HANSA TRUST PLC

ANNUAL REPORT

Year Ended 31 March 2005

Hansa Trust PLC

KEY INFORMATION

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 indices. Performance is measured against an absolute benchmark derived from the three-year average rolling rate of return of a five year U.K. government bond, plus two percent. Investments are intended to add value over the medium to longer term through a non-market correlated, conviction based investment style.

STATISTICS	31 March 2005	31 March 2004	% change
Shareholders' Funds (after dividends)	**£138.82m**	£102.44m	35.5
Dividends – Paid and Proposed	**9.25p**	6.0p	54.2
Return per 'A' non-voting Ordinary and Ordinary Share	**160.8p**	162.4p	
Net Asset Value (after dividends) per			
'A' non-voting Ordinary share	**578.4p**	426.8p	35.5
Ordinary share	**578.4p**	426.8p	35.5
Performance Benchmark	**6.7%**	6.9%	
Share Price			
'A' non-voting Ordinary shares	**546.5p**	346.5p	57.7
Ordinary shares	**566.0p**	350.0p	61.7
FTSE All-Share Index	**2,458**	2,197	11.9
FTSE All-Share Index – Total Return	**2,731**	3,167	16.0
Discount			
'A' non-voting Ordinary shares	**5.5%**	18.8%	
Ordinary shares	**2.1%**	18.0%	

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.

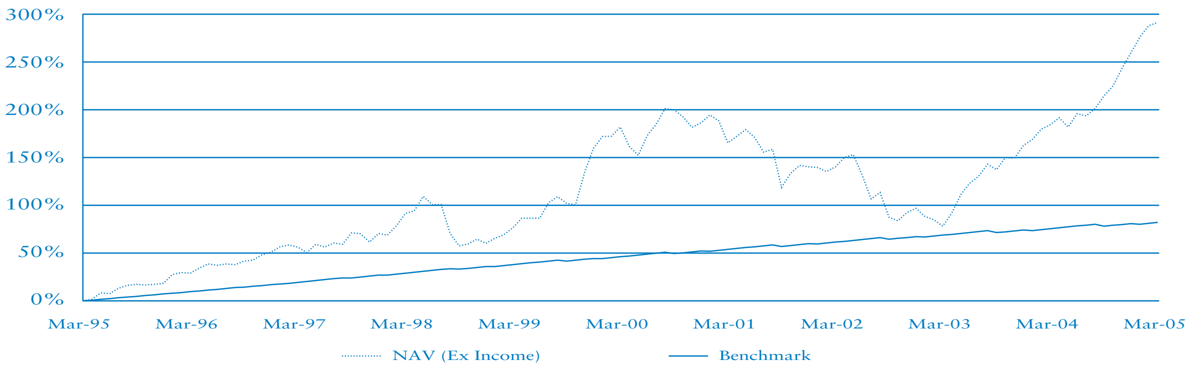
CONTENTS

PERFORMANCE SUMMARY

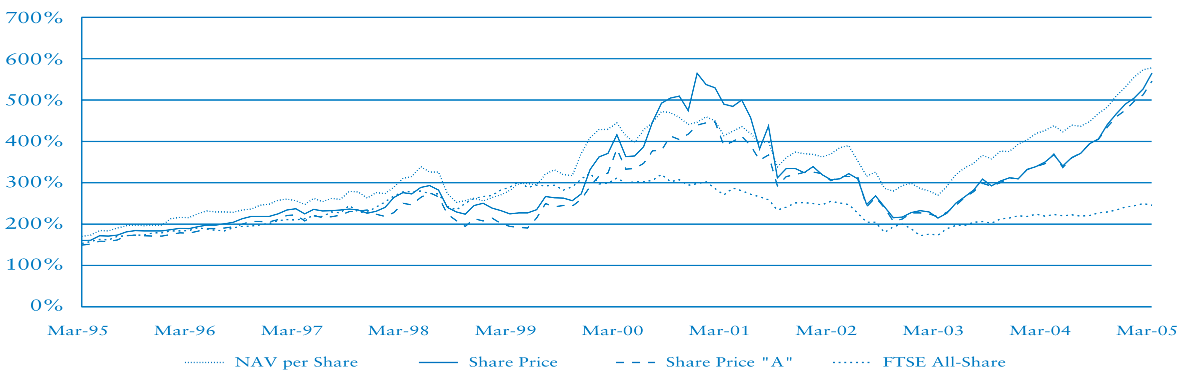
TEN YEAR RECORD

Year ended	Shareholders Funds	Net Asset Value per share 'A' Ordinary	Net Asset Value per share Ordinary	Share Price 'A' Ordinary	Share Price Ordinary	FTSE All-Share Index	Discount/(Premium) 'A' Ordinary	Discount/(Premium) Ordinary
2005	£138.82m	578.4p	578.4p	546.5p	566.0p	2,458	5.5%	2.1%
2004	£102.44m	426.8p	426.8p	346.5p	350.0p	2,197	18.8%	18.0%
2003	£64.90m	270.4p	270.4p	218.0p	215.0p	1,736	19.4%	20.5%
2002	£89.16m	371.5p	371.5p	305.0p	307.5p	2,557	17.9%	17.2%
2001	£99.32m	413.9p	413.9p	390.0p	490.0p	2,711	5.8%	(18.4%)
2000	£106.79m	445.0p	445.0p	382.5p	416.5p	3,111	14.0%	6.4%
1999	£67.96m	281.9p	281.9p	195.0p	225.0p	2,894	30.8%	20.2%
1998	£74.79m	310.4p	310.4p	250.5p	276.5p	2,781	19.3%	10.9%
1997	£62.01m	257.1p	257.1p	223.0p	237.5p	2,099	13.3%	7.6%
1996	£52.00m	215.4p	215.4p	178.0p	189.0p	1,843	17.4%	12.3%
1995	£41.16m	170.3p	170.3p	149.5p	160.5p	1,539	(12.2%)	(5.7%)

TEN YEAR SHAREHOLDERS TOTAL RETURN RECORD



	6 months	1 year	3 years	5 years	10 years
Net Asset Value	24.47%	37.67%	63.09%	38.82%	291.93%
Benchmark	3.33%	6.70%	20.96%	36.29%	82.40%



	1 year	3 years	5 years	10 years
Share Price	64.76%	93.66%	46.44%	314.91%
Share Price "A"	60.73%	88.55%	54.46%	334.48%
FTSE All-Share	16.00%	7.54%	-6.33%	105.87%

Past Performance is not a guide to future performance.

Source: Internal unaudited management information.

CHAIRMAN'S STATEMENT

RESULTS FOR THE YEAR

NAV:	**+35.5% to 578.4p per Ordinary and "A" non-voting Ordinary share.**
Dividends:	**+54.2% to 9.25p per Ordinary and "A" non-voting Ordinary share.**

It is with great pleasure that, on the occasion of my first statement to you as Chairman of your Company, I can report to you an excellent set of results. The net asset value of the shares rose after the payment of a dividend of 9.5p per share by 151.6p or 35.5% to 578.4p. Virtually all cylinders of the portfolio were firing well and, although our investment in Ocean Wilsons was responsible for 51.2p of the increase, the rest of the portfolio contributing on a broad base.

Investors make investments to make money; we are not aware that we have any shareholders who don't mind losing money providing that we beat some equity index. It is for that reason that we adopted an absolute return benchmark (the return on a 5 year government bond +2%), a yardstick of a relatively risk free return plus a premium and one that, as the long-term figures below show, equity benchmarks don't always beat. Last year the Benchmark returned 6.7%, the FTSE All-Share Index returned 16.0%. As a board we do not look over our shoulder at what other trusts are doing, preferring to concentrate on the job in hand, making money for you. However we have to be conscious of what returns others are achieving, as investors become shareholders in Hansa Trust in part because they believe we will do better than others. Over the last one, three and five years our returns have indeed been rather better than most comparable investment trusts.

It is also pleasing to be able to recommend to shareholders - for approval at the Annual General Meeting - a final dividend of 5.75p per share bringing the total for the year to 9.25p, 54.2% up on last year. Our net income rose by 54.8% to £2.3 million, benefiting particularly from our investments in Lloyd's insurance companies and in utility companies which, as John comments in his review, are declaring excellent profits and dividends to their shareholders. Your Board of Directors is mindful of the growing importance of dividend income as a consequence of the Country's demographics. The dividends paid to you will vary from year to year according to the nature of the portfolio during the year but we would expect them to grow over the longer term.

LONGER TERM PERFORMANCE:

3 Years	**NAV Total return**	**+63.1%, Benchmark +21.0%, FTSE All-Share Index – 3.9%**
5 Years	**NAV Total return**	**+38.8%, Benchmark +36.3%, FTSE All-Share Index – 21.0%**

Investing in equities is a long-term business. The nature of equities is that their prices are volatile, rising and falling with the cycles in companies' profits and dividends and with the ebb and flow of investors' expectations. In any given year there can be no certainty that equities will provide positive returns but that is usually compensated for by better returns over the long-term. It is important therefore that we judge our returns on a long-term basis and that is exactly the approach the independent directors took in their recent annual assessment of Hansa Capital's management of the Company. We quite understand that it will not be possible to achieve good absolute returns for shareholders every year - nor to do better than our benchmark - nor to do better than the market or our competitors. But if we cannot do so over five or ten years then we should not be in business.

As you can see from the numbers above, the returns over the last three (+236.4p per share) and five years (+133.4p per share) have been excellent. Long-term returns can be large, short term ones seldom are. Our return over the last three years from Ocean Wilsons demonstrates this very well, with 99.8p per share being added to the net asset value. Furthermore not only has good stock selection contributed to these returns but strategic investing has played an important part too. Our commitments to the Insurance and Oil & Energy sectors, for instance, have contributed 31.4p and 45.5p per share over 3 years respectively. I am sure shareholders will join me in congratulating William Salomon and his colleagues on these returns.

As is reported later in the annual report (page 19), the independent non-executive directors carried out their annual evaluation of the Manager. We had absolutely no difficulty in concluding that it was very much in shareholders' interest that the Manager should remain in situ. I would like to point out that this conclusion was not reached on the basis of the years' results but rather on the high quality and commitment of the team to the management of all aspects of the Company's business and on the basis of the five year returns for shareholders. As I mentioned earlier, short term returns are ephemeral and we will certainly have years when returns are not so good. We will not use short term returns as the basis for evaluations in the future either.

SHAREHOLDER BASE AND THE DISCOUNT

Ordinary shares: 2.1% (18.0% - 2004); "A" Ordinary shares: 5.5% (18.8% - 2004)

Your Board and Manager have been frustrated in the past by the level of the discount at which the shares sell to their underlying net asset value. A year ago the discounts were 18.0% and 18.8% on the ordinary and "A" ordinary shares respectively. It did not seem to reflect the Company's track record. We have given the matter much thought over the last year; we have spoken to shareholders, analysts and investment bankers. Various views were expounded, including our not communicating enough with the City, the lack of liquidity in our shares and our dual capital structure.

