



HANSA TRUST PLC

Hansa Trust PLC

ANNUAL REPORT

Year Ended 31 March 2003



KEY INFORMATION

INVESTMENT POLICY AND BENCHMARK

Hansa Trust PLC invests in a portfolio of special situations, where its holding may constitute a significant proportion of the equity of the companies concerned. It concentrates on investments intended to add value over the medium to longer term. Performance is measured against the FTSE All-Share Index.

STATISTICS	31 March 2003	31 March 2002	% change
Total Assets ⁽¹⁾	£72.07m	£89.16m	-19.2
Shareholders' Funds	£64.90m	£89.16m	-27.2
Net Asset Value per			
'A' Ordinary share	270.4p	371.5p	-27.2
Ordinary share	270.4p	371.5p	-27.2
Share Price			
'A' Ordinary shares	218.0p	305.0p	-28.5
Ordinary shares	215.0p	307.5p	-30.1
Discount			
'A' Ordinary shares	19.4%	17.9%	-
Ordinary shares	20.5%	17.2%	-
FTSE All-Share Index	1,736	2,557	-32.1

⁽¹⁾ net assets gross of bank loans/overdrafts

CAPITAL STRUCTURE

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

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

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

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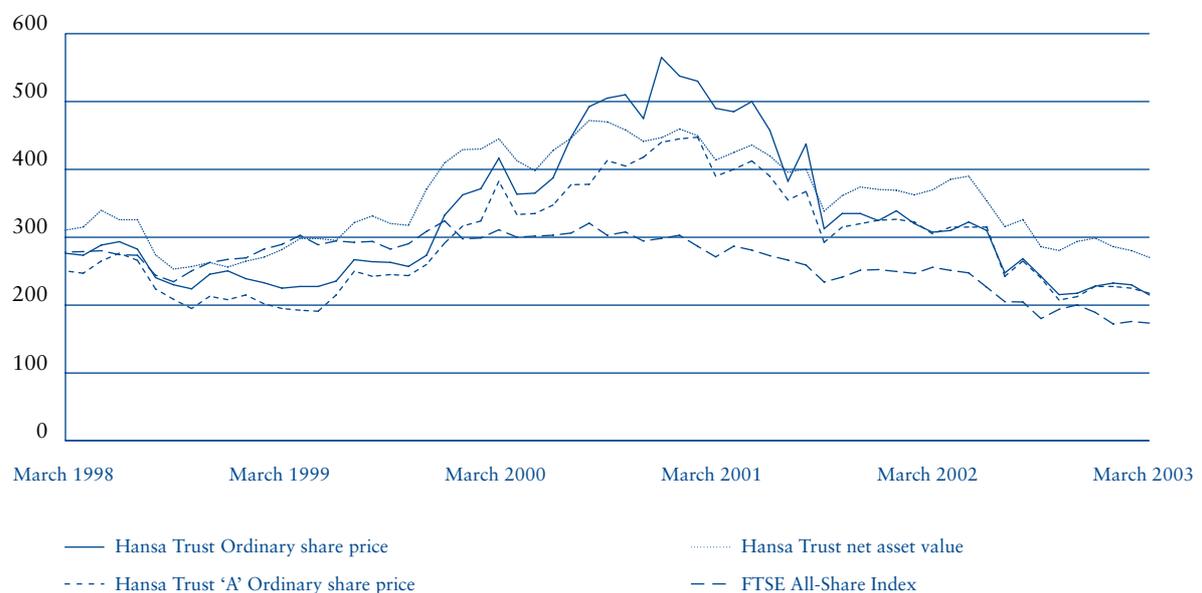
PERFORMANCE SUMMARY

FIVE YEAR RECORD

	31 March 1999	31 March 2000	31 March 2001	31 March 2002	31 March 2003	% change over year
Total Assets ⁽¹⁾	£69.76m	£112.29m	£107.64m	£89.16m	£72.07m	-19.2
Shareholders' Funds	£67.96m	£106.79m	£99.32m	£89.16m	£64.90m	-27.2
Net Asset Value per						
'A' Ordinary share	281.9p	445.0p	413.9p	371.5p	270.4p	-27.2
Ordinary share	281.9p	445.0p	413.9p	371.5p	270.4p	-27.2
Share Price						
'A' Ordinary shares	195.0p	382.5p	390.0p	305.0p	218.0p	-28.5
Ordinary shares	225.0p	416.5p	490.0p	307.5p	215.0p	-30.1
Discount/(Premium)						
'A' Ordinary shares	30.8%	14.0%	5.8%	17.9%	19.4%	-
Ordinary shares	20.2%	6.4%	(18.4%)	17.2%	20.5%	-
FTSE All-Share Index	2,894	3,111	2,711	2,557	1,736	-32.1

⁽¹⁾ net assets gross of bank loans/overdrafts

PERFORMANCE GRAPH



Source: Bloomberg and in respect of NAV from internal unaudited management information.



CHAIRMAN'S STATEMENT

PERFORMANCE

During the year under review the Net Asset Value per Ordinary and 'A' Ordinary share fell from 371.5p to 270.4p, a drop of 27.2% compared with a fall in the FTSE All-Share Index of 32.1%. The comparative figures for the medium and long-term are as follows:

Period to 31 March 2003	Net Asset Value	FTSE All-Share Index
3 Years	-39.2%	-44.2%
5 Years	-12.9%	-37.6%
10 Years	+110.0%	+23.0%

The short-term absolute performance continues to be disappointing. This is described further in the Adviser's Report, which follows. Whilst the long-term return on the Company's assets continues to be more satisfactory, the current performance has meant that the Company's shares continue to trade at a largish discount. Since 31 March 2002, the discount has widened from 17.2% to 20.5% for the Ordinary shares, and 17.9% to 19.4% for the 'A' Ordinary shares.

The Directors have powers to buy back 'A' Ordinary shares and will do so if an appropriate opportunity presents itself. Meanwhile they are considering what opportunities will be presented by the proposal to allow the purchase of shares for Treasury. The power to buy back 'A' Ordinary shares lapses at the AGM and so a renewal of the authority will be proposed at the meeting

REVENUE AND DIVIDENDS

Total income in the year fell from last year's level of £2.58m to £2.37m, and this generated a revenue return on ordinary activities before taxation of £0.96m a fall of some £0.18m from the previous year's return of £1.14m. Regrettably the Company's trading subsidiary Consolidated Investment Funds produced a loss of £73,000, which although an improvement over the prior year's loss of £373,000, when combined with the drop in the level of revenue returns, has restricted the Company's ability to maintain dividends at the prior year level. An interim dividend of 1.8p per share (2002: 1.8p) was paid to shareholders in December 2002. The Directors have decided to reduce the total level of dividend payable for the year to 4p (2002: 5p) and are therefore recommending a final dividend of 2.2p per Ordinary and 'A' Ordinary share. This final dividend will be payable on 7 August 2003, subject to shareholders approval at the AGM, to shareholders on the register at 27 June 2003. It is probably worth repeating that the Company's focus is on total return and the balance between income and capital will vary depending on market conditions; therefore there can be no guarantee that the level of dividend will remain constant from year to year, although over the long term we would expect it to grow.

INVESTMENTS

Strategic

Following the decision by the board of Adam and Harvey Group PLC to return shareholders' funds, the Company received the first and major cash distribution during the year, with a small amount expected to be received before the year end. Ocean Wilsons Holdings Limited, the Brazilian investment and shipping group, in which we have a significant stake, maintained its turnover and substantially increased its operating profits. Regrettably the results were once again affected by the exchange losses on its foreign currency borrowings. Although its after tax profit fell from the previous year level of £3.6 to £0.8m, the company has maintained its dividend.

