HANSA TRUST PLC

ANNUAL REPORT Year Ended 31 March 2007

CONTENTS

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

STATISTICS

	31 March 2007	31 March 2006	% change
Shareholders' Funds	**£249.5m**	£196.4m	27.0
Dividends (see Note 7)	**12.5p**	9.75p	28.2
Net Asset Value per			
Ordinary share	**1,039.4p**	818.2p	27.0
'A' non-voting Ordinary share	**1,039.4p**	818.2p	27.0
Performance Benchmark	**6.7%**	6.6%	
Share Price			
Ordinary shares	**1,123.0p**	847.5p	32.5
'A' non-voting Ordinary shares	**1,022.5p**	818.0p	25.0
FTSE All-Share Index	**3,283**	3,048	7.7
Discount / (Premium)			
Ordinary shares	**(8.0%)**	(3.6%)	–
'A' non-voting Ordinary shares	**1.6%**	0.0%	–
Total Return			
Ordinary shares	**34.1%**	51.9%	–
'A' non-voting Ordinary shares	**26.6%**	51.9%	–
FTSE All-Share Index	**11.5%**	28.5%	–

CAPITAL STRUCTURE

The Company has 8,000,000 Ordinary shares of 5p and 16,000,000 'A' non-voting Ordinary shares of 5p each in issue. The Ordinary Shareholders are entitled to one vote per Ordinary share held. The 'A' non-voting Ordinary shares do not entitle the holders to vote or receive notice of meetings but in all other respects they have the same rights as the Company's Ordinary shares.

STATUS AND ACTIVITIES

During the year under review the Company has operated as an investment company, under Section 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 2006. 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.

COMPANY REGISTRATION AND NUMBER

The Company is registered in England and its number is 126107.

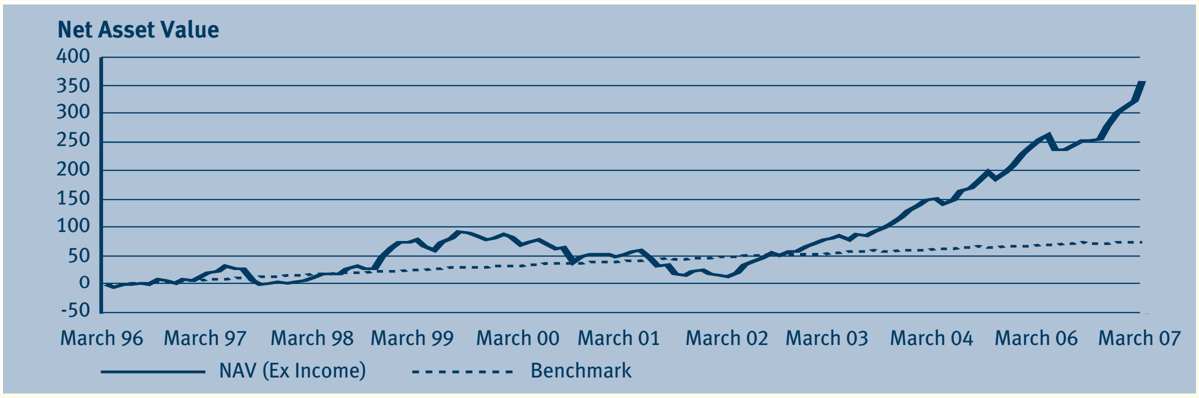
10 Year Performance Statistics

TEN YEAR RECORD

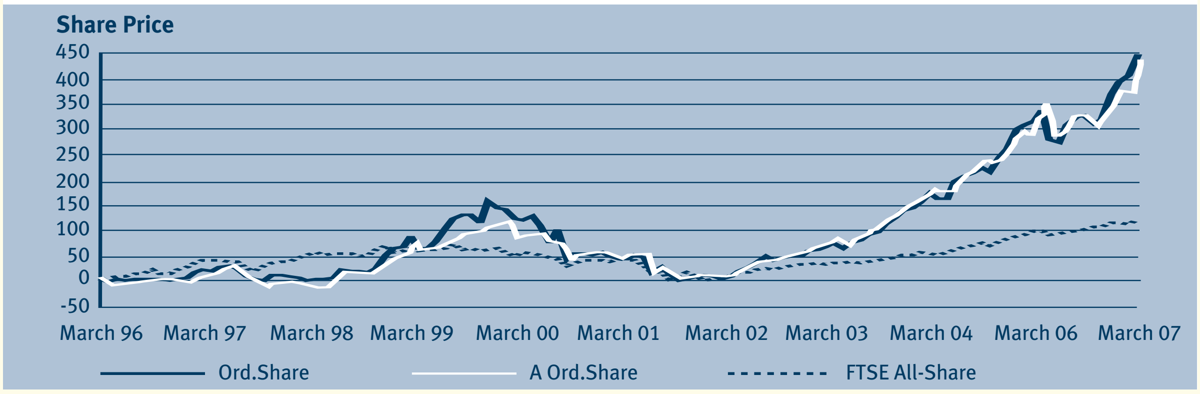
Year ended	Shareholders' Funds	Net Asset Value per share Ordinary	Net Asset Value per share 'A' Ordinary	Share Price Ordinary	Share Price 'A' Ordinary	FTSE All-Share Index	Discount/(Premium) Ordinary	Discount/(Premium) 'A' Ordinary
2007	£249.47m	1,039.4p	1,039.4p	1,123.0p	1,022.5p	3,283	(8.0%)	1.6%
2006	£196.38m	818.2p	818.2p	847.5p	818.0p	3,048	(3.6%)	0.0%
#2005	£140.05m	583.5p	583.5p	566.0p	546.5p	2,458	3.0%	6.3%
2004	£102.44m	426.8p	426.8p	350.0p	346.5p	2,197	18.0%	18.8%
2003	£64.90m	270.4p	270.4p	215.0p	218.0p	1,736	20.5%	19.4%
2002	£89.16m	371.5p	371.5p	307.5p	305.0p	2,557	17.2%	17.9%
2001	£99.32m	413.9p	413.9p	490.0p	390.0p	2,711	(18.4%)	5.8%
2000	£106.79m	445.0p	445.0p	416.5p	382.5p	3,111	6.4%	14.0%
1999	£67.96m	281.9p	281.9p	225.0p	195.0p	2,894	20.2%	30.8%
1998	£74.79m	310.4p	310.4p	276.5p	250.5p	2,781	10.9%	19.3%
1997	£62.01m	257.1p	257.1p	223.0p	237.5p	2,099	13.3%	7.6%

Restated to comply with IFRS, which was adopted in 2006, all prior information has not been restated.

TEN YEAR SHAREHOLDERS' TOTAL RETURN RECORD



	1 year	3 years	5 years	10 years
Net Asset Value – income re-invested	28.41%	151.84%	198.33%	358.54%
Performance Benchmark	6.67%	19.97%	34.23%	76.32%



	1 year	3 years	5 years	10 years
Ordinary share – income re-invested	34.10%	235.55%	294.40%	449.34%
'A' non-voting Ordinary share income re-invested	26.59%	209.14%	262.65%	437.57%
FTSE All-Share – total return	11.52%	66.27%	54.15%	116.24%

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

THE YEAR'S RESULTS:

NAV +27.0% to 1,039.4p per share

Being able to report on very good results for the year can be as difficult as very poor ones, if only because such results cannot be expected every year and it is important that they should not raise expectations about future returns; they will not always be this good in the short-term. A return of 27.0% from the net asset value ('NAV') – it rose 221.2p after a dividend payment of 9.75p to 1,039.4p per share - is excellent under most circumstances and, given that our benchmark produced a return of 6.7% and the stockmarket (as measured by the FTSE All-Share Index) of 7.7%, this year's returns were indeed excellent. Furthermore, the return was the highest amongst our peer group, the Association of Investment Companies' UK Growth section. John Alexander, our portfolio manager with Hansa Capital, provides his usual excellent review on page 20, covering events in the stockmarket and in our portfolio and, on behalf of all Shareholders, I would like to extend our thanks to William Salomon, John and their colleagues for these results.

An analysis of the contributions made by the different holdings in the portfolio shows that our holding in Ocean Wilsons, which was already a large proportion of the total when the year started, had another very successful year (more of which later); the value of our holding rose by £30.6 million, contributing 127.4p per share to the overall rise of 221.2p, referred to above. The holdings in Cathedral Capital, which was taken over during the year, contributed 13.1p, in Resolution PLC 9.4p, in Ark Therapeutics 8.2p and DV3 Limited 8.1p – making a total of 166.2p per Hansa Trust share. Only 21 of the 71 holdings held during the course of the year failed to make a positive contribution - a good winners/losers ratio – a lot of which were our investments in large companies whose shares have become quite cheap; the five largest losers were our holdings in Media Square, Cairn Energy, Leadcom Integrated Solutions, Burst Media and BP, losing between them 17.7p per share.

It is important to point out that, although Ocean Wilsons was the biggest contributor to our returns, the rest of the portfolio performed well too. For the record the net asset value of the Company, excluding the investment in Ocean Wilsons, rose by 14.8%, which also compares favourably with the benchmark, the market and with most of our competition.

DIVIDEND

+28.2% to 12.5p per share

As is often - but not always - the case in a good year, our net income from investments also rose, producing earnings per share of 12.8p per share (10.8p in 2006). As a consequence the Board is recommending to Shareholders a final dividend of 9.0p per share, which, if approved, will bring the total for the year to 12.5p per share – an increase of 28.2%. It should be remembered that the portfolio is managed on the basis of seeking capital appreciation, so that in any one year the level of income earned will depend on the portfolio during that year and may well be lower than the previous year; in such circumstances the dividends paid may also be lower.