So during the year we have stepped up our communications with investors and their advisors. On 8th March 2005 4m of the Company's "A" non-voting Ordinary shares were placed at 509.25p, equivalent to a discount of 12.25%. This represents 25% of the share class and had a value of £20.37m. The shares came primarily from British Empire Securities and General Trust plc which sold 3.5m shares, reducing its holding to 2.5m shares, and were placed with the clients of eleven institutions and clients of private client brokers. We welcome these new shareholders to the share register, and hope that the enlarged shareholder base will ultimately provide greater liquidity in the shares. That will benefit all shareholders. By the year end the discounts on the ordinary and "A" ordinary shares had declined to 2.1% and 5.5% respectively.

The matter of having two classes of shares, one of which is non-voting has been raised as an issue concerning general investor interest and hence the discount. However it should be noted that both types of share rank parri pasu in all respects, save voting rights. As a board of directors it is not an issue within our control; it is rather one for the ordinary shareholders. We believe that the majority of ordinary shareholders would not agree to a change in these arrangements and we do understand why. In this day and age of short-term expectations and mindless box-ticking by bureaucratically managed investment houses, consultants and trade bodies, it is not easy to manage portfolios on a genuinely long-term basis. The Board of Directors understands that the long-term approach – which has produced good returns – would be threatened by exposure to such influences and quite understands why the ordinary shareholders would want to resist it.

ANNUAL GENERAL MEETING

The AGM will be held at 11.30am on Thursday 28 July at the Radisson Edwardian Mayfair Hotel, Stratton Street, London (Green Park tube station). We do urge all shareholders who are able to attend to join us for the occasion. It is the one opportunity that you have collectively to meet the Board and Management, ask questions that concern you and make any comments and criticisms that you may have. Furthermore you have the benefit of doing it in front of your fellow shareholders - so that they can hear what you have to say and in turn you have the chance to listen to what they have to say. Most important of all we have the chance to listen and learn from you. ***Please come and join us.***

INVESTMENT VEHICLES, INVESTMENT TRUSTS AND HANSA TRUST

William Salomon has explained at previous AGMs to shareholders, investors and others interested in Hansa Trust that we try to provide something special for shareholders that they could not otherwise easily achieve for themselves. We believe that good returns come from patient investing, from backing companies whose managements are, as John Alexander puts it, co-proprietors with us, from seeking investments that offer something special and from identifying areas of the market that offer exceptional returns that others, for some or other reason, are ignoring. It is the approach that has served Warren Buffett so well over the last 40 or so years. We do not believe that there is some God-given reason that equities generally will automatically provide good returns and in particular we do not believe that equity indexed portfolios will provide the returns that are required of them in the next few years. We are in an era of low nominal returns and furthermore one in which equities as a class will not necessarily provide the best returns.

Key to successful investing and earning good returns is commitment, imagination, courage and a good and experienced team. Modern portfolio management is beset by bureaucracy and fear of underperforming an often irrelevant index. Jose Mourinho the manager of championship winner Chelsea remarked that he is not frightened

CHAIRMAN'S STATEMENT

(continued)

of making mistakes – nothing ventured, nothing gained. Not only are investors frightened of risk but they are now beset with rules and regulations which seek to discourage taking risks. Modern corporate governance prioritises the *formalities* of best practice and thus subordinates achievement to the formation of the process; substance to form, individual initiative to committee management and experience to training. It is no way to encourage the emergence in Britain of the Berkshire Hathaway's or Microsoft's of tomorrow.

Investment trusts generally are threatened by these things and are in danger of making the same mistakes that have done such disservice to many pensioners in Britain. Indeed boards of trusts are being actively encouraged to direct their companies much as trustees in the past have directed their pension funds, to such bad effect. The best managers are being diverted to hedge funds where they can make more money for themselves or to unit trusts where the fund management houses can make more money for their shareholders. Some of the best performing investment trusts are those with experienced and committed managers, who have large personal shareholdings in the trusts that they manage. It is enormously important to all shareholders that the Salomon family has an interest in over 4 million shares of the Company and that William is personally committed to its success, in addition colleagues working with William hold a further 31,000 shares. It is also enormously important that he should have a talented, committed and experienced team around him; he has.

THE ASSOCIATION OF INVESTMENT TRUST COMPANIES ("AITC")

Your Company is a member of the AITC and I am privileged to be serving a two year term as its chairman. Not only is the Association working on some important issues that will affect your Company – challenging the imposition of VAT on management fees, working on the Treasury's investigation of the regulation of investment trusts and seeking a lower rate of tax on income earned from bonds, for example – but it provides a good service for its members in many ways. We have an active relationship with our trade association and find that it helps us in managing and directing your Company's affairs. Many of the AITC's achievements in recent times have been of great benefit to the industry including Hansa Trust.

OUTLOOK

It is difficult to say anything particularly original about the outlook for the UK economy or stock market that hasn't been said over and over again by all sorts of erudite commentators in the City and in the media. Market views tend to be rather lemming like – all headed off in the same direction which is all too often towards some cliff or other. It is not that they are necessarily wrong but rather that they tend to be well discounted in share prices. At the moment for example, investors are worried about the twin deficits in the United States; so the US Dollar has been weak. China is gobbling up more and more oil, so oil and gas stocks are strong. Interest rates are rising in many places, so bank shares are generally weak. And so on. It would seem reasonable to suppose that the growth of the major economies of the world is likely to slow down in the next eighteen months or so as highly indebted consumers or governments are unable to provide the stimulus to economies that they have in the past year or two. Higher interest charges, fuel bills and in some cases taxes will have to be paid for. So – for the moment at least – markets are cautious. It is all very logical.

However – in anything other than the short term – these matters are not of the utmost importance to our own outlook and prospects. Unless there is a further and significant extension to the bear market which started with this new millennium – which we do not see – then our prospects will be determined by our own ability to invest in areas and in companies which will prosper in the low growth and low return investment environment that we are now in. Notwithstanding the further damage that this government – recently re-elected for a third term – and the Brussels bureaucrats can do to the structure of the economy with their imposition of ever growing mountains of red tape, pages of regulations and corporate tax burdens, the outlook for the UK still remains bright enough for there to be plenty of opportunities for rewarding investment. It is up to us to find them. My non-executive and independent board room colleagues have every confidence that William and his colleagues will do just that.

Alex Hammond Chambers
Chairman
24 June 2005

INVESTMENT MANAGER'S REPORT

BACKGROUND

UK equities enjoyed a satisfactory year against a background of M&A activity, strong corporate results, share buybacks and healthy increases in dividends. The FTSE All Share index rose by 11.9% over our one year reporting period. The corporate sector is concentrating on cash generation and share buybacks and is being extremely careful when it comes to capital spending, and companies are behaving like private equity in order to escape from their clutches. Private equity groups are awash with cash looking for a new home, with a phalanx of private equity houses, including Apax, Carlyle, Kholberg Kravis Roberts, Bridgepoint and Duke Street Capital all preparing to launch new fund raisings this year. This will only add to the vast £275bn pool of capital seeking buyouts and other venture capital deals. This wall of money makes bigger deals more likely, especially if private equity groups join forces, and no target appears too big. Meanwhile the market's appetite and search for sustainable and preferably increasing income streams continues unabated, and we have invested in sectors and companies that offer attractive and growing income streams to take advantage of this trend, which is being reflected in a 54.2% rise in dividends for the year from 6.0p to 9.25p. At a time when companies generally have materially less debt than normal and stable and more secure cash flows, we may be witnessing a yield shift in the valuation of corporate cash flows by equity markets. Companies with cash flows most capable of being leveraged could benefit from a re-rating. While corporate balance sheets have improved, the government and consumer sectors have continued their massive spending sprees financed by incremental borrowing, suggesting that the prospects for increased demand from the UK and US are limited.

OVERALL PERFORMANCE

During the year under review, the capital and revenue returns per Ordinary and "A" Ordinary shares amounted to 160.8 pence or 37.7%, and the share prices rose by 61.7% and 57.7% respectively on a total return basis as the shares traded at a narrower discount to their net asset value. This compares with a rise of 6.7% in the Company's benchmark. The two major contributors to the 160.8 pence per share rise were Ocean Wilson Holdings 51.2p and Glenmorangie 22.0p.

SECTOR WEIGHTING AND PERFORMANCE – (Time Weighted)

SECTOR	Portfolio Weighting at 31 March 2005 %	1 year performance to 31 March 2005 %
Small Cap/AIM	23.9	68.5
Strategic	20.0	78.3
Insurance	19.3	4.9
Oil & Energy	16.9	53.2
Utilities	7.0	28.6
Closed Life Funds	5.3	15.2
Property	3.3	42.6
Large Cap	4.6	13.2
Funds	1.8	1.9
Net liabilities including bank loans	(2.1)	

SECTOR REVIEW

SMALLER CAP/AIM	Opening Value	Net New Investment	Closing Value	Average Capital Employed	Added Value
Portfolio Movements	£18.3m	£1.4m	£33.5m	£20.1m	£13.8m
Portfolio Weighting			23.9%		
Portfolio Performance					68.5%
Contribution to overall total return of 160.8p					57.3p
Major Contributors					
Glenmorangie					22.0p
Felix Resources					5.2p
Armor Group					5.2p

Our smaller company portfolio rose by 68.5% (time weighted basis). **Glenmorangie** rose by 93.7%, **ArmorGroup International** by 96.2%, **Goal Soccer Centres** by 86.3%, **Straight** by 53.5%.

Last October the Boards of **Glenmorangie** and Moet Hennessy Investissements announced that they had reached agreement on the terms of cash offers for Glenmorangie valuing the "A" shares at 1717.6pence each or the entire share capital at approximately £300m. At about the same time CSFB and JP Morgan made an agreed 862p bid for **Warner Chilcott**, and we received £13.4m of cash from these two disposals in January of this year. We have continued to actively screen the initial public offerings (IPO's) coming to the market and have found some attractive investments. This is not just because they are "new", but because they are genuinely differentiated and offer us something special as investments. Generally they are highly focused businesses giving us exposure to less economically sensitive areas of the economy. They have experienced and proven management teams with large personal shareholdings, so the managers have a sizeable amount of their own wealth at risk. We like being co-proprietors with the senior managers. The companies offer good growth prospects with leading market positions and pricing power, strong cash generation and attractive returns on equity. **ArmorGroup**, the protective security and training company demonstrated the resilience of the global security industry in its results following its successful stockmarket flotation. The company operates in over 26 countries and has been operating for more than 20 years, providing its services principally through contracts with first world national governments, major international inter-governmental and multinational corporations. We believe that demand for services from blue chip customers in higher risk locations around the world should enable the group to sustain above average growth. **Goal Soccer Centres** is a successful and established operator of 5-a-side soccer centres across the UK and has an experienced and proven management team. The company has a well-progressed pipeline of sites which have been developed by working with both the public and private sectors. Football is the most popular sport in the UK and the management aim to accelerate the rollout of new centres and build Goals into a nationally recognised brand, while the funding is in place to grow from 11 to 26 centres over the next three years. **La Tasca** (+28.5%) operates the largest casual value for money dining Spanish restaurant chain in the UK and is well positioned to benefit from a growing eating out market in the UK. The company has a differentiated menu of Spanish tapas dining with an "authentic" Spanish atmosphere appealing to the growing numbers of female casual diners, who account for over 70% of the company's customer base. The management team is experienced, proven, ambitious, and with less than 50 restaurants the company has a number of years of self-funded growth ahead of it. **NCC Group** (+43.4%) is the UK's leading provider of software escrow solutions, holding the source code to business critical software applications on behalf of the users of software. This enables the users of its service to gain access to this vital information should a pre-defined trigger event occur, for example, the software licenser going into liquidation or failing to maintain the application. 88 of the FTSE 100 are escrow customers, and the group has high levels of profitability, the ability to raise prices annually, strong cash flow generation, high levels of recurring revenue, low dependence on large-sized deals, and good growth potential.