Portfolio

The portfolio of investments with a breakdown of the investments by size and market is detailed on pages 9 and 10. The charts on page 8 show the industry sector weightings and market sector weightings for both 2002 and 2003. From the industry sector charts you will be able to see that during the year the exposure to the financial sector has increased by 13%, the majority of which has been the increase in the insurance sector, with reductions in both the investment trust and cyclical services sectors of 11% and 15% respectively. Further details on the portfolio and its performance are covered in the Adviser's Report.



CHAIRMAN'S STATEMENT

(continued)

BENCHMARK

As reported in the Interim Report, the Board has been considering the Company's benchmark and has concluded that a benchmark which reflects real returns is more in alignment with shareholders' interests than the present FTSE All-Share Index. The Board has therefore decided to recommend to shareholders at the forthcoming AGM the adoption of a new benchmark. The proposed benchmark is the three-year average rolling rate of return for five-year government bonds, plus two percent. By way of illustration the chart below plots both the current benchmark and the proposed benchmark over the last five years.

5 Year Gilt Yield +2% vs FTSE All-Share Cumulative returns and Hansa Trust Cumulative returns



If shareholders approve the change in the benchmark at the forthcoming AGM, the Board together with the Investment Manager will review the Company's investment policy. The Board believes that focusing on individual stock selection and on investing in special situations is the best policy for exceeding the new benchmark and for providing shareholders with a real return on their capital. In the new circumstances the Board will then consider how best to give effect to the revised investment policy.

Hansa Trust, as a special situation investment trust, has never been a slave to its benchmark and whilst it has diverged from it markedly over many years, normally positively, we do not expect the change in the benchmark will significantly alter our approach to investing.

FSA PROPOSED CHANGES TO THE LISTING RULES

As no doubt you have read in the newspapers following the collapse of a number of the Split Trusts, the Financial Services Authority has decided to introduce additional listing rules in respect of investment trusts and published a consultation paper earlier this year. The Board responded to the proposals, which in the main were acceptable. However we did not agree with the proposals to set limits to the investment policy of investment trusts, in particular in relation to investing in other closed end funds. Both these matters should be left to the Board to determine together with the Investment Managers, in accordance with the Articles of the Company and as agreed by the shareholders. Furthermore we do not believe that a representative of the Investment Manager should be prevented from sitting on the Board. Such a person should have direct fiduciary accountability to the shareholders, which will be achieved as a consequence of participation on the Board. The Board will consider the impact on the Company of any changes finally proposed by the FSA and propose an appropriate course of action to protect the Company and its shareholders.



CHAIRMAN'S STATEMENT

(continued)

THE BOARD

After 27 years as a member of the Board, Edwin Teideman has decided to retire at the forthcoming AGM rather than stand for re-election. We have been very fortunate to have had his wide financial experience and detailed analysis over many years. Alex Hammond-Chambers, who joined the board in November last year, will in accordance with normal practice resign and offer himself for re-election at the AGM.

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held at 11.00 a.m. on 31 July 2003 in the Curzon Suite, at the Mayfair Intercontinental Hotel, Stratton Street, London, W1A 2AN. I do hope that as many shareholders as are able will attend. This will be an opportunity to meet with your Board of Directors. In addition William Salomon, who is the Chairman of the Investment Manager, together with John Dodd the Investment Adviser, will make a presentation and be available to answer questions.

OUTLOOK

It is difficult to comment on the outlook for the UK or overseas stockmarkets. For three years they have fallen in value and share prices, being so much lower than they were at the peak of the technology bubble, are clearly in most cases, much more reasonably valued. But many companies are experiencing pressures on profits coming from poor sales growth, rising costs and taxes and much tougher accounting standards for reported profits. If profits generally don't progress significantly, it is difficult to see markets making much progress either.

However, we believe it would be quite wrong to be bearish about all shares. If markets move sideways over the next few years, then some shares will rise while others will fall. There are clearly areas, such as insurance in which we have a considerable investment, in which companies can do very well. Our proposed new benchmark has been devised with a view of setting a goal of actually making money for shareholders. By investing in those companies with good medium-term prospects, we believe we can make money.

Jamie Borwick

Chairman

27 June 2003



REVIEW OF MARKET INVESTMENTS

At the risk of repetition, the well reported negative conditions that have affected the UK stockmarket have continued. This is now the third year of falling stockmarket values. We have witnessed a familiar pattern of short rallies, truncated once the reality of the deteriorating economic background and poor corporate results evaporates any optimism.

Clearly the war in Iraq added a further dimension with financial markets reacting accordingly. Over the year to 31 March 2003, the net asset value fell by 27.2% compared to a fall of 32.1% for the FTSE All Share Index. Much of the UK stockmarket and the consequent portfolio's fall occurred in the first half of the company's year with a reported fall in the net asset value of 22.4%, against a fall of 29.6% in the FTSE All-Share Index. The quick end to the conflict in Iraq boosted interest in large companies. More recently we have seen increased volatility with sharp gains and losses with a more positive bias favouring larger companies.

The portfolio's focus is on mid and smaller capitalised (cap) companies. At 31 March 2003 the portfolio was invested in 31.75% mid cap and 68.25% smaller cap.

This grouping has followed a low beta pattern of performance in relation to large companies, showing more resilience when equities are falling and lagging behind during the rallies. We still believe that the mid and smaller cap sectors are more attractively valued on a combination of traditional valuation metrics. Our gearing has remained in active use during the year and we still think that it has a useful function in attempting to improve returns given the balance of the portfolio between our corporate holdings, market investments and investment trusts. As we stated in our Interim Report the portfolio of market investments has two major themes of oil exploration/services and specialist insurance.

Our belief in the oil exploration/service sector rests on the long-term potential for the industry and for the prospective demand profile from the Asian economies such as China. Oil prices can easily support prices trading between \$20-\$25 a barrel. However in the last three months we have seen oil prices rise to levels not seen since the last Gulf War on the back of uncertainty and also supply issues caused by disruption in Venezuela. Oil prices have since fallen following the coalition victory and the relief that the Iraqi oilfields have been left largely intact.

Both Cairn Energy and Premier Oil have added a positive contribution. The latter's corporate restructuring is broadly complete. We believe there is considerable upside through its high impact exploration funded from existing cashflow or a further unlocking of value through corporate activity given the discount to NAV. Cairn Energy has had a successful year with exploration, particularly in Rajasthan. In the coming year, we anticipate an active period of exploration and appraisal drilling and also the potential from asset reorganisation which will be positive for the share price. Although still to be recognised in terms of share price performance Ramco Energy has been active in drilling work near Kinsale off Southern Ireland. Funding and gas contracts are now in place and we expect better recognition during the year.

Given the recovery in the US gas price and subsequent US rig count, the background for Hunting looks more positive. Following a profit warning we recently bought a holding in Expro International, a company that provides a range of high value added services to the upstream oil industry such as cased hole services, sub-surface systems and surface oil environment systems. More recently they have announced a joint venture with Baker Hughes which underpins the long-term attraction of this business. The portfolio's overall exposure to oil exploration and services is 20%.

By far the largest exposure in the portfolio is specialist insurance at 32%. Our holdings in Amlin and Cathedral Capital have been broadened with purchases of Beazley and Wellington. The recent results season has seen a combination of positive news from Amlin and Highway. Unfortunately Goshawk has announced an increase in provisions and at Wellington there have been re-insurance capacity issues. We continue to believe that the rating environment remains positive and the sector may provide some consolidation opportunities.