SHAREHOLDERS' RETURNS:

Ordinary shares:	+32.5% to 1,123.0p per share;	Premium to NAV: 8.0%
"A" Ordinary shares:	+25.0% to 1,022.5p per share;	Discount to NAV: 1.6%

The returns earned by Shareholders were largely influenced by the increase in the net asset value, but were also affected by the change in the premium/discount at which the two classes of shares sell to the NAV. In the case of the Ordinary shares the premium at which they sold rose from 3.6% to 8.0%, adding another 54.3p to the share price; however the 'A' Ordinary shares sold at a small discount, 1.6% at the year end, reducing its share price by 16.7p. The total return earned by Shareholders during the course of the year, which includes the dividends is shown in the table overleaf:

Attribution of Shareholders' Return

	Ordinary shares		'A' Ordinary shares	
Change in the NAV	+221.2p		+221.2p	
Change in the premium/discount	+54.3p		-16.7p	
Dividends	+12.5p		+12.5p	
Shareholders' Return	**+288.0p**	**(+33.9%)**	**+217.0p**	**(+26.5%)**

LONG-TERM RETURNS:

3 Years: NAV Total Return: +151.8%; Benchmark: +20.0%; FTSE All-Share Index +66.3%
5 Years: NAV Total Return: +198.3%; Benchmark: +34.2%; FTSE All-Share Index +54.2%

We have highlighted before that we assess the long-term performance of the Company on the basis of the five year returns. There are those who regard three years as the duration of 'long-term' and for that reason we include the three year numbers above. However given that our stated objective is to make money for Shareholders and given the volatile nature of equities, it seems to us that five years is the more appropriate time span to assess our returns against our objective. As can be seen from the above numbers, William, John and their colleagues have done an excellent job over the longer time span; and, as analysed above, the long-term returns calculated without the holding in Ocean Wilsons are also excellent - on both an absolute and a relative basis.

I should state here that, based in part on the five year record and in part on the experience, skills and commitment of the Manager in both portfolio management and administration, the independent directors have had no difficulty in confirming that it is in Shareholders' best interests that the Manager remains in situ. During the course of the year, we reassessed the management fee arrangements and have made certain adjustments, changing the fee chargeable to 1% but reducing the fee base from total assets to shareholders' funds (both exclude the value of the holding in Ocean Wilsons).

OCEAN WILSONS HOLDINGS LTD:
The rewards stemming from patient, long-term investment.

Shareholders will be well aware of the large holding we have in the shares of Ocean Wilsons Holdings Ltd. Its value started the year at £44.26 million, representing 22.5% of the net asset value; during the course of the year it rose by 69.0% and ended the year worth £74.82 million, equivalent to 30.0% of the net asset value. It has produced quite spectacular returns for Hansa Trust Shareholders and is an example of the benefits accruing from patient, long-term investment.

The holding in the company came about at the beginning of 1959 when Sir Walter Salomon, William's father, acquired control of Ocean Wilsons utilising an issue of 'A' Ordinary shares in Scottish and Mercantile Investment Trust (as Hansa Trust was then named). The transaction had a value of about £2.5 million and consisted of Wilson Sons and a portfolio of cash and shares. Thereafter Wilson Sons disposed of all but its business in Brazil and, without injecting any new money into the company, it has grown and become a quoted company worth today approximately $900 million. Two things have been of particular relevance recently. Firstly Brazil's economy, having promised so much for so many years, is starting to deliver; the effect of the surging growth of the Chinese economy and its effect in turn on the volume and price of many commodities have been a particular boon to Brazil and its external trade. Wilson Sons - with its Brazilian port business - has been a beneficiary; its revenue has grown from $218 million to $334 million (+53%) and its net income from $24.5 million to $43.5 million (+77%) over the last two years. Secondly, in May this year Wilson Sons achieved a listing for its shares on the Luxembourg Stock Exchange and on the Sao Paulo Stock Exchange (in the form of Brazilian Depository Receipts), thereby unlocking the value so long inherent within the shares of its parent company, Ocean Wilsons (itself listed on the London Stock Exchange).

Over the last 48 years the Company's holding in Ocean Wilsons has never changed. There have been times when its performance was not as good as the rest of the portfolio or indeed the market. But William, and before him his father, always had great faith in it as a good, well managed business, recognising that one day it would be possible to unlock its value to the great benefit of Hansa Trust's Shareholders. That day arrived during 2007. I would like to commend William on the very hard work that he put into Ocean Wilsons as a non-executive director (remember, as stated above, the Manager does not charge a management fee on the value of the holding) and on the patience and courage he exhibited in maintaining the holding over the years. For the record its value over the last 20 years is as follows:

Value of Ocean Wilsons Holding:	
1987	£3.7 million
1992	£4.7 million
1997	£8.3 million
2002	£6.5 million
2007	£74.8 million

Really large returns from investments are seldom made from in-and-out trading in a portfolio, nor from index tracking; the pay day from long-term investments often comes after a long wait, making the wait very worthwhile. Such has been the case here, being right out of the Warren Buffet School as an example of the benefits of patient, long-term investing.

I should add that we have no plans to reduce the holding in Ocean Wilsons - despite the large proportion of the Company's assets it accounts for. While it may be said that we may have too many of our eggs in that one basket, we – through William – have taken a lot of trouble to look after the basket and we will continue to do so. However, it is important to point out that there is a great deal of risk inherent in the holding – not because Ocean Wilsons is a particularly risky business but because the large size of the holding exposes us to those risks it runs (Brazilian politics, the Brazilian economy, Brazilian trade, the Real etc).

ANNUAL GENERAL MEETING
31 July 2007 at 11.30am at the Washington Hotel, 5 Curzon Street, London W1J 5HE

The AGM will be held at the Washington Hotel, 5 Curzon Street, London W1J 5HE (Green Park tube station, see map on page 53) at 11.30am on Tuesday 31 July 2007. We usually have a good turnout which is important to us because it gives us, the Directors and Management, the chance to hear your views, concerns and suggestions. So I do urge as many Shareholders as possible to join us for the occasion at which John will give his presentation of the events of the past year and the prospects for the current one. **Please come and join us.**

OUTLOOK
Short-term cautious, long-term bullish

On re-reading what I wrote last year, I perceive that today's outlook has not changed much, having summarised it then as 'short-term cautious, long-term bullish'. In as much as the market rose approximately 8% (a long-term average), the caution has proven to be unwarranted but we remain of the same view. The bull market, in recovering from its mid March 2003 low, has more than doubled and is now in its fifth year of expansion. It must therefore be quite mature and the signs are that it is. Share prices continue to rise against a background of rising interest rates, of a speculative frenzy in China, and of a large amount of merger and acquisitions activity – the latter being a fairly classic indicator of market tops. There is a lot of money around and almost certainly central banks are concerned that inflation could rise further. Whether the market will correct suddenly and viciously, as it did in 1987, or rather more gently, as is usually the case, time alone will tell; but decline at some point in time it must surely do.

However, John – in his report – is somewhat less cautious in the short-term and, having uttered that note of caution, I should reiterate the long-term bullish case. The global economy is driven by an unusual set of circumstances: the mature economies are growing at reasonably good rates – especially and importantly Europe and Japan after a period of lacklustre performance – while many of the emerging economies – most notable BRIC (Brazil, Russia, India and China), as it has been nicknamed, with its combined population of 2.5 billion people (40% of the world's population) – are growing at really quite high rates.

Unusual also is the fact that, what would have in the past created very high rates of inflation, is not doing so because the output of China and India is keeping a competitive lid on prices – all except commodities that is. Technology, both electronic and bio, is a tremendous aid to productivity, another dampener of inflation.

Although the investment remit of your Company confines its investments largely to the shares of companies listed on the London Stock Exchange, the background and prospects for those companies is truly international. The proportion of sales of the companies that make up the FTSE All-Share Index which occur overseas is circa 60% and the proportion of profits is likewise largely earned outside the UK. By value at least, the top companies are all multinational giants; about half of the Index is accounted for by four sectors – banks (over 20%), oil & gas (circa 15%) and healthcare and telecom (circa 15%) – most of whose companies are international in their scope of operations. So, it can be argued, the international outlook is more important than the domestic one in assessing the UK market's prospects. Given what is happening in the global economy – referred to above – the outlook for the UK stockmarket seems set fair in anything but the short-term.

Smaller UK companies, in which we invest quite a lot, are much more dependent on local matters. The big event of recent days is the change of prime minister. While much has been and continues to be written about Mr Blair, he is, as they say, 'history'. What matters now is the political leadership of Mr Brown. He has the reputation of being very hands-on and dictatorial in his leadership style; he is a strange mixture of old, red Labour and capitalist in his policies; his naked ambition for the job suggests that the role is more important to him than the welfare of the country, always a dangerous characteristic in a politician; in a quite different way he is as adept at spin and self promotion as is Mr Blair. Quite what it will mean for the UK is impossible to predict but his leadership creates a new uncertainty for the economy.

The UK economy has the City of London as its main contributor. Despite the dire prediction of the Financial Times and other Europhiles - that the City would be sidelined within Europe if we did not sign up to the Euro - the City has gone from strength to strength and is now quite widely recognised as the leading financial centre in the world. It brings a good flow of invisible earnings to the balance of payments and creates a lot of well paid jobs (some would argue excessively so); it is a very important part of the country's tax base (a point not lost on Mr Brown or the Treasury). The City itself is an important part of the global economy. Unless there is a long and sustained global bear market, the City and thence the UK economy should continue to prosper and that should provide a good back cloth for smaller companies.