Andor Technology (+14.3%) was formed through a spin out from the Physics Department of Queen's University Belfast in 1989 and the Chief Executive and Technical Director have been with the company from that date. Andor develops and manufactures high performance digital cameras and their associated products used for the measurement of light. The products are distributed to a customer base encompassing both the scientific research community and industrial applications. The company has a long track record of growth and profitability, with some 90% of its turnover exported outside the UK. **Hamworthy** (+32.3%) originated in 1911, and is a world leader in marine-fluid handling systems for the oil and gas markets with particular emphasis on liquefied petroleum gas where safety and environmental concerns are paramount. It is world number one or two in seven of its product categories, and over 80% of product sales (excluding spares and service) are related to the production and transportation of oil and gas by tankers and gas ships. We believe that "stranded" gas will become an increasingly important source of energy in the future. **Shed Productions** (+9.8%) is an independent UK television production company specialising in contemporary original drama programming and content. Content is the name of the game in the new digital world. Television is seeing audiences fragment due to the rise of multichannel broadcasting so companies are searching for programmes that can bring in ratings, making content makers who have a track record of producing popular programmes more valuable than ever. In addition television production companies have gained the right to retain the rights to programmes they produce for the BBC, Channels Four and Five, increasing the size of Shed's addressable market beyond ITV. Shed has a track record of turnover growth and profitability in each of the last 6 years since its establishment in 1998.

We purchased a holding in **Ark Therapeutics** (+38.6%) at a substantial discount to the company's recent IPO price. Ark has its origins in the University College of London, and is a specialist healthcare group with one marketed product and three further lead products in late stage clinical development. The company has a balanced portfolio targeting specific unmet clinical needs in vascular disease and oncology. The focus is on specialist areas with low marketing costs, which can also benefit from orphan drug status and fast track regulatory pathways. Ark minimises its dependency on pharmaceutical partners and retains control over its development programmes, thereby maximising the retained value for shareholders. The company is well financed and has recently announced a company transforming licence to Boehringer Ingelheim for access to key technology. We have also backed a couple of secondary issues where companies have issued shares to finance an acquisition or fund organic growth. **Straight** (+53.5%) is a marketer and distributor of environmental containers for the collection, transportation and storage of household waste for disposal or recycling. Straight supplies local authorities, waste management companies, community sector organisations and private sector businesses, as well as households through marketing and distribution partnerships with local councils and water companies. The acquisition of its largest competitor has left the newly enlarged company as number one in the UK kerbside box market, the UK composter market and the UK water conservation market. As a larger company, Straight could find it easier to break into new markets, such as materials handling. We hold 6.5% of the enlarged entity, with Mr Straight's holding reduced to 42%. Possibly the best family-controlled companies are those whose management see themselves as stewards for future generations, a much underrated financial discipline. We invested in **Homebuy** (+16.8%) to help fund the growth of this hire purchase/retail hybrid which supplies televisions and other electrical goods on sensible finance terms to sub-prime households.

Some of our longer held positions performed well. **Morgan Sindall** (+46.0%) has benefited from government investment in social housing, and the Lovell division is the UK's leading provider of affordable housing. **Delta** (+28.0%) is in the process of becoming a simpler and more focussed group and cash generation remains strong. **Dairy Crest's** (+33.8%) key brands are performing well although there are issues to be resolved on the liquid products side. Meanwhile the shares offer an attractive free cash flow yield and dividend yield.

STRATEGIC	**Opening Value**	**Net New Investment**	**Closing Value**	**Average Capital Employed**	**Added Value**
Portfolio Movements	£28.8m	(£13.2m)	£28.0m	£15.9m	£12.4
Portfolio Weighting			20.0%		
Portfolio Performance					78.3%
Contribution to overall total return of 160.8p					51.7p
Major Contributor					
Ocean Wilsons Holdings Limited					51.2p

We sold the holding in **Finsbury Growth Trust** at the very start of our new financial year at a discount of 5% to net asset value. On 6 December 2004 there was an announcement from **Ocean Wilsons Holdings:** "The Board of Ocean Wilsons Holdings Limited announces that it is in the early stages of reviewing strategic options in relation to the Company's Brazilian operations. The Board wishes to stress that no decisions have been reached and that a potential sale of any of the Brazilian businesses, or any part thereof, is only one of a number of options under consideration, which includes continuing as at present. A further announcement will be made if appropriate." The company reported another solid performance in 2004 with a high level of cash generation and an increased dividend payout. Ahead of the outcome of the strategic review, the board will continue to capitalise on the Group's position as the leading supplier of maritime services in Brazil.

INVESTMENT MANAGER'S REPORT

(continued)

INSURANCE	Opening Value	Net New Investment	Closing Value	Average Capital Employed	Added Value
Portfolio Movements	£24.8m	£1.0m	£27.0m	£25.2m	£1.2m
Portfolio Weighting			19.3%		
Portfolio Performance					20.0%
Contribution to overall total return of 160.8p					5.1p
Major Contributors					
Chaucer Holdings Plc					2.5p
Cathedral Capital Plc					2.1p

There are two key points to emphasise with our holdings in the Independent Lloyds vehicle 'sector'. Firstly the Lloyd's vehicles account for some 0.3% of the All Share Index, compared to the UK banking sector that constitutes 20%. Thus the Lloyd's vehicles are 'off' the radar screens of most investors because they represent such a small 'sector', and are generally held by a common and select shareholder base. Secondly, catastrophes and the insurance cycle are both divorced from stock market cycles, so risk is uncorrelated. In addition, Lloyd's vehicles are largely invested in AAA-rated bonds, which means that their investment returns are also relatively uncorrelated with equity markets. Everybody knows somebody who lost a lot at Lloyd's, so it is a sector that is generally hated. We believe that opportunity exists where there is prejudice.

The 2004 results season from our Lloyd's vehicles was particularly impressive with most companies reporting profits considerably ahead of market expectations together with positive dividend news. Impressive because 2004 was the costliest year on record for natural catastrophes with current industry estimates placing the insurance cost at some US$40bn. In addition the industry has had to contend with a weak US dollar which affects the translation of profits into sterling. The largest share of Lloyd's business originates in the USA, which is by far the largest insurance market in the world. These strong 2004 results are a testimony to the very strong rating environment together with tight terms and conditions, producing an average ROE of 15.0%. **Chaucer** (+12.8%) was considerably ahead of this at 23.6%, helped by a low tax charge, followed by **Amlin** (+4.8%) at 20.8%, **Wellington Underwriting** (+4.1%) at 16.1% and **Brit Insurance Holdings** (+1.9%) at 10% ROE reflecting a low use of gearing in the peak underwriting years.

The sector is currently trading on an average Pr/Bk value of 1.2x 2004 net tangible assets, with Amlin trading at 1.7x, followed by **KILN** (+2.2%) at 1.3x, Wellington, Brit and Chaucer all at 1.2x 2004 net tangible assets. Meanwhile the average dividend yield is 3.5% for 2004 rising to about 4.5% based on dividend forecasts for 2005, comparing favourably with the FTA All Share yield of 3.1%.

Brit exceeds the average significantly with a yield of 7.5% for 2004 rising to 7.8%, followed by Chaucer at 5.2% rising to 6.2% and Amlin at 4.7% and **Beazley** (-9.6%) at 1.1% for 2004 rising to 4.7% this year. We wrote-up the value of our unquoted holding in **Cathedral Capital** from 65p to 73p following a sizeable share transaction, and the company is performing well under a strong management team. Cathedral is not currently paying a dividend so the net tangible asset base in growing well. All these valuation metrics leave the 'sector' generally looking inexpensive, suggesting that the market regards these companies as serial destroyers of value which will "blow" the profits generated to date, in a market that is highly cyclical and basically ex-growth.

We are not quite so pessimistic for a number of reasons. Although the underwriting cycle has clearly turned down, our companies are pretty optimistic about the trading outlook for 2005, stating that rates and, at least as importantly, terms and conditions remain healthy albeit with increased competition. Indeed, the hurricane losses will reinforce the need for continued global underwriting discipline and the prospect of future sustained profitability is therefore improved as a result of these losses. We are not expecting a downturn of the scale and severity of 1988-1993 or 1997-2001 but expect the downturn to be much more shallow. At the big picture level the insurance industry remains under-reserved for asbestos and environmental liabilities and for casualty business written 1997-2001, so further strengthening of prior year reserves is inevitable. This will only add to insurer's caution in lowering rates while balance sheets remain weak since reserve deficiencies have to be funded out of current operating results.. Fortunately our Lloyd's companies do not suffer these legacy issues, with the market's prior year exposures reinsured into

INVESTMENT MANAGER'S REPORT

(continued)

Equitas. It is also important to remember that any rate reductions are from extremely high levels, while our companies are changing their underlying business mix, with less business written in areas where rates are decreasing, matched by increased premiums in those areas where rates remain strong, demonstrating effective management of capacity. In addition, Beazley, Chaucer and Wellington have all increased their participation in their syndicate capacity by a material amount, a reminder to investors that Lloyd's businesses that have yet to acquire 100% ownership of their syndicate capacity can continue to grow earnings without having to expand the total amount of business written. So the companies are doing a lot of 'self-help' focusing on specialised areas of the insurance market where the underwriters have genuine expertise. We believe that our Lloyd's companies have much better management 'this time round' with high quality underwriters using sophisticated risk modelling systems. And this is the key point, the Lloyd's underwriting businesses are the critical driver of performance and the story is all about underwriting discipline and underwriting profits with a focus on margin retention and return on equity. The whole focus of our companies is an underwriting profit rather than premium volume. Low interest rates and low investment returns mean that our companies are not able to 'punt' the 'float' or the premium income. Our companies have committed to levels of cross-cycle underwriting profitability and returns on equity of 15%, significantly higher and more sustainable than those historically achieved. They have committed themselves to a focus on capital/asset efficiency, and they have a promise to keep. The investment community's support for a large number of rescue rights issues following the World Trade Centre disaster reflected a tacit new contract between insurers and their supportive shareholders – namely that underwriting discipline must prevail this time round.

