Board is to invest in a portfolio of quoted and unquoted special situations, with the objective of achieving growth of shareholder value

By the very nature of special situation investments, the opportunity to invest in them will arise at any time and often not for long periods Sometimes a number of opportunities may arise at the same time, so that any single investment in one may, on occasion, constitute a significant proportion of the portfolio or of that of the company concerned The Investment Manager is charged by the Board with implementing the investment policy under its supervision and guidance The Board believes it is in the best long-term interests of shareholders for investing to be responsive to prevailing market conditions and sentiment It is important for the Investment Manager to be able to vary any investment at any time in order either to protect shareholders' funds and/or to optimise shareholders' returns

Portfolio Limits

The Board of Directors has set a limit of 15% of the portfolio of the Company that can be invested into any one company the limit applying at the time of the acquisition of the holding (co-incidently as required by Section 842 of the Income and Corporation Taxes Act) The Board has not set a limit on the market value of an investment held in any company, which can therefore rise above 15% The Board has not set a limit on the number or value of unquoted investments which can be held in the portfolio, nor has it set a limit on the number of companies it can invest in, however it would usually invest in at least 30 companies

Likewise the Board has set a limit of 30% of the value of the portfolio that can be invested into any one sector or theme at the time the investment is made, but has not set a formal limit on the market value that can be held in any one sector or theme For the avoidance of doubt the Board, working with the Manager and other advisers, determines what constitutes a sector or theme Again, although the Board has not set either a floor or a ceiling on the number of sectors invested in, it is expected that it would usually exceed four

The investment policy enables the Investment Manager to invest worldwide, in either UK or foreign quoted or unquoted companies The Board does not believe it is practical to impose limits on the geographical allocation of assets because, with the globalisation of businesses, it is an almost impossible task to monitor While fully aware of the impact of geopolitical influences on the outcome of investment returns the Board, in conjunction with the Investment Manager, regularly reviews each investment on its individual merits There is no geographical constraint on where and how much may be invested in any one country or currency

Borrowing Limits

The Board believes that shareholders' returns will be enhanced if the Company borrows money at appropriate times for the purpose of investment While the Memorandum and Articles of Association allow the Company to borrow up to 3 5 times shareholders' funds, the amount that can be borrowed at any time is normally subject to a constraint imposed in the lenders' borrowing covenants The Board will normally set an informal borrowing limit of approximately one half of the lenders' covenanted constraint at the time the borrowings are made, allowing plenty of capacity for the value of the portfolio to fall without having to sell investments to conform with those covenants However in extreme circumstances, such as when it believes to be the bottom of a bear market, the Board may well borrow up to the full amount the lender's covenant allows

Hedging Limits

The Investment Manager, in consultation with the Board, may from time to time put in place a hedging strategy in order to mitigate some of the stock market risks of the portfolio It is not the intention of the Board to have in place a hedging strategy which would eliminate all adverse effects to shareholders' funds caused by a fall in general market prices, nor to protect the short-term value of the portfolio Rather the aim is to realise, in circumstances of a severe and sudden fall in stock markets, a sum of money which can be used to take advantage of the fall and to purchase investments at prices which may add very good long-term value No limit has been set on the proportion of the portfolio that might be hedged

Results and Dividends

The results attributable to shareholders for the year and the transfer to reserves are shown on page 42
The dividends paid and proposed are as follows

	2008 £000	2007 £000
Ordinary and 'A' non-voting Ordinary shares		
Interim paid of 3 5p (2007 3 5p) per share	**840**	840
Final proposed of 9 5p (2007 paid 9 0p) per share	**2,280**	2,160
Total dividends	**3,120**	3,000

The final dividend will, if approved, be paid on 11 August 2008 to Ordinary and 'A' non-voting Ordinary shareholders registered at the close of business on 27 June 2008

Publication of Financial Statements on a website

The Financial Statements are made available on the Hanseatic Group website www hansagrp com The work carried out by the Auditors does not involve consideration of the maintenance and integrity of the website, 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 website Visitors to the website need to be aware that the legislation in the UK governing the preparation and dissemination of the Financial Statements may differ from legislation in their jurisdiction

Directors' Interests

The present members of the Board are shown on page 10, all of whom retired at the last Annual General Meeting and were duly re-elected The Board's policy is that it is appropriate for all members to retire annually at the AGM and therefore Mr Hammond-Chambers, Lord Borwick, Mr Salomon and Professor Wood will retire again and offer themselves for re-election at the forthcoming AGM The interests of Directors and their families in the Company at 31 March 2008 are shown below

	Ordinary shares of 5p each		'A' non-voting Ordinary shares of 5p each		Nature of interest
	2008	2007	**2008**	2007	
Mr Hammond-Chambers	**500**	500	**7,600**	7,600	Beneficial
Lord Borwick	**24,678**	2,200	**16,376**	–	Beneficial
Mr Salomon	**2,113,219**	2,113,219	**98,700**	98,700	Beneficial
Professor Wood	**5,500**	1,000	**7,000**	9,700	Beneficial

Mr Salomon is senior partner of Hansa Capital Partners LLP Fees payable (inclusive of VAT for periods up to 30 September 2007) to Hansa Capital Partners LLP, amounted to £1,836,690 (2007 £1,307,737) During the year, no rights to subscribe were granted to, or exercised by Directors, their spouses or infant children

Fixed Asset Investments

The market value of the Group's investments at 31 March 2008 was £235,366 (2007 £243,641,000) Taking these investments at this valuation, the net assets attributable to each Ordinary and 'A' non-voting Ordinary share amounted to 924 5p at 31 March 2008 (2007 1,039 4p)

Substantial Shareholders

As at 31 March 2008 and 16 June 2008 the Directors were aware of the following interests in the Ordinary shares of the Company which exceeded 3% of the voting issued share capital of that class

	No of voting shares	% of voting shares
Nicholas B Dill, Jr & Codan Trust Company Limited (note)	4,096,350	51 20
HBOS plc	265,000	3 33

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% of the voting share capital In addition, Mr W H Salomon has further interests in the Company's shares, the total interest is detailed in the paragraph Directors' Interests above

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 2008 outstanding trade creditors amounted to £Nil (2007 £Nil)

Capital Structure

The structure of the company's capital is described in Note 16 on page 53

Directors' and Officers' Liability Insurance

During the year the Company purchased and maintained liability insurance for its Directors and Officers

Going Concern

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

Status and Activities

During the year under review the Company has operated as an investment company, under Section 833 of the Companies Act 2006 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 2007 The Directors are of the opinion that the Company has subsequently directed its affairs so as to enable it to continue to obtain HMRC 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

Audit Information

The Directors confirm that, so far as they are aware having made such enquiries and having taken such steps as they consider they reasonably ought, they have provided the Auditors with all the information necessary for them to be able to prepare their report In doing so each Director has made himself aware of any information relevant to the audit and established that the Company's Auditors are aware of that information The Directors are not aware there is any information relevant to the audit of which the Company's Auditors are unaware

Responsibility Statement

The Board confirms that to the best of its knowledge

- The financial statements, prepared in accordance with applicable international accounting standards, give a true and fair view of the assets, liabilities, financial position and profit of the Group and the Company
- The Chairmans's Statement and Directors' Report includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties they face

ANNUAL GENERAL MEETING

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

(a) Authority to re-purchase '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 re-purchase its own 'A' non-voting Ordinary shares The Board believes that the ability of the Company to re-purchase its own 'A' non-voting Ordinary shares in the market will potentially benefit all equity shareholders of the Company The re-purchase 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

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 re-purchase 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% 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 not less than 5p per share (the nominal value of each share) and not more than 5% 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 re-purchase shares in the market The decision as to whether the Company re-purchases 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 re-purchase 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

(b) Revision to the Company's Articles of Association

On 25 April 2007 the Company adopted new Articles in order to try to ensure the Company continues to maintain approval from HMRC as an investment trust for the purposes of section 842 of the Income and Corporation Taxes Act 1988 ("ICTA") and hence to be exempt from paying tax on its capital gains by not becoming a close company by providing that if the Board becomes aware that any Ordinary shares are or may be owned in circumstances which cause or could cause the Company to become a close company, it may serve a notice requiring some or all of those shares to be transferred to another person and for the voting rights attached to those Ordinary shares to be suspended until the required transfer takes place

These new Articles also took advantage of changes to the laws relating to the Company's ability to give indemnities to its Directors and others

At the time the above amendments were made, the Board advised further changes would be proposed in due course after the remaining provisions of the Companies Act 2006 ("the 2006 Act") had come into effect Whilst not all of the remaining provisions of the 2006 Act have come into effect, the Board is proposing to make amendments to the Articles in order to bring them in line with the changes that have been introduced to date and/or will be introduced by October 2008 Accordingly, a special resolution will be put to the Annual General Meeting to be held on 31 July 2008 Details of the changes are set out in the notes to the Notice of Annual General meeting pages XX to XX It should be noted that further changes may be required in due course

By order of the Board
Hansa Capital Partners LLP
Secretary
26 June 2008

INVESTMENT MANAGER'S REPORT

BACKGROUND

Rachel Lomax, a Bank of England deputy governor, speaking at the Institute of Economic Affairs recently said, "there have been financial and banking crises before, but not on the present global scale, and this must surely be the largest ever peacetime liquidity crisis" All financial crises result from the sins of financial leverage and overconfidence, as a result of which people obtain assets far beyond their means, in the hope that asset prices continue to rise The subprime crisis started as a credit problem in the lower-quality section of the market for US housing finance Securitised subprime mortgage issuance exploded from about US$60bn p a in the late 1990s to over US$450bn in both 2005 and 2006, while lending standards deteriorated markedly The subprime crisis was triggered by a combination of rising borrowing costs and falling house prices, brought on by over-building, against a backdrop of rising levels of consumer leverage, in a world of easy credit availability While the financial crisis started in the US subprime mortgage market, efficient global capital markets enabled the effects of a collapse in the value of US housing to spread far and wide We are witnessing the end to an unprecedented asset price bubble and the bursting of an equally unprecedented period of credit creation The process of repricing risk and deleveraging after an unprecedented borrowing binge is leading to deepening credit concerns The International Monetary Fund has stated that the financial sector faces potential losses of almost £500bn as a result of the credit crisis, warning of further losses and write-downs on prime mortgages, commercial real estate, leveraged loans and consumer finance, of which more than half would be suffered by banks Meanwhile the really big change is in the supply of one essential commodity, namely credit, where the former tide of liquidity has now turned from flood to ebb

The credit crisis has continued to tighten its grip leading to further orthodox and unorthodox policy adjustments by The US Federal Reserve, which has almost single-handedly acted as bulwark against systemic financial risk and economic meltdown, while trust and confidence in the financial system are severely compromised as assets cannot be valued properly, resulting in frozen markets The list of monetary and fiscal action taken in support of credit markets in the first quarter of 2008 has been impressive, showing that the Fed is determined to take whatever actions are necessary to reflate the economy by injecting liquidity into the banking system US interest rates were cut by 75 basis points to 2 25%, their lowest level in more than three years The unorthodox measures were much more numerous, including an emergency funding rescue package for Bear Stearns and orchestrating its takeover by JP Morgan, thereby avoiding nationalisation, unlike the UK experience with Northern Rock The Fed fulfilled its role as lender of last resort by implementing the Term Securities Lending Facility, offering to swap up to US$200bn in loans by accepting high quality mortgage backed securities and agency bonds as collateral, thereby helping to alleviate liquidity pressures Then in an unprecedented move, the Fed opened the discount window to primary dealers, giving investment banks direct access to the Fed's discount window for emergency funds, something that in the past was only extended to commercial and retail banks Fannie Mae and Freddie Mac, the government-chartered mortgage financiers received the go-ahead from their regulator to pump as much as US$200bn of liquidity into the beleaguered US mortgage market

Here in the UK the gloomy outlook for house prices coincided with new data showing consumer confidence at a 15-year low Mortgage lenders rein in lending by withdrawing mortgage availability, increasing mortgage rates and tightening loan-to-value criteria to protect margins, as the difficulty of obtaining funding from the wholesale money markets continues, because banks lack the trust and confidence to lend to one another because of counterparty risk, hoarding cash instead The days of 100% mortgage offers are gone as lenders cherry-pick low-risk borrowers with large deposits or equity in their homes, in order to improve the credit quality of their loan books, after years of imprudent lending The Bank of England acknowledges that there are downside risks to growth, but that inflation is still an issue The direction inflation takes in the longer term can be as much to do with what households and businesses think will happen as it is to do with the pressures of costs and demand So confidence in and expectation of price stability is crucial in keeping inflation low Producer price inflation in March soared by 6 2% on the year, the highest amount since 1991, while manufacturers' raw material costs rose by 20 4%, the highest figure since records began in 1986 The Bank of England will be desperately hoping that manufacturers' pricing power will be diluted by weaker activity and intensifying competition As an aside the World Bank estimates that the doubling of food prices over the last three years could push 100 million people in low-income countries deeper into poverty The Bank of England's view is that the inevitable slowing of UK economic growth set to take place over coming months, will itself bring inflation back on target in the medium-term In a recent speech Mervyn King, the Bank of England governor, was adamant that there was nothing the Bank's Monetary Policy Committee could do about the sudden rises in food, energy and import prices Instead, in a blunt message to households, he urged everybody to accept lower living standards, since it was not something that could be offset by just demanding higher wages In other words, do not expect rapid and large reductions in interest rates as seen in the US, but expect a more gradual and conservative approach to monetary policy here in the UK