Ultimately of course our prospects depend on ourselves. As in all fund management, the prospects depend on the quality, experience and skills of those managing the portfolios. We are fortunate in having John, William and their colleagues batting on our behalf. The mixture of strategic investments, special situations and good sound portfolio management has and should continue to serve us well. We are also fortunate that the Company is run much as a proprietor's company is, removing the pressure to produce short-term results at the expense of much better long-term returns. Your Board and Management remain bullish about Hansa Trust over the longer-term.

Alex Hammond-Chambers
Chairman
29 June 2007

REPORT OF THE DIRECTORS

for the year ended 31 March 2007

The Directors present their Report and Financial Statements for the year ended 31 March 2007.

THE BOARD'S OBJECTIVES

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

THE BOARD

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

Mr Hammond-Chambers (Chairman)

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

Lord Borwick

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

Mr Salomon

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

Professor Wood

Geoffrey has great knowledge of economics generally and monetary and fiscal policy issues specifically. His skills and experience are important to the Board, particularly in understanding the effect of such policy issues on the markets. Born in 1945, he joined the Board in 1997. He is professor of Economics at Cass Business School, in the City of London, and a visiting Professorial Fellow at the Centre for Commercial Law at Queen Mary and Westfield College of London University. He has been visiting professor at the University of South Carolina and at the National Bureau for Economic Research at Harvard. In addition he is and has been an adviser to a number of Central Banks and City of London financial firms.

THE BOARD'S RESPONSBILITIES

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

STEWARDSHIP

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

Under UK Company Law the Directors are responsible for ensuring that:

- Proper accounting records are kept, which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Financial Statements comply with the Companies Act 1985.
- The assets of the Company are safeguarded and for taking reasonable steps for the prevention and detection of fraud and other irregularities.
- The Directors' Report and other information included in the Annual Report is prepared in accordance with company law in the UK. They are also responsible for ensuring that the Annual Report includes information required by the Listing Rules of the Financial Services Authority.
- The Company has effective internal control systems, 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. Such a system of internal control can provide only reasonable, but not absolute, assurance against material mis-statement or loss.
- The Group Financial Statements for each financial year are prepared in accordance with IFRS, as adopted by the EU and have elected to prepare Company financial statements on the same basis. The Company and Group Financial Statements are required by law and IFRS as adopted by the EU to present fairly the financial position of the Company and the Group and the performance of the Group for that period. In preparing these financial statements the Directors are required to:
  - select suitable accounting policies and apply them consistently;
  - make judgements and estimates that are reasonable and prudent;
  - state whether they have been prepared in accordance with IFRS as adopted by the EU;
  - prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Company and Group will continue in business.

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

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

Internal Controls

The Combined Code requires the Directors to review the effectiveness of the Company's system of internal controls. The Directors, through the procedures outlined below, keeps the system of internal controls under review. The Board has identified risk management controls in the key areas of business objectives, accounting, compliance, operations and secretarial as areas for the extended review.

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

Compliance with the provisions of the Combined Code

The Financial Reporting Council has confirmed that member companies of the Association of Investment Companies ('AIC') who follow the AIC's Corporate Governance Guide for Investment Companies ('AIC Guide') will be meeting their obligations in relation to the Combined Code and the Listing Rules. The Board confirms, except where stated below, that it follows the Combined Code, except for those areas which the AIC Guide identifies as being irrelevant in a non self-managed investment company: namely the role of the Chief Executive, Executive Directors remuneration and the need for an internal audit function.

The Board confirms with the exception of the composition of the Audit Committee as detailed on page 15, that it has in all respects followed the AIC Guide in meeting its obligations under the Listing Rules and the Combined Code.

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

The Board

- **The Chairman should be independent**

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

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

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

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

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

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

  A biography of each member of the Board can be found on page 8.

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

  The Board has determined that neither age nor length of service necessarily compromise independence, rather that experience and knowledge gained in service normally strengthen independent performance. All Directors have contracts for services, details of which are contained in the Directors' Remuneration Report on page 32.

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

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

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

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

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

  The level of Directors' fees is reviewed on a regular basis relative to other comparable companies and in the light of the Directors' duties and responsibilities and the value of the time committed to the interests of the Company.

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

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

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

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

Board meetings and the relationship with the Manager:

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

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

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

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

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

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

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

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

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

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

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

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

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

  The Board, through its Audit Committee, receives independent reports from the auditors of the main services providers; these reports are called FRAG 21/94 reports (soon to be AAF 01/06).

Shareholder Communications

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

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

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

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

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

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

IN PURSUIT OF GROWTH OF SHAREHOLDER VALUE

The Board:

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

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

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

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

- **Monitors investment performance and risks.**

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

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

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

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

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

  The Board, acting on advice from the Manager, determines the maximum level of borrowings that the Company will undertake at the time of borrowing. The Company has entered into a short-term loan facility with the Allied Irish Bank; currently the maximum level of the facility is £20,000,000. The Board has approved the utilisation of hedging instruments in order to provide the portfolio with a limited degree of protection from extreme market declines.

- **Monitors the share discount.**

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

- **Determines the level and timing of dividends payable to Shareholders.**

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

BUSINESS REVIEW, RISKS AND KEY PERFORMANCE INDICATORS

The review of the performance and development of the business, including an analysis using the KPI's listed below, is given in the Chairman's Statement on pages 4 to 7.

Risks

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

External risks to shareholders and their returns are those that can severely influence the investment environment within which the Company operates, include economic recession, declining corporate profitability, rising inflation and interest rates and excessive stockmarket speculation. At its recent strategy meeting the Board highlighted as current portfolio risks a reduction in corporate profits caused by interest rate increases, a slowing of low cost production in China and India, rising inflation caused by UK public expenditure over-spending, UK political instability, instability in the Private Equity and Hedge Fund sectors and the strengthening of the Brazilian Real against the US Dollar.

The mitigation of these risks is achieved by sensible stock and sector diversification.

Internal risks to shareholders and their returns are: portfolio (stock and sector selection and concentration), balance sheet (gearing) and/or administrative mis-management. In particular the Board has identified the exposure to Ocean Wilsons Holdings Limited as a notably large single investment risk. In respect to the risks associated with administration, continuing compliance with s.842 ICTA 1988 would have the greatest impact if it ceased to be available to the Company. A monthly review is performed to ensure that the Company is still compliant with the key aspects of s.842, with any discrepancies being reported to the Board. All service providers to the Company are regularly reviewed.

The mitigation of these risks of mis-management is effected by investment restrictions and guidelines and through reviews at Board Meetings.

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

The Board has opted for the early adoption of IFRS 7 Financial Instruments: Disclosures. Details of how the principal risks arising from financial instruments are managed have been summarised in Note 21 on Pages 49 and 52.

Key Performance Indicators ('KPI')

The Board reviewed the risks from the point of view of the long-term shareholder, the principal one being that over the long-term (which we determined was five years) he/she did not make a return from his/her investment in the Company. The key performance indicator, against which the Board compared Shareholders' share price and dividend returns, is the benchmark, which is in essence a proxy for the return from a risk free, five year investment. Other KPIs include the net asset value returns against those of the benchmark, against the Company's peer group average returns and against the market (the FTSE All-Share Index) and the total expense ratio in relation to the returns that Shareholders have received. The numbers are computed on a one, three, five and ten year basis – five years being the better time period over which to judge the progress of the Company for the year ended 31 March 2007

i) Shareholder - Total Return to 2007

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

	2007 (1 year)	2004 (3 years)	2002 (5 years)	1997 (10 years)
Share Price				
Ordinary shares	**34.10%**	235.55%	294.40%	449.34%
'A' non-voting Ordinary shares	**26.59%**	209.14%	262.65%	437.57%
Company's benchmark	**6.67%**	19.97%	34.23%	76.32%

ii) Company Returns

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

	2007 (1 year)	2004 (3 years)	2002 (5 years)	1997 (10 years)
Net Asset Value	**28.41%**	151.84%	198.33%	358.54%
Absolute comparison				
Company's Benchmark	**6.67%**	19.97%	34.23%	76.32%
Relative comparison				
FTSE All-Share Index	**11.52%**	66.27%	54.15%	116.24%
Peer Group Average	**18.1%**	93.8%	102.4%	200.8%

iii) Discount/ (Premium)

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

	2007 (1 year)	2004 (3 years)	2002 (5 years)	1997 (10 years)
Ordinary shares	**(8.0%)**	18.0%	17.2%	7.6%
'A' non-voting Ordinary shares	**1.6%**	18.8%	17.9%	13.3%
Peer Group Average	**7.2%**	12.8%	11.1%	11.0%
AIC IC Average	**6.5%**	11.4%	11.0%	8.0%

iv) Expense ratio to 2007

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

	2007 (1 year)	2004 (3 years)	2002 (5 years)	1997 (10 years)
Total expense ratio per annum	**0.96%**	1.01%	1.08%	1.08%
NAV Total Return per annum	**28.41%**	50.61%	39.67%	35.85%

BOARD POLICIES

The Board consists entirely of non-executive directors; it delegates the day to day implementation of its policies to third party service providers. The Board has contractually delegated to external organisations the management of the investment portfolio, the custodial services which include safeguarding of the assets, and the day to day accounting and company secretarial requirements. Each of these contracts is only entered into after proper consideration of the quality and cost of services which are reviewed and monitored either by the Board or its Committees.

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

Details of the Directors' attendance at Board, Strategy and Audit Committee meetings are in the Directors' Remuneration Report on page 32.