REVIEW OF MARKET INVESTMENTS

(continued)

As in any portfolio, some investments have been impacted by profit warnings, but it is disappointing to report that De la Rue has had another profit warning due to deferred orders and also increased pension costs. Although the latter has become an issue for many companies given the impact of falling stockmarkets on pension deficits, we believe this portfolio has less exposure to those very large companies with more material scheme deficits. We also suffered from profit warnings in what we considered to be economically sound businesses such as Christian Salvesen and RMC.

Our investments in Wincanton and SSL have to date been disappointing. The latter appears to be unable to complete its reorganisation.

Within the investment trust holdings the most notable event was the sale of Finsbury Smaller Quoted Companies Trust PLC following their Board's announcement that their intention was to wind up the company.

Outlook

Although recent economic data have confirmed a further slowdown in the UK, there does appear to be a greater degree of investor confidence. The UK stockmarket has staged a recovery from the lows seen during the war in Iraq. Since the Company's year end this rally has extended into the mid-small cap sectors, which are now outperforming large caps. This portfolio has a much greater weighting favouring mid-small cap companies in the belief that they offer better growth prospects on much more attractive valuations than larger companies. Our sector stance favouring specialist insurance and oil exploration/services is likely to remain given the broader issues favouring insurance rates and the likelihood that the oil price will continue to remain between \$20-25. Sentiment does remain fragile given the wide geopolitical uncertainties and concerns over the impact of SARS on the Far Eastern economies. We believe we have seen the worst and the UK stockmarket will continue its recovery albeit at a gradual rate interspersed with higher levels of volatility.

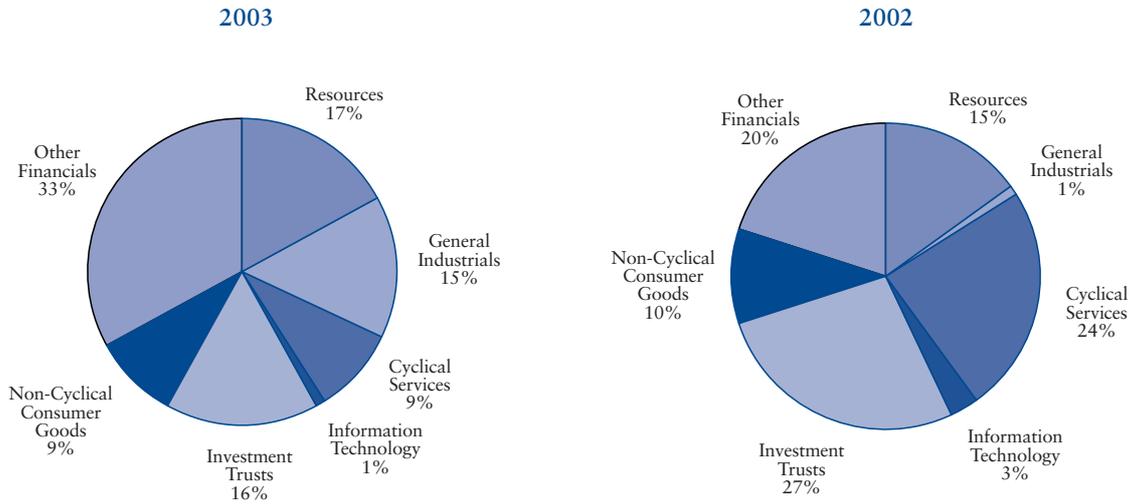
John Dodd
Artemis Investment Management Limited
27 June 2003



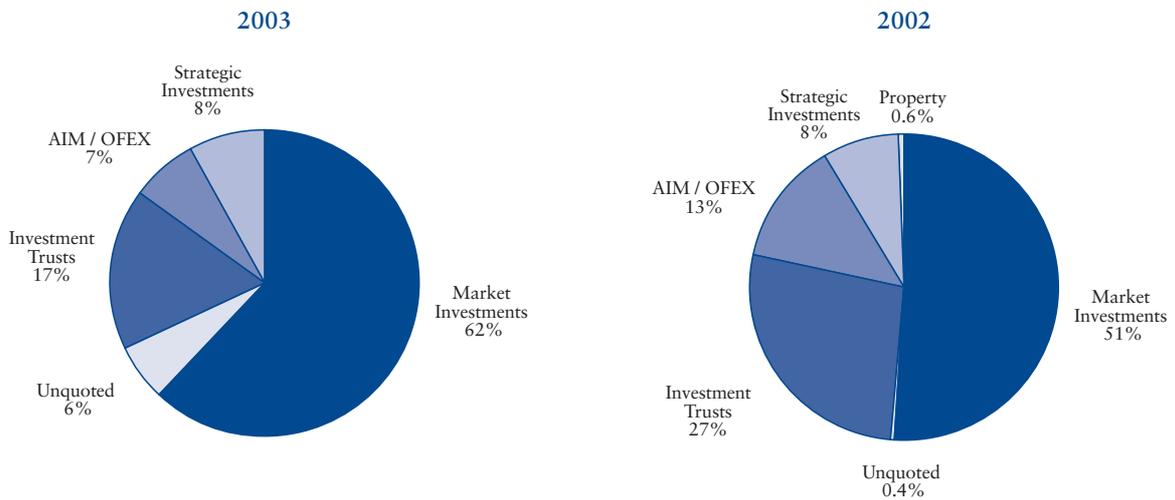
ANALYSIS OF PORTFOLIO

As at 31 March

INDUSTRY SECTOR WEIGHTINGS



MARKET SECTOR WEIGHTINGS





LARGEST INVESTMENTS

As at 31 March 2003

Investment	Market value £000	Percentage of investments
Finsbury Growth Trust PLC	8,349	11.5
BRIT Insurance Holdings PLC	6,270	8.7
Ocean Wilsons Holdings Limited	5,986	8.3
Glenmorangie plc	4,175	5.8
Cathedral Capital Plc	3,999	5.6
Premier Oil plc	3,019	4.2
Wincanton PLC	2,850	3.9
Amlin plc	2,800	3.8
Dana Petroleum plc	2,678	3.7
Highway Insurance Holdings Plc	2,563	3.5
Top 10 investments	42,689	59.0
Ramco Energy plc	2,486	3.4
Cairn Energy PLC	2,090	2.9
Goshawk Insurance Holdings PLC	1,827	2.5
De La Rue PLC	1,568	2.2
Hunting PLC	1,566	2.2
Morgan Sindall plc	1,426	2.0
Wellington Underwriting plc	1,372	1.9
Beazley Group PLC	1,267	1.7
RMC Group plc	1,246	1.7
The Scottish Oriental Smaller Companies Trust PLC	1,115	1.5
Top 20 investments	58,652	81.0
Novar PLC	1,109	1.5
Expro International Group PLC	1,076	1.5
Renaissance US Growth and Income Trust PLC	1,029	1.4
Christian Salvesen PLC	1,005	1.4
SSL International Plc	996	1.4
Halladale Group PLC	935	1.3
AGA Foodservice Group PLC	926	1.2
Jupiter Split Trust PLC	791	1.1
Black Swan Resources Limited	764	1.0
The Baillie Gifford Japan Trust PLC	687	1.0
Top 30 investments	67,970	93.8
Other investments	4,496	6.2
Total investments	72,466	100.0
Equities	71,789	99.1
Convertible Securities	677	0.9
	72,466	100.0