OVERALL PERFORMANCE

During the year under review, the capital and revenue losses per Ordinary and 'A' non-voting Ordinary share amounted to -102 4p or -9 8%, while the share price of the Ordinary shares fell by -27 0% as they traded at a wider discount to their net asset value and the share price of the 'A' non-voting Ordinary share fell by -20 3% This compares with a rise of 6 8% in the Company's benchmark and a total return on the FTSE All-Share Index of -7 4% The two largest positive contributors to the portfolio were Resolution 13 5p and BG Group 12 9p

We ended the year with borrowings of £15 8m compared with cash funds and bank deposits of £6 1m at the end of last year

Since the year end we have received 720p per share as a cash offer for our holding in Resolution, amounting to £26 9m We have also received a further £3 6m from the cash takeovers of our holdings in Foseco and Biffa

SECTOR REVIEW

Sector weighting and performance – (Time Weighted)	**Portfolio weighting at 31 March 2008**	**One year performance to 31 March 2008**
	%	%
Strategic	32 9	(1 1)
Smaller Cap/AIM	20 8	(23 5)
Closed Life Funds	11 5	14 1
Natural Resources	13 2	12 3
Property	8 1	(8 7)
Large Cap	8 5	(23 7)
Utilities	4 2	(13 3)
Insurance	3 2	(9 9)
Cash Funds	0 1	6 0
Mid-Cap	2 4	(36 3)
Investment Trusts	1 7	(32 9)
Hedge	0 5	41 0
Fixed Loans	(7 1)	(3 4)

STRATEGIC

	Opening Value	Net New Investment	Closing Value	Added Value
Portfolio Movements	£74 8m	(£1 1m)	£73 0m	(£0 7m)
Portfolio Weighting			32 9%	
Portfolio Performance				(1 1%)
Contribution to overall total return of (103p)				(3 1p)
Major Contributor				
Ocean Wilsons Holdings				(3 1p)

INVESTMENT MANAGER'S REPORT (continued)

On 30 April 2007, **Ocean Wilsons Holdings Ltd**, ("Ocean Wilsons Holdings") successfully floated Wilson Sons Ltd, ("Wilson Sons") the holding company of its Brazilian business, on the Sao Paulo Stock Exchange and the Luxembourg Stock Exchange The flotation involved the sale of 18 7 million shares in Wilson Sons by Ocean Wilsons, resulting in net proceeds to the company of approximately US$205 6m, and the issue of 11 0m new shares by Wilson Sons, raising approximately US$119 1m of new money for Wilson Sons Following the flotation, Ocean Wilsons Holdings retains a 58 25% holding in Wilson Sons and the Company will continue to fully consolidate Wilson Sons in its accounts, but with a 41 75% minority interest Following a review of the possible options for the use of the net proceeds from the sale, the board decided, as indicated in the April 2007 class one circular, to invest approximately US$183 0m of this money in its investment subsidiary, Ocean Wilsons Investments Ltd, to increase the scale and breadth of that company's investments and expand the remit to include alternative investment classes, including illiquid securities, with a particular emphasis on emerging markets The balance is being retained in a separate investment fund to cover the Ocean Wilsons long-term incentive plan liability and pay the company operating expenses Funds under management (including cash) at 31 March 2008 were US$269 2m (2007 US$82 6m) The large increase from 2007 is principally due to the US$183 0m added to the investment portfolio from the proceeds of the sale of the Wilson Sons Shares

The holding in Ocean Wilsons Holdings has been de-risked to a degree by selling 18 7m shares in Wilson Sons, the Brazilian operating business, in April 2007, as part of the flotation process of Wilsons Sons on the Sao Paulo and Luxembourg Stock Exchanges US$183m of the flotation proceeds have been invested in Ocean Wilsons Holdings diversified investment subsidiary Funds under management in Ocean Wilsons Holdings investment subsidiary (including cash) at 31 March 2008 were US$269 2m The investment portfolio represented US$7 61 (£3 83) per Ocean Wilsons share at that date Ocean Wilsons Holdings now owns 58 25% of the quoted Wilson Sons, so this now has a transparent value At the close of business on 31 March 2008 the Wilsons Sons share price was 19 90 Brazilian Reals, resulting in a market value for Ocean Wilsons Holdings investment in Wilsons Sons of approximately US$474 09m, which was equivalent to US$13 41 (£6 75) per Ocean Wilsons share If one takes the pound per share value of the investment fund of £3 83 and the pound per share value of the holding in Wilsons Sons of £6 75 as at 31 March 2008, add them together for a total of £10 58 per share and then compare this with the closing share price of Ocean Wilsons Holdings of £7 875 as at 31 March 2008, it can be deduced that Ocean Wilsons Holdings was trading at a discount of 25 57% to the sum of the two parts

The Group remains in a very good position to take advantage of the positive Brazilian economic environment through its holding in Wilson Sons, the Brazilian operating business The background macro-economic fundamentals of Brazil remain positive, and GDP grew 5 4% in 2007, supported by rising incomes and strong private consumption Inflation remained in line with the government's target of 4 5%, despite increasing pressure from rising food prices Management expects to maintain growth and invest in the core operating businesses of Port Terminals, Towage, Offshore, Logistics and Shipping Agency The capital investment programme for 2008 is focused on the completion of the Tecon Rio Grande and Tecon Salvador container terminal expansions and further investment in the offshore and tugboat fleets Wilson Sons has started construction on a further four Platform Supply Vessels at its own shipyard, all four of which are to be chartered to Petrobras under long term service contracts Three new tugboats are also being constructed as part of the ongoing tug renewal programme The 2007 results showed the continued strength of the Wilson Sons business, mainly driven by high growth in the towage business and a better mix of full/empty containers

INVESTMENT MANAGER'S REPORT (continued)

SMALLER CAP/AIM

	Opening Value	Net New Investment	Closing Value	Added Value
Portfolio Movements	£54 0m	£6 7m	£45 9m	(£14 8m)
Portfolio Weighting			20 8%	
Portfolio Performance				(23 5%)
Contribution to overall total return of (103p)				(61 5p)
Major Contributors				
Salvesen				4 1p
Foseco				3 9p
Leadcom				(3 9p)

Smaller companies tend to be more domestically focused and hence more exposed to a slowing UK economy and they have not generally benefited from the growth in emerging markets, while the FTSE 100 is full of multinationals Small caps suffer the added problems of illiquidity and came under pressure in the run up to the Chancellor's introduction of an 18% flat rate of CGT and the end of taper relief The credit crunch has seen a dramatic decline in M&A activity in the small cap area as corporates become more cautious and funding becomes particularly hard and more costly to secure There have also been a number of individual company trading disappointments, which have been followed by sharp falls in share prices, particularly if the companies in question are deemed to have stretched balance sheets in this new arctic credit environment

We saw cash bids for **Salvesen** (+ 63 7%), **Foseco** (+49 9%), **Xansa** (+53 3%) and we sold our holding in International Nuclear Solutions to Babcock Intl **NCC Group** (+8 5%) announced interim figures ahead of expectations, a 50% rise in the dividend, and the acquisition of Escrow Europe, extending NCC Group's position as overall market leader in escrow solutions **Goals Soccer Centres** (-20 6%), the premier operator of 5-a-side soccer centres across the UK announced good figures with earnings up 50% and a dividend increase of 58% **Hargreaves Services** (-9 3%), a leading supplier of support services to the energy, mineral and waste sectors, with good visibility of short and medium term forward revenues, announced strong interim figures and says the outlook and prospects for all divisions is very positive **Helesi** (+1 9%), the Greece and UK based waste management products manufacturer and services supplier performed well in 2007, and for 2008 has good revenue visibility of approximately 50% across all divisions from orders received in hand The principal driver for the business continues to be growing government regulation of waste collection, management and recycling **Straight** (-75 8%), the UK recycling products and services group announced 2007 figures ahead of reduced expectations due to weather-related reduced retail sales, while the core trade business of waste and recycling containers remained strong The group remains cash generative with year end cash balances of just over £1 6m Trade sales have been strong in the first quarter and continue to gain momentum **Eaga** (+2 5%) is a UK market leader in the delivery of residential energy efficiency solutions and the group's core focus is working with government, local authorities and utility companies to lower carbon emissions, combat fuel poverty, improve living conditions and reduce energy consumption The work undertaken is principally focused on the housing and social needs of low income and vulnerable households The BBC has recently selected Eaga as the preferred supplier to deliver the Digital Switchover Help Scheme, which demonstrates that Eaga is a more broadly spread support services business that can hold its own against good competition for large contracts **Superglass** (-23 6%), the UK's second largest glass wool manufacturer, provides pure exposure to the rapidly increasing demand for insulation products being brought about by the government and regulatory energy efficiency drive DERFA estimated in 2005 that buildings accounted for some 44% of the UK's carbon emissions, and glass fibre is one of the most economical building insulation materials **Camco International** (-45 0%) is a leading climate change business in the growing carbon and sustainable energy market The group has a 20-year track record of working with public and private organisations worldwide, and manages one of the world's largest carbon credit portfolios

Morson (-35 7%) is the UK's leading provider of technical contract staffing, supplying over 8,500 highly skilled personnel to the aerospace, defence, nuclear power and rail industries and is seeing continuing buoyant market conditions driven by skills shortages A significant part of their business is with large private and public sector organisations, operating on major long-term infrastructure investments, for which funding is in place and committed **Work Group** (-20 9%) focuses on providing services in "talent acquisition and talent development" which enable employers to more effectively recruit and retain key staff Work Group delivered strong results in 2007 and is entering 2008 debt-free and with a strong balance sheet **All Leisure's** (+1 7%) brands offer destination-led, niche cruises in vessels with smaller capacities than those offered by traditional cruise operators and are aimed at a time-rich, cash-rich customer base aged 55yrs and over The group has cash balances of £33m Trading and revenues for summer 2008 are in line with expectations and booking levels for winter 2008/09 programmes are robust, although fuel costs are challenging **Acertec** (-79 5%), one of the UK's leading manufacturers of engineered steel products for use in the automotive and construction markets made a shock announcement, of a £5 0m stock discrepancy and highlighted a serious issue in financial controls at BRC The highly geared group has recently agreed an extension to its existing UK revolving credit facility until 30 April 2009 and the Board is currently seeking new medium-term facilities as well as ways of reducing the overall level of group debt Current trading in BRC is dominated by the exceptional increase in the price of steel, but BRC enjoys a strong order book and good levels of underlying demand in key infrastructure sectors **CAP-XX** (-77 5%), a world leader in the design and manufacture of thin form supercapacitors and energy management systems, predominantly for portable electronic devices, has signed a letter of intent with Murata Manufacturing Corporation of Japan, a leading global company specialising in the development, manufacture and supply of electronic components for a broad spectrum of industries, including the mobile hand-set industry **Cape** (-11 8%), which specialises in the provision of access services, insulation, fire protection, specialist cleaning and other essential support services to major industrial clients principally in the energy and natural resources sectors, generated substantial organic growth in all its key markets and completed a series of earnings enhancing acquisitions which will maximise the Group's ability to offer its services throughout its footprint, and in particular within the Far East/Pacific Rim

Ark Therapeutics (-42 9%) is a specialist healthcare group addressing high value areas of un-met medical need within vascular disease, wound care and cancer Products have been selected which can be taken through development within the group's own means and which benefit from Orphan Drug Status or Fast Track Designation, allowing Ark to retain greater value and greater control of clinical development The group ended 2007 with £65 1m cash in hand, enough to get to breakeven if all goes well Cerepro, a novel gene-based therapy for operable malignant brain cancer, is due to announce data in the third quarter 2008, in line with expectations **Andor Technology** (-62 2%) is one of the world's leading developers and manufacturers of high performance digital cameras Management has stated that the financial year 2008 will be an investment year, as it seeks to grow OEM revenues to offset its high reliance on the R&D sector, which has suffered delays with US R&D orders Therefore, it could be as late as the financial year 2009 before a substantial recovery in earnings could be seen, but the company has cash on the balance sheet **IFR Capital** (-27 9%) seeks to acquire small to medium sized food businesses in Continental Europe With the exception of 2008 earnings, which are affected by the current financing arrangements, the stock trades at a discount to its peer group and Rothschild has been appointed as the group's independent financial advisor to assess the best route forward for IFR Capital and its shareholders **Leadcom Integrated Solutions** (-64 0%), the telecommunications service provider established in 1982, warned that losses from discontinued operations in the Caribbean and Latin America would leave it in the red for 2007 Emerging from a period of significant disposals, former manufacturing conglomerate **Delta** (-28 8%) has slimmed down to three core businesses, generating solid profits and cash flow Disposal proceeds have left the group in an extremely strong financial position, with £128 9m of net cash at the year end Management intends to apply the cash to grow the business in existing areas both organically and by acquisition, while at the same time exploring ways to reduce the scale of the Delta pension plan