BOARD COMMITTEES

Audit Committee

The Directors consider that all members of the Board should be members of the Audit Committee in order for them to fulfil their responsibilities as Directors of the Company and so the Audit Committee consists of all four Directors and 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 emphasises the need for 'Audit Committee arrangements to be proportionate to the task'. With such a small Board, it was deemed both proportionate and practical to involve all Directors in its workings even though William Salomon is not regarded as being independent. The Company's Audit Committee meets representatives of the Investment Manager and its Compliance Officer, who report as to the proper conduct of business in accordance with the regulatory environment in which both the Company and the Investment Manager operate. The Company's Auditors also attend this Committee and report on their work procedures, the quality and effectiveness of the Company's accounting records and their findings in relation to the Company's statutory audit. The responsibilities of the Audit Committee include review of internal financial controls, accounting policies, financial statements, management contract, Auditors' appointment and remuneration (no non-audit services are provided by the Auditors) and the 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.

Nomination Committee

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

Management Engagement Committee

The Board, with the exception of William Salomon, fulfills the function of this Committee. The level of management fees and the level of service provided are reviewed on a regular basis.

Remuneration Committee

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

SERVICE PROVIDERS

Investment Manager

Hansa Capital Partners LLP charged an investment management fee at an annual rate of 0.75% of the net assets of the Company, (before any borrowings) but after deducting the investment in Ocean Wilsons Holdings Limited on which no fee is payable. Under the terms of the investment management agreement with Hansa Capital Partners LLP the investment management fee was reduced by the amount the Company was charged under its administration agreement with BNP Paribas Fund Services UK Limited. The terms of the investment management agreement permits either party to terminate the agreement by giving to the other not less than 12 months' notice or such shorter period that is mutually acceptable. The investment management fee outstanding at the year end amounted to £101,336 excluding VAT (2006: £92,062). In its annual assessment, the Board has concluded that, because of the calibre and commitment of the whole management team to the Company and the excellent long-term returns to Shareholders it has produced, it is in the best interest of Shareholders that the Manager remain in situ.

With effect from 1 April 2007 the investment management fee has been changed to 1% of the net asset value of the Company, after deducting the investment of Ocean Wilson Holdings Limited on which no fee is payable. In addition the management fee is not to be reduced by costs charged by the administrators. By way of a comparison the fees chargeable for the year ended 31 March 2007 on the new basis would have been £1,631,000; an increase of £518,000. During the year ended 31 March 2007 the Directors reviewed regularly all aspects of the performance of Hansa Capital Partners LLP as the Company's Investment Manager.

Auditors

RSM Robson Rhodes LLP, ('Robson Rhodes') has announced its intention to merge its audit practice with that of Grant Thornton UK LLP with effect from 1 July 2007. Accordingly a resolution to appoint either Robson Rhodes or (subject to such merger having completed) its successor firm, Grant Thornton UK LLP, as auditors of the company and to authorise directors to fix their remuneration will be proposed at the Annual General Meeting.

Company Secretary

Secretarial services were provided by Hansa Capital Partners LLP at an annual rate of £40,000, excluding VAT (2006: £40,000). With effect from 1 April 2007 the annual rate has been increased to £100,000, excluding VAT.

Plan Manager

The Company offer ISA PEP MileStone and Saving Scheme Plans which are administered by Close Investments Limited.

Administrator

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

BOARD STATEMENTS AND DISCLOSURES

In accordance with the Company Acts and Financial Services Authority UKLA Listing Rules the Board is required to make various statements and disclosures to Shareholders. They are:

Appointment of the Investment Manager

As explained earlier in the Annual Report, the Directors have concluded that it would be in the best interests of Shareholders for the Company to continue the appointment of the Investment Manager on the revised terms of appointment.

Significant changes in the activities of the Company

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.

for the year ended 31 March 2007

Results and Dividends

The results attributable to Shareholders for the year and the transfer to reserves are shown on page 36.
The dividends paid and proposed are as follows:

	2007 £000	2006 £000
Ordinary and 'A' non-voting Ordinary shares		
Interim paid of 3.5p (2006: 3.5p) per share	**840**	840
Final proposed of 9.0p (2006 paid: 6.25p) per share	**2,160**	1,500
Total dividends	**3,000**	2,340

The final dividend will, if approved, be paid on 10 August 2007 to Ordinary and 'A' non-voting Ordinary Shareholders registered at the close of business on 20 June 2007.

Directors' Interests

The present members of the Board are shown on page 8, all of whom retired at the last Annual General Meeting and were duly re-elected. The Board's policy is that it is appropriate for all members to retire annually at the AGM and therefore Mr Hammond-Chambers, Lord Borwick, Mr Salomon and Professor Wood will retire again and offer themselves for re-election at the forthcoming AGM. The interests of Directors and their families in the Company at 31 March 2007 are shown below:

	Ordinary shares of 5p each		'A' non-voting Ordinary shares of 5p each		Nature of interest
	2007	2006	**2007**	2006	
Mr Hammond-Chambers	**500**	500	**7,600**	7,600	Beneficial
Lord Borwick	**2,200**	2,200	**–**	–	Beneficial
Mr Salomon	**2,113,219**	2,113,219	**98,700**	98,700	Beneficial
Professor Wood	**1,000**	5,000	**9,700**	–	Beneficial

Mr Salomon is senior partner of Hansa Capital Partners LLP. Fees payable inclusive of VAT to Hansa Capital Partners LLP, amounted to £1,307,737 (2006: £1,034,474). During the year, no rights to subscribe were granted to, or exercised by Directors, their spouses or infant children. Since 31 March 2007, Lord Borwick, has purchased 22,478 Ordinary shares and 16,376 'A' non-voting Ordinary shares.

Directors' Training

Any new Director appointed attends an induction seminar held by the Company Secretary and the Chairman. Directors are also provided on a regular basis with industry, regulatory and investment updates. Directors regularly participate in industry seminars and training courses where appropriate.

Fixed Asset Investments

The market value of the Group's investments at 31 March 2007 was £243,641,000 (2006: £202,099,000). Taking these investments at this valuation, the net assets attributable to each Ordinary and 'A' non-voting Ordinary share amounted to 1,039.4p at 31 March 2007 (2006: 818.2p).

Publication of Financial Statements on a Website

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

Substantial Shareholders

As at 22 June 2007 the following interests in the Ordinary shares of the Company which exceeded 3% of the voting issued share capital of that class are:

	No. of voting shares	% of voting shares
Nicholas B. Dill, Jr. & Codan Trust Company Limited (note)	4,096,350	51.20
Puddle Dock Nominees Limited	310,173	3.88

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

Creditors' Payment Policy

While the Company does not follow a formal code, it is the Company's continuing policy to pay amounts due to creditors as and when they become due. Payments relating to investment transactions are made in accordance with the settlement practices of the relevant exchange. At 31 March 2007 outstanding trade creditors amounted to £Nil (2006: £Nil).

Directors' and Officers' Liability Insurance

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

Going Concern

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

Status and Activities

During the year under review the Company has operated as an investment company, under Section 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 2006. 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.

Audit Information

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

ANNUAL GENERAL MEETING

A special resolution relating to the following item will be proposed at the forthcoming Annual General Meeting:

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

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

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

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

By order of the Board
Hansa Capital Partners LLP
Secretary
29 June 2007

Investment Manager's Report

BACKGROUND

The twelve months under review was generally a good period for investors and equities made strong advances even though the base rates of all the world's major central banks from the US Federal Reserve through the European Central Bank and the Banks of England and Japan, are higher now than they were at the beginning of the year. Bird flu did not develop into a major pandemic and now rarely appears in the headlines. God also blessed the US with an unusually benign hurricane season. In the emerging markets, many feared that the economies of China and India must soon overheat, but in the event, both continued to grow at rates near 10% without needing to slam on the brakes. From a geo-political perspective, there were no major terrorist attacks on the western world, although Iran's pursuit of a nuclear weapon capability is alarming. In January 2006, there were fears that West Texas intermediate crude could reach $100 a barrel. During the Lebanon conflict, it touched $77 a barrel, but the price has now retreated. Meanwhile, US interest rates are on hold and there is talk that the US housing market may have seen the worst of its setback without triggering an economic downturn. America's twin deficits continued, but global capital flows were more than adequate to finance them.

Let's take a look at some of the main investment themes of 2006. The single biggest driver in equity markets at the moment is the high level of company profits and free cash flow relative to the cost and availability of debt. The combination of these two trends account for the upsurge in merger and acquisition activity, as investors and companies attempt to arbitrage away the valuation gap between earnings yields and the cost of capital. The value of companies taken private reached record levels in 2006, almost trebling since 2004. Citigroup calculates that the overall UK equity market shrank by about 4.1% or roughly £64bn in 2006, double the rate of de-equitisation of 2005 and four times the figure for 2004. While almost £50bn of new equity was introduced to the UK market through initial public offerings and secondary issues last year, a record £115bn was 'retired'. Cash takeovers accounted for about £60bn of this, a rise of 80% on 2005, while a further £56bn was taken out of circulation via share buy-backs and the payout of special dividends.