There are other reasons for optimism. Our companies enjoy a high element of 'embedded earnings', in other words significant earnings momentum from the pipelines of unearned premium reserves from 2002 and 2003, as a result of strong underwriting conditions, low loss experience, and decreased reinsurance costs, together with unearned profit commissions front underwriting agency activities. It therefore follows that cash flow from the Lloyd's Insurers will start to increase significantly from June 2005 when the distribution of profits from the 2002 and 2003 years of account will start to be recorded, thereby naturally de-gearing the balance sheets of our companies. Given our companies' commitment to good balance sheet management in order to deliver a return on equity of 15% across the cycle, we anticipate that there is potential for higher than expected dividend payouts, so to quote Amlin "we expect to consider further possibilities for returning capital to shareholders over and above the anticipated dividends". This sense of capital discipline has been re-confirmed by Wellington where the management have emphasised that the investment in Aspen "does not represent a strategic position for Wellington and our longer term objective will be to maximise value and to realise value from it" and any proceeds will be returned to shareholders. Finally it is worth remembering that corporate activity in the insurance industry tends to be late cycle. As rates soften insurers see revenues and profits reduce, but they are reluctant to pursue organic growth through the capture of market share as this would have the effect of driving down rates even further, thereby exacerbating the very trend that they are trying to avoid.

Acquisitions or defensive mergers are the preferred way forward, and as Wellington recently stated "while we cannot predict precisely how our sector will develop, there will certainly be additional pressure for change".

In order to participate in any corporate activity, it is essential that our companies own 100% of their syndicate capacity, as the presence of outside names makes consolidation difficult due to their rights of veto. We have already noted that some of our companies are busy increasing their participation in their syndicate capacity, and they are now exploring alternative structures that would be attractive to both the companies and third party capital. The Lloyd's Insurers are anticipating change, and shareholders are likely to support consolidation.

INVESTMENT MANAGER'S REPORT

(continued)

OIL AND ENERGY	Opening Value	Net New Investment	Closing Value	Average Capital Employed	Added Value
Portfolio Movements	£15.0 m	£1.2m	£23.7m	£14.1m	£7.5m
Portfolio Weighting			16.9%		
Portfolio Performance – (time weighted)					53.2%
Contribution to overall total return of 160.8p					3.4p
Major Contributors					
Hunting Plc					8.5p
Cairn EnergyPlc					7.5p
Tullow Oil Plc					7.4p

China is likely to remain a long term growth story, and last year accounted for 30% of the growth in global oil demand, in the process overtaking Japan as the world's second largest oil consumer. Both China and India are in a race to source the oil and gas required to fuel their rapid economic growth, with India importing about 70% of its crude oil. We believe that there has been a significant upward shift in long-term oil prices due to supply constraints. The world is not running out of oil but there has been long-term under-investment in oil infrastructure, leaving oil stocks at very low levels. The oil majors are struggling to replace their reserves, with Russia "off the menu" as a growth opportunity after the Yukos fiasco and tax demands on BP, while the Middle East remains tough for western companies. Expansion in oil demand is structural, and based to a large degree upon the emergence of a motoring infrastructure in India and China. Transport is now the heaviest consumer and cars and aeroplanes cannot switch to other fuels unlike power generators. On the supply side Opec has become much more disciplined. Energy prices went through a series of boom/bust cycles in the 1980's and 1990's because Opec producers failed to rein in production once inventories started to build relative to demand, with production continuing at too high a level until the market was over-supplied and prices collapsed. Opec has learnt its lesson. In addition prices will be very susceptible to supply disruptions and geopolitical risk, since oil is produced in some of the world's most unstable countries. However demand expansion carries another and less well understood implication for the oil industry, namely a shortage of refinery capacity, and a sophisticated plant takes at least five years to build as well as facing huge environmental barriers. The oil industry has had too much refinery capacity for more than twenty years, but this surplus is ending, which will in turn lead to a dramatic improvement in refinery profitability which will benefit our holdings in two European integrated majors, **Shell** (+42.6%) and **ENI** (+6.9%). Once again, there is a consolidation story. Size brings diversification and economies of scale, so bigger is better. Oil companies of all sizes are throwing off prodigious amounts of cash, thanks to the soaring oil price and that can burn holes in pockets. Chevron Texaco, the second largest US oil and gas company has acquired Unocal for £9.5bn, the biggest deal in the oil and gas industry for three years, bringing Chevron Texaco valuable natural gas assets (the 'clean' fuel) and Asian exposure.

We sold a quarter of our holding in **Cairn** (+42.4%) but it remains a large holding and the story from Rajasthan is starting to improve again. Using water-injection techniques, more than 500m barrels of oil could be extracted from these Rajasthan fields if it succeeds in gaining a licence extension from 2025 to 2041. Independent consultants estimate that enhanced recovery techniques could yield a further 150m barrels, leaving estimates of the group's core asset value at some 1400p, well above the current share price. Cairn has said that its forecast of oil production, commencing in late 2007, has increased from an old range of 80-100,000 b/d to a new range of 120-150,000 b/d. Finally the group is applying for a very large acreage extension which should increase the potential for future exploration upside. Cairn management will have to decide whether to develop the acreage or to realise the asset through a disposal, allowing Cairn to return cash to shareholders.

Cairn does not believe that it will require recourse to further equity, since it will be able to use its own cash flow to finance the development in Rajasthan. In the meantime Cairn has adopted a "drill until you drop" strategy so as to maximise the area with Cairn as title holder.

INVESTMENT MANAGER'S REPORT

(continued)

Meanwhile we could hear more about the acreage in Bangladesh and Nepal over the next year. We sold our holding in **Premier Oil** after further disappointing drilling news, and took part in a share placing in **Tullow Oil** (+82.2%) which helped to finance the acquisition of Energy Africa, where a large diversified portfolio of exploration assets offers investors significant potential upside from the drill bit, with good exposure to West Africa. Tullow has a clear growth strategy of exploiting and expanding its current reserve base in the North Sea, Africa and Asia with an emphasis on Pakistan, while continuing a policy of active portfolio management. The proceeds from the placing in **Melrose Resources** (+20.2%) are being used to fund the group's ongoing exploration and development activities in Bulgaria, Egypt and the US, while production from the Galata gas field in the Black Sea has started. An active drilling programme for the year ahead is expected to encompass a further eight exploration wells in Egypt and at least one in Bulgaria. We added to our holding in **Dana Petroleum** (+110.5%) which has a net cash position of £21m as revenues and profits have benefited from increased production and high oil prices. Dana will commit £60-80m of capex on exploration/development activities this year, and expects to drill eight exploration wells with two potentially company-changing wells in Mauritania and Kenya. However, even with its increased expenditure we expect the group to pay down further debt in 2005. The restructuring Shell announced with the third quarter results at the end of October was both earlier and more far reaching than expected. The existing joint company structure will be replaced by a single holding company named Royal Dutch Shell PLC with its primary listing in London, with a single Chairman and a single Chief Executive. The 'new' Royal Dutch Shell will represent around 9% of the FTSE 100. In case you didn't know, "Shell" was founded in London in 1897 by two brothers, Marcus and Sam Samuel, who adopted the Shell name from their father's most profitable business activity, namely the importation of sea shells for onward sale to Victorian natural history collectors. ENI is Europe's fourth largest integrated oil major. This Italian oil major is enjoying good volume growth, has attractive exposure to Kashagan and Angola, and is experiencing strong cash flow in this current environment of high energy prices. It is pleasing to note that ENI recently raised its dividend for the first time since 2001, by 20%, and promised that this new dividend level would be maintained throughout the four-year plan. Hunting (+92.3%), the international energy services company cancelled and repaid at par the £47.9m convertible preference shares that were in issue. The group's strong position in Canada and its proprietary tubular products should continue to deliver growth.

UTILITIES	**Opening Value**	**Net New Investment**	**Closing Value**	**Average Capital Employed**	**Added Value**
Portfolio Movements	£2.2 m	£6.0m	£9.9m	£6.0m	£1.7m
Portfolio Weighting			7.0%		
Portfolio Performance – (time weighted)					28.6%
Contribution to overall total return of 160.8p					7.2p
Major Contributor					
United Utility Plc					4.3p

Falling bond yields and problems in other defensive sectors have increased the attractions of this higher yielding sector utilities are predominately asset based, comprising largely essential services which generate strong cashflows and tend to have both monopolistic and defensive qualities. These regulated monopolies are often categorised as "defensive growth" and sometimes the utilities sector goes through cycles where underlying value and market price can become disconnected due to changes in regulations, competition or financial engineering. Ofwat delivered a generous review to our two water companies, **United Utilities A's** (+49.4%) and **Severn Trent** (+22.3%). Both companies have accepted Ofwat's final price determination for 2005-2010. The underlying cost of capital assumption of 5.1% seems at least 1% higher than the companies' actual cost of capital and the cost of debt assumption is demonstrably too high. United Utilities has fixed 80% of its debt for the next 5 years at an interest rate 1.2% below Ofwat's assumed cost of debt. UK water now has five years of revenue certainty, and if the market's earnings growth disappoints in 2005 the water sector's defensive qualities are once again likely to be sought after. United Utilities continues to trade at a material yield premium to the sector despite having confirmed its dividend policy for the next five years and having interest cover more than comparable to most of the other companies in the sector.

United Utilities target is to maintain, as a minimum, group dividends in real terms at least up to 2009/10. Payment for the second stage of the United Utilities rights issue (£500m, or 165p per A share) takes place this coming June. The sector is now trading at a 10% plus premium to NAV, but this is justified because of the excess returns being earned from 2005-2010, while valuations are being supported by a degree of corporate activity. Guy Hand's Terra Firma has bid for East Surrey, following Bahrain based Aquainvest's takeover of South Staffordshire Water and Hastings Funds Management's takeover of Kent Water, and the market anticipates further corporate activity.

Indeed we have invested in **Concateno**, a shell company with an initial objective to acquire and consolidate water companies in the South and South East of England. Ofwat is receptive to combinations so long as they have the potential for cost synergies that can result in lower utility bills for the consumer. **National Grid Transco** (+15.9%) enjoys strong cash flow and there is a £2bn return of value to come following the completion of the £5.8bn gas distribution pipelines sale. The commitment to nominal dividend growth of 7% p.a. until March 2008 provides a high level of income visibility. **Centrica** (-1.8%) shares were hit last December when the 2005 margin target was abandoned and customer loss accelerated. The group needs to stablise its customer base and have a successful implementation of the world's biggest CRM system. Competitors have now put up prices and the company has added additional selling resources and introduced new products so hopefully we are past the peak level of customer churn. It is worth remembering that Centrica still has about a 60% share of the retail gas market. £500m of the proceeds from the AA sale are being used to buy-back some 5% of the equity, enhancing eps, while dividends are expected to grow by 46% this year. Centrica enjoys interest cover of 64x compared with an average of 3.3x in the water sector, so the scope for share buy-backs is huge. If investor demand for yield moves away from corporate bonds and property towards listed equities, we could see further yield compression in our utility stocks.