PORTFOLIO INFORMATION

As at 31 March 2003

	Market value £000	Percentage of investments
Strategic Investments		
Ocean Wilsons Holdings Limited	5,986	8.3
	<u>5,986</u>	<u>8.3</u>
Investment Trusts		
Finsbury Growth Trust PLC	8,349	11.5
The Scottish Oriental Smaller Companies Trust PLC	1,115	1.5
Renaissance US Growth and Income Trust PLC	1,029	1.4
Jupiter Split Trust PLC	791	1.1
The Baillie Gifford Japan Trust PLC	687	1.0
Henderson European Micro Trust PLC	672	0.9
	<u>12,643</u>	<u>17.4</u>
Market Investments		
BRIT Insurance Holdings PLC	6,270	8.7
Glenmorangie plc	4,175	5.8
Premier Oil plc	3,019	4.2
Wincanton plc	2,850	3.9
Amlin plc	2,800	3.8
Dana Petroleum plc	2,678	3.7
Highway Insurance Holdings PLC	2,563	3.5
Cairn Energy PLC	2,090	2.9
23 other market investments	18,150	25.0
	<u>44,595</u>	<u>61.5</u>
AIM & OFEX Investments		
Ramco Energy plc	2,486	3.4
Halladale Group PLC	935	1.3
10 other AIM & OFEX investments	1,787	2.5
	<u>5,208</u>	<u>7.2</u>
Unquoted Investments		
Cathedral Capital Plc	3,999	5.6
Brightcom	35	–
	<u>4,034</u>	<u>5.6</u>
Total investments	<u><u>72,466</u></u>	<u><u>100.0</u></u>



COMPANY INFORMATION

DIRECTORS

Jamie Borwick (*Chairman*)

Aged 48. Joined the Board in 1984.

He is a member of The Listing Authority Advisory Committee of The Financial Services Authority and until recently the Chairman of Manganese Bronze Holdings PLC.

Alex Hammond-Chambers

Aged 60. Joined the Board in 2002.

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

William Salomon

Aged 45. Joined the Board in 1999.

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

Edwin Teideman

Aged 73. Joined the Board in 1976.

He is a consultant to, and former director of, Ocean Wilsons Holdings Limited.

Geoffrey Wood

Aged 57. Joined the Board in 1997.

He is professor of Economics at Cass Business School, in the City of London.

SECRETARY AND REGISTERED OFFICE

Hansa Capital Limited
17a Curzon Street
London W1J 5HS
Telephone 020 7647 5750

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

COMPANY NUMBER

126107 (Registered in England)

INVESTMENT MANAGER

Hansa Capital Limited
17a Curzon Street
London W1J 5HS

INVESTMENT ADVISER

Artemis Investment Management Limited
42 Melville Street
Edinburgh EH3 7HA

AUDITORS

RSM Robson Rhodes LLP
186 City Road
London EC1V 2NU

SOLICITORS

Eversheds
Senator House
85 Queen Victoria Street
London EC4V 4JL

BANKERS

The Bank of New York
One Canada Square
London E14 5AL

STOCKBROKERS

Close Brothers Securities Limited
The Atrium Building
Cannon Bridge
25 Dowgate Hill
London EC4R 2GA



INVESTOR INFORMATION

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

Hansa Capital Limited
17a Curzon Street
London W1J 5HS
Telephone 020 7647 5750
Email:- hansatrustenquiry@hansacap.com

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

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

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

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

SHARE PRICE LISTINGS

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

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

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

INTERNET ADDRESSES

Association of Investment Trusts	www.aitc.co.uk
Interactive Investor	www.iii.co.uk
TrustNet	www.trustnet.com

FINANCIAL CALENDAR

Company year end	31 March
Preliminary full year results announced	13 June
Annual Report sent to shareholders	1 July
Annual General Meeting held	31 July
Final Dividend payment	7 August
Announcement of interim results	November
Interim Report sent to shareholders	December
Interim Dividend payment	December



REPORT OF THE DIRECTORS

for the year ended 31 March 2003

The Directors present their Report and Financial Statement for the year ended 31 March 2003.

STATUS AND ACTIVITIES

During the year under review the Company has operated as an investment company, as defined under Section 266 of the Companies Act 1985, so as to qualify as an investment trust within the meaning of 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 2002. The Directors are of the opinion that the Company has subsequently directed its affairs so as to enable it to continue to obtain Inland Revenue approval as such.

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

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

RESULTS AND DIVIDENDS

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

	2003 £000	2002 £000
Ordinary and 'A' non-voting Ordinary shares		
Interim paid of 1.8p (2002: 1.8p) per share	432	432
Final proposed of 2.2p (2002 paid: 3.2p) per share	528	768
Total dividends	960	1,200

The final dividend will, if approved, be paid on 7 August 2003 to Ordinary and 'A' non-voting Ordinary shareholders registered at the close of business on 27 June 2003.

FIXED ASSET INVESTMENTS

The market value of the Group's investments at 31 March 2003 was £72,466,000 (2002: £89,345,000). Taking these investments at this valuation, the net assets attributable to each Ordinary and 'A' non-voting Ordinary share amounted to 270.4p at 31 March 2003 (2002: 371.5p).



REPORT OF THE DIRECTORS

(continued)

MANAGEMENT

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

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

Secretarial and accounting services were provided by Hansa Capital Limited at an annual rate of £40,000 excluding VAT (2002: £40,000).

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

The investment management fee outstanding at the year end amounted to £33,386 excluding VAT (2002: £34,074).

DIRECTORS

The present members of the Board are shown on page 11. During the year Mr Jocelin Harris and Mr Michael Reeve resigned on 31 July 2002 and Mr Alex Hammond-Chambers was appointed on 29 November 2002. At the forthcoming AGM Mr Edwin Teideman will retire, Mr William Salomon will retire by rotation and Mr Alex Hammond-Chambers will resign and offer himself for re-election.

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

	Ordinary shares of 5p each		'A' Ordinary shares of 5p each		Nature of interest
	31 March 2003	1 April 2002	31 March 2003	1 April 2002	
Mr J Borwick	2,200	2,200	–	–	Beneficial
Mr R A Hammond-Chambers	7,500	–	–	–	Beneficial
Mr J M St. J Harris	–	5,000	–	–	Beneficial
Mr M A F Reeve	–	–	–	6,250	Non-Beneficial
Mr W H Salomon	2,090,675	2,039,675	86,000	–	Beneficial
	–	102,000	–	–	Non-Beneficial
Mr E C Teideman	2,000	2,000	–	–	Beneficial
Professor G E Wood	3,000	2,000	–	–	Beneficial

Following the preliminary announcement Mr W H Salomon purchased 40,000 Ordinary shares. Other than Mr W H Salomon none of the Directors have been interested in any contracts with the Company or its subsidiary. W H Salomon is chairman of Hansa Capital Limited. Fees payable net of VAT to Hansa Capital Limited amounted to £465,142 (2002 part year: £275,307).

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



REPORT OF THE DIRECTORS

(continued)

SUBSTANTIAL SHAREHOLDERS

As at 31 May 2003 the following interests in the Ordinary shares of the Company which exceeded 3 per cent. of the voting issued share capital of that class have been notified:

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

Note: Of the shares held by Nicholas B. Dill, Jr & Codan Trust Company Limited, Mr W H Salomon is interested in 2,048,175 and Mrs J A V Townsend is interested in 2,048,175, each holding representing 25.60 per cent. of the voting share capital. In addition, Mr W H Salomon and Mrs J A V Townsend are interested in a further 42,500 of the voting shares.