CLOSED LIFE FUNDS

	Opening Value	Net New Investment	Closing Value	Added Value
Portfolio Movements	£23 2m	(£0 8m)	£25 6m	£3 2m
Portfolio Weighting			11 6%	
Portfolio Performance – (time weighted)				14 1%
Contribution to overall total return of (103p)				13 5p
Major Contributor				
Resolution				13 5p

Resolution (14 1%) has extended the timetable for its sale to Pearl Group for a third time, reviving doubts about the financing of the proposed £4 98bn cash deal Pearl was in discussions with the FSA to obtain approval for the change of control and needed more time to finalise discussions with the regulator about the timing of any capital releases from Resolution's life business On 29 February Resolution and Pearl issued a joint statement to "confirm their commitment" to the 720p per share acquisition and stated that they expected the period of uncertainty would be brought to an end quickly and positively in a manner that would satisfy all stakeholders On 17 April, Pearl and Resolution announced that the FSA had given notice of its approval of the change of control applications, and the acquisition became effective on 1 May 2008

NATURAL RESOURCES

	Opening Value	Net New Investment	Closing Value	Added Value
Portfolio Movements	£22 0m	£4 3m	£29 1m	£2 8m
Portfolio Weighting			13 1%	
Portfolio Performance – (time weighted)				12 3%
Contribution to overall total return of (103p)				11 5p
Major Contributor				
BG Group				12 9p

The oil price has consolidated above the U$100pb level and has recently moved up above the U$110pb level, against the backdrop of an irreversible and inevitable demand for energy from rapid population growth, particularly in the developing world The underlying decline rate from mature fields is generally acknowledged by the oil majors to be 4-5% pa, a level which is consistent with a detailed analysis published this January by Cambridge Energy Research association, which looked at 811 separate oilfields accounting for two-thirds of current global production, oil demand is growing at 1 5% annually Even with an optimistic assumption that global maturity decline is just half the 4-5% pa figure, on a production base of 85 million barrels per day, the world needs to replace the equivalent of Saudi Arabian production every four to five years Meanwhile, the evidence suggests the ongoing shift of energy assets from international oil companies to national oil companies tends to accelerate a decline and delay in project development An oil industry with capitalism, foreign partners and technology has given way to autarky and state control The national oil companies tend to hold all the cards in a world where only 6% of reserves are left for private oil companies to exploit, while the growing role of NOCs is often accompanied by increased social demands and the transfer of funds away from reinvestment in oil assets The major projects which are required to offset decline and meet demand growth are already subject to delays, with concerns about commercial risk and threat of appropriation with regards to developments like Sakhalin 1 and Sakhalin 2 Meanwhile alternative forms of energy like biofuels are raising environmental concerns and are dependent on government subsidies Diverting crops from food to fuel is raising the spectre of damaging inflation in developed countries and social unrest in the developing world The greatest reserves of coal are in the major consuming countries of the US, China and India, but even new generation coal to liquids technology is a polluting process which requires carbon capture if it is to be environmentally viable

Western oil majors trade at stock prices implying a long-term oil price in the mid-US$50s' per barrel and it is interesting to note that **BP** (-3 4%) has recently raised its publically stated long term oil price from U$40 to U$60/bbl, which could be seen as an attempt to maintain cost discipline in the higher cost environment Much of the benefit of record oil prices goes to the oil majors' government partners, with the oil majors sometimes collecting only a fixed profit per barrel For example, in Nigeria, where **Shell** (4 2%) is the largest producer, the government gets 97% of production profits with oil at US$100 a barrel The oil majors would actually be relieved to see a pull-back in the oil price BP raised its Q4 dividend by 31%, making a total increase for the year of 16%, reflecting the company's increasingly robust view of the future and greater confidence in its ability to deliver sustained dividend income to shareholders, and a significant "shift in policy" regarding buybacks and dividends BP has increasing confidence in its ability to generate sizeable amounts of cash to fund dividends and commit more capital to growing the business through organic capex/exploration Interestingly a Chinese sovereign wealth fund has recently built up a stake of about £1bn in BP, taking advantage of the attractive valuation and the fact that the energy sector is one of the largest and most liquid in the equity markets of the industrialised world Sovereign funds could deploy large sums in oil stocks without reaching significant stakes, and they might prove to be better investments than the U$80bn invested in western financial institutions in the past year From a political point of view, it would be hard to justify welcoming sovereign fund cash to shore up the western banking system, while simultaneously preventing it from buying small stakes in oil companies Shell remains challenged by a weak near-term production profile, lower reserve life on conventional resources and a more rapid growth in capital expenditure than its major rivals Shell is targeting longer term growth potential of 2-3%, with conventional oil falling from 64% of upstream production in 2004 to around 30% in 2013-15, by which time heavy oil should contribute around 8% of production while LNG is expected to double to 22% of production **ENIs** (+7 8%) production should grow at 3 3% CAGR over 2007-2011 and 3% CAGR over 2011-2014 **BG Group** (60 8%) announced a strong set of figures, stating that total reserves now exceed 10bn bls oil equivalent, amounting to 46 years of production at 2007 levels, which could support a compound growth rate in production volumes of 6%-8% p a to 2020 The supply of LNG is forecast to grow at a compound rate of 16-20% between 2005-2012 This would take production to half the BP or Shell produce, which firmly re-establishes BG as the only real growth story in the European oil sector Petrobras, the operator of the BM-S-11 concession in the Santos basin offshore Brazil recently released massive reserve estimates in the Tupi area, where BG has a 25% interest in the concession Unofficial information from Petrobras has assessed that reserves at the Carioca field, where BG has a 30% interest, in the Santos Basin, may be five times bigger than those found in the Tupi field, with talk of reserves of some 33bn bls of oil equivalent, which would make it one of the largest discoveries ever made In the long-term, Brazil offers scope for further significant reserve additions **Melrose** (-18 9%) drilled three very expensive deep-water exploration wells in the western Black Sea which proved unsuccessful Melrose is giving greater emphasis to low risk Egyptian exploration and, following an encouraging start to the programme late last year, 14 exploration wells are to be drilled in 2008 with more in 2009 A platform is being established which should provide the base for higher production, growing earnings and the generation of cash surpluses to finance the development of any new discoveries

The mining sector has seen continuing supply disruptions in the short and long term, with medium-term expansion plans in Africa and Australia failing to meet original timeframes and crippling power supplies in South Africa There has also been an ongoing reduction in LME stocks during a period of economic slowdown Supply generally remains tight, a reflection of the miners' unwillingness to move up their forward price estimates and accelerate the pace of new mine development, causing growth in supply to lag the growth in demand, demonstrating that much of the surge in the sector in the past five years has been due to price rises rather than volume growth It is also clear that state-backed companies are prepared to pay big premiums for mining equities Over the next 25 years, it is anticipated that the population of the world's cities will grow by more than three billion, so by 2030 some 80% of the world population will be living in cities **BHP Billiton** (0 7%) made an all-share bid that offers Rio Tinto shareholders 3 4 BHP shares for each Rio share Such a deal would combine the biggest and third biggest companies in the mining sector and create a global leader in the iron ore, copper, aluminium, coal and uranium markets A BHPB acquisition of Rio is going to be a drawnout affair, requiring competition clearance in a number of jurisdictions, exchange approvals and documentation and political wranglings Meanwhile BHP is forecasting robust growth in Asian economies, particularly China and has worked hard to ramp up production, and the potential value of the uranium deposits in their Olympic dam mine is significant BHP trades on 5x spot earnings and has a negligible amount of debt

PROPERTY

	Opening Value	Net New Investment	Closing Value	Added Value
Portfolio Movements	£15 7m	£4 5m	£18 6m	(£1 5m)
Portfolio Weighting			8 1%	
Portfolio Performance – (time weighted)				(8 8%)
Contribution to overall total return of (103p)				(6 5p)
Major Contributors				
DV3				3 0p
Engel East Europe				(9 1p)

The commercial property sector began accepting big property price falls/yield rises as early as November last year This sharp decline dates back to the middle of last year, when the US sub prime crisis and subsequent credit squeeze shut down the main lending arena for property investment, namely the Commercial Mortgage-Backed Securities market or CMBS, where debt was securitised against pools of commercial mortgages From 2003, securitisation started to play an influential role in UK commercial mortgage financing and became particularly important in driving up prices in 2006 and 2007 What has changed in the commercial property market in the short term is not occupancy rates or prospective rental income, but rather the complete withdrawal from the market of marginal debt-funded buyers The value of transactions in the commercial property market fell from £15bn in the third quarter to £5 5bn in the fourth quarter of last year, contrasting sharply with £20 1bn of deals seen in the last quarter of 2006 The IPD index, the UK benchmark for commercial property, showed total returns falling by 7 6% in the last quarter of 2007 with the calendar year falling 4 4%, the worst annual performance since 1990 For now, the CMBS market remains shut and banks have tightened the lending criteria on commercial property significantly, or have withdrawn from the market completely, so deal flow has reduced to a trickle Most of the larger and well managed commercial property companies have locked in their financing over the next 10 to 20 years, while in many cases inflation adjusted rental income continues to flow from good quality tenants There is the risk of declining rents going forward, with some commentators forecasting 40,000 job losses in the City, which could see City rental levels fall On the other hand, rising construction costs and the scarcity of debt to fund deals means some skyscrapers in the City will not be built, while speculative property development in the UK has seized up

DV3 (24 9%) had largely sold all the properties where it was not actively adding value before the credit squeeze took hold last summer 10 out of 28 properties have been sold, leaving 18 properties in the portfolio, where by and large investors are in for "nothing" and where the team is still adding value and feel final returns will prove to be good DV3 received its compensation payment, totalling just under £20m, from its partner RBS following the completion of the sale of Citi Tower in Canary Wharf, together with the sale of a second Canary Wharf asset, so DV3 has earned a total of approximately £27m from these two transactions from a zero equity investment As at 31 December 2007, total funds of £264m (80% of total commitments of £330 8m) had been drawn down from shareholders and effectively all returned by way of five capital redemptions At the completion of the four year drawdown period ending 30 March 2008, the outstanding commitment of Hansa Trust to DV3 was £0 8m **DV4** (Unquoted n/c) raised £1bn of equity just before the onset of the credit crunch, leaving them in a strong position to access favourable transactions going forward Hansa Trust has made a commitment to the company of £10 0m DV4 has invested £85 5m for a 50% share in two London shopping centres with significant scope to add value, and has acquired Alpha Plus, a business comprising 17 private schools and colleges, for £111 1m Credit approved terms have been agreed with National Australia Bank for a development loan facility of up to £28 5m to fund the development of the 120 bedroom hotel on the Brooklands site **Hansteen Holdings** (-3 3%) was founded by the management team behind Ashtenne, and initially raised £125m in November 2005, followed by a secondary issue of £68 5m net of expenses in February 2007 The company invests primarily in industrial property in Western Europe on initial yields of 7 5-8 0%, some 1 6-2 4% above prevailing debt costs NAV has risen by 38p a share since the initial issue price of 100p

We had steered clear of quoted UK commercial property companies over the last couple of years, but acquired positions in **Hammerson** (5 1%) and **Great Portland Estates** (11 5%) towards the end of our financial year at what we consider to be attractive valuations in terms of initial yield and discount to net asset value Hammerson invests in and develops shopping centres, retail parks and prime offices, mainly in the UK (70%) and France (30%) Flagship retail investments include the Bullring in Birmingham and the Oracle shopping centre in Reading, and the company has six major schemes under construction and an attractive development pipeline Hammerson's retail and office portfolios are of the highest quality, and prime properties let on long leases to occupiers with strong covenants are showing greater resilience than secondary assets Great Portland Estates invests in and develops freehold properties with a focus on the office market in central London The management is confident in the quality of its assets in undersupplied locations like the West End, highlighting the strong occupational markets and solid demand

We had also avoided pure UK house builders but still managed to get burnt **Engel East Europe** (-56 4%), a Central and Eastern European residential property developer saw a change in its largest shareholder and the introduction of a new management team The new board has decided to discontinue the company's non-core operations in Canada and Germany and has continued the expansion of its high-end portfolio, for example with the acquisition in December 2007 of land in Trioja, Prague, for 100 luxury apartments The group holds a 65% share in 10,500 plots, while underlying demand across Central East Europe remains robust relative to other western markets

LARGE CAP

	Opening Value	Net New Investment	Closing Value	Added Value
Portfolio Movements	£16 5m	£6 5m	£18 8m	(£4 2m)
Portfolio Weighting			8 5%	
Portfolio Performance – (time weighted)				(23 7%)
Contribution to overall total return of (103p)				(17 4p)
Major Contributor				
Wolseley				(10 5p)
GlaxoSmithKline Plc				(4 6p)
Home Retail Group				(3 8p)