CLOSED LIFE FUNDS	**Opening Value**	**Net New Investment**	**Closing Value**	**Average Capital Employed**	**Added Value**
Portfolio Movements	£0.5 m	£6.2m	£7.4m	£4.9m	£0.7m
Portfolio Weighting			5.3%		
Portfolio Performance – (time weighted)					15.2%
Contribution to overall total return of 160.8p					3.1p
Major Contributor					
Britannic Group Plc					3.1p

Recent months have seen a flurry of activity in the life industry as various groups have sought to exploit the increasing availability of closed life funds in the UK, with some of the buyers coming from outside the industry. Hugh Osmond's Life Company Investor Group announced the largest closed life assurance deal with the £1bn purchase of Pearl, NPI, National Provident Life and London Life, paying 79% of embedded value. We have two investments in the closed life fund area, and we hope that they will become dividend machines for us going forward. **Britannic Group** (+35.8%) is focussed on two core businesses, asset management and closed life funds in run-off. With its capital strength, tight focus on costs and efficient systems Britannic has set a goal to become a significant player in the acquisition and administration of closed life funds and has recently completed the purchase of Allianz Cornhill's life business for £110m. This is a simple book of business and should be straightforward to integrate into Britannic's efficient, scaleable and flexible operating platform at Wythall. Britannic is able to compete at auctions from a much stronger position than the private equity houses in that it is already an industry participant with a high quality operating infrastructure. Hence the further acquisition of Century, a private equity-backed vehicle that had bought and integrated 21 closed life funds since inception in 1983. Britannic has some £350m of surplus capital available after this transaction and is capable of 9-11% dividend growth over the next six years. We originally invested £4.0m in the currently unquoted **Resolution Life Group** to help fund the £850m acquisition of the closed life assurance business of Royal & Sun Alliance, followed by a further investment of £0.63m to help fund the £205m purchase of the closed UK life book of Swiss Re. RLG continues to build its management team as part of its preparations for a London Stock Exchange listing in the not too distant future. The number of life assurers in run-off increased from 35 to 44 in 2003 and more than doubled between 2001 and 2003 and some £124bn of total policy holder liabilities remained in the life run-off business at the end of 2003, so it's a big market.

INVESTMENT MANAGER'S REPORT

(continued)

PROPERTY	Opening Value	Net New Investment	Closing Value	Average Capital Employed	Added Value
Portfolio Movements	£1.9 m	£1.8m	£4.7m	£2.5m	£1.0m
Portfolio Weighting			3.3%		
Portfolio Performance – (time weighted)					42.6%
Contribution to overall total return of 160.8p					4.4p
Major Contributor					
Halladale Group Plc					4.4p

Commercial property remains as the best performing asset class over one, three, five and ten years. Investment demand from institutional and private investors has been strong, although currently there is evidence that some of the heat is coming out of the market. There are now far more players in the market than ten years ago, and the combination of low and stable interest rates, funding availability, and poor equity returns has led to a sizeable yield shift in the market. In other words the rising prices have not really been led by tenant demand and higher rents, while the market awaits more news about the introduction of tax efficient Real Estate Investment Trusts. **Halladale** (+64.6%) doubled its size with a £15.3m fund raising last May and has just announced that it is raising a further £13.4m to fund growth. The Company is trading well and has achieved its objective of expanding its co-investment and fund management activities, as well as growing its own on-balance sheet development and asset management activities. **DV3** (unquoted) has been very active and has recently, through a 50/50 joint venture with Akeler, contracted to acquire Hammersmith Embankment Business Park. This is a 13 acre site offering the chance to build 700,000 sq.ft of prime office space, creating one of London's premier business parks. Monies will be returned to shareholders as and when properties are sold.

LARGE CAP	Opening Value	Net New Investment	Closing Value	Average Capital Employed	Added Value
Portfolio Movements	£10.5 m	(£5.3m)	£6.4m	£8.9	£1.2m
Portfolio Weighting			4.6%		
Portfolio Performance – (time weighted)					13.2%
Contribution to overall total return of 160.8p					4.9p
Major Contributor					
GUS Plc					3.1p
RMC Group Plc					1.8p

RMC (+38.2%) received an agreed cash offer from Cemex at a premium of some 40% to the prevailing market price. **Warner Chilcott** (+8.2%) announced the completion of the US$3.1bn acquisition of the company by an investment group led by funds managed or advised by each of Bain Capital Partners LLC, DLJ Merchant Banking III, J P Morgan Partners LLC and Thomas H Lee Partner LP, a good example of private equity joining forces to make a sizeable acquisition. **Royal Bank of Scotland** (+2.6%) continues to suffer from the Chief Executive's acquisition 'habit' and the market suspects grand acquisition plans in Asia. After completing 25 deals since 2000, worth some US$18.9bn, investors fear that the Chief Executive will keep spending cash rather than handing it back to shareholders. However, RBS has a strong earnings and integration record and should generate around £6bn surplus capital after dividends over the next couple of years, so the group could surprise the market by hiking the dividend or announcing share buy-backs or both. Although **GUS** (+25.8%) has seen profits downgrades at Argos and Homebase following weaker sales and rising costs, it remains a good collection of businesses which are well managed. The Argos retail group continues to gain market share with no loss to margins and at Experian both the market and the business's performance remains good. The culmination of the strategic review should lead to a value-adding event, which could see the group evolving into three separate FTSE 100 companies.

INVESTMENT MANAGER'S REPORT

(continued)

FUNDS	Opening Value	Net New Investment	Closing Value	Average Capital Employed	Added Value
Portfolio Movements	£3.9 m	(£1.3m)	£2.6m	£3.3m	£0.0m
Portfolio Weighting			1.8%		
Portfolio Performance – (time weighted)					1.9%
Contribution to overall total return of 160.8p					0.3p
Major Contributor					
Henderson European					0.4p

Hendersen European Micro Fund (+8.2%) was wound up and we received our cash last November. **Baillie Gifford Japan Trust** (-1.6%) has been a case of 'hope deferred'. The volatility of Japanese official data from month to month has not done any favours to market sentiment. However corporate fundamentals are improving and ROE is on track to reach 10% within the next 1-2 years, driven by redeployment of capital away from lower return assets. The free cash flow yield on the market is 6% while the dividend yield is only 1%, so there is plenty of scope for cash returns to shareholders.

OUTLOOK

Stockmarkets have become a lot more jittery and volatile over the past few weeks. Looking at the global picture investors are worrying about the price of oil, the upward direction of US inflation and interest rates, and the setback in emerging and corporate bond markets. Wall Street has been spooked by the fear that the world's biggest economy might be entering a new soft patch, and this slower growth concern has been exacerbated by the latest university of Michigan consumer confidence index, which hit its lowest point since September 2003, coupled with a mixed start to the first quarter earnings season. Investors have shifted their angst from rising inflation to weakening growth, but even if economic growth shows some further signs of slowing, the spectre of inflation is likely to keep the Fed raising rates from their still accommodative levels in to the summer. Hence the fear of stagflation, the combination of stagnant growth and high inflation, which is bad for corporate profit margins. In the UK retailers are producing a steady flow of poor results and the housing market is undergoing a downward adjustment. There is the risk of a sharp slowdown in the growth of household spending as households tighten their belts in the face of rising taxation and the realisation that house prices are not set to keep rising at annual rates of 25%. Any slowdown in household spending is likely to hit the retail sector particularly hard because retailers keep opening new shops even while demand is flagging. The weakness of consumer spending may be enough to prevent further interest rate rises in the UK despite the recent pick-up in the government's targeted inflation measure. Many of the largest companies in the UK market do most of their business overseas and are not dependent on the prospects for the UK economy, unlike companies in the FTSE 250 and Small Cap indices which have a much stronger domestic focus. In recent years the latter have outperformed, but it may now be the turn of the large multinationals. Business cycles generally settle into a longish middle period, after a year or two of rapid post-recession recovery. Maybe the economic cycle has now entered this relatively dull middle age, particularly in the US and UK? Have we now well and truly entered the low return environment that financial commentators have been talking about for the last few years? After all, there has been a lot of comment on hedge funds, suggesting that the super normal returns of the past are quietly being eroded away by competition. The good news is that market economies which are driven by profit-seeking entrepreneurs and managed by 'rational' politicians and central bankers, have a natural upward momentum, together with an instant capacity to cope with unexpected events, so maybe it doesn't pay to be too gloomy.

Hansa Capital Partners LLP
24 June 2005

PORTFOLIO INFORMATION

As at 31 March 2005

Investment	Market value £000	Percentage of Investments
Ocean Wilsons Holdings Limited	27,965	19.61
BRIT Insurance Holdings PLC	7,204	5.05
Cairn Energy PLC	5,815	4.08
Chaucer Holdings PLC	5,168	3.62
Resolution Life Group Ltd #	4,626	3.24
Cathedral Capital Plc #	4,492	3.15
Hunting PLC	4,204	2.95
Amlin plc	4,134	2.90
GUS PLC	4,099	2.87
Tullow Oil PLC	3,909	2.74
Top 10 investments	**71,616**	**50.21**
Beazley Group PLC	3,175	2.23
United Utilities PLC	3,066	2.15
Ark Therapeutics Group plc	3,041	2.13
Britannic Group plc	2,822	1.98
Halladale Group plc	2,660	1.86
The Baillie Gifford Japan Trust PLC	2,569	1.80
Armor Group plc	2,525	1.77
La Tasca Group plc	2,511	1.76
National Grid Transco plc	2,451	1.72
Morgan Sindall plc	2,390	1.68
Top 20 investments	**98,826**	**69.29**
Shell Transport and Trading PLC	2,375	1.67
Melrose Resources plc	2,340	1.64
Dairy Crest Group PLC	2,315	1.62
Centrica plc	2,308	1.62
Royal Bank of Scotland PLC	2,273	1.59
ENI S.p.a.	2,140	1.50
FKI Plc	2,125	1.49
Hamworthy plc	2,092	1.47
Severn Trent PLC	2,059	1.44
DV3 Limited #	2,032	1.42
Top 30 investments	**120,885**	**84.75**
Other investments (27)	**21,746**	**15.25**
Total investments	**142,631**	**100.00**

Listed	112,559	78.92
AIM	18,577	13.02
OFEX	313	0.22
Unquoted #	11,182	7.84
	142,631	**100.00**

COMPANY INFORMATION

DIRECTORS
Each director brings certain individual and complimentary skills and experience to the Board's workings, as summarised below.

Alex 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 four investment trust companies and a director of two other, as well as a number of other investment companies. He is Chairman of the Association of Investment Trust Companies.

Jamie Borwick
Jamie's business life has been involved with the auto 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 Vehicles, which makes battery powered vans, and route2mobility Limited which finances wheelchair and scooters as part of the Motability Scheme. He is also Managing Director of Love Lane Investments Ltd, an investor in property in the UK and Florida.

William 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, 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 a non-executive director of Cathedral Capital PLC.