AUDITORS

On 3 May 2003, RSM Robson Rhodes, the Company's Auditors, transferred substantially the whole of their business to RSM Robson Rhodes LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The Directors consented to treating the appointment of RSM Robson Rhodes as extending to RSM Robson Rhodes LLP with effect from the 3 May 2003. A resolution to re-appoint RSM Robson Rhodes LLP as Auditors to the Company will be proposed at the forthcoming Annual General Meeting.

CREDITORS PAYMENT POLICY

While the Company does not follow a formal code, it is the Company's continuing policy to pay amounts due to creditors as and when they become due. Payments relating to investment transactions are made in accordance with the settlement practices of the relevant exchange. At 31 March 2003 outstanding trade creditors amounted to £nil (2002: £Nil).

GOING CONCERN

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

DIRECTORS' RESPONSIBILITIES

Company law in the United Kingdom requires the Directors to prepare Financial Statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group and of the profit and loss of the Group for that period. In preparing these Financial Statements, the Directors have:

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

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Financial Statements comply



REPORT OF THE DIRECTORS

(continued)

with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

The Financial Statements are available on the www.closefinsbury.com website, which is a website maintained by the Company's ISA, Savings Scheme and PEP Manager. The work carried out by the Auditors does not involve consideration of the maintenance and integrity of this website and accordingly, the Directors and the Auditor 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 United Kingdom governing the preparation and dissemination of the Financial Statements may differ from legislation in their jurisdiction.

CORPORATE GOVERNANCE

The Board has carried out a full review of the principles of good governance and the code of best practice (the 'Combined Code') prepared by the Committee on Corporate Governance chaired by Sir Ronald Hampel. To ensure that the appropriate level of corporate governance is attained, the Board has confirmed that arrangements are in place to enable compliance with Section 1 of the Combined Code, as required by Listing Rule 12.43A issued by the Financial Services Authority.

COMPLIANCE WITH THE COMBINED CODE

The Board considers that the Company has complied with the provisions of Section 1 of the Combined Code throughout the year ended 31 March 2003, other than those it believes are not appropriate to an investment trust company (as detailed below under Principles of the Combined Code).

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

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



REPORT OF THE DIRECTORS

(continued)

PRINCIPLES OF THE COMBINED CODE

(a) Directors

The Board consists of five members, all of whom are non-executive and, with the exception of Mr W H Salomon, are also independent of the Company's Manager. The Board believes that the appointment of a senior independent director is not appropriate for a Board which has only non-executive directors. There is no position of Chief Executive Officer.

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

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

The Board as a whole fulfils the function of a nomination committee. The Company's Articles of Association require newly appointed Directors to submit themselves for election by shareholders at the next Annual General Meeting after appointment. Directors are subsequently subject to re-election at intervals of no more than three years.

(b) Remuneration

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

(c) Relations with Shareholders

The Company, through the Investment Manager, has regular contact with its institutional shareholders. The Board supports the principle that the Annual General Meeting be used to communicate with private investors.

(d) Accountability and Audit

The Company's Audit Committee, which comprises the whole Board, meets representatives of the 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 Manager operate. The Company's external Auditors also attend this Committee at its request and report on their work procedures, the quality and effectiveness of the Company's accounting records and their findings in relation to the Company's statutory audit. The responsibilities of the Audit Committee include review of internal financial controls, accounting policies, financial statements, management contract, Auditor's appointment and remuneration and the value of the unquoted investments.



REPORT OF THE DIRECTORS

(continued)

INTERNAL CONTROL

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

ANNUAL GENERAL MEETING

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

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

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

The Company's Articles are drafted in such a way that the Company may from time to time purchase and cancel its own shares. However, company law requires that shareholders' approval to repurchase shares be sought. At the Annual General Meeting the Company will therefore seek the authority to purchase up to 2,398,400 'A' non-voting Ordinary shares (representing 14.99 per cent of the Company's issued 'A' non-voting Ordinary share capital, the maximum permitted under the Listing Rules of the Financial Services Authority) at a price that is not less than 5p per share (the nominal value of each share) and not more than 5 per cent above the average of the middle-market quotations for the five business days preceding the day of purchase. The authority being sought, the full text of which can be found in Resolution 8 in the Notice of Meeting, will last until the date of the next Annual General Meeting.

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

By order of the Board

Hansa Capital Limited

Secretary

27 June 2003



DIRECTORS' REMUNERATION REPORT

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

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

REMUNERATION COMMITTEE

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

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

POLICY ON DIRECTORS' FEES

The Board's policy is that the remuneration of non-executive Directors should reflect the experience of the Board as a whole, be fair and comparable to that of other investment trusts similar in size (net assets £50 million to £100 million), have a similar capital structure (ordinary shares and bank borrowings), and have a similar investment objective (special situations). It is intended that this policy will continue for the year ending 31 March 2004 and subsequent years.

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

DIRECTORS' SERVICE CONTRACTS

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

YOUR COMPANY'S PERFORMANCE

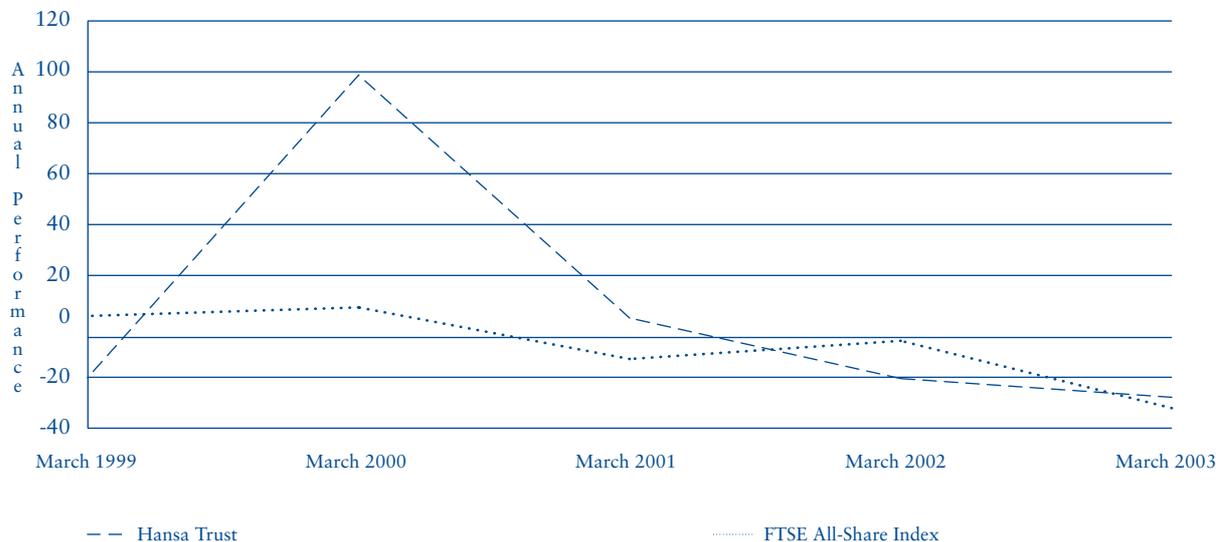
The graph below compares the total return to shareholders compared to the total shareholder return on a notional investment made up of shares of the same kinds and number as those by reference to which the FTSE All-Share Index is calculated. This index was chosen for comparison purposes, as it is the benchmark used for investment performance measurement purposes and may change in the future if the new benchmark is approved at the AGM.