As the credit squeeze has intensified, the winners and losers in the UK mortgage market are emerging with increasing clarity The biggest losers are likely to be the 21 new entrants, often US investment banks, which moved into the mortgage market two years ago, which are reliant on currently-expensive wholesale funding The big winners of the turmoil are likely to be the clearing banks with large balance sheets and strong deposit-gathering franchises, such as **HSBC** (-1 9%) and **Lloyds TSB** (11 9%), which do not have to rely on wholesale funding to write new loans HSBC was the bank that brought the subprime crisis home to Britain, with its shock warning in February 2007 that its US mortgage business had gone sour HSBC has announced it will exploit the weakness of its rivals by offering to match existing selective fixed-rate deals for a further two years HSBC never uses intermediaries and will cherry-pick the best customers HSBC has come under the scrutiny of Knight Vinke, the activist shareholder

INVESTMENT MANAGER'S REPORT (continued)

The criticism is that capital allocation in recent years has been poor, with 70% of group assets in Europe and North America generating just 49% of the profits Looking at things the other way, HSBC is 51% Hong Kong/Asia/Emerging Markets versus 49% Europe/US, preferable to those banks where the sole exposure is the UK mortgage market We took a new position in Lloyds TSB before its final figures, which showed greater income than cost growth in all divisions, and writedowns of just £280m linked to the crisis in the US mortgage market It has been helped by its focus on building lifelong relationships with customers, building annuity style revenues, which are more stable Lloyds TSB underlined its confidence by increasing the final dividend by 5%, its first increase in five years and it said it planned to grow the dividend going forwards

Wolseley (-53 5%), the world's number one distributor of heating and plumbing products to the professional market and a leading supplier of building materials has seen investor sentiment turn very negative as about 50% of group sales are in North America and about half of that is exposed to the residential housing market Cash generation remains strong, as does the company's focus on addressing the US housing headwinds through cost-cutting **Experian Group** (-36 2%) is a global leader in providing information, analytical tools and marketing services to organisations and consumers to help manage the risk and reward of commercial and financial decisions The business is highly cash generative and operationally geared, and the market is concerned that the global shrinkage in consumer credit will lead to reduced demand for data from Experian's credit bureau and reduce the use of their Decision Analytics unit **GlaxoSmithKline** (-23 7%) has been a hugely unfashionable mega cap, and in 2008 expects the impact of lower Avandia sales, together with increased generic competition, will lead to a mid-single digit percentage decline in business performance eps at constant exchange rates The good news is that the consumer products division and vaccine operations are both excellent, while 2008 should represent the peak of the off-patent challenge, and from 2009 the late stage pipeline should give rise to up to 25 key product launches over 2007-09 On the other hand, we would prefer it if the company ceased its share buy-back programme and started raising the dividend instead, which would benefit all shareholders

UTILITIES

	Opening Value	Net New Investment	Closing Value	Added Value
Portfolio Movements	£15 9m	(£4 9m)	£9 3m	(£1 7m)
Portfolio Weighting			4 2%	
Portfolio Performance – (time weighted)				(13 3%)
Contribution to overall total return of (103p)				(7 1p)
Major Contributors				
Centrica Plc				(1 3p)
National Grid Plc				(4 0p)
Scottish & Southern				(1 9p)

We sold **National Grid** (-10 1%) and switched the proceeds in to BHP Billiton Scottish and **Southern Energy** (-5 1%) announced it has passed a key milestone of 2,000MW of renewable energy capacity, bolstered by the acquisition of Irish windfarm operator Airtricity 90% of SSE's capacity, which comprises hydro, wind farms and biomass, is located in the UK, with the remainder in the Republic of Ireland The Group benefits from a strong pipeline and expects to have 4,000MW of renewable capacity by 2013, doubling its green credentials within five years Over the next five years, SSE plans to invest more than £2 5bn in green energy, part of a wider investment programme across the business, totalling £6 5bn by 2013 British Gas parent **Centrica** (-20 3%) is in early talks with European rivals about a £10bn joint bid for nuclear energy firm British Energy British Energy operates the UK's eight nuclear power stations and is well placed to capitalise on the government's plans to build the next generation of nuclear power stations, because it owns the sites they are likely to be built on

INSURANCE

	Opening Value	Net New Investment	Closing Value	Added Value
Portfolio Movements	£11 4m	(£2 9m)	£7 2m	(£1 3m)
Portfolio Weighting			3 2%	
Portfolio Performance				(9 9%)
Contribution to overall total return of (103p)				(5 4p)
Major Contributors				
Kiln				2 4p
Brit Insurance				(7 8p)

Kiln (32 1%) was acquired by Tokio Marine and Nichido Fire Insurance Co Ltd for 150p cash per share in a recommended transaction **Brit Insurance** (-20 5%) reported better than expected 2007 results and a 7 0p special dividend The biggest drag on Brit's shares recently has been the fear of potential insurance claims from subprime related lawsuits Brit has now reported it has had 25 subprime notifications to date, of which nine have monetary value and 16 are precautionary The estimated net cost of the nine firm notifications is £13m The group has established a reserve of £63m for all subprime related claims, which leaves considerable headroom to absorb unforeseen claims Brit is expecting improvements to market conditions in the UK over the course of 2008, with conditions elsewhere remaining satisfactory overall, though with competitive pressures 2007 was a peak year for the insurance market, when most things went the right way for the sector Premiums remained high in a large number of classes Claims, particularly hurricanes, were relatively low, investment returns were strong and reserve releases were possible The sector saw strong profits growth and a commitment to a substantial return of capital The outlook for 2008 is less good, but should still be satisfactory, while the 2009-10 outlook is more challenging

MID CAP

	Opening Value	Net New Investment	Closing Value	Added Value
Portfolio Movements	£9 8m	(£2 6m)	£4 4m	(£2 8m)
Portfolio Weighting			2 4%	
Portfolio Performance				(36 3%)
Contribution to overall total return of (103p)				(11 7p)
Major Contributors				
Galliford Try				(9 4p)
Premier Foods				(5 4p)

Biffa (1 4%) received a cash bid of 350p per share We sold **FKI** (19 7%) on the announcement of there being a potential offer for the company, while **SSL International** (15 1%) continues to be subject to bid rumours because its personal healthcare brand contributions would fit well in a larger sales and marketing portfolio In a trading update, SSL said it "expects to achieve its double digit operating profit growth target for the year to 31 March 2008" while "expectations for similar growth in the current year ending March 2009 remain unchanged" **Galliford Try** (-61 2%) is differentiated from the mainstream, more volume related housebuilders, with its emphasis on construction and infrastructure work, affordable housing regeneration and non-standard houses for private buyers Matching the cash generative nature of construction with cash-absorbing housebuilding creates a largely self-funding business model The group has very limited exposure to consortium sites, which by definition are competing on price, or to high rise Galliford is also becoming a major player in the affordable housing market, where the increasing demand for affordable housing is at the forefront of the government's agenda Sentiment in the housing market has dropped to a 30-year low according to the influential March survey from the Royal Institution of Chartered Surveyors and Galliford has been tarred with the pure housebuilder brush In a real recession, the company can simply be run for cash, with no reinvestment into land until prices reach rock bottom **Premier Foods** (-60 5%) has suffered because of the dramatic increase in wheat prices and the consequent impact on bread profitability, and Hovis's loss of market share The group has also been severely punished for its private equity style capital structure and the decision to cut its full year dividend by 46% Group gearing was 110%, or net debt of £1 6bn, reflecting the purchases of RHM and Campbell's soups, leaving interest cover at 2 5x The group has amended its term and revolving credit facilities by agreement with its lending banks to provide greater covenant headroom for the remainder of its financing period It has converted its £100m acquisition line to a working capital line and re-negotiated a further £125m of short-term facilities with three of its leading banks to provide additional liquidity headroom for the remainder of 2008 The group has a good portfolio of brands, financing in place, and now needs to perform at the operational level

INVESTMENT TRUSTS

	Opening Value	Net New Investment	Closing Value	Added Value
Portfolio Movements	–	£5 5m	£3 9m	(£1 6m)
Portfolio Weighting			1 8%	
Portfolio Performance				32 9%
Contribution to overall total return of (103p)				(7 0p)
Major Contributors				
Herald Investment Trust				(7 0p)

Herald Investment Trust (-32 9%) now trades at a 20% discount to net asset value, and has suffered from investor concerns about price deflation in the technology sector, and the challenging outlook for discretionary spending in an economic downturn, particularly in the financial sector, which has historically been a heavy consumer of IT services Herald's manager believes the valuations of technology stocks are historically cheap and we agree, although we will need to be patient We are certainly beginning to see more corporate activity in the sector and expect the consolidation process to continue

HEDGE

	Opening Value	Net New Investment	Closing Value	Added Value
Portfolio Movements	–	£0 8m	£1 1m	£0 3m
Portfolio Weighting			0 5%	
Portfolio Performance				41 0%
Contribution to overall total return of (103p)				1 1p
Major Contributors				
JPM OTC FTSE PUT SPREAD				1 1p

During the year, four further contracts costing £801,763 were entered into, between FTSE 100 levels of 5,990 and 6,424 for periods of twelve, nine and six months giving protection between FTSE 100 levels of 4,792 and 5,782 The market fell with the FTSE 100 ending our financial year at 5,702, which produced gains of £261K or 41 0%

OUTLOOK

The liquidity panic is over, at least for now The write-downs and solvency issues are not In essence, the Bear Stearns rescue addressed a liquidity problem because Bear was an important counterparty in whom other banks had lost trust, which in turn caused a crisis of confidence The fact that JP Morgan raised its offer to US$10 a share suggests it reckoned the bank was nonetheless solvent There are still many questions to be answered about the value of mortgage-backed paper that is no longer traded because markets have dried up, while the rate of decline in US house prices shows no signs of stabilising It is easy to demand too much of monetary policy It cannot magically take back imprudent lending and deleverage hedge funds It cannot make banks lend or affect house prices, or boost collateral values and prevent home foreclosures The Fed does not have the levers to influence the solvency and deleveraging process, or the capital adequacy requirements of banks, or the accounting issues of having to mark to market Troubles at Peloton Capital and Carlyle Capital Corporation happened because they used borrowed money to buy assets that have fallen in value Banks became worried about their solvency and asked for some of their money back, causing a rapid downwards spiral as leveraged investors were forced to sell assets in a falling market, a story of deleveraging and risk reduction This process does not just hurt hedge funds but also forces banks to recognise new losses as a result of pressure to mark their books to market Banks, investors and regulators need to put realistic values on securitised products in a broken financial system, which will see further substantial asset write-downs, which in turn will continue to erode bank capital and keep upward pressure on interbank lending spreads Banks will need to raise more capital and cut dividends to mitigate the ongoing balance sheet strain following the initial sizeable cash injection from sovereign wealth funds By addressing liquidity problems the Fed has only bought time for financial institutions as they try and deal with write-downs of impaired assets linked to the still-deteriorating US housing sector Even though the Fed must recognise it is not really solving the underlying problem, it needs to keep the financial system going to allow the system to find new clearing levels for assets in a reasonably orderly fashion, so the necessary liquidation of excessive debt does not spiral out of control and become a deflationary catastrophe Deleveraging and forced selling will remain, along with decelerating economies and declining corporate profits growth

The Fed still has more options, like boosting the volume of its lending or making outright purchases of mortgage backed securities, which could have an impact on liquidity premiums but not credit risk premiums It looks as though the US Government may need to play its role too, and Congress may well be required to take action in a number of areas It is likely to pass a first round of legislation before August, enabling the use of the government's balance sheet to purchase eligible mortgages at a discount and restructure them, which could reduce the number and pace of foreclosures and have a positive effect on the valuation of mortgage-backed securities that currently do not trade The government may need to make an explicit guarantee of the role that the government-chartered mortgage financiers Fannie Mae and Freddie Mac are being asked to play, in providing additional liquidity to the mortgage market In addition, government measures may become necessary to enable changes to accounting policies, which could allow banks to take their losses in a more orderly fashion rather than having to immediately mark to market as is current policy Government measures may be required to help recapitalise financial institutions, enabling them to start lending again

The Bank of England introduced a new Special Liquidity Scheme ("SLS"), similar to the US Term Securities Lending facility, but not as generous Under the SLS, banks will be able to swap mortgage loans they made before the end of last year and now cannot sell on, for easily saleable short-term government bonds In no way does the SLS absolve banks of the consequences of their past lending mistakes, because they keep all the credit risk The scheme should erase any fears that a UK bank will be unable to repay a loan because it is illiquid, thereby greatly reducing risks to the financial system However the SLS does not aim to boost new mortgage lending, and will not necessarily increase the supply or lower the price of credit in the wider economy, and will not deal with the issue of solvency, whereby too many bad loans were made at too low an interest rate in a former time when risk was mis-priced In addition to this liquidity support, a number of banks in the US and UK addressed their capital inadequacy with recapitalisation plus rights issues RBS and HBOS announced rights issues of £12bn and £4bn respectively, demonstrating that while central banks have acted to dissipate the liquidity risk to the financial system, equity investors run the risk of providing the capital solvency to financial companies More recently the Governor of the Bank of England promised to keep liquidity in the banking system flowing "in all seasons", outlining plans to create a permanent facility for troubled banks The scheme will be a permanent successor to the SLS introduced in April, and will give troubled institutions an alternative to tapping the Bank's standing facilities, which have proved ineffective because banks have been reluctant to be seen to be seeking central bank help