Geoffrey 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, 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.

SECRETARY AND REGISTERED OFFICE
Hansa Capital Limited (until 31 March 2005)
Hansa Capital Partners LLP (from 1 April 2005)
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 (until 31 March 2005)
Hansa Capital Partners LLP (from 1 April 2005)
17a Curzon Street
London W1J 5HS

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

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
17a Curzon Street
London W1J 5HS
Telephone 020 7647 5750
www.hansagrp.com

Please contact the ISA, Savings Scheme and PEP Manager, as below, if you have any queries concerning a Close Finsbury ISA, Savings Scheme or PEP account, which is now available online at the website address below.

Close Finsbury Asset Management Limited
Block C, Western House
Lynchwood Business park
Peterborough PE2 6BP
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
The Registry
34 Beckenham Road
Beckenham Kent BR3 4TU
Telephone: 0870 162 3100
Email: ssd@capitaregistrars.com
www.capitaregistrars.com

WEB SITE ADDRESS AND CONTENTS

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

Monthly Fact Sheets
Annual and Interim Reports
Stock Exchange Announcements
Details of the Investment Manager

SHARE PRICE LISTINGS

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

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

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

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

	Code
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 Trusts	www.aitc.co.uk
London Stock Exchange	www.londonstockexchange.com
TrustNet	www.trustnet.com
Intercactive	www.iii.co.uk

FINANCIAL CALENDAR

Company year end	31 March
Preliminary full year results announced	9 June
Annual Report sent to shareholders	28 June
Annual General Meeting held	28 July
Final Dividend payment	5 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 2005

The Directors present their Report and Financial Statements for the year ended 31 March 2005.

STATUS AND ACTIVITIES

During the year under review the Company has operated as an investment company, under Section 266 of the Companies Act 1985 and in compliance with Section 842 of the Income and Corporation Taxes Act 1988. The Company has received approval as an investment trust for the year ended 31 March 2004. 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 28. The dividends paid and proposed are as follows:

	2005 £000	2004 £000
Ordinary and 'A' non-voting Ordinary shares		
Interim paid of 3.5p (2003: 1.8p) per share	**840**	432
Final proposed of 5.75p (2004 paid: 4.2p) per share	**1,380**	1,008
Total dividends	**2,220**	1,440

The final dividend will, if approved, be paid on 5 August 2005 to Ordinary and 'A' non-voting Ordinary shareholders registered at the close of business on 15 June 2005.

FIXED ASSET INVESTMENTS

The market value of the Group's investments at 31 March 2005 was £142,631,000 (2004: £105,551,000). Taking these investments at this valuation, the net assets attributable to each Ordinary and 'A' non-voting Ordinary share amounted to 578.4p at 31 March 2005 (2004: 426.8p).

APPOINTMENT OF THE INVESTMENT MANAGER

During the year ended 31 March 2005 the Directors have regularly reviewed the performance of Hansa Capital Limited as the Company's Investment Manager. The Directors believe that it is in the best interests of shareholders for the Company to continue the appointment of the Investment Manager on the current terms of appointment.

With effect from 1 April 2005, Hansa Capital Limited transferred its business to Hansa Capital Partners LLP, a limited liability partnership. The agreements between the Company, its subsidiary Consolidated Investments Limited and Hansa Capital Limited have been novated in favour of Hansa Capital Partners LLP on the same terms and conditions. A summary of the terms of appointment including the notice of termination period and fees are detailed below.

Hansa Capital Limited charged an investment management fee 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 Ocean Wilsons Holdings Limited on which investment management fees are charged at an annual rate of 0.33 per cent. for Finsbury Growth Trust PLC and 0.00 per cent. for Ocean Wilsons Holdings Limited respectively. Under

REPORT OF THE DIRECTORS

(continued)

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 BNP Paribas Fund Services UK Limited. The terms of the investment management and secretarial services agreements permit either party to terminate the agreement by giving to the other not less than 12 month's notice or such shorter period that is mutually acceptable. The investment management fee outstanding at the year end amounted to £88,593 excluding VAT (2004: £44,412).

In addition, Hansa Capital Limited charges 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 services were provided by Hansa Capital Limited at an annual rate of £40,000 excluding VAT (2004: £40,000).

DIRECTORS

The present members of the Board are shown on page 17, all of whom retired at the last Annual General Meeting and were duly re-elected. The Board continues to believe that it is appropriate for all members to retire annually at the AGM and therefore Mr Hammond-Chambers, Mr 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 are shown below:

	Ordinary shares of 5p each		'A' Ordinary shares of 5p each		Nature of
	31 March 2005	1 April 2004	**31 March 2005**	1 April 2004	interest
R A Hammond-Chambers	**7,500**	7,500	**–**	–	Beneficial
J Borwick	**2,200**	2,200	**–**	–	Beneficial
W H Salomon	**2,134,469**	2,134,469	**98,700**	98,700	Beneficial
G E Wood	**5,000**	5,000	**–**	–	Beneficial

Mr Salomon is chairman of Hansa Capital Limited and senior partner of Hansa Capital Partners LLP. Fees payable net of VAT to Hansa Capital Limited amounted to £769,527 (2004: £524,070). During the year, no rights to subscribe were granted to, or exercised by Directors, their spouses or infant children.

SUBSTANTIAL SHAREHOLDERS

As at 17 June 2005 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 *(note)*	4,096,350	51.20
British Empire Securities and General Trust PLC	328,797	4.10
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 per cent. 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 above.

AUDITORS

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

CREDITORS PAYMENT POLICY

While the Company does not follow a formal code, it is the Company's continuing policy to pay amounts due to creditors as and when they become due. Payments relating to investment transactions are made in accordance with the settlement practices of the relevant exchange. At 31 March 2005 outstanding trade creditors amounted to £nil (2004: £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 are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- follow applicable United Kingdom accounting standards; and
- prepare the Financial Statements on the going concern basis.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Financial Statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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 made available on the Hanseatic Group website www.hansagrp.com, as well as 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 either websites and accordingly, the Directors and the Auditors' accept no responsibility for any changes that may have occurred to the Financial Statements since they were initially presented on the websites. Visitors to the websites need to be aware that the legislation in the United Kingdom governing the preparation and dissemination of the Financial Statements may differ from legislation in their jurisdiction.

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.

CORPORATE GOVERNANCE

All listed companies are required by the UK Listing Authority to disclose how they have applied the principles and complied with the provisions of the Combined Code or where not to explain the reasons for divergence. In addition the Board uses the Association of Investment Trust Company's Code of Corporate Governance as a basis for its governance of the Company

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 2005, other than those it believes are not appropriate to an investment trust company (as detailed below under Principles of the Combined Code).

REPORT OF THE DIRECTORS

(continued)

The Combined Code 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. These accord with the guidance in "Internal Control – Guidance for Directors on the Combined Code".

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

PRINCIPLES OF THE COMBINED CODE

(a) Board Composition, Independence and Attendance

In the course of the annual board evaluation the independence of each Director is considered, taking into account his character, competence, performance and conflicts of interest. The evaluation determined that Mr. Hammond-Chambers, Mr Borwick and Professor Wood were all independent directors.

The Board believes that the appointment of a senior independent director is not appropriate as the Chairman is de facto the senior independent director and all members are available to be contacted by shareholders. There is no position of Chief Executive Officer.

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

	Board	Audit Committee
Number of meetings held	5	2
Number of meetings attended:		
Alex Hammond-Chambers	5	2
Jamie Borwick	4	2
William Salomon	5	2
Geoffrey Wood	5	2

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 Mr Teideman, a former director whose own skills and experience strengthen the Committee. The Committee is Chaired by Alex Hammond-Chambers. The Smith Report's guidance to the Combined Code emphasis 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. A full report is received from the Manager at the quarterly meetings on the investment holdings and performance. In the light of these reports, the Board gives directions to the Investment Manager as to the investment objectives and guidelines.

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

REPORT OF THE DIRECTORS

(continued)

(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) Directors' Training

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

(d) Performance Evaluation

During the year the Board completed its annual evaluation whereby each Director completed a questionnaire and attended a meeting with the Chairman. The Chairman then formally reports to the Board detailing any matters that required the Board attention. The Chairman was evaluated by Mr William Salomon on behalf of the Board.

(e) Relations with Shareholders

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

(f) Accountability and Audit

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

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

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

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

The Board is considering the adoption of IFRS for the year ending 31 March 2006. The financial statements are currently prepared in accordance with UK GAAP. If IFRS had been applied at 31 March 2005, the main changes would be the inclusion in the following years' financial statements of the proposed £1,380,000 final dividend and the valuation of the investments at fair value (bid) basis. As an indication of the effect of changing the basis of valuation at 31 March 2005, the Net Asset Value would be reduced by approximately 0.11% or £148,000, this equates to a reduction of 0.62 pence per share. The exclusion from the current year's results of the proposed final dividend would increase Shareholders' Funds and Revenue Reserves by £1,380,000 or 5.75 pence per share. Therefore, the net effect would be an increase in Net Asset Value of £1,232,000 or 5.13 pence per share.

REPORT OF THE DIRECTORS

(continued)

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 9 in the Notice of Meeting, will last until the date of the next Annual General Meeting.

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

By order of the Board
Hansa Capital Partners LLP
Secretary
24 June 2004

DIRECTORS' REMUNERATION REPORT

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

The law requires your Company's Auditors to audit certain of the disclosures provided. The disclosures on the Director's emoluments for the year have been audited, and the Auditors' opinion is included in their report on page 27.

REMUNERATION COMMITTEE

The Company has four non-executive Directors. The Board as a whole fulfils the function of a remuneration committee. The Board have appointed the Company Secretary 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 current financial year.

POLICY ON DIRECTORS' FEES

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

DIRECTORS' SERVICE CONTRACTS

It is the Board's policy that all of the directors have a service contract. None of the service contracts is for a fixed term. The terms of their appointment provide that a director shall retire and be subject to re-election at the first Annual General Meeting after their appointment and at least every three years by rotation after that. The Board 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.