DIRECTORS' REMUNERATION REPORT

(continued)

BENCHMARK COMPARISON



DIRECTORS' EMOLUMENTS FOR THE YEAR (AUDITED)

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

	2003 £000	2002 £000
Mr J Borwick (Chairman of the Board)	16	16
Mr R A Hammond-Chambers	4	–
Mr J Harris	4	11
Mr M Reeve	4	11
Mr W Salomon	11	11
Mr E Teideman	11	11
Professor G Wood	11	11
	<u>61</u>	<u>71</u>

APPROVAL

The Directors' Remuneration Report on pages 19 to 20 was approved by the Board of directors on 12 June 2003 and signed on its behalf by Mr J Borwick.



REPORT OF THE AUDITORS

Independent Auditors' Report to the Shareholders of Hansa Trust PLC

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

This report is made solely to the company's shareholders, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

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

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards. We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company and other members of the group is not disclosed.

We review whether the Corporate Governance Statement reflects the company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules 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 Directors' Report, the unaudited part of the Directors' Remuneration Report, the Chairman's Statement, the Operating and Financial Review, the Corporate Governance Statement and the Five Year Summary. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

BASIS OF AUDIT OPINION

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

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

OPINION

In our opinion:

- the financial statements give a true and fair view of the state of affairs of the company and the group as at 31 March 2003 and of the group's profit for the year then ended; and
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985.

RSM Robson Rhodes LLP

Chartered Accountants and Registered Auditors
London, England
27 June 2003



CONSOLIDATED STATEMENT OF TOTAL RETURN

incorporating the revenue account for the year ended 31 March

	<i>Notes</i>	Revenue 2003 £000	Capital 2003 £000	Total 2003 £000	Revenue 2002 £000	Capital 2002 £000	Total 2002 £000
Losses on investments	11	–	(24,256)	(24,256)	–	(10,141)	(10,141)
Exchange losses on currency balances		–	–	–	–	(29)	(29)
Income	2	2,366	–	2,366	2,584	–	2,584
Investment management fees	3	(547)	–	(547)	(641)	–	(641)
Other expenses	4	(459)	–	(459)	(484)	–	(484)
Net return/(loss) before finance costs and taxation		1,360	(24,256)	(22,896)	1,459	(10,170)	(8,711)
Interest payable and similar charges	5	(397)	–	(397)	(315)	–	(315)
Return/(loss) on ordinary activities before taxation		963	(24,256)	(23,293)	1,144	(10,170)	(9,026)
Taxation charge on ordinary activities	6	–	–	–	23	–	23
Return/(loss) on ordinary activities after taxation		963	(24,256)	(23,293)	1,167	(10,170)	(9,003)
Dividends on Ordinary and 'A' Ordinary shares (equity)	7	(960)	–	(960)	(1,165)	–	(1,165)
Transfer to/(from) reserves	17	3	(24,256)	(24,253)	2	(10,170)	(10,168)
Return/(deficit) per Ordinary and 'A' Ordinary share	8	4.0p	(101.1p)	(97.1p)	4.9p	(42.4p)	(37.5p)

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

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

The accompanying notes are an integral part of this statement.



BALANCE SHEET OF THE GROUP AND COMPANY

as at 31 March

		Group 2003 £000	Group 2002 £000	Company 2003 £000	Company 2002 £000
	<i>Notes</i>				
Fixed assets – investments					
Group undertaking	10	–	–	50	123
Other investments	11	72,466	89,345	72,466	89,345
		<u>72,466</u>	<u>89,345</u>	<u>72,516</u>	<u>89,468</u>
Current assets					
Debtors	13	92	231	197	221
Investments	14	126	43	–	–
Cash at bank		51	488	21	417
		<u>269</u>	<u>762</u>	<u>218</u>	<u>638</u>
Creditors					
Amounts falling due within one year	15	(7,831)	(950)	(7,830)	(949)
Net current liabilities		<u>(7,562)</u>	<u>(188)</u>	<u>(7,612)</u>	<u>(311)</u>
Net assets		<u>64,904</u>	<u>89,157</u>	<u>64,904</u>	<u>89,157</u>
Capital and reserves					
Called up share capital	16	1,200	1,200	1,200	1,200
Capital reserve – realised	17	77,725	81,800	77,725	81,800
Capital reserve – unrealised	17	(15,807)	4,374	(15,760)	4,494
Revenue reserve	17	1,786	1,783	1,739	1,663
Total equity shareholders' funds		<u>64,904</u>	<u>89,157</u>	<u>64,904</u>	<u>89,157</u>
Net asset value per Ordinary share	18	<u>270.4p</u>	<u>371.5p</u>	<u>270.4p</u>	<u>371.5p</u>

The Financial Statements on pages 22 to 35 were approved by the Board of Directors on 12 June 2003 and were signed on its behalf by:

Jamie Borwick Chairman

The accompanying notes are an integral part of this statement.



CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 March

	<i>Notes</i>	2003 £000	2002 £000
Net cash inflow from operating activities	22	<u>1,347</u>	<u>2,055</u>
Servicing of finance			
Interest paid		<u>(395)</u>	<u>(325)</u>
Net cash outflow from servicing of finance		<u>(395)</u>	<u>(325)</u>
Taxation			
Taxation recovered		<u>23</u>	<u>71</u>
Financial investment			
Purchase of investments		<u>(42,771)</u>	<u>(72,459)</u>
Sale of investments		<u>35,394</u>	<u>76,625</u>
Net cash (outflow)/inflow from financial investment		<u>(7,377)</u>	<u>4,166</u>
Equity dividends paid	7	<u>(1,200)</u>	<u>(1,200)</u>
Unclaimed dividends	7	<u>–</u>	<u>35</u>
		<u>(1,200)</u>	<u>(1,165)</u>
Financing			
Drawdown/(repayment) of loans		<u>7,165</u>	<u>(5,500)</u>
Decrease in cash	23	<u>(437)</u>	<u>(698)</u>

The accompanying notes are an integral part of this statement.



NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

The principal accounting policies, with the exception of (c) Investments held as Fixed Assets (v) Property (See Note 11), and the provision of deferred taxes, have been applied consistently throughout the period in the preparation of these Financial Statements, are set out below:

(a) Accounting Convention

The Financial Statements have been prepared under the historical cost convention, except where stated in (b) and (c) below and in accordance with applicable accounting standards and with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies' 1995.

(b) Basis of Consolidation

The Financial Statements comprise the accounts of the Company and its subsidiary undertaking made up to 31 March 2003.

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

(c) Investments held as Fixed Assets

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

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

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

(d) Investments held as Current Assets

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

(e) Investment Income

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

Franked dividends are stated net of related tax credits.

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

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



NOTES TO THE FINANCIAL STATEMENTS

(continued)

1. ACCOUNTING POLICIES *continued*

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

Rental income is recognised when it becomes receivable.

(f) *Expenses*

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

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

(g) *Taxation*

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

(h) *Foreign Currencies*

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

(i) *Reserves*

Capital reserves – Realised

The following are credited or charged to this reserve:

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

Capital reserves – Unrealised

The following are credited or charged to this reserve:

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



NOTES TO THE FINANCIAL STATEMENTS

(continued)

2. INCOME

	Revenue 2003 £000	Revenue 2002 £000
Income from listed investments		
Franked dividends	1,781	2,224
Unfranked interest	50	16
Overseas dividends	561	563
	<u>2,392</u>	<u>2,803</u>
Other operating income		
Dealing loss	(77)	(410)
Placement and underwriting income	18	5
Interest receivable	18	120
Rental income	15	66
	<u>(26)</u>	<u>(219)</u>
Total income	<u>2,366</u>	<u>2,584</u>
Total income comprises:		
Dividends	2,342	2,787
Interest	68	136
Other income	(44)	(339)
	<u>2,366</u>	<u>2,584</u>

Comparative figures in the above table have been amended to agree with the revised 2003 reporting.