In the meantime The Bank of England's latest credit conditions survey warns the availability of credit is going to become more restricted over the coming months for both households and companies, while the price of credit will continue to rise The cost of raising corporate debt is rising sharply while its availability is drying up, which has seen private equity purchase and sale transactions slow to a trickle, along with a decline in the level of corporate share buy-backs as companies conserve cash, a far cry from the pre-credit crunch days of "de-equitisation", when debt was cheap and plentiful With the cost of equity falling to its lowest level, relative to debt, since 2001, there is expected to be a large increase in equity issuance, or "re-equitisation", as companies raise equity capital to repair balance sheets Less lending means less consumer spending and less business investment, which is bad news for economic growth There is also the likelihood that the corporate sector will take measures to protect its earnings and profit margins by cutting costs, which could involve redundancies Deteriorating employment prospects could lead to a further reduction in consumer confidence and demand, putting further downward pressure on the housing market, with the attendant risk of repossessions for both consumers and banks

The debt years, the financial system's leverage binge, are over for now The credit crisis is likely to mark a turning-point in attitudes to financial liberalisation and the aftermath is likely to bring more regulation and smaller financial profits in its wake The financial industry faces an era of lower earnings power, with returns on equity falling as financial institutions shrink their balance sheets, reduce leverage and hoard cash There cannot be a simple, quick and easy resolution and end to the credit crisis It will take more time, more pain and possibly government measures to provide the sort of regulatory and legislative framework within which to manage the problems of failing financial markets Without confidence and liquidity, there is effectively no banking system Without a banking system there is no modern economy

Hansa Capital Partners LLP

26 June 2008

Portfolio Information

As at 31 March 2008

Investment	Fair value £000	Percentage of Investments
Ocean Wilsons Holdings Limited	72,952	30 99
Resolution Plc	25,578	10 87
BG Group Plc	8,169	3 47
Brit Insurance Holdings Plc	7,181	3 05
Scottish and Southern Energy Plc	5,616	2 39
Lloyds TSB Group Plc	5,412	2 30
Hammerson Plc	5,291	2 25
HSBC Holdings Plc	5,188	2 20
Eni S p a	5,176	2 20
BP Plc	5,120	2 18
Top 10 Investments	145,683	61 90
Hargreaves Services Plc	5,040	2 14
BHP Billiton Plc	5,008	2 13
GlaxoSmithKline Plc	4,264	1 81
Ark Therapeutics Group Plc	4,202	1 79
NCC Group Plc	4,184	1 78
Eaga Plc	4,099	1 74
Herald Investment Trust Plc	3,872	1 64
Centrica Plc	3,728	1 58
Great Portland Estates Plc	3,627	1 54
Hansteen Holdings Plc	3,443	1 46
Top 20 Investments	187,150	79 51
All Leisure Group Plc	3,050	1 30
Melrose Resources Plc	3,020	1 28
Cape Industries Plc	3,006	1 28
Goals Soccer Centres Plc	2,965	1 26
Foseco Plc	2,798	1 19
Morson Group Plc	2 678	1 14
DV3 Ltd#	2,663	1 13
Royal Dutch Shell Plc	2,437	1 04
Wolseley Plc	2,385	1 01
Superglass Holdings Plc	2,368	1 01
Top 30 Investments	214,520	91 15
Other Investments (33)	20,846	8 85
Total Investments	**235,366**	**100.00**
Listed	190,468	80 92
AIM and OFEX	41,073	17 45
Unquoted	3,825	1 63
	235,366	**100.00**

Unquoted

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 The disclosures on the Directors' emoluments for the year have been audited and the Auditors' opinion is included in their report on page 40

REMUNERATION COMMITTEE

The Company has four non-executive Directors The Board as a whole fulfils the function of the Remuneration Committee The Board has appointed the Company Secretary 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 at the beginning of the financial year and concluded that the emoluments paid to the Directors should be increased to Mr Hammond-Chambers £30,000, Lord Borwick £20,000, Mr Salomon £18,000 and Professor Wood £20,000 with effect from 1 April 2007

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 appropriate for the work carried out and the responsibilities undertaken It is intended that this policy will continue

The fees for the non-executive Directors are within the limits set out in the Company's Articles of Association, which are £150,000 in total, 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 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 has decided that each Director will retire annually at the AGM and seek re-election as appropriate 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

DIRECTORS' ATTENDANCE

The Directors meet as a Board on a quarterly basis and at other times as necessary and the table below sets out the number of meetings and the attendance of them by each Director

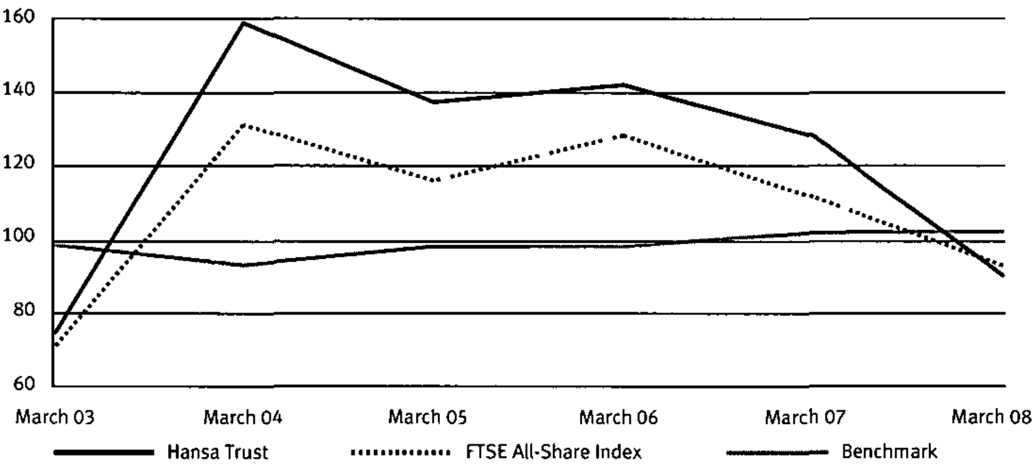
	Strategic	Board	Audit Committee
Number of meetings held	1	5	2
Number of meetings attended			
Mr Hammond-Chambers	1	5	2
Lord Borwick	1	5	2
Mr Salomon	1	5	2
Professor Wood	1	5	2

DIRECTORS' REMUNERATION REPORT (continued)

YOUR COMPANY'S PERFORMANCE

In accordance with the Companies Act requirements and specification, the graph below shows the total return to shareholders to the total return of the Company's Performance Benchmark

BENCHMARK COMPARISON



DIRECTORS' EMOLUMENTS FOR THE YEAR (AUDITED)

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

	2008 £000	2007 £000
Mr Hammond-Chambers (Chairman of the Board)	30	20
Lord Borwick	20	15
Mr Salomon*	18	13
Professor Wood	20	14
	88	62

*In addition Mr Salomon received fees during the year from three companies in which the Company had an investment These were Ocean Wilsons Holdings Limited and DV3 Limited

APPROVAL

The Directors' Remuneration Report on pages 38 to 39 was approved by the Board of Directors on 16 June 2008 and signed on its behalf by Mr Hammond-Chambers

Independent Auditors' Report to the Shareholders of Hansa Trust PLC

We have audited the group and parent company financial statements (the "financial statements") of Hansa Trust Plc for the year ended 31 March 2008 which comprise the group income statement, the group and parent company statement of changes in equity, the group and parent company balance sheets, the group cash flow statement, and notes 1 to 23 These financial statements have been prepared under the accounting policies set out therein 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 members, as a body, in accordance with Section 235 of the Companies Act 1985 Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Report of the Directors on page 6

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 International Standards on Auditing (UK and Ireland)

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 and, as regards the group financial statements, Article 4 of the IAS Regulation We also report to you whether in our opinion the information given in the Report of the Directors is consistent with the financial statements The information given in the Report of the Directors includes that specific information presented in the Chairman's Statement that is cross-referred from the Report of the Directors

In addition we report to you if, in our opinion, 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 other transactions is not disclosed

We review whether the Corporate Governance Statement reflects the company's compliance with the nine provisions of the 2006 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, 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 Key Information, the Ten Year Performance Statistics, the Chairman's Statement, the Report of the Directors, the Investment Manager's Report, the Portfolio Information, and the unaudited part of the Directors' Remuneration Report 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 International Standards on Auditing (UK and Ireland) 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 judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and 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 group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's affairs as at 31 March 2008 and of its loss for the year then ended,
- the parent company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent company's affairs as at 31 March 2008,
- 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 and, as regards the group financial statements, Article 4 of the IAS Regulation, and
- the information given in the Directors' Report is consistent with the financial statements

Grant Thornton UK LLP

Grant Thornton UK LLP
Registered Auditor & Chartered Accountants
London
26 June 2008

Group Income Statement

For the year ended 31 March 2008

	Notes	Revenue 2008 £000	Capital 2008 £000	Total 2008 £000	Revenue 2007 £000	Capital 2007 £000	Total 2007 £000
(Losses)/gains on investments	11	–	**(28,112)**	**(28,112)**	–	52,403	52,403
Gain/(loss) on derivative		–	**221**	**221**	–	(20)	(20)
Exchange losses on currency balances		–	**(1)**	**(1)**	–	(10)	(10)
Investment income	2	**5,541**	–	**5,541**	5,215	–	5,215
		5,541	**(27,892)**	**(22,351)**	5,215	52,373	57,588
Investment Management fee	3	**(1,838)**	–	**(1,838)**	(1,312)	–	(1,312)
Write back of prior years' VAT	20	**674**	–	**674**	–	–	–
Other expenses	4	**(729)**	–	**(729)**	(561)	–	(561)
		(1,893)	–	**(1,893)**	(1,873)	–	(1,873)
Profit/(loss) before finance costs and taxation		**3,648**	**(27,892)**	**(24,244)**	**3,342**	**52,373**	**55,715**
Finance costs	5	**(200)**	–	**(200)**	(226)	–	(226)
Profit/(loss) before taxation		**3,448**	**(27,892)**	**(24,444)**	**3,116**	**52,373**	**55,489**
Taxation	6	**(144)**	–	**(144)**	(58)	–	(58)
Profit/(loss) for the year		**3,304**	**(27,892)**	**(24,588)**	**3,058**	**52,373**	**55,431**
Return per Ordinary and 'A' non-voting Ordinary share	8	**13.8p**	**(116.2p)**	**(102.4p)**	12 8p	218 2p	231 0p

The total column of this statement represents the Group's Income Statement, prepared in accordance with IFRS The supplementary revenue and capital return columns are both prepared under guidance published by the Association of Investment Companies

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

The accompanying notes are an integral part of this statement

STATEMENT OF CHANGES IN EQUITY – GROUP

For the year ended 31 March 2008

	Note	**Share capital 2008 £000**	**Capital redemption reserve 2008 £000**	**Retained earnings 2008 £000**	**Total 2008 £000**	Share capital 2007 £000	Capital redemption reserve 2007 £000	Retained earnings 2007 £000	Total 2007 £000
Net assets at 1 April		**1,200**	**300**	**247,966**	**249,466**	1,200	300	194,875	196,375
(Loss)/profit for the year		**–**	**–**	**(24,588)**	**(24,588)**	–	–	55,431	55,431
Dividends paid	7	**–**	**–**	**(3,000)**	**(3,000)**	–	–	(2,340)	(2,340)
Net assets at 31 March		**1,200**	**300**	**220,378**	**221,878**	1,200	300	247,966	249,466

STATEMENT OF CHANGES IN EQUITY – COMPANY

For the year ended 31 March 2008

	Note	**Share capital 2008 £000**	**Capital redemption reserve 2008 £000**	**Retained earnings 2008 £000**	**Total 2008 £000**	Share capital 2007 £000	Capital redemption reserve 2007 £000	Retained earnings 2007 £000	Total 2007 £000
Net assets at 1 April		**1,200**	**300**	**247,966**	**249,466**	1,200	300	194,875	196,375
(Loss)/profit for the year		**–**	**–**	**(24,588)**	**(24,588)**	–	–	55,431	55,431
Dividends paid	7	**–**	**–**	**(3,000)**	**(3,000)**	–	–	(2,340)	(2,340)
Net assets at 31 March		**1,200**	**300**	**220,378**	**221,878**	1,200	300	247,966	249,466