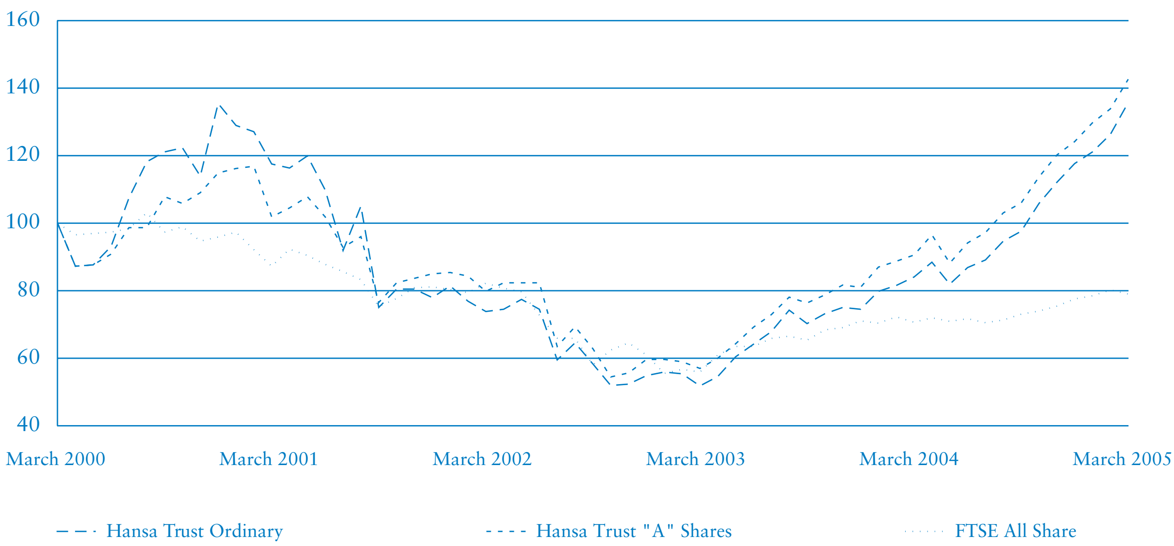
YOUR COMPANY'S PERFORMANCE

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

DIRECTORS' REMUNERATION REPORT

(continued)

BENCHMARK COMPARISON



DIRECTORS' EMOLUMENTS FOR THE YEAR (AUDITED)

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

	2005 £000	2004 £000
R A Hammond-Chambers (Chairman of the Board)	**20**	11
J Borwick	**15**	16
W Salomon*	**13**	11
G Wood	**14**	11
E Teideman (resigned 29 July 2003)	**–**	6
	62	55

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

APPROVAL

The Directors' Remuneration Report on pages 25 to 26 was approved by the Board of directors on 9 June 2005 and signed on its behalf by Mr Alex Hammond-Chambers.

Alex Hammond–Chambers Chairman

REPORT OF THE AUDITORS

Independent Auditors' Report to the Shareholders of Hansa Trust PLC

We have audited the financial statements on pages 28 to 41. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the company's shareholders, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities on page 21.

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

We review whether the Corporate Governance Statement reflects the company's compliance with the nine provisions of The Combined Code on Corporate Governance issued by the Financial Reporting Council is 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 company'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 the Report of the Directors, the unaudited part of the Directors' Remuneration Report, the Chairman's Statement, the Investment Manager's Report, the Corporate Governance Statement and the Ten 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 2005 and of the group's net revenue, total return and cashflow for the year then ended; and
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985.

RSM Robson Rhodes LLP
Chartered Accountants and Registered Auditors
London, England
24 June 2005

CONSOLIDATED STATEMENT OF TOTAL RETURN

incorporating the revenue account for the year ended 31 March

	Notes	Revenue 2005 £000	Capital 2005 £000	Total 2005 £000	Revenue 2004 £000	Capital 2004 £000	Total 2004 £000
Gains on investments	11	–	36,287	36,287	–	37,493	37,493
Exchange gains/(losses) on currency balances		–	3	3	–	(6)	(6)
Income	2	3,611	–	3,611	2,751	–	2,751
Investment management fee	3	(770)	–	(770)	(573)	–	(573)
Other Expenses	4	(465)	–	(465)	(520)	–	(520)
Net return before finance costs and taxation		2,376	36,290	38,666	1,658	37,487	39,145
Interest payable and similar charges	5	(71)	–	(71)	(169)	–	(169)
Return on ordinary activities before taxation		2,305	36,290	38,595	1,489	37,487	38,976
Taxation on ordinary activities	6	–	–	–	–	–	–
Return on ordinary activities after taxation		2,305	36,290	38,595	1,489	37,487	38,976
Dividends on Ordinary and "A" ordinary shares (equity)	7	(2,220)	–	(2,220)	(1,440)	–	(1,440)
Transfer to reserves		85	36,290	36,375	49	37,487	37,536
Return per Ordinary and "A" Ordinary share before dividend	8	9.6p	151.2p	160.8p	6.2p	156.2p	162.4p

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

	Notes	Group 2005 £000	Group 2004 £000	Company 2005 £000	Company 2004 £000
Fixed assets – investments					
Shares in Group undertaking	10	–	–	430	376
Other investments	11	142,631	105,551	142,631	105,551
		142,631	105,551	143,061	105,927
Current assets					
Debtors	13	492	212	492	212
Investments	14	208	123	–	–
Cash at bank		84	57	79	52
		784	392	571	264
Creditors					
Amounts falling due within one year	15	(4,600)	(3,503)	(4,817)	(3,751)
Net current liabilities		(3,816)	(3,111)	(4,246)	(3,487)
Net assets		138,815	102,440	138,815	102,440
Capital and reserves					
Called up share capital	16	1,200	1,200	1,200	1,200
Capital redemption reserve	17	300	300	300	300
Capital reserve – realised	17	98,047	77,042	98,047	77,042
Capital reserve – unrealised	17	37,348	22,063	37,775	22,436
Revenue reserve	17	1,920	1,835	1,493	1,462
Total equity shareholders' funds		138,815	102,440	138,815	102,440
Net asset value per Ordinary share	18	578.4p	426.8p	578.4p	426.8p

The Financial Statements on pages 28 to 41 were approved by the Board of Directors on 9 June 2005 and were signed on its behalf by:

Alex Hammond–Chambers Chairman

The accompanying notes are an integral part of this statement.

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 March

	Notes	2005 £000	2004 £000
Net cash inflow from operating activities	*22*	**1,970**	1,631
Servicing of finance			
Interest paid		**(71)**	(171)
Net cash outflow from servicing of finance		**(71)**	(171)
Taxation		**–**	–
Financial investment			
Purchase of investments		**(42,253)**	(31,079)
Sale of investments		**40,826**	36,121
Net cash (outflow)/inflow from financial investment		**(1,427)**	5,042
Equity dividends paid	*7*	**(1,848)**	(960)
		(1,848)	(960)
Financing			
Drawdown/(Repayment) of loans		**1,400**	(5,530)
Increase in cash	*23*	**24**	12

The accompanying notes are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

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

(a) Accounting Convention

The Financial Statements have been prepared under the historical cost convention, except for the re-valuation of fixed asset investments and in accordance with applicable accounting standards and with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies'.

(b) Basis of Consolidation

The Financial Statements comprise the accounts of the Company and its subsidiary undertaking made up to 31 March 2005.

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

(c) Investments held as Fixed Assets

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

(i) Listed investments are stated at closing middle market prices on recognised stock exchanges.
(ii) Alternative Investment Market ("AIM") investments are stated at closing middle market prices.
(iii) OFEX investments are valued by reference to the latest traded prices.
(iv) Unquoted investments are stated at fair value as determined by the Directors.

(d) Investments held as Current Assets

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

(e) Investment Income

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

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

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

Franked dividends are stated net of related tax credits.

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

(f) Expenses

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

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

NOTES TO THE FINANCIAL STATEMENTS

(continued)

1. ACCOUNTING POLICIES *continued*

(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 2005 £000	Revenue 2004 £000
Income from listed investments		
Franked dividends	**2,509**	1,773
Unfranked interest	**–**	13
Overseas dividends	**927**	561
	3,436	2,347
Other operating income		
Dealing profit	**35**	397
Placement and underwriting income	**3**	–
Interest receivable	**137**	7
	175	404
Total income	**3,611**	2,751
Total income comprises:		
Dividends	**3,436**	2,334
Interest	**137**	20
Other income	**38**	397
	3,611	2,751

3. INVESTMENT MANAGEMENT FEE

	Revenue 2005 £000	Revenue 2004 £000
Periodic fees	**655**	488
Irrecoverable VAT thereon	**115**	85
	770	573

Details of the management agreement are disclosed in the Report of the Directors on pages 19 and 20.

4. OTHER EXPENSES

	Revenue 2005 £000	Revenue 2004 £000
Secretarial services	**47**	47
Directors' remuneration	**62**	55
Auditors' remuneration for audit services	**12**	18
Auditors' remuneration for non-audit services	**–**	2
Other	**344**	398
	465	520

NOTES TO THE FINANCIAL STATEMENTS

(continued)

5. INTEREST PAYABLE AND SIMILAR CHARGES

	Revenue 2005 £000	Revenue 2004 £000
Bank Interest	71	169
	71	169

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

6. (a) TAXATION CHARGE ON ORDINARY ACTIVITIES

	Revenue 2005 £000	Revenue 2004 £000
UK Corporation tax @ 30%	–	–
	–	–

(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% (2004: 30%). The differences are explained below:

	2005 £000	2004 £000
Return on ordinary activities before tax	2,305	1,489
Return on ordinary activities multiplied by standard rate of corporation tax	692	447
Effects of:		
Non taxable UK investment income	(753)	(532)
Excess administration expenses unused	46	47
Disallowed expenses	15	38
Current tax charge	–	–

(c) PROVISION FOR DEFERRED TAXATION

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

(d) FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

The Company has not recognised a deferred tax asset of £1,153,000 (2004: £1,052,000) arising as a result of having unutilised management expenses and loan relationship deficits. In addition there are unrecognised deferred tax assets of £101,000 (2004: £117,000) relating to the subsidiary's unutilised tax losses of £336,000 (2004: £390,000). The expenses will only be utilised if the tax treatment of the capital gains made by the Company or the Company's investment profile changes. The subsidiary has tax losses which will only be recoverable to the extent that there are sufficient future taxable revenues.

NOTES TO THE FINANCIAL STATEMENTS

(continued)

7. DIVIDENDS

	Revenue 2005 £000	Revenue 2004 £000
Dividends on equity shares:		
Interim paid 3.5p (2004: 1.8p)	**840**	432
Final proposed payable on 5 August 2005 – 5.75p (2004: 4.2p)	**1,380**	1,008
	2,220	1,440

8. RETURN ON ORDINARY SHARES (EQUITY)

	Revenue 2005	**Capital 2005**	**Total 2005**	Revenue 2004	Capital 2004	Total 2004
Returns per share	**9.6p**	**151.2p**	**160.8p**	6.2p	156.2p	162.4p

Revenue return

Revenue return per share is based on revenue return attributable to equity shareholders of £2,305,000 (2004: £1,489,000).

Capital return

Capital return per share is based on capital gain attributable to equity shareholders of £36,290,000 (2004: £37,487,000).

Both revenue and capital return are based on: 8,000,000 Ordinary shares (2004: 8,000,000) and 16,000,000 'A' Ordinary shares (2004: 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 £2,251,000 (2004: £1,163,000). As permitted by Section 230 of the Companies Act 1985, no separate revenue account for the Parent 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.