With the threat of a takeover, many companies are tending to be managed to maximise cash flow, which in turn provides the funding for higher dividends and growing share buyback programmes. Companies are emulating the tactics of private equity in this quest for balance sheet efficiency, replacing 'expensive' equity with 'cheap' debt. De-equitisation is symptomatic of the credit cycle, which makes debt so cheap and available that private equity investors are encouraged to use it to buy corporate earnings flows, particularly if they are predictable. Even corporate chief executives are increasingly bidding for companies that are far bigger than their own, thanks to the availability of cheap and plentiful debt. The pattern of recent months shows private equity and corporate buyers are targeting FTSE 100 companies like Sainsbury and Alliance Boots, as well as FTSE 250 companies, whereas in 2005 and 2006 most of the action was in the mid-cap sector. The fear is that too much money is chasing too few assets, with the risk that both the deal structures and deal quality decline, creating bigger risk. There are fears that the growing flood of private equity deals are being financed by easy lending or 'covenant-lite' loans. Unlike traditional loans, these do not include legal covenants that typically allow lenders to monitor a borrower, and demand repayment or seize control of a company if that company underperforms. These new type of loans have allowed the huge amounts of money being raised by buyout firms to be turned into highly leveraged takeover war chests. Private Equity Intelligence estimates that £67bn was raised by UK private equity firms alone last year, while some £452bn was raised globally. The fears are twofold. These loans have helped fuel an indiscriminate bull run in the stockmarket, while there is the potential for more damaging defaults on these loans owing to the lack of intervention and control by the banks. The main risk to M&A is a significant rise in the cost of borrowing and a fall in the level of corporate profitability and free cash flow.

This takes us on neatly to the second investment theme of 2006, namely infrastructure. Once regarded as dull, this sector has new-found allure. Investors with large long-term liabilities like pension funds are attracted by the steady, long-dated, low-risk and sometimes regulated yield available from utilities and other infrastructure assets. Not surprisingly investment banks are rushing to meet the surge in demand by raising new funds, the biggest being Goldman Sach's £3.3bn infrastructure fund.

Finally, the environment and the issue of global warming became an increasingly hot topic, highlighted by the Stern report. We could be at the beginning of a movement where environmental issues will shift from the fringes of socially responsible investment into mainstream asset management and corporate behaviour.

OVERALL PERFORMANCE

During the year under review, the capital and revenue returns per Ordinary and 'A' non-voting Ordinary shares amounted to 231p or 28.2%, while the share price of the Ordinary shares rose by 32.5% as they traded at a premium to their net asset value and the share price of the 'A' non-voting Ordinary rose by 25.0%. This compares with a rise of 6.7% in the Company's benchmark and a total return on the FTSE All-Share Index of 11.5%. The two largest positive contributors to the 231p per share rise were Ocean Wilsons Holdings Limited 131.5p and Cathedral 13.1p.

We ended the half year at September with cash funds and fixed deposits of £21.4m and we finished the full year end March with cash funds and bank deposits of £6.1m, largely as a result of investing in a number of unloved 'mega-caps' like BG Group, HSBC and GlaxoSmithKline.

SECTOR REVIEW

Sector weighting and performance - (Time Weighted)	Portfolio weighting at 31 March 2007	One year performance to 31 March 2007
	%	%
Strategic	29.9	73.9
Smaller Cap/AIM	21.6	16.3
Closed Life Funds	9.3	4.0
Natural Resources	8.8	6.2
Property	6.3	25.1
Large Cap	6.6	(5.5)
Utilities	6.4	34.6
Insurance	4.6	33.8
Cash Funds	1.9	2.5
Mid-Cap	4.2	28.1
Cash	0.4	–

STRATEGIC

	Opening Value	Net New Investment	Closing Value	Added Value
Portfolio Movements	£44.3m	(£1.0m)	£74.8m	£31.5m
Portfolio Weighting			29.9%	
Portfolio Performance				73.9%
Contribution to overall total return of 231p				131.5p
Major Contributor:				
Ocean Wilsons Holdings				131.5p

Ocean Wilsons Holdings Ltd (+73.9%) announced a strong set of full year figures for the end of December 2006, with the Group's core businesses performing well and significant growth in the port operations and logistic businesses. For the first time, the port operations division exceeded towage as the Group's largest division, while there was a recovery in the Group's margins following several years of decline. The Brazilian Government has maintained a favourable environment for business activities through the adoption of a conservative economic policy, which has led to greater stability in the economy and an expectation of less volatility in the future.

On 2nd April the Board of Ocean Wilsons Holdings Ltd announced the proposed initial public offering of Wilson Sons Ltd, the owner of the Group's Brazilian business, which the Board believes provides an opportunity to enhance the value of the Brazilian business and realise value for shareholders in Ocean Wilsons Holdings Ltd. Wilson Sons Limited is one of the largest providers of integrated port and maritime logistics and supply chain solutions with 170 years in the Brazilian market. It has a national network and provides a complete set of services to participants in international trade in the port and maritime sectors. It has renewable, 25-year term concessions to operate two of the main container port terminals in Brazil: Tecon Rio Grande, in the Port of Rio Grande, Rio Grande do Sul and Tecon Salvador, in the Port of Salvador, Bahia. The Board of Ocean Wilsons Holdings Ltd and the Board of Wilson Sons Ltd decided to proceed with the flotation of Wilson Sons Ltd on the Sao Paulo Stock Exchange and the Luxembourg Stock Exchange. The flotation involved the sale of 15.4 million shares by Ocean Wilsons Holdings Ltd, resulting in gross proceeds to Ocean Wilsons Holdings Ltd of approximately $180.8m and the issue of 11 million new shares by Wilson Sons Ltd, raising approximately $129.1m for Wilson Sons Ltd. The offer price was $11.74 per Wilson Sons Ltd share, which implied a Wilson Sons Ltd market capitalisation including issue proceeds to be retained by Wilson Sons Ltd of approximately $835.2m. There was also an over allotment option under which up to a further 3.3 million shares might be sold by Ocean Wilsons Holdings Ltd as a result of stabilisation transactions in the 30 days following the listing. On 31 May, Ocean Wilsons Holdings Ltd received notice of the exercise of the over-allotment option in respect of 3.3 million Wilson Sons shares, which represented all of the shares originally designated for the over-allotment option. The over-allotment option was exercised at $11.74 per Wilson Sons share, the same price as the offer price announced on 27 April 2007. Ocean Wilsons Holdings Ltd received additional proceeds of approximately $37m from the exercise of the over-allotment option. Following the exercise of the over-allotment option the total proceeds (net of expenses) received by Ocean Wilsons Holdings Ltd in respect of the flotation of Wilson Sons Ltd will be approximately $206m and Ocean Wilsons Holdings Ltd will retain 41,444,000 shares in Wilson Sons Ltd, representing 58.25% of the enlarged share capital of Wilson Sons Ltd. The IPO creates two distinct business arms for Ocean Wilsons Holdings Ltd, namely a majority shareholding in Wilson Sons Ltd, a newly listed company owning the Brazilian business, and the management of a portfolio of international investments. The IPO will create more visibility for Wilson Sons Ltd, as well as improving access to capital to fund the accelerated growth of the Brazilian business.

SMALLER CAP/AIM

	Opening Value	Net New Investment	Closing Value	Added Value
Portfolio Movements	£46.2m	£0.8m	£54.0m	£7.0m
Portfolio Weighting			21.6%	
Portfolio Performance				16.3%
Contribution to overall total return of 231p				47p
Major Contributors:				
Ark Therapeutics				8.2p
Goals Soccer Centres				6.3p
Hargreaves Services				6.2p

Looking across the whole portfolio, rather than from a 'thematic' point of view, the Small Cap weighting (ASX minus FTSE 350) was 38.1%, including the 30.6% weighting in Ocean Wilsons Holdings. In addition, we had a year-end weighting of 24.0% in AIM stocks, a generally unloved and undervalued group, making a combined fully listed small cap and AIM quoted weighting of 62.1%, half of which is represented by Ocean Wilsons Holdings.

We sold our holdings in Hamworthy (+26.7%), Concateno (+69.5%) and Raymarine (+8.7 %). Peach Holdings (+19.2%) was taken over for cash by a subsidiary of DLJ. We supported Hargreaves Services (+40.9%) acquisition of Maltby Colliery for £21m cash, since it is an underperforming operation, being acquired at net asset value, with significant potential for improving profitability and exploiting undeveloped opportunities. All parts of the Hargreaves Group will be involved in improving the Maltby operations. We supported Ark Therapeutics Group's (+44.6%) placing and open offer at 85p per share to raise £27.1m on the basis of one new ordinary share for every four existing ordinary shares, to progress the development of the company's existing clinical programmes, accelerate the development and scaling up of the company's manufacturing facilities in Finland and to progress the development of the company's early pre-clinical pipeline. Ark announced a significant patent win for the intellectual property concerning the use of agents that affect the angiotensin-renin system for the prevention and treatment of stroke. The European patent will give protection in the applicable European countries until 2018, while separate patent applications are under prosecution in the USA as well as in other international territories. The formal grant of this European patent will trigger a milestone payment from Boehringer Ingelheim to Ark, while Ark will now start to consider the further commercial licensing potential of the patent.

We added to our holding in Morson Group (+42.2%), the UK's leading provider of technical contract staffing, supplying over 8,000 highly skilled white collar personnel to the aerospace, defence, nuclear power and rail industries. Established in 1969, Morson is the largest and one of the longest established technical staffing companies in the UK. We added to our holding in Acertec (+10.3%), which is focused on the provision of processed steel products that generally require local supply due to their just-in-time requirement. We averaged down the price of our holding in Burst Media Group (-71.6%), an international online advertising services company. Recent preliminary results provide reassurance that the group is now back on track following last year's operational difficulties. We also added to our holding in CAP-XX (+8.5%), after taking our original position at the IPO stage. CAP-XX is a world leader in the design and manufacture of thin form super capacitors and energy management systems, predominantly for portable electronic devices like mobile phones, medical devices and automatic meter readers. The company recently announced that it is well advanced in partnering and licensing negotiations with major international component manufacturers regarding the scale-up of production.