3. INVESTMENT MANAGEMENT FEE

	Revenue 2003 £000	Revenue 2002 £000
Periodic fees	466	546
Irrecoverable VAT thereon	81	95
	<u>547</u>	<u>641</u>

Details of the management agreement are disclosed in the Report of the Directors on page 14.

4. OTHER EXPENSES

	Revenue 2003 £000	Revenue 2002 £000
Secretarial services	47	47
Directors' remuneration	61	71
Auditor's remuneration for audit services	12	15
Other expenses	339	351
	<u>459</u>	<u>484</u>



NOTES TO THE FINANCIAL STATEMENTS

(continued)

5. INTEREST PAYABLE AND SIMILAR CHARGES

	Revenue 2003 £000	Revenue 2002 £000
Bank interest	397	315

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

6. (a) TAXATION CHARGE ON ORDINARY ACTIVITIES

	Revenue 2003 £000	Revenue 2002 £000
UK Corporation tax @ 30%	–	–
Overprovision in previous years	–	(23)
	–	(23)

(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% (2002: 30%). The differences are explained below:

	2003 £000	2002 £000
Return on ordinary activities before tax	963	1,144
Return on ordinary activities multiplied by standard rate tax rate of corporation tax	289	343
Effects of:		
Non taxable UK investment income	(534)	(663)
Excess administration expenses unused	186	187
Disallowed expenses	37	14
Subsidiary dealing losses	22	119
Overprovision in previous years	–	(23)
Current tax charge	–	(23)

(c) PROVISION FOR DEFERRED TAXATION

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

(d) FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

The Company has not recognised deferred tax assets of £907,000 (2002: £721,000) arising as a result of having unutilised management expenses. In addition there are unrecognised deferred tax assets of £215,000 (2002: £193,000) relating to the subsidiary's unutilised tax losses of £715,000 (2002: £642,000). The expenses will only be utilised if the tax treatment of the capital gains made by the Company or the Company's investment profile changes. The subsidiary has tax losses which will only be recoverable to the extent that there is sufficient future taxable revenues.



NOTES TO THE FINANCIAL STATEMENTS

(continued)

7. DIVIDENDS

	Revenue 2003 £000	Revenue 2002 £000
Dividends on equity shares:		
Interim paid on 23 December 2002 – 1.8p (2002: 1.8p)	432	432
Final proposed payable on 7 August 2003 – 2.2p (2002: 3.2p)	528	768
Unclaimed dividends	–	(35)
	<u>960</u>	<u>1,165</u>

8. RETURN ON ORDINARY SHARES (EQUITY)

	Revenue 2003	Capital 2003	Total 2003	Revenue 2002	Capital 2002	Total 2002
Return/(deficit) per Ordinary share	<u>4.0p</u>	<u>(101.1p)</u>	<u>(97.1p)</u>	<u>4.9p</u>	<u>(42.4p)</u>	<u>(37.5p)</u>

Revenue return

Revenue return per share is based on revenue return attributable to equity shareholders of £963,000 (2002: £1,167,000).

Capital return

Capital return per share is based on capital loss attributable to equity shareholders of £24,256,000 (2002: £10,170,000).

Both revenue and capital return are based on: 8,000,000 Ordinary shares (2002: 8,000,000) and 16,000,000 'A' Ordinary shares (2002: 16,000,000), in issue throughout the year.

9. REVENUE ATTRIBUTABLE TO SHAREHOLDERS

The return on ordinary activities after taxation dealt with in the accounts of the holding company is £1,036,000 (2002: £1,540,000). As permitted by Section 230(2) of the Companies Act 1985, no separate revenue account for the holding company has been included in these accounts.

10. GROUP UNDERTAKING

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

	2003 £000	2002 £000
Shares at cost	<u>3</u>	<u>3</u>
Unrealised appreciation	47	120
	<u>50</u>	<u>123</u>



NOTES TO THE FINANCIAL STATEMENTS

(continued)

11. FIXED ASSETS – INVESTMENTS

Other investments	Listed £000	AIM & OFEX £000	Unquoted £000	Group and Company 2003	
				Property £000	Total £000
Cost at 1 April 2002	63,080	20,406	953	532	84,971
Unrealised appreciation/(depreciation) at 1 April 2002	14,113	(9,217)	(573)	51	4,374
Valuation at 1 April 2002	77,193	11,189	380	583	89,345
Movements in the year:					
Changes in listing	1,539	(1,989)	450	–	–
Purchases at cost	36,976	1,796	3,999	–	42,771
Sales – proceeds	(33,270)	(1,456)	–	(668)	(35,394)
– realised (losses)/gains on sales	(1,038)	(2,419)	(450)	136	(3,771)
– loss on permanent diminution in value	–	–	(304)	–	(304)
Movement in unrealised depreciation	(18,176)	(1,913)	(41)	(51)	(20,181)
Valuation as at 31 March 2003	63,224	5,208	4,034	–	72,466
Cost at 31 March 2003	67,287	16,338	4,952	–	88,577
Unrealised depreciation at 31 March 2003	(4,063)	(11,130)	(614)	–	(15,807)
Provision for permanent diminution in value	–	–	(304)	–	(304)
	63,224	5,208	4,034	–	72,466
Losses on investments:					
Realised losses based on historical cost					(3,771)
Loss on permanent diminution in value					(304)
Add: amount recognised as unrealised in the previous year on disposals					147
amount recognised as unrealised in the previous year on permanent diminution in value					(12)
Realised losses based on carrying value at 31 March 2002					(3,940)
Movement on unrealised depreciation					(20,316)
Total capital losses on investments					(24,256)

AIM listed investments include convertible unsecured loan stock with a value of £677,000 (2002: £698,000).



NOTES TO THE FINANCIAL STATEMENTS

(continued)

12. SIGNIFICANT HOLDINGS

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

Company	Country of incorporation or registration	Class of capital	% of class held	Latest available audited accounts	Aggregate capital and reserves £000	Profit after tax for the year £000
Investment Companies						
Finsbury Growth Trust PLC	Scotland	ordinary	17.8	30.09.02	57,004	1,172
Non Investment Company						
Ocean Wilsons Holdings Limited	Bermuda	ordinary	26.4	31.12.02	42,049	829

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

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

Company	Class of capital	% of class held
Black Swan Resources Limited	ordinary	13.6
Adam and Harvey Group PLC	ordinary	12.5
Halladale Group PLC	ordinary	11.1
Cathedral Capital Plc	ordinary	8.6
Loyalward Group Plc	ordinary	7.8
Glenmorangie plc	ordinary	5.2
Renaissance US Growth and Income Trust PLC	ordinary	4.9
B V Group PLC	ordinary	4.7
Ramco Energy plc	ordinary	4.3
The Scottish Oriental Smaller Companies Trust PLC	ordinary	3.9
Yeoman Group plc	ordinary	3.8
Auiron Energy Ltd	ordinary	3.6
Veos Plc	ordinary	3.3
Highway Insurance Holdings Plc	ordinary	3.3

13. DEBTORS

	Group 2003 £000	Group 2002 £000	Company 2003 £000	Company 2002 £000
Due from subsidiary undertaking	–	–	105	13
Taxation recoverable	–	23	–	–
Prepayments and accrued income	92	208	92	208
	92	231	197	221



NOTES TO THE FINANCIAL STATEMENTS

(continued)

14. INVESTMENTS HELD BY DEALING SUBSIDIARY

	Group 2003 £000	Group 2002 £000
Listed investments at the lower of cost and market value	<u>126</u>	<u>43</u>
Listed investments at aggregate market value	<u>126</u>	<u>43</u>