	2005 £000	2004 £000
Cost at 1 April 2004	**3**	3
Unrealised appreciation at 1 April 2004	**373**	47
Valuation at 1 April 2004	**376**	50
Movements in unrealised appreciation	**54**	326
Valuation as at 31 March 2005	**430**	376
Cost at 31 March 2005	**3**	3
Unrealised appreciation	**427**	373
	430	376

NOTES TO THE FINANCIAL STATEMENTS

(continued)

11. FIXED ASSETS – INVESTMENTS

	Listed £000	AIM & OFEX £000	Unquoted £000	Group and Company 2005 Total £000
Cost at 1 April 2004	68,227	10,331	4,930	**83,488**
Unrealised appreciation/(depreciation) at 1 April 2004	30,480	(7,803)	(614)	**22,063**
Valuation at 1 April 2004	98,707	2,528	4,316	**105,551**
Movements in the year:				
Changes in listing	1,854	(2,767)	913	**–**
Purchases at cost	23,783	11,395	6,441	**41,619**
Sales – proceeds	(40,772)	(54)	–	**(40,826)**
– realised gains/(losses) on sales	22,464	(128)	(1,334)	**21,002**
Movement in unrealised appreciation	6,523	7,916	846	**15,285**
Valuation as at 31 March 2005	112,559	18,890	11,182	**142,631**
Cost at 31 March 2005	75,556	18,777	10,950	**105,283**
Unrealised appreciation at 31 March 2005	37,003	113	232	**37,348**
	112,559	18,890	11,182	**142,631**

Gains on investments:	
Realised gains based on historical cost	**21,002**
Add: amount recognised as unrealised in the previous year on disposals	**(13,188)**
Realised gains based on carrying value at 31 March 2004	**7,814**
Movement on unrealised appreciation	**28,473**
Total capital gains on investments	**36,287**

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 $000s	Profit after Tax for the year $000s
Ocean Wilsons Holdings Limited	Bermuda	Ordinary	26.4	31.12.04	147,747	23,043

The above is included as part of the investment portfolio in accordance with FRS 9, Accounting for Associated Companies and are accounted for as stated in Note 1(c) (i) and not on an equity accounting method.

In April 2004 the Company disposed of its 17.8% holding in Finsbury Growth Trust PLC.

NOTES TO THE FINANCIAL STATEMENTS

(continued)

12. SIGNIFICANT HOLDINGS *continued*

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

Company	Class of capital	% of class held
Halladale Group plc	ordinary	7.8
Cathedral Capital PLC	ordinary	8.6
Straight plc	ordinary	6.2
Homebuy Plc	ordinary	3.8
Ramco Energy plc	ordinary	3.6
La Tasca plc	ordinary	3.6
Chaucer Holdings PLC	ordinary	3.3
Andor Technology Plc	ordinary	3.1

13. DEBTORS

	Group 2005 £000	Group 2004 £000	**Company 2005 £000**	Company 2004 £000
Prepayments and accrued income	**492**	212	**492**	212
	492	212	**492**	212

14. INVESTMENTS HELD BY DEALING SUBSIDIARY

	Group 2005 £000	Group 2004 £000
Listed investments at the lower of cost and market value	**208**	123
Listed investments at aggregate market value	**208**	123

15. CREDITORS

Amounts falling due within one year	**Group 2005 £000**	Group 2004 £000	**Company 2005 £000**	Company 2004 £000
Bank loans and overdrafts	**3,035**	1,635	**3,035**	1,635
Dividend payable	**1,380**	1,008	**1,380**	1,008
Due to subsidiary undertaking	**–**	–	**222**	318
Securities purchased for future settlement	**–**	634	**–**	634
Other creditors and accruals	**185**	226	**180**	156
	4,600	3,503	**4,817**	3,751

NOTES TO THE FINANCIAL STATEMENTS

(continued)

16. SHARE CAPITAL

	Group 2005 £000	Group 2004 £000
Authorised		
300,000 7.5% Cumulative preference shares of £1	**300**	300
8,000,000 Ordinary shares of 5p	**400**	400
16,000,000 'A' non-voting Ordinary shares of 5p	**800**	800
	1,500	1,500
Allotted, called up and fully paid		
8,000,000 Ordinary shares of 5p	**400**	400
16,000,000 'A' non-voting Ordinary shares of 5p	**800**	800
	1,200	1,200

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

17. RESERVES

Group	Capital Redemption Reserve £000	Capital Reserve Realised £000	Capital Reserve Unrealised £000	Revenue Reserve £000
Balance at 1 April 2004	300	77,042	22,063	1,835
Revenue surplus	–	–	–	85
Realised gain on investments	–	7,814	–	–
Transfer on disposal or permanent diminution in value of investments	–	13,188	(13,188)	–
Exchange gains	–	3	–	–
Increase in unrealised appreciation on investments	–	–	28,473	–
Balance at 31 March 2005	300	98,047	37,348	1,920

Company	Capital Redemption Reserve £000	Capital Reserve Realised £000	Capital Reserve Unrealised £000	Revenue Reserve £000
Balance at 1 April 2004	300	77,042	22,436	1,462
Revenue surplus	–	–	–	31
Realised gain on investments	–	7,814	–	–
Transfer on disposal or permanent diminution in value of investments	–	13,188	(13,188)	–
Exchange gains	–	3	–	–
Increase in unrealised appreciation on investments	–	–	28,473	–
Increase in valuation of subsidiary	–	–	54	–
Balance at 31 March 2005	300	98,047	37,775	1,493

NOTES TO THE FINANCIAL STATEMENTS

(continued)

18. NET ASSET VALUE PER ORDINARY SHARES

	2005	2004
Net asset value per Ordinary and "A" non-voting Ordinary share	**578.4p**	426.8p

The net asset value per Ordinary and 'A' non-voting Ordinary share is based on the net assets attributable to equity shareholders of £138,815,000 (2004: £102,440,000) and on 8,000,000 Ordinary shares (2004: 8,000,000) and 16,000,000 'A' non-voting Ordinary shares (2004: 16,000,000), in issue at 31 March 2005.

19. MOVEMENT IN SHAREHOLDERS' FUNDS

	2005 £000	2004 £000
Total recognised gains for the year	**38,595**	38,976
Dividends	**(2,220)**	(1,440)
Opening shareholders' funds	**102,440**	64,904
	138,815	102,440

20. COMMITMENTS AND CONTINGENCIES

The Company has entered into a commitment agreement with DV3 Limited, an unquoted property investment company. The commitment is for a period of four years from 30 March 2004 and amounts to £4,000,000 (2004: £4,000,000). At 31 March 2005 the amount drawn down under the agreement was £2,032,000 (2004: £317,000).

21. DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

Background

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

The Group has little exposure to credit and cash flow risk. Fixed asset investments (other than listed investments) in the portfolio are subject to liquidity risk. This risk is taken into account by the Directors when arriving at their valuation of these investments. 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 short-term bank loan and overdraft facilities, which 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 Investment Manager's Review.

NOTES TO THE FINANCIAL STATEMENTS

(continued)

Use of derivatives

It is not the Group's policy to enter into derivative contracts other than for the purpose of hedging portfolio risk.

Financial Assets

	Floating rate cash Balances 2005 £000	**Equity Investments 2005 £000**	**Total 2005 £000**	Floating rate cash Balances 2004 £000	Equity Investments 2004 £000	Total 2004 £000
Sterling	**84**	**138,891**	**138,975**	57	105,167	105,224
Euro	**–**	**2,140**	**2,140**	–	–	–
US Dollar	**–**	**3**	**3**	–	4	4
Australian Dollar	**–**	**1,597**	**1,597**	–	380	380
	84	**142,631**	**142,715**	57	105,551	105,608

The floating rate financial assets consist of bank balances that bear interest at rates based on the banks floating interest rate. During the period the average rate of interest earned on cash balances was 2.8%.

Financial Liabilities

The Group's financial liabilities at 31 March 2005 mature within one year or less. These financial liabilities consist of short-term bank loans amounting to £3,035,000 (2004: £1,635,000) that bear interest based on the prevailing LIBOR rate plus an agreed margin. The Company has a total revolving credit facility of £10m. The facility is made up of a £5.5m committed facility and a £4.5m uncommitted facility both repayable on or before 18 December 2005.

At 31 March 2005 the Group had no financial liabilities that bore an interest or currency exposure risk, other than the previously disclosed bank loan facilities.

Borrowing Facility

The Group has an undrawn loan facility with Allied Irish Bank PLC of £6,965,000 (2004: £8,635,000).

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

	2005 £000	2004 £000
Net revenue return before finance costs and taxation	**2,376**	1,658
Increase in prepayments and accrued income	**(280)**	(120)
(Increase)/decrease in current asset investments	**(85)**	3
(Decrease)/increase in other creditors and accruals	**(41)**	90
Net cash inflow from operating activities	**1,970**	1,631

NOTES TO THE FINANCIAL STATEMENTS

(continued)

23. RECONCILIATION OF NET CASH FLOW MOVEMENT TO MOVEMENT IN DEBT

	2005 £000	2004 £000
Increase in cash	**24**	12
Cash (outflow)/inflow from loans (drawn)/repaid	**(1,400)**	5,530
Movement in net funds resulting from cashflows	**(1,376)**	5,542
Exchange gains/(losses)	**3**	(6)
Movement in net funds in the year	**(1,373)**	5,536
Net debt at start of year	**(1,578)**	(7,114)
Net debt at end of year	**(2,951)**	(1,578)

Represented by:

	At 31 March 2004 £000	Cashflow £000	Exchange Movements £000	**At 31 March 2005 £000**
Cash at bank	57	24	3	**84**
Short-term bank loans	(1,635)	(1,400)	–	**(3,035)**
	(1,578)	(1,376)	3	**(2,951)**

24. RELATED PARTIES

Details of the relationship between the Company and Company Secretary, including amounts paid during the year and owing at the 31 March 2005 are disclosed in the Report of the Directors pages 19 and 20 and in Note 3 on page 33.

25. CONTROLLING PARTIES

At 31 March 2005 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 20.

NOTICE OF THE ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of Hansa Trust PLC will be held in the Berkeley Suite at the Radisson Edwardian Mayfair Hotel, Stratton Street, London W1A 2AN on 28 July 2005 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 2005.

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 Alex Hammond-Chambers (a biography can be found on page17), who retires, a Director of the Company.

5 To re-elect Mr Jamie Borwick (a biography can be found on page 17), who retires, a Director of the Company.

6 To re-elect Mr William Salomon (a biography can be found on page 17), who retires, a Director of the Company.

7 To re-elect Professor Geoffrey Wood (a biography can be found on page 17), who retires, a Director of the Company.

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

Special Business

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

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

9. THAT the Company be unconditionally authorised to make market purchases of up to an aggregate of 2,398,400 'A' non-voting Ordinary shares of 5p of the Company at a price (exclusive of expenses) which is:

(a) not less than 5p per share; and

(b) not more than 5 per cent above the average of the middle-market quotations (as derived from the Daily Official List of the London Stock Exchange) for 'A' non-voting Ordinary shares of 5p each in the five business days immediately preceding any such purchase; AND

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

By order of the Board
Hansa Capital Partners LLP
Secretary
1 July 2005

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 26 July 2005, 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 26 July 2005 ('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.

Hansa Trust PLC
17a Curzon Street, London W1J 5HS
Tel: 020 7647 5750 Fax: 020 7647 5770