Camco International (+1.6%) was one of a number of new holdings taken during the year, and is a market leader in the origination of carbon credit producing projects in developing markets. Camco works with companies in the developing world to identify and develop greenhouse gas emission reduction projects, managing the entire process from project initiation to the delivery of carbon credits for sale in the international market, and is a market leader in China and Russia, two of the largest potential markets for carbon credits. Camco is acquiring Energy for Sustainable Developments, a world-leading climate change advisor, which focuses on defining policies and implementing projects to help mitigate climate change. Helesi (+10.3%) is a highly profitable manufacturer of plastic products for the waste management industry with a focus on becoming an integrated waste management company by expanding into services. IFR Capital (-13.1%) has been established to act as an acquisition platform intending to target small and mid-sized businesses in the continental European food industry. Cape (-0.2%) is a leading international provider of essential support services for the energy sector, providing a broad range of services across the life cycle of major industrial assets. Cape's footprint extends from the UK through the Gulf and Caspian Sea into the Far East and Pacific Rim, offering services both on and offshore, with offices in 23 countries.

Goals Soccer Centres (+67.1%) is the premium operator of 5 and 7-aside football in the UK and the company is achieving good growth through a combination of a well planned development programme together with strong organic growth. The strong management team has grown their estate from 5 to 22 centres over the last four years and enjoy a 'pseudo freehold' exposure given that the average term per site is in excess of 60 years. NCC's (+14.5%) interim results highlighted the attractive growth rates of the core UK Escrow business and the high level of recurring revenues. The company also announced the acquisition of Site Confidence, a web site monitoring business, which has over 400 blue chip customers. Leadcom Integrated Solutions (-35.2%), a leading international provider of innovative telecommunications solutions, has made a strong start to the year, margins remain steady and operating cash flow is improving. Orders and frame agreements for the rest of 2007 amount to $125m, giving management confidence of achieving its target of at least $180m revenues for the year.

CLOSED LIFE FUNDS

	Opening Value	Net New Investment	Closing Value	Added Value
Portfolio Movements	£13.3m	£7.7m	£23.2m	£2.2m
Portfolio Weighting			9.3%	
Portfolio Performance - (time weighted)				4.0%
Contribution to overall total return of 231p				9p
Major Contributor:				
Resolution				9p

We took up our rights entitlement in Resolution (+4.0%) on the basis of 8 for 9 at 480p at a cost of £8.4m, when the company raised £1.55bn to fund its £3.6bn acquisition of Abbey's Life assurance operations, in the biggest rights issue for four years. Clive Cowdery, the chairman of Resolution, took up his full rights at a cost of £46m, remarking that, 'exciting though the last three years have been, it is because of the prospects over the next three years that I am personally borrowing £46m to buy more shares'. The company has said that it actually ought to be issuing a Regulatory News Service Statement when it is not talking with other life companies, because the management's whole strategy is to consolidate the industry. On 30 March 2007, Resolution said that talks that might have led to a sale of the company had ended but the company continues to access possible acquisitions and business combinations. On 3 April, Resolution announced a strong set of final figures, raised the dividend by 15% and proposed 38% dividend growth to 22.5p per share for 2007, giving a yield of 4.4%, with target increases of at least 5% per annum thereafter. Resolution is ahead of the competition and is well positioned to mine large parts of the industry in run-off as well as capture new business in profitable growth segments. Meanwhile there are 10 to 12 targets with an aggregate embedded value of £30bn under review, while any excess capital could be deployed for share buy-backs.

NATURAL RESOURCES

	Opening Value	Net New Investment	Closing Value	Added Value
Portfolio Movements	£47.5m	(£27.0m)	£22.0m	£1.5m
Portfolio Weighting			8.8%	
Portfolio Performance - (time weighted)				6.2%
Contribution to overall total return of 231p				6.3p
Major Contributor:				
Hunting Plc				5.0p

We took profits in Cairn, Dana and Hunting at the end of our first half to the year and subsequently added to a much unloved BP (-13.6%) which offers a yield of over 4.0% and where we believe that much of the bad news is in the price, and took a new holding in BG Group (+4.2%). BG is confident of achieving the higher levels of its 6-10% E&P volume growth target to 2012, and expects average LNG supply growth of 21-24% p.a. to 2009, thereby offering superior growth prospect compared with the other large integrated oil companies.

We made a switch out of our E&P companies into the integrated majors, which offer more value and are being shunned by investors. We believe that an exposure to this sector represents an important portfolio insurance play, should geo-political risk increase through the year.

No country can easily ramp up production, so if output in a producing country were to fall significantly it would cause a shock to world supply. Second, these mega-cap oil companies are prolific cash producers, so 2007 could witness an oil sector shift in cash distributions to favour dividends. In 2006 BP's share buyback programme amounted to US$15.5bn, and in the first quarter of this year BP has re-purchased S$2.4bn of stock. Any change to BP's dividend is a matter of consequence for the entire UK market given that BP pays approximately 7p of every £1 of dividends paid by the entire FTSE 100 Index. In what remains a low yield environment, but yield hungry market, higher dividends from the natural resources sector could help to soften perceptions of cyclical risk. Morgan Stanley and JP Morgan research concludes that the market currently values the upstream businesses of BP and Shell at about $10-$11 per barrel of oil equivalent of reserves, about half the multiple paid in recent asset deals or the average finding and development unit costs.

Royal Dutch Shell (-6.1%) has resolved the uncertainty hanging over Sakhalin 2 which is based in the far east of Russia. Gazprom is paying S$7.45bn for a 50% stake in Sakhalin Energy investment company, thereby reducing Shell's 55% stake to 27.5% and removing many of the operating uncertainties involved in dealing with the Russian Government as well as opening up more opportunities for future developments. A good outcome given the circumstances. Royal Dutch Shell ceased to buy back shares after the publication of results in February. Instead, it has ramped up its capital expenditure plans to $24bn for this year compared to $20bn in 2006 and is also spending $7bn on purchasing the Shell Canada minority. In short, the oil industry values itself higher than the market does, which is being reflected in large-scale buybacks and M&A, while investors are dismissing 17% of the UK stockmarket's earnings as cyclically dangerous and therefore to be avoided.

Finally, we added to our holding in Melrose Resources (+13.0%) by supporting a placing to raise £26.5m to fund ongoing exploration and development in Egypt, provide flexibility for the forthcoming drilling programme in Bulgaria and enable the medium term exploration of the recently acquired East Texas assets to maximise value. It was encouraging to note that chairman Robert Adair (51.8% post placing) and second largest shareholder Caledonia (8.9%) have taken up their pro-rata share of the placing. We sold our holdings in BHP and Xstrata at the end of the first half of our financial year. Mining has since fared better than the oils because of a strong belief in the Chinese and Emerging markets demand story. So, although supply risks and US economic slowdown still exist, the structural story and belief in a super-cycle outweigh the cyclical threats.

PROPERTY

	Opening Value	Net New Investment	Closing Value	Added Value
Portfolio Movements	£9.3m	£3.2m	£15.8m	£3.3m
Portfolio Weighting			6.3%	
Portfolio Performance - (time weighted)				25.1%
Contribution to overall total return of 231p				13.8p
Major Contributors:				
DV3				8.1p
Halladale Group				6.0p

We gave an irrevocable acceptance for a recommended 225p per share offer for the entire issued share capital of Halladale (+42.6%) valuing the company at £171m, compared with the IPO price of 50p in 2001 when the Trust made its investment. We have 'replaced' this holding by taking a new position in Hansteen (+3.9%), which, under a proven management team has selectively acquired £150m of properties in Continental Europe at an average yield of over 8% on cost, with a pipeline of properties in legal negotiation. We supported a placing to raise a further £70m to take advantage of increasing institutional interest in Continental European property, in the belief that there remains considerable scope for yield compression in that geographic market.

Engel East Europe's (-4.8%) ultimate controlling shareholder's share base has changed. Lagna was 61.8% owned by Jacob Engel interests. Jacob Engel has entered into an agreement to dispose of his entire holding in Lagna to a quoted developer, Azorim, operating in the USA and Israeli residential development markets. Azorim stated, 'Azorim is excited by the presence Engel East Europe has established in the region and wishes to participate and accelerate this potential, sharing benefits with all existing shareholders in Engel East Europe'. Jacob Engel will still have a continuing shareholding interest in the Engel Group and remains a part of the management team.

DV3 (unquoted) began life in March 2004 with a commitment period of four years, a seven year term plus three, one year extensions, and size of £330.8m. As at 31 March 2007, total funds of £237.5m (72%) out of the total commitment of £330.8m had been drawndown from shareholders. At this date, a total of £150.6m had been returned to shareholders by way of two capital redemptions. Subsequent to 31 March 2007, the Hammersmith Business Park disposal completed on 4 April 2007. This resulted in funds of £64.0m being made available which were returned to shareholders on 13 April 2007, at which date a total of £214.6m had been returned to shareholders by way of capital redemptions of preference shares, representing 90% of drawdown funds. A total of £22.9m is now invested in DV3 and undrawn but predominantly committed subscriptions stand at £93.3m. These are good results. The management of DV3 expect there to be far less performance from yield compression going forwards and it will be much more about adding value, which they feel will suit their more cautious, conservative and diligent approach to projects. Hansa Trust will be very interested in continuing to co-invest with this property team and may well wish to take an investment in DV3's successor, DV4.

LARGE CAP

	Opening Value	Net New Investment	Closing Value	Added Value
Portfolio Movements	£4.1m	£12.5m	£16.5m	£0.1m
Portfolio Weighting			6.6%	
Portfolio Performance - (time weighted)				-5.5%
Contribution to overall total return of 231p				-0.1p
Major Contributor:				
Home Retail Group				0.1p
GlaxoSmithKline Plc				-0.1p
HSBC Plc				-0.1p

Once again, looking across the whole portfolio rather than from a 'thematic' point of view, the 'mega-cap' weighting (FTSE 10) at year-end was 9.3%, with a further weighting of 18.8% in large cap (FTSE 11-100), making a combined total weighting of 28.1%.