The accompanying notes are an integral part of this statement

Balance Sheet of the Group and Company

as at 31 March 2008

	Notes	Group 2008 £000	Group 2007 £000	Company 2008 £000	Company 2007 £000
Non-current investments					
Shares in Group undertaking	10	–	–	**637**	638
Investments held at fair value through profit and loss	11	**235,366**	243,641	**235,366**	243,641
		235,366	243,641	**236,003**	244,279
Current assets					
Trade and other receivables	13	**2,398**	737	**2,398**	737
Cash and cash equivalents	14	**251**	6,091	**251**	6,091
		2,649	6,828	**2,649**	6,828
Current liabilities					
Trade and other payables	15	**(16,137)**	(1,003)	**(16,774)**	(1,641)
Net current (liabilities)/assets		**(13,488)**	5,825	**(14,125)**	5,187
Net assets		**221,878**	249,466	**221,878**	249,466
Capital and reserves					
Called up share capital	16	**1,200**	1,200	**1,200**	1,200
Capital redemption reserve	17	**300**	300	**300**	300
Retained earnings	18	**220,378**	247,966	**220,378**	247,966
Total equity shareholders' funds		**221,878**	249,466	**221,878**	249,466
Net asset value per Ordinary and 'A' non-voting Ordinary share	19	**924.5p**	1,039 4p	**924.5p**	1,039 4p

The Financial Statements on pages 41 to 58 were approved by the Board of Directors on 16 June 2008 and were signed on its behalf by

Alex Hammond–Chambers
Chairman

The accompanying notes are an integral part of this statement

Cash Flow Statement

for the year ended 31 March 2008

	Notes	Group 2008 £000	Group 2007 £000	Company 2008 £000	Company 2007 £000
Cash flows from operating activities					
(Loss)/profit before finance costs & taxation		**(24,244)**	55,715	**(24,244)**	55,715
Adjustments for					
Realised gains on investments	*11*	**(6,646)**	(32,063)	**(6,646)**	(32,063)
Unrealised losses/(gains) on investments	*11*	**34,758**	(20,340)	**34,759**	(20,335)
Effect of foreign exchange rate changes		**1**	10	**1**	10
Interest paid		–	–	–	–
Decrease in current asset investments		-	–	-	-
(Increase)/decrease in trade and other receivables	*13*	**(1,661)**	(391)	**(1,661)**	(391)
Increase in trade and other payables	*15*	**42**	–	**41**	24
Taxes paid		**(144)**	(58)	**(144)**	(58)
Purchase of non-current investments		**(42,801)**	(65,752)	**(42,801)**	(65,752)
Sale of non-current investments		**22,256**	77,905	**22,256**	77,905
Net cash (outflow)/inflow from operating activities		**(18,439)**	15,026	**(18,439)**	15,055
Cash flows from financing activities					
Interest paid on bank loans		**(200)**	(226)	**(200)**	(226)
Dividends paid		**(3,000)**	(2,340)	**(3,000)**	(2,340)
(Repayment)/drawdown of loans		**15,800**	(6,600)	**15,800**	(6,600)
Net cash inflow/(outflow) from financing activities		**12,600**	(9,166)	**12,600**	(9,166)
(Decrease)/increase in cash and cash equivalents		**(5,839)**	5,860	**(5,839)**	5,889
Cash and cash equivalent at 1 April		**6,091**	241	**6,091**	212
Effect of foreign exchange rate changes		**(1)**	(10)	**(1)**	(10)
Cash and cash equivalents at 31 March		**251**	6,091	**251**	6,091

The accompanying notes are an integral part of this statement

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

The financial statements of the Group and Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") These comprise standards and interpretations approved by the International Accounting Standards Board ("IASB"), together with interpretations of the International Accounting Standards and Standing Interpretations Committee approved by the International Accounting Standards Committee ("IASC") that remain in effect, to the extent that IFRS have been adopted by the European Union

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Group operates As permitted by Section 230 of the Companies Act 1985, an income statement for the Company has not been presented in the financial statements

(a) Basis of preparation

The financial statements have been prepared on an historical cost basis, except for the valuation of investments and derivatives at fair value The principal accounting policies adopted are set out below Where presentational guidance, set out in the Statement of Recommended Practice ("SORP") for investment trusts issued by the Association of Investment Companies (AIC) in January 2003 (and revised in December 2005), is consistent with the requirements of IFRS, the Directors have sought to prepare the financial statements on a basis compliant with the recommendations of the SORP

(b) Basis of Consolidation

The Financial Statements comprise the accounts of the Company and its subsidiary undertaking made up to 31 March 2008 In the Company's Financial Statements the investment in its subsidiary undertaking is stated at fair value All accounting policies are applied consistently throughout the Group

(c) Presentation of income statement

In order to reflect better the activities of an investment trust company and in accordance with guidance issued by the AIC, supplementary information which analyses the income statement between items of a revenue and capital nature has been presented alongside the Income Statement In accordance with the Company's status as a UK investment company under section 833 of the Companies Act 2006, net capital returns may not be distributed by way of dividend Additionally the net revenue is the measure that the Directors believe to be appropriate in assessing the Company's compliance with certain requirements set out in section 842 of the Income and Corporation Taxes Act 1988

(d) Non- current Investments

As the Company's business is investing in financial assets, with a view to profiting from their total return in the form of increases in fair value, investments are designated as fair value through profit and loss on initial recognition in accordance with IAS 39 The Company manages and evaluates the performance of these investments on a fair value basis in accordance with its investment strategy and information about the investments is provided on this basis to the Board of Directors

Investments are recognised and de-recognised on the trade date For listed investments fair value is deemed to be bid market prices or closing prices for SETS stocks sourced from the London Stock Exchange SETS is the London Stock Exchange electronic trading service covering most of the market including all FTSE 100 constituents and most liquid FTSE 250 constituents along with some other securities

Unquoted investments are stated at fair value through profit or loss as determined by using various valuation techniques, in accordance with the International Private Equity and Venture Capital ("IPEVC") Valuation Guidelines These include using recent arms length market transactions between knowledgeable and willing parties where available

Gains and losses arising from changes in fair value are included in net profit or loss for the period as a capital item in the income statement and are ultimately recognised in the Capital Reserves

(e) Derivative Financial Instruments

Over the counter derivative options are measured at fair value as valued daily by the issuing broker at mid-market price

(f) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank, short-term deposits and cash funds with an original maturity of three months or less

(g) Investment Income

Dividends receivable on equity shares are recognised on the ex-dividend date 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 Dividends are stated net of related tax credits

Underwriting commission is recognised in the revenue column of the Income Statement insofar as it relates to shares not required to be taken up Where a proportion of the shares underwritten are required to be taken up the same proportion of the commission received is recognised in the capital column of the Income Statement, with the balance taken to the revenue column

(h) Expenses

All expenses are accounted for on an accruals basis Expenses are charged through the revenue column of the Income Statement except as follows

(i) Expenses which are incidental to the acquisition or disposal of an investment are charged to the capital column of the Income Statement,

(ii) Expenses are charged to the realised capital reserve, via the capital column of the Income Statement, where a connection with the maintenance or enhancement of the value of the investments can be demonstrated

(i) Taxation

The tax expense represents the sum of the tax currently payable and deferred tax

The tax currently payable is based on taxable profit for the year Taxable profit differs from profit before tax as reported in the Income Statement because it excludes items of income or expenses that are taxable or deductible in other years and it further excludes items that are never taxable or deductible The Group's liability for current tax is calculated using tax rates that have been enacted or substantially enacted by the balance sheet date

In line with the recommendations of the SORP, the allocation method used to calculate tax relief on expenses presented against capital returns in the supplementary information in the Income Statement is the "marginal basis" Under this basis, if taxable income is capable of being offset entirely by expenses presented in the revenue return column of the Income Statement, then no tax relief is transferred to the capital return column

Deferred taxation is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent it is probable that taxable profits will be available against which deductible temporary differences can be utilised

Investment trusts which have approval under Section 842 ICTA 1988 are not liable for taxation on capital gains

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered

Deferred tax is calculated at the tax rates expected to apply in the period when the liability is settled or the asset is realised Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity

(j) 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 the capital or revenue column of the Income Statement, depending on whether the gain or loss is of a capital or revenue nature respectively

(k) Reserves

Capital reserves – Realised
The following are credited or charged to this reserve via the capital column of the Income Statement

- gains and losses on the realisation of investments,
- realised exchange differences of a capital nature,
- expenses charged to the capital column of the Income Statement in accordance with the above accounting policies

Capital reserves – Unrealised
The following are credited or charged to this reserve via the capital column of the Income Statement

- increases and decreases in the valuation of investments held at the year end,
- unrealised exchange differences of a capital nature,
- unrealised gains from quoted investments used in share buy-backs

2. INCOME

	Revenue 2008 £000	Revenue 2007 £000
Income from listed investments		
Dividends	**3,840**	3,562
Overseas dividends	**1,564**	1,391
	5,404	4,953
Other operating income		
Net dealing profit of the subsidiary	**–**	–
Placement and underwriting income	**25**	4
Interest receivable on AAA rated money market funds	**108**	205
Other interest receivable	**4**	53
	137	262
Total income	**5,541**	5,215
Total income comprises:		
Dividends	**5,404**	4,953
Interest	**112**	258
Other income	**25**	4
	5,541	5,215

3. INVESTMENT MANAGEMENT FEE

	Revenue 2008 £000	Revenue 2007 £000
Periodic fees	**1,682**	1,117
VAT incurred thereon	**156**	195
	1,838	1,312

Details of the management agreement are disclosed in the Report of the Directors on page 18

4. OTHER EXPENSES

	Revenue 2008 £000	Revenue 2007 £000
Secretarial services	**117**	47
Directors' remuneration	**88**	62
Auditors' remuneration for the audit of the Group and Company	**24**	29
Auditors' remuneration for the review of the Half Yearly Report	**2**	2
Administration fees	**126**	113
Production and distribution of Annual and Half Yearly Report	**43**	35
Registrar's fees	**40**	28
Bank charges	**58**	40
Marketing	**71**	74
Savings scheme	**75**	50
Other	**85**	81
	729	561

5. FINANCE COSTS

	Revenue 2008 £000	Revenue 2007 £000
Interest payable	**200**	226
	200	226

6. TAXATION

(a) Taxation Charge on Ordinary Activities

	Revenue 2008 £000	Revenue 2007 £000
UK Corporation Tax @ 30%	–	–
Irrecoverable foreign tax	**144**	58
	144	58

(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% (2007 30%) The differences are explained below

	2008 £000	2007 £000
Total (Loss)/profit before taxation	**(24,444)**	55,489
(Loss)/profit multiplied by standard rate of corporation tax	**(7,333)**	16,647
Effects of		
Non-taxable UK capital losses/(gains)	**8,367**	(15,712)
Non-taxable UK investment income	**(1,152)**	(1,068)
Excess administration expenses unused	**95**	118
Irrecoverable foreign tax	**144**	58
Disallowed expenses	**23**	15
Current tax charge	**144**	58

(c) Provision for Deferred Taxation

There is no requirement to make a provision for deferred taxation 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 £1,577,000 (2007 £1,424,000), arising as a result of having unutilised management expenses and loan relationship deficits In addition there are unrecognised deferred tax assets of £7,000 (2007 £7,000) relating to the subsidiary's unutilised tax losses The expenses will only be utilised, to the extent that there is sufficient future taxable income or 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

7. DIVIDENDS PAID

	Revenue 2008 £000	Revenue 2007 £000
Amounts recognised as distributions to equity holders in the year		
Final dividend for 2007 9 0p (2006 6 25p)	**2,160**	1,500
Interim dividend for 2008 3 5p (2007 3 5p)	**840**	840
	3,000	2,340

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements

We set out below the total dividends paid and proposed in respect of the financial year, which is the basis on which the requirements of Section 842 of the Income and Corporation Taxes Act 1988 are considered The Company's revenue available for distribution by way of dividend for the year is £3,305,000 (2007 £3,063,000)

	Revenue 2008 £000	Revenue 2007 £000
Interim dividend for 2008 3 5p (2007 3 5p)	**840**	840
Proposed final dividend for 2008 9 5p (2007 9 0p)	**2,280**	2,160
	3,120	3,000

8. RETURN ON ORDINARY SHARES (EQUITY)

	Revenue 2008	**Capital 2008**	**Total 2008**	Revenue 2007	Capital 2007	Total 2007
Returns per share	**13.8p**	**(116.2p)**	**(102.4p)**	12 8p	218 2p	231 0p

Returns

Revenue
Revenue return per share is based on the revenue attributable to equity shareholders of £3,304,000 (2007 £3,058,000)

Capital
Capital return per share is based on the capital loss attributable to equity shareholders of £27,892,000 (2007 £52,373,000 profit)

Total
Return per share is based on the combination of revenue returns and capital losses attributable to equity shareholders amounting to a net loss of £24,588,000 (2007 £55,431,000 profit)

Both revenue and capital return are based on 8,000,000 Ordinary shares (2007 8,000,000) and 16,000,000 'A' non-voting Ordinary shares (2007 16,000,000), in issue throughout the year

9. PROFIT OF THE COMPANY ATTRIBUTABLE TO SHAREHOLDERS

The loss for the year after taxation dealt with in the accounts of the Company is £24,588,000 (2007 £55,431,000 profit)