15. CREDITORS

	Group 2003 £000	Group 2002 £000	Company 2003 £000	Company 2002 £000
Amounts falling due within one year				
Bank loans and overdrafts	7,165	–	7,165	–
Dividend payable	528	768	528	768
Other creditors and accruals	138	182	137	181
	<u>7,831</u>	<u>950</u>	<u>7,830</u>	<u>949</u>

16. SHARE CAPITAL

	Group 2003 £000	Group 2002 £000
Authorised		
300,000 7.5% Cumulative preference shares of £1	300	300
8,000,000 Ordinary shares of 5p	400	400
16,000,000 'A' non-voting Ordinary shares of 5p	800	800
	<u>1,500</u>	<u>1,500</u>
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
	<u>1,200</u>	<u>1,200</u>

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



NOTES TO THE FINANCIAL STATEMENTS

(continued)

17. RESERVES

Group	Capital Reserve Realised £000	Capital Reserve Unrealised £000	Revenue Reserve £000
Balance at 1 April 2002	81,800	4,374	1,783
Revenue surplus	–	–	3
Realised loss on investments	(3,624)	–	–
Loss on permanent diminution in value	(316)	–	–
Transfer on disposal or permanent diminution in value of investments	(135)	135	–
Decrease in unrealised appreciation on investments	–	(20,316)	–
Balance at 31 March 2003	<u>77,725</u>	<u>(15,807)</u>	<u>1,786</u>
Company			
Balance at 1 April 2002	81,800	4,494	1,663
Revenue surplus	–	–	76
Realised loss on investments	(3,624)	–	–
Loss on permanent diminution in value	(316)	–	–
Transfer on disposal or permanent diminution in value of investments	(135)	135	–
Decrease in unrealised appreciation on investments	–	(20,316)	–
Decrease in valuation of subsidiary	–	(73)	–
Balance at 31 March 2003	<u>77,725</u>	<u>(15,760)</u>	<u>1,739</u>

18. NET ASSET VALUE PER ORDINARY SHARE

	2003	2002
Net asset value per Ordinary share	<u>270.4p</u>	<u>371.5p</u>

The net asset value per Ordinary and 'A' Ordinary share is based on the net assets attributable to equity shareholders of £64,904,000 (2002: £89,157,000) and on 8,000,000 Ordinary shares (2002: 8,000,000) and 16,000,000 'A' Ordinary shares (2002: 16,000,000), in issue at 31 March 2003.

19. MOVEMENT IN SHAREHOLDERS' FUNDS

	2003 £000	2002 £000
Total recognised losses for the year	(23,293)	(9,003)
Dividends	(960)	(1,165)
Opening shareholders' funds	<u>89,157</u>	<u>99,325</u>
Closing shareholders' funds	<u>64,904</u>	<u>89,157</u>

20. CAPITAL COMMITMENTS

There were no capital commitments at 31 March 2003 (2002: £nil).



NOTES TO THE FINANCIAL STATEMENTS

(continued)

21. DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

Background

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

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

Foreign currency risk

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

Interest rate risk

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

Market price risk

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

Use of derivatives

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

Financial Assets

	Floating rate cash balances 2003 £000	Fixed interest investments 2003 £000	Equity and property investments 2003 £000	Total 2003 £000	Floating rate cash balances 2002 £000	Fixed interest investments 2002 £000	Equity and property investments 2002 £000	Total 2002 £000
Sterling	51	677	70,990	71,718	488	698	86,275	87,461
US Dollar	-	-	35	35	-	-	351	351
Canadian Dollar	-	-	764	764	-	-	803	803
Australian Dollar	-	-	-	-	-	-	1,218	1,218
	<u>51</u>	<u>677</u>	<u>71,789</u>	<u>72,517</u>	<u>488</u>	<u>698</u>	<u>88,647</u>	<u>89,833</u>

During the period the average rate of interest earned on cash balances was 2.7%. A coupon of 8.5% was payable on the fixed interest investments held during the year.

Financial Liabilities

The Group's financial liabilities at 31 March 2003, mature within one year or less. These financial liabilities consist of short-term bank loans amounting to £7,165,000 (2002: Nil) that bear interest based on the prevailing LIBOR rate plus an agreed margin.

The Group had no financial liabilities at 31 March 2003 that bore an interest or currency exposure risk.



NOTES TO THE FINANCIAL STATEMENTS

(continued)

21. DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS *continued*

Borrowing Facility

The Group has an undrawn loan facility with Allied Irish Bank PLC of £4,835,000 (2002: £10,000,000).

Fair values

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

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

	2003 £000	2002 £000
Net revenue return before finance costs and taxation	1,360	1,459
Decrease/(increase) in prepayments and accrued income	116	(60)
(Increase)/decrease in current asset investments	(83)	827
Decrease in other creditors and accruals	(46)	(171)
Net cash inflow from operating activities	<u>1,347</u>	<u>2,055</u>

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

	2003 £000	2002 £000
Movement in net funds resulting from cashflows	(7,602)	4,802
Exchange losses	–	(29)
Movement in net funds in the year	(7,602)	4,773
Net funds/(debt) at start of year	488	(4,285)
Net (debt)/funds at end of year	<u>(7,114)</u>	<u>488</u>

Represented by:

	At 31 March 2002 £000	Cashflow £000	Exchange movements £000	At 31 March 2003 £000
Cash at bank	488	(437)	–	51
Short-term bank loans	–	(7,165)	–	(7,165)
Net (debt)/funds	<u>488</u>	<u>(7,602)</u>	<u>–</u>	<u>(7,114)</u>

24. RELATED PARTIES

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

25. CONTROLLING PARTIES

At 31 March 2003 Nicholas B. Dill, Jr and Codan Trust Company Limited held 51.20% of the issued voting shares. Additional information is disclosed in the Report of the Directors, “Substantial Shareholders” on page 15.



NOTICE OF THE ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of Hansa Trust PLC will be held in the Curzon Suite at the Mayfair Inter-Continental Hotel, Stratton Street, London W1A 2AN on 31 July 2003 at 11.00 a.m., for the following purposes:

Ordinary Business

- 1 To receive and consider the audited Financial Statements and the Report of the Directors for the year ended 31 March 2003.
- 2 To declare a final dividend.
- 3 To re-appoint the Auditors and to authorise the Directors to determine the remuneration of the Auditors.
- 4 To re-elect Mr William Salomon, who retires by rotation, a Director of the Company.
- 5 To elect Mr Alex Hammond-Chambers, who retires at the Annual General Meeting, a Director of the Company.
- 6 To authorise the Board to determine the remuneration of the Directors, and approve the Directors' Remuneration Report.
- 7 To approve the adoption of a new performance benchmark with effect from 1 April 2003.

Special Business

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

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

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

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

By order of the Board
Hansa Capital Limited
Secretary
1 July 2003

17a Curzon Street
London W1J 5HS



NOTICE OF THE ANNUAL GENERAL MEETING

(continued)

NOTES

1 Attendance at Meeting

Ordinary shareholders, proxies and authorised representatives of corporations which are Ordinary shareholders, are entitled to attend the meeting. Shareholders' names must be entered on the register by 11.00 a.m. on 29 July 2003, so that they may have the right to vote at the meeting.

2 Appointment of Proxies

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

- 3** To be entitled to attend and vote at the meeting (and for the purpose of the determination by the Company of the number of votes they may cast), members must be entered on the Company's register of members at 11.00 a.m. on 29 July 2003 ('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.