We have increased our weighting in large and much unloved 'mega-cap' companies and this is after adding to our holding in the demerged Home Retail Group (+6.8%) and subsequently selling the position. Five of the ten largest companies in the UK were in the bottom decile performance of FTSE 100 in calendar 2006, continuing a trend of mega-cap underperformance from the last few years that we believe could reverse.

Wolseley's (+5.7%) share price has been weak because of the declining US new residential housing market and the fear that US residential sales and earnings amount to some 40% of group totals. This provided us with an entry point. Wolseley is the world's largest specialist trade distributor of plumbing and heating products to professional contractors and is also a leading supplier of building materials and services. Wolseley has been investing in its business both in terms of geography and adjacent products markets, spending on distribution centres, regional supply centres and some new formats. Acquisitions have also been a significant avenue of growth. Prior to the £1.4bn acquisition of DT Group in Scandinavia, Wolseley spent £914m in the year reported on 53 bolt-on deals at an average cost of £17m. Going forwards increasing benefits are expected from cost reduction initiatives, an increased focus on trading margins, working capital efficiency and focus on cash flow to finance future growth. We took up the offer of new shares in Experian Group (+2.1%), which is a unique collection of credit bureau, scoring, software, marketing and internet services. It has a scaleable business model with high returns, good growth potential, strong cash flow and limited competition in its core business. Just after our year end Experian announced the acquisition of Hitwise, an internet marketing intelligence company, for US$240m, which will be funded from the Group's existing cash resource.

HSBC Holdings (-6.2%) used to enjoy a premium rating compared with other UK banking stocks, because of its exposure to fast-growing emerging markets in Asia and Latin America. This premium has steadily eroded, particularly in the past year after things started to go wrong in its sub prime mortgage operations, following the poor integration of Household, the US consumer business that HSBC acquired in 2002 for US$14.7bn. The shares now offer a yield of over 4.5% and it is interesting to note that Maan Abdulwahed al-Sanea, regarded as one of the most aggressive businessmen in the Gulf, has just declared a 3.1% stake. GlaxoSmithKline (-5.5%) has 31 major products in phase 3 development providing greater earnings visibility, and a strong balance sheet coupled with robust free cash generation. The group completed a £4bn share buy-back programme last September and in October commenced a £6bn buy-back programme over three years. Politics, pipelines and pricing risks appear to be already discounted in the share price, while the company remains a prodigious cash generator.

UTILITIES

	Opening Value	Net New Investment	Closing Value	Added Value
Portfolio Movements	£16.6m	(£6.0m)	£16.0m	£5.4m
Portfolio Weighting			6.4%	
Portfolio Performance - (time weighted)				34.6%
Contribution to overall total return of 231p				22.6p
Major Contributors:				
Scottish & Southern				6.3p
Centrica Plc				6.0p
National Grid Plc				4.6p

Utilities have traditionally been seen as low risk high yield defensive stocks in which to invest during periods of market weakness or falling interest rates, as a result of being perceived as bond proxies. Over time this view has changed following a period of market liberalisation, an exposure to commodity prices, a focus on core business activities and a greater emphasis on shareholder returns and balance sheet management. Not surprisingly, these 'forever industries' with long duration assets, stable and predictable cash flows have become highly attractive to infrastructure investors. The stable, reliable qualities that formerly led to them being considered dull, now make them attractive. They make up a diverse group with different characteristics. For infrastructure assets like grids and water, the regulated return and how this compares to market interest rates are the most significant determinants of valuation. For generators the main share price drivers are commodity prices, since the inputs of gas and coal and the output of CO_2 determine power prices. Pure marketing and supply companies have to operate in the power/gas price cycle and make decisions about margin versus market share, so, all in all it is not a very homogeneous sector.

We sold our holdings in United Utilities (+17.4%) and Severn Trent (+19.4%), following the latter's completion of its focus on water, demerging Biffa, selling property and agreeing the sale of its US laboratories business. Severn Trent also increased its gearing to 60% of regulated capital value via the payment of a £577m special dividend. We added to our holding in National Grid (+44.8%), which recently announced the sale of its UK wireless network unit to Macquarie Bank Ltd's Arquiva for £2.5bn, of which it will use £1.8bn to buy back shares and focus its attention on the UK and US electricity and gas markets.

We also added to our holding in Scottish and Southern Energy (+40.9%), which has committed itself to a more aggressive dividend policy, whereby the dividend will be increased by 18% to 55p in 06/07, followed by real dividend growth of 4% to 2009/10. Centrica's (+42.5%) full year profits beat analysts forecasts as the company paid less for gas to supply homes, and it announced £200m of cost savings from the British Gas Residential unit this year by trimming costs. Centrica has lowered household charges for the first time since 2001 after 1.03m customers defected last year and it believes that lower wholesale gas prices will give it an edge over its rivals who may use coal-fired plants. New gas import pipelines from Norway and The Netherlands have provided more fuel to the UK, cutting costs for utilities to supply homes and businesses.

INSURANCE

	Opening Value	Net New Investment	Closing Value	Added Value
Portfolio Movements	£15.6m	(£8.9m)	£11.4m	£4.7m
Portfolio Weighting			4.6%	
Portfolio Performance				33.8%
Contribution to overall total return of 231p				19.6p
Major Contributors:				
Cathedral Capital				13.1p
Brit Insurance				4.7p

Disciple Holdco, a newly incorporated company funded by the Alchemy Investment Plan made a recommended cash offer of 140p for each unquoted Cathedral Capital 'A' share (+57.3%). We were sorry not to have the chance to roll some or all of our investment into the new vehicle. Brit Insurance's (+13.2%) final results were marginally disappointing at the underwriting level, although higher investment income helped to make up the shortfall. More pleasingly, the expected total dividend of 15p was augmented by a 2p special dividend, and the company announced a share buyback of up to £50m or 15p per share, taking the total return equivalent to over 10%, which represents a powerful capital management message. Kiln's (+30.0%) final results were ahead of expectations and the company is to establish a new Bermudian holding company, Kiln Ltd. and a new reinsurance company, Kiln Re. Kiln Re is to be capitalised at £160m, through a transfer of existing group funds and the plans therefore do not require new capital. Kiln has raised its minimum through-cycle dividend commitment from 3p to 4p, a lower pay-out relative to its peers, reflecting Kiln's need to retain capital for growth.

The latest market data suggest that the underwriting climate for 2007 remains attractive, but the rating trend is downward and as such, 2008 is getting more challenging. In summary, rates are softening although it is not a 'soft market'. Not surprisingly, some commentators are forecasting a more active hurricane season in comparison to last year's benign outcome.

MID CAP

	Opening Value	Net New Investment	Closing Value	Added Value
Portfolio Movements	£6.1m	£2.7m	£10.6m	£1.8m
Portfolio Weighting			4.2%	
Portfolio Performance				28.1%
Contribution to overall total return of 231p				7.6p
Major Contributors:				
Premier Foods				2.6p
Biffa				1.9p
SSL International				1.7p

Looking across the whole portfolio rather than from a 'thematic' point of view, the Mid Cap (FTSE 250) weighting was 8.3% at year end. Premier Foods bid a 30% premium for our RHM (+14.1%), which will create the largest food producer in the UK, uniting Hovis and Mr. Kipling with Branston Pickle and Angel Delight, and will enable the enlarged group to develop strategic partnerships with the major food retailers, as well as creating £85m of annual synergies. Biffa (+147.3%) was demerged from Severn Trent and it has been the subject of persistent bid rumours. Goldman Sachs says the UK waste industry needs to consolidate because of structural challenges. To meet European Union waste disposal targets, the broker suggests that the UK waste industry would need to invest £15.8bn over the next 13 years, which is almost four times the size of the current UK waste sector's market capitalisation. We backed Galliford Try's (14.2%) placing and open offer to raise £150m to acquire Linden Holdings by taking stock in the firm placing and underwriting £4.8m of the open offer. Linden's focus on urban regeneration and the south east fits in well with the rest of the group, is significantly earnings enhancing and propels the group into the Mid Cap index. Galliford represents an excellent way to play infrastructure services following its earlier acquisition of Morrison. SSL International (+27.0%) has performed strongly on persistent rumours of a bid.

OUTLOOK

Share prices are driven by earnings, which rose impressively last year and by the perceived risks to those earnings in the future, and interest rates. Share prices are also driven by valuations, which in turn can be affected by the availability of cheap debt. The Bears do not believe that corporate profits will hold up given that corporate earnings as a percentage of national income are currently at a forty-year high, and predict that the combination of slowing growth and declining pricing power will dampen corporate profits growth and earnings going forwards, which could in turn slow the pace of corporate share buy-backs and M&A. However, slowing earnings growth itself is not a precursor of a correction, since there have been many bull markets against a backdrop of slowing earnings growth.