10. SHARE IN 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

	2008 £000	2007 £000
Cost at 1 April 2007	**3**	3
Unrealised appreciation at 1 April 2007	**635**	640
Valuation at 1 April 2007	**638**	643
Movements in unrealised appreciation	**(1)**	(5)
Valuation as at 31 March 2008	**637**	638
Cost at 31 March 2008	**3**	3
Unrealised appreciation	**634**	635
	637	638

11. INVESTMENTS HELD AT FAIR VALUE THROUGH PROFIT AND LOSS

	Group and Company 2008 Total £000	Listed £000	AIM & OFEX £000	Unquoted £000
Cost at 1 April 2007	**143,833**	98,384	44,234	1,215
Unrealised appreciation at 1 April 2007	**99,808**	91,239	6,777	1,792
Valuation at 1 April 2007	**243,641**	189,623	51,011	3,007
Movements in the year				
Changes in listing	–	–	–	–
Purchases at cost	**42,093**	27,145	13,327	1,621
Sales – proceeds	**(22,256)**	(14,037)	(6,847)	(1,372)
– realised gains on sales	**6,646**	2,832	3,814	–
Movement in unrealised appreciation	**(34,758)**	(15,095)	(20,232)	569
Valuation as at 31 March 2008	**235,366**	190,468	41,073	3,825
Cost at 31 March 2008	**170,316**	114,324	54,528	1,464
Unrealised appreciation at 31 March 2008	**65,050**	76,144	(13,455)	2,361
	235,366	190,468	41,073	3,825

Transaction costs

During the year expenses were incurred in acquiring and disposing of investments classified as fair value through profit or loss These have been expensed through capital and are included within gains on investments in the Income Statement The total costs were as follows -

	Group and Company 2008 £000	2007 £000
Purchases	**194**	275
Sales	**14**	140
	208	415

12 SIGNIFICANT HOLDINGS

The Company's holdings of 10% or more of any class of shares in investment companies and 20% or more of any class of shares in non-investment companies are detailed below

Non investment company	Country of incorporation or registration	Class of capital	% of class held	Latest available audited accounts	Aggregate capital and reserves US$000	Profit after tax for the year US$000
Ocean Wilsons Holdings Limited	Bermuda	Ordinary	26 4	31 12 07	613,058	258,065

The above is included as part of the investment portfolio in accordance with IAS 28 – Investment in Associates

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
Straight Plc	Ordinary	9 36
Dowliss Plc	Ordinary	6 54
Robotic Technology Plc	Ordinary	6 06
Work Group Plc	Ordinary	4 90
Helesi Plc	Ordinary	4 60
Acertec Plc	Ordinary	4 38
Cap-XX Plc	Ordinary	4 32
Andor Technology Plc	Ordinary	4 22
Media Square Plc	Ordinary	4 01
Morson Group Plc	Ordinary	3 86
Hargreaves Services Plc	Ordinary	3 81
NCC Group Plc	Ordinary	3 73
Engel East Europe NV	Ordinary	3 13
Ramco Energy Plc	Ordinary	3 08

13. OTHER RECEIVABLES

	Group 2008 £000	Group 2007 £000	Company 2008 £000	Company 2007 £000
Amount due from broker	–	–	–	–
Derivatives at fair value	**1,103**	80	**1,103**	80
Prepayments and accrued income	**1,285**	591	**1,285**	591
Recoverable overseas tax	**10**	66	**10**	66
	2,398	737	**2,398**	737

14. CURRENT ASSET INVESTMENTS

	Group 2008 £000	Group 2007 £000	Company 2008 £000	Company 2007 £000
Cash funds	**251**	4,667	**251**	4,667
Cash at bank	–	1,424	–	1,424
	251	6,091	**251**	6,091

15. CURRENT LIABILITIES

	Group 2008 £000	Group 2007 £000	Company 2008 £000	Company 2007 £000
Bank loans and overdrafts	**15,800**	–	**15,800**	–
Amount due to broker	–	708	–	708
Due to subsidiary undertaking	–	–	**640**	640
Other creditors and accruals	**337**	295	**334**	293
	16,137	1,003	**16,774**	1,641

Details of the bank loan can be found in Note 21

16. SHARE CAPITAL

	Company 2008 £000	Company 2007 £000
Authorised		
300,000 7 5% cumulative preference shares of £1	–	300
8,000,000 Ordinary shares of 5p	**400**	400
16,000,000 'A' non-voting Ordinary shares of 5p	**800**	800
	1,200	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

17. CAPITAL REDEMPTION RESERVE

	Group and Company 2008 £000	2007 £000
Balances at 31 March 2008 and 31 March 2007	**300**	300

18. RETAINED EARNINGS

Group	Revenue 2008 £000	Realised Capital 2008 £000	Unrealised Capital 2008 £000	Revenue 2007 £000	Realised Capital 2007 £000	Unrealised Capital 2007 £000
Opening balance at 1 April	**4,385**	**143,773**	**99,808**	3,667	111,740	79,468
Profit for the year	**3,304**	**6,866**	**(34,758)**	3,058	32,033	20,340
Dividend paid	**(3,000)**	–	–	(2,340)	–	–
Closing balance at 31 March	**4,689**	**150,639**	**65,050**	4,385	143,773	99,808

Company	Realised Revenue 2008 £000	Unrealised Capital 2008 £000	Capital 2008 £000	Realised Revenue 2007 £000	Unrealised Capital 2007 £000	Capital 2007 £000
Opening balance at 1 April	**3,750**	**143,773**	**100,443**	3,027	111,740	80,108
Profit for the year	**3,305**	**6,866**	**(34,759)**	3,063	32,033	20,335
Dividend paid	**(3,000)**	–	–	(2,340)	–	–
Closing balance at 31 March	**4,055**	**150,639**	**65,684**	3,750	143,773	100,443

Note Only Revenue reserves are distributable, by way of dividends

19. NET ASSET VALUE

	2008	2007
Net asset value per Ordinary and 'A' non-voting Ordinary share	**924 5p**	1,039 4p

The net asset value per Ordinary and 'A' non-voting Ordinary share is based on the net assets attributable to equity shareholders of £221,878,000 (2007 £249,466,000) and on 8,000,000 Ordinary shares (2007 8,000,000) and 16,000,000 'A' non-voting Ordinary shares (2007 16,000,000), in issue at 31 March 2008

20. COMMITMENTS AND CONTINGENCIES

The Company has entered into a commitment agreement with DV3 Limited, an unquoted property investment company The commitment was for £4m for a period of four years from 30 March 2004 At the completion of this four year period on 30 March 2008 £807,398 (2007 £1,127,873) of this commitment remained undrawn However the commitment agreement allows DV3 to draw this amount during a further three year period following the original commitment period At 31 March 2008 the amount drawn down less amounts received under the agreement was £40 (2007 £1,050,954)

During the year the Company entered into a further commitment agreement with DV4 Limited, also an unquoted property investment company The commitment was for £10m for a period of five years from 7 March 2008 and the amount outstanding at 31 March 2008 was £8,699,704

Following the HMRC acceptance of the ruling of the European Court of Justice judgement that investment management fees paid by investment trust companies should be exempt from Value Added Tax ("VAT"), the Company has sought to reclaim amounts from the three investment managers who charged VAT on their investment management fees during the reclaim period, totalling circa £1 1m

Each investment manager will or has applied to the HMRC for a reclaim of the VAT it paid to HMRC in respect of VAT rendered on their fees These reclaims will be the subject of individual negotiations between the individual investment manager and the HMRC and, for a number of reasons, are most likely to produce a lesser amount than that paid by the Company

Each investment manager is at different point in the reclaiming process, however, at this stage, the Board is confident of recovering at least £674,000 from the investment managers and as a consequence, the sum has been recognised in the Group Income Statement With respect to the remaining balance paid by the Company, the Board is confident that more will be recovered but is uncertain at this point how much

21. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS

Background

The Company's financial instruments comprise securities, cash balances, debtors and creditors arising directly from its operations All financial assets and liabilities are either carried in the Balance Sheet at their fair value or the Balance Sheet amount is a reasonable approximation of fair value

Risk Objectives and Policies

The objective of the Company is to achieve growth of shareholder value commensurate with the risks taken, bearing in mind that the protection of long-term shareholder value is paramount The policy of the Board is to provide a framework within which the Investment Manager can operate and deliver the objectives of the Company In pursuing its investment objective, the Company is exposed to a variety of risks that could result in either a reduction in the Company's net assets and/or a reduction of the profits available for dividends

These risks include those identified by the accounting standard IFRS7, being market risk (comprising currency risk, interest rate risk and other price risk), liquidity risk and credit risk and the Directors' approach to the management of them are set out below The Board, in conjunction with the Investment Manager and Company Secretary oversee the Company's risk management

The objectives, policies and processes for managing the risks and the methods used to measure them are set out below, and have not changed from the previous accounting period

Risks Associated with Financial Instruments·

Foreign currency risk

Foreign currency risks arise in two distinct areas which affect the valuation of the investment portfolio, 1) where an investment is denominated and paid for in a currency other than sterling, and 2) where an investment has substantial non-sterling cash flows 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 The Investment Manager monitors the effect of foreign currency fluctuations through the pricing of the investments by the various markets The level of investments denominated in foreign currencies held by the Company at 31 March 2008 is 2 8% of the portfolio (2007 2 7%) and therefore the portfolio valuation is not materially sensitive to foreign currency fluctuations

	Direct foreign currency risk 2008 £000	No direct foreign currency risk 2008 £000	Total 2008 £000	Direct foreign currency risk 2007 £000	No direct foreign currency risk 2007 £000	Total 2007 £000
Investments	6,634	228,732	235,366	6,695	243,946	243,641
Other receivables excluding prepayments	–	2,381	2,381	–	726	726
Current asset investments	–	251	251	–	4,667	4,667
Cash and cash equivalents	–	–	–		1,424	1,424
Current liabilities	–	(337)	(337)	–	(1,003)	(1,003)
Bank loan & Overdraft	–	(15,800)	(15,800)	–	–	–
	6,634	215,227	221,861	6,695	242,760	249,455

Interest rate risk

Interest rate movements may affect the level of income receivable on cash deposits and the interest payable on the Company's variable rate borrowings

The Company has banking facilities amounting to £30m which are available for the Investment Manager to use in purchasing investments, the costs of which are base rate plus a margin The Group does not normally hedge against interest rate movements affecting the value of the investment portfolio, but takes account of this risk when an investment is made utilising the facility The level of banking facilities used is monitored by both the Board and the Investment Manager on a regular basis The impact on the returns and net assets of the Company for every 1% change in interest rates based on the year end facility would be £158,000 The level of banking facilities utilised at 31 March 2008 was £15 8m (2007 £nil)

Interest rate changes will always impact equity prices The level and direction of change in equity prices is subject to prevailing local and world economics as well as market sentiment, all of which are very difficult to predict with any certainty The Company has floating rate financial assets consisting of bank balances and cash funds that have received average rates of interest during the year of 3% on bank balances and 5% on cash funds

	Cash flow interest rate risk 2008 £000	No interest rate risk 2008 £000	Total 2008 £000	Cash flow interest rate risk 2007 £000	No interest rate risk 2007 £000	Total 2007 £000
Investments	–	235,366	235,366	–	243,641	243,641
Other receivables excluding prepayments	–	2,381	2,381	–	726	726
Investments	251	–	251	4,667	–	4,667
Cash and cash equivalents	–	–	–	1,424	–	1,424
Current liabilities	–	(337)	(337)	–	(1,003)	(1,003)
Bank loan & overdrafts	(15,800)	–	(15,800)	–	–	–
	(15,549)	237,410	221,861	6,091	243,364	249,455

Other price risk

By the nature of its activities, the Company's investments are exposed to market price fluctuations Net asset values are calculated and reported daily to the London Stock Exchange The Investment Manager and the Board monitor the portfolio valuation on a regular basis and consideration is given to hedging the portfolio against large market movements

The Company's investment in Ocean Wilsons is large both in absolute terms (£72 9m) and as a proportion of the portfolio (31 0%) Shareholders should recognise that if anything of a severe and untoward nature were to happen to this company, it could result in a significant reduction in the NAV and share price However it is an investment that the

Board pays close attention to and it should be pointed out that the risks associated with it are very different from those of the other companies represented in the portfolio The Board itself has recently undertaken a thorough review of its business and prospects and determined that its future holds a lot of promise As a consequence the Board believes the risk involved in the investment is worthwhile

The performance of the portfolio as a whole is not designed to correlate with that of any London Stock Exchange Index Should the portfolio of the Company, as detailed on page 37, rise or fall in value by 10% the effect on the Group profit and equity would be an equal rise or fall of £23 5m The Group gearing, which is currently at 6 8%, would increase to 7 5% should the Company's portfolio fall in value by 10% The impact of the Company's derivative strategies, which are detailed below, would not materially affect the value of the portfolio following a 10% fall in its value

Derivatives

The Investment Manager may only use derivative instruments in order to mitigate the market risk to the portfolio At the year end there were four OTC Put Spread FTSE 100 Index options open as detailed below These provide a limited degree of protection from a fall in the value of the FTSE 100 Index of between 10% and 20% from their individual reference levels or between the Upper and Lower Strike Prices below

Index	Notional Value	Upper Strike Price	Lower Strike Price	Market Value as at 31 March 2008	Expiry Date
FTSE 100	£12,206,500	5,782 05	5,139 60	£352,769	23 June 2008
FTSE 100	£9,930,250	5,692 50	5,060 00	£284,998	22 Sept 2008
FTSE 100	£9,009,000	5,670 00	5,040 00	£263,964	1 Dec 2008
FTSE 100	£8,200,310	5,391 00	4,792 00	£200,908	19 Feb 2009
				£1,102,639	

Credit Risk

The Company only transacts with regulated institutions on normal market terms, which are trade date plus one to three days The levels of amounts outstanding from brokers are regularly reviewed by the Investment Manager The duration of credit risk associated with the investment transactions is the period between the date the transaction took place, the trade date and the date the stock and cash are transferred and the settlement date The level of risk during the period is the difference between the value of the original transaction and its replacement with a new transaction The amounts due to/(from) brokers at 31 March 2008 are shown in Note 13

The Company is exposed to credit risk on OTC options Amounts receivable in relation to options open at the year end amounted to £1,102,639 (2007 £79,730) The related credit risk is managed by purchasing the options from a regulated institution

Liquidity Risk

The liquidity risk to the Company is that it is unable to meet its obligations as they fall due, due to a lack of available cash and an inability to dispose of investments in a timely manner The majority of the Company's portfolio is held in liquid quoted investments, however there is a large holding in Ocean Wilsons Holdings Ltd of 31 0% and 17 5% in other holdings in AIM and unquoted investments

The Investment Manager takes into consideration the liquidity of each investment when purchasing and selling, in order to maximise the returns to shareholders by placing suitable transaction levels into the market Special consideration is given to investments that represent more than 5% of the investee company A detailed list of the investments held at 31 March 2008 is shown on page 37, together with a summary table detailing the markets on which the investments are quoted This can be used broadly to ascertain the levels of liquidity within the portfolio, although liquidity will vary with each investment

The Group's financial liabilities at 31 March 2008 consist of short-term bank loans amounting to £15 8m (2007 £nil) that would bear interest based on the prevailing LIBOR rate plus an agreed margin

The Company has a total revolving credit facility with ING Barings Plc of £30m The facility is a £30m committed facility repayable on or before 11 February 2011 and subject to a covenant requirement of a minimum adjusted net asset value of £80m The Group has undrawn loans from this facility of £14 2m (2007 £20m) The Company holds this facility for use at short notice for its investment activities If fully drawn the loan would form 12 7% of the current value of the investment portfolio

Capital Management

The Company considers its capital to be its issued share capital and reserves The Board regularly monitors its share discount policy and the level of discounts and whilst it has the option to re-purchase shares, it considers that the best means of attaining a good rating for the shares is to concentrate on good shareholder returns

However, the Board believes that the ability of the Company to re-purchase its own 'A' non-voting Ordinary shares in the market may potentially enable it to benefit all equity shareholders of the Company The re-purchase of 'A' non-voting Ordinary shares at a discount to the underlying net asset value would enhance the net asset value per share of the remaining equity shares and it might also enable the Company to address more effectively any imbalance between supply and demand for the Company's 'A' non-voting Ordinary shares

22. RELATED PARTIES

Details of the relationship between the Company and Hansa Capital Partners LLP, including amounts paid during the year and owing at 31 March 2008 are disclosed in the Report of the Directors page 18 and in Note 3 above

23. CONTROLLING PARTIES

At 31 March 2008 Nicholas B Dill, Jr and Codan Trust Company Limited held 51 20% of the issued Ordinary shares Additional information is disclosed in the Report of the Directors, "Substantial Shareholders" on page 20

NOTICE OF THE ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of Hansa Trust PLC will be held at The Washington Hotel, 5 Curzon Street, London W1J 5HE on 31 July 2008 at 11 30 am, 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 2008

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 Hammond-Chambers (a biography can be found on page 10), who retires, a Director of the Company

5 To re-elect Lord Borwick (a biography can be found on page 10), who retires, a Director of the Company

6 To re-elect Mr Salomon (a biography can be found on page 10), who retires, a Director of the Company

7 To re-elect Professor Wood (a biography can be found on page 10), who retires, a Director of the Company

8 To approve the Directors' Remuneration Report and authorise the Board to determine the remuneration of the Directors

Special Business

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

Authority to re-purchase 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% 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)

Authority to adopt proposed changes to the Company's Articles of Association

10 THAT the Articles of Association contained in the document produced to the meeting and signed by the Chairman for the purposes of identification be approved and adopted as the Articles of Association of the Company in substitution for and to the exclusion of the existing Articles of Association with effect from the conclusion of the 2008 Annual General Meeting

By order of the Board
Hansa Capital Partners LLP
Secretary
26 June 2008

50 Curzon Street
London W1J 7UW

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 30am on 29 July 2008, so 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 by 11 30a m on 29 July 2008 ('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

4 CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the annual general meeting to be held on the above date and any adjournment(s) thereof by using the procedures described in the CREST Manual CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with CRESTCo's specifications and must contain the information required for such instructions, as described in the CREST Manual The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy, must in order to be valid, be transmitted so as to be received by the Company's agent (ID RA10) by the latest time(s) for receipt of proxy appointments specified in the notice of meeting For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means

CREST members and, where applicable, their CREST sponsors or voting service providers should note that CRESTCo does not make available special procedures in CREST for any particular messages Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001

5 **New Articles of Association**

The Company proposes to adopt new Articles of Association ("Articles") These incorporate amendments to the current Articles to reflect those provisions of the Companies Act 2006 ("the 2006 Act") which came, or will come, into effect in 2007 and 2008 Because the 2006 Act will not be fully in force until October 2009, it is not yet possible to amend the Articles to reflect all the changes to be made by the 2006 Act It is expected that shareholders will be asked to approve further changes to the Articles at the 2009 AGM

For a more detailed explanation of the proposed amendments please refer to the Appendix to this Notice of Annual General Meeting on pages 61 to 62

A copy of the current Articles and of the proposed new Articles marked up to show the proposed amendments will be available for inspection during normal business hours (Saturdays, Sundays and public holidays expected) at the Company's registered office, Wessex House, 1 Chesham Street, London, SW1X 8ND until the conclusion of the meeting

APPENDIX

Set out below is a summary of the main differences between the current and the proposed new Articles The principal changes in the new Articles to be adopted at the 2008 AGM relate to electronic communication with shareholders and shareholder meetings and resolutions, Director's indemnities, transfers of shares and Director's conflicts of interest, reflecting provisions of the the 2006 Act which will be fully in effect by 2009

Definitions (Article 3)

Definition of "authenticated" has been inserted to reflect the new term used under the 2006 Act

Definitions of "ordinary resolution" and "special resolutions" have been inserted to reflect the definitions within the 2006 Act

Amendments have been made to the meaning of "member" to include reference to a person nominated under the 2006 Act (please see the wording under nomination rights in relation to this)

Abolition of Extraordinary General Meetings

Throughout the new Articles, references to an "extraordinary general meeting" have been replaced by "general meeting" The term "extraordinary general meeting" has ceased to be applicable under the 2006 Act

Notice of General Meetings (Articles 55 and 56) and circulation of Resolutions etc, on requisition of members (Articles 57, 58 and 61)

The provisions in the new Articles dealing with the convening of general meetings, method of notice and the length of notice required to convene general meetings are in line with the relevant provisions of the 2006 Act and include reference to the rights of nominees (please see the wording under nomination rights in relation to this)

Votes of members, proxies and corporate representatives (Articles 64, 70, 74, 76 and 78)

Under the 2006 Act, proxies are entitled to vote on a show of hands as well as on a poll, and members may appoint a proxy to exercise all or any of their rights to attend, speak and vote at meetings Multiple proxies may be appointed provided that each proxy is appointed to exercise the rights attached to a different share or shares The 2006 Act also provides for multiple corporate representatives to be appointed and the new Articles therefore refer to the right to appoint multiple corporate representatives

Security procedures at General Meetings (Article 69)

The new Articles have been amended so as to clarify the provisions in relation to security at general meeting The board may refuse entry to or eject from General Meetings persons who fail to comply with security arrangements made under the Articles

Polls (Article 78)

New Article 78 has been inserted to clarify that the Company must publish the results of a poll on its website in accordance with the 2006 Act

Proxies (Articles 87 and 90)

Articles 87 and 90 have been amended to ensure that the provisions in relation to multiple proxies are in line with the 2006 Act

Directors' interests and conflicts of interests (Articles 115, 116, 117, 118 and 119)

The 2006 Act sets out directors' general duties that largely codify the existing law, but with some changes Under the 2006 Act, from 1 October 2008 a director has a statutory duty to avoid a situation where he has, or can have, a direct or indirect interest that conflicts or possibly may conflict, with the Company's interests The 2006 Act allows the Articles to contain other provisions for dealing with directors' conflicts of interest to avoid a breach of duty

Article 115 allows directors to be interested in transactions and to be an officer of or employed by or interested in a body corporate in which the Company is interested subject to such interests, offices or employment not infringing the director's conflict duty as codified in the 2006 Act and the director having disclosed the nature and extent of any material interest of his

Article 117 1 grants directors the authority to approve conflict situations There are safeguards that will apply when directors decide whether to authorise a conflict or potential conflict First, only directors who have no interest in the matter being considered will be able to take the relevant decision and, secondly, in taking the decision, the directors must act in a way they consider, in good faith, will be most likely to promote the Company's success The directors will be able to impose limits or conditions when given authorisation if they think this is appropriate

Article 117 2 contains provisions relating to confidential information and attendance at board meetings to protect a director from being in breach of duty if a conflict of interest or potential conflict of interest arises These provisions will only apply where the position giving rise to the potential conflict has previously been authorised by the directors

Article 119 provides for a director being able to exercise the voting power conferred by shares of any company held or owned by the Company or exercisable by them as directors of any other company as they think fit

Seals (Article 140)

Article 140 has been amended so as to reflect the 2006 Act provision which enables one director to sign and execute Company documents in the presence of a witness

Service of Notices and other documents (Article 160)

Article 160 has been amended so as to clarify the methods of service and to reflect the rights of nominees

Right to stop sending dividend warrants, notices etc (Article 163 and 164)

Article 163 has been inserted to grant the Company the right to stop sending dividend cheques or warrants in certain circumstances namely where they have been returned, undelivered or left uncashed for two consecutive occasions during the periods which they are valid and reasonable enquiries have been made to establish any new address for the relevant member or person

Article 164 has been inserted to grant the Company the right to stop sending members and all people granted information rights by virtue of the 2006 Act, notices etc, if they have been returned undelivered on at least two consecutive occasions or if following one such occasion reasonable enquiries have failed to establish a new address for service, subject to the passing of a director's resolution confirming that the Company need not send such documents to the said member/person granted information rights

Investor Information

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 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

CONTACT DETAILS

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

Hansa Capital Partners LLP
50 Curzon Street
London W1J 7UW
Telephone 020 7647 5750
www hansagrp com

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

Capita Registrars
Northern House
Woodsome Park
Fenay Bridge
Huddersfield
West Yorkshire HD8 0LA
Telephone 0870 162 3131
Email ssd@capitaregistrars com
www capitaregistrars com

WEBSITE ADDRESS AND CONTENTS

The Company's website, www hansagrp com, contains information on the Company and includes the following

Monthly Fact Sheets
Quarterly Interim Statements
Annual and Half Yearly Reports
Stock Exchange Announcements
Details of the Board and Investment Manager
Share Price Data

SHARE PRICE LISTINGS

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

Information is also available from FT City Line by dialling the following numbers

Ordinary shares	0906 003 – 3954
or	0906 843 – 3954
'A' non-voting Ordinary shares	0906 003 – 3955
or	0906 843 – 3955

(when prompted use the last 4 digits as the code)

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

	Code
ISIN No	
Ordinary shares	GB0007879728
'A' non-voting Ordinary shares	GB0007879835
Sedol no	
Ordinary shares	0787972
'A' non-voting Ordinary shares	0787983
Reuters	
Ordinary shares	HAN L
'A' non-voting Ordinary shares	HANA L
Bloomberg	
Ordinary shares	HAN LN
'A' non-voting Ordinary shares	HANA LN
SEAQ	
Ordinary shares	HAN
'A' non-voting Ordinary shares	HANA

USEFUL INTERNET ADDRESSES

Association of Investment Companies	www aic co uk
London Stock Exchange	www londonstockexchange com
TrustNet	www trustnet com
Interactive	www iii co uk

FINANCIAL CALENDAR

Company year end	31 March
Preliminary full year results announced	19 June
Annual Report sent to shareholders	3 July
Annual General Meeting held	31 July
Final Dividend payment	11 August
Announcement of half yearly results	November
Half Yearly Report sent to shareholders	December
Half Yearly Dividend payment	December

Company Information

SECRETARY AND REGISTERED OFFICE
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London W1J 7UW

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