Secondly, the Bears believe that central banks around the world seem intent on withdrawing liquidity from the global financial markets. The combination of slowing earnings growth and draining liquidity has historically not been a particularly good one for equities. If the credit cycle has peaked, there will be less liquidity washing around the financial system, less money chasing potentially more assets, and hence lower prices. Thirdly, while UK Equities look inexpensive, trading on 12-13 times prospective earnings, they are about 10% more expensive if the top 10 'mega-cap' stocks are excluded. These 'mega-cap' stocks account for a comparatively high 40% plus of the FTSE 100 capitalisation and the top 10 shares have a median unweighted PE of 11.8x, while the median unweighted PE of the next 90 is 19.1x. A backdrop of rising oil prices, escalating woes in the US sub prime mortgage market and weak US sales data all create fresh uncertainty about the outlook for US growth, inflation and interest rates. However, one could argue that a lot of the bad news is already behind us and priced in to the market. The big rise in American interest rates has happened, although there may be further upward movements in Europe and Japan. The period of deceleration of the US and Japanese economies has probably passed and the largest part of the correction in the US housing market has probably now happened. It could be a case of 'if it's in the news it's in the price'. Indeed, the latest US figures show that employment is growing faster than in the last mid-cycle slowdown, while US exports are likely to prosper against the background of a weak dollar. Finally, equity market valuations are still below long-term averages in most major world markets and liquidity considerations continue to seem supportive for equity markets generally. In fact looking at the world as a whole, consensus growth expectations could turn out to be too modest, rather than too ambitious, and whatever the problems facing Europe, they could be offset by stronger growth in the UK, China, India and Asia, excluding Japan. It is quite possible that the US economy will accelerate from its short period of adjustment, as the housing market slowdown is absorbed and the corporate sector remains strong. After all, this is what happened here with the UK housing market in 2005-2006.

This could imply that structural inflationary pressures remain against a robust demand background, suggesting that interest rates in the US, UK and Asia may need to rise during the course of this year.

It may be 'steady as she goes' on economic grounds, but the biggest risks could be geo-political and political. Israeli forces remain focused on developments within Lebanon. US armed forces are involved in managing security across Iraq and Afghanistan, while Iran presents an increasing issue over the development of its nuclear ambitions, thereby becoming a rising threat to global security. On the political front we are seeing a resurgence of national interest and an erosion of the rule of law, with Russia holding Belarus to ransom over gas supplies, Italy's Autostrade buckling under government pressure to call off a merger with Spain's Albertis, all actions of protectionist governments. It is hard for stockmarkets to value these mounting geo-political and political risks, and hence they are probably not reflected in today's stockmarket valuations. At the end of the day, a small rise in protectionism will only have a small effect at the margin, while the probability of a much bigger geo-political disruption appears low. Still, it is worth bearing in mind.

One thing is certain, namely the aversion of UK institutional investors to domestic equities continues unabated. A Citigroup report shows that UK institutions sold UK equities at a record level of nearly £30bn in 2006, making it the third consecutive year that selling by them exceeded £15bn. Meanwhile inflows totalled £90bn in 2006, surpassing the previous peak in 2000 and some 50% more than 2005 levels. The institutions are sitting on huge levels of cash, which now represents 8.7% of institutional assets, which seems very high compared with the level of interest rates. The general public also under-own equities, having preferred property, where yields have now fallen sharply, which is causing some private investors to become distrustful of the property market. This lack of interest is likely to have kept share prices low, particularly amongst the liquid 'mega-caps' which have taken the brunt of the selling. It's not surprising that these corporate giants are attracting the attention of foreign buyers. Although the growth in the earnings of FTSE All-Share companies is expected to slow to 7.1% this year and to 4.7% in 2008, a prospective PE of 11.5x for the All-Share Index still appears attractive in relation to other asset classes. Private equity certainly thinks so and so do foreign buyers. Looking ahead, PEs could be driven higher as institutional and private investors return to the stockmarket to get more up to weight in equities and put their sizeable cash balances to work.

Hansa Capital Partners LLP
29 June 2007

PORTFOLIO INFORMATION

As at 31 March 2007

Investment	Market value £000	Percentage of Investments
Ocean Wilsons Holdings Limited	74,822	30.71
Resolution Plc	23,187	9.52
Brit Insurance Holdings Plc	9,561	3.92
Ark Therapeutics Group Plc	6,509	2.67
Scottish and Southern Energy Plc	6,164	2.53
Hargreaves Services Plc	5,650	2.32
BP Plc	5,520	2.27
BG Group Plc	5,131	2.11
National Grid Transco Plc	4,984	2.04
Eni S.p.a	4,972	2.04
Top 10 Investments	146,500	60.13
HSBC Holdings Plc	4,892	2.01
GlaxoSmithKline Plc	4,890	2.01
Centrica Plc	4,831	1.98
Halladale Group Plc	4,760	1.95
Morson Group Plc	4,253	1.75
Wolseley Plc	4,169	1.71
Engel East Europe NV	3,946	1.62
NCC Group Plc	3,912	1.61
Goals Soccer Centres Plc	3,745	1.54
Melrose Resources Plc	3,744	1.53
Top 20 Investments	189,642	77.84
Galliford Try Plc	3,420	1.40
Hansteen Holdings Plc	3,375	1.39
DV3 Ltd #	3,006	1.23
Experian Group Plc	2,545	1.04
Acertec Plc	2,445	1.01
Royal Dutch Shell Plc	2,429	1.00
FKI Plc	2,325	0.95
Premier Foods Plc	2,195	0.90
Cap-XX Plc	2,142	0.88
Straight Plc	2,100	0.86
Top 30 Investments	215,624	88.50
Other investments (31)	28,017	11.50
Total investments	**243,641**	**100.00**
Listed	189,623	77.83
AIM and OFEX	51,011	20.94
Unquoted	3,007	1.23
	243,641	**100.00**

Unquoted

Directors' Remuneration Report

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

The law requires your Company's Auditors to audit certain of the disclosures provided. The disclosures on the Directors' emoluments for the year have been audited, and the Auditors' opinion is included in their report on page 34.

REMUNERATION COMMITTEE

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

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

POLICY ON DIRECTORS' FEES

The Board's policy is that the remuneration of non-executive Directors should reflect the experience of the Board as a whole, be appropriate for the work carried out and the responsibilities undertaken. It is intended that this policy will continue.

The fees for the non-executive Directors are within the limits set out in the Company's Articles of Association which are £150,000 in total, and they are not eligible for bonuses, pension benefits, share options, long-term incentive schemes or other benefits.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' ATTENDANCE

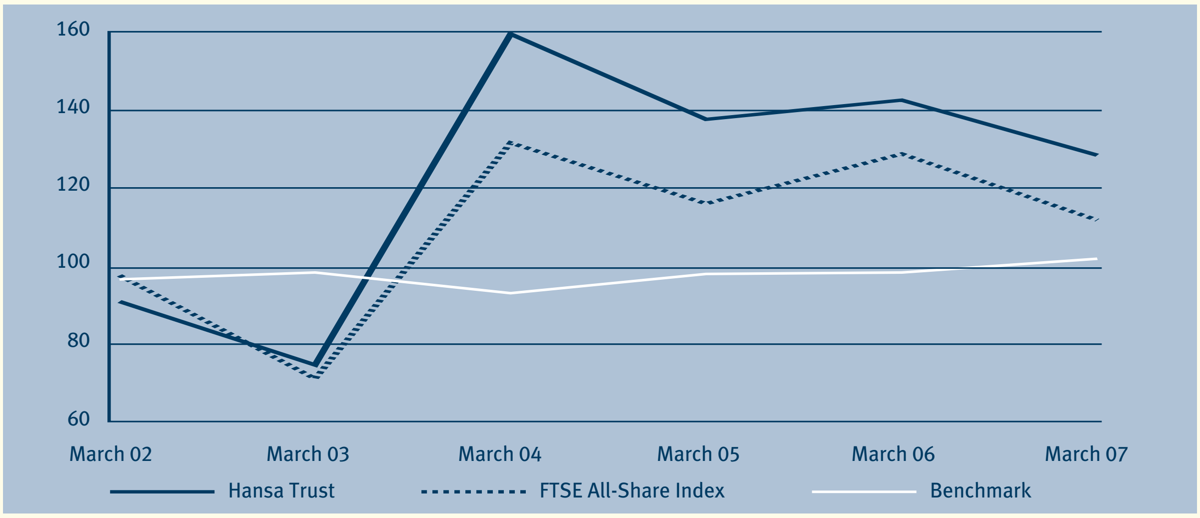
The Directors meet as a Board on a quarterly basis and at other times as necessary and the table below sets out the number of meetings and the attendance of them by each Director.

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

YOUR COMPANY'S PERFORMANCE

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

BENCHMARK COMPARISON



DIRECTORS' EMOLUMENTS FOR THE YEAR (AUDITED)

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

	2007 £000	2006 £000
Mr Hammond-Chambers (Chairman of the Board)	20	20
Lord Borwick	15	15
Mr Salomon*	13	13
Professor Wood	14	14
	62	62

Following a review after the year end, the emoluments paid to the Directors have been changed as follows Mr Hammond-Chambers £30,000, Lord Borwick £20,000, Mr Salomon £18,000 and Professor Wood £20,000 with effect from 1 April 2007.

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

APPROVAL

The Directors' Remuneration Report on pages 32 to 33 was approved by the Board of Directors on 13 June 2007 and signed on its behalf by Mr Hammond-Chambers.

Independent Auditors' Report to the Shareholders of Hansa Trust PLC

We have audited the group and parent company financial statements ('the financial statements') on pages 35 to 52. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the company's 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 International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and as regards the group financial statements, Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the Report of the Directors is consistent with the financial statements. The information given in the Report of the Directors includes that specific information presented in the Chairman's Statement that is cross-referred from the Business Review section of the Report of the Directors.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the company's compliance with the nine provisions of the 2003 FRC Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. The other information comprises only the Report of the Directors, the unaudited part of the Directors' Remuneration Report, the Chairman's Statement, and the Investment Manager's Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

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

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

Opinion

In our opinion:

- the group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of affairs of the group as at 31 March 2007 and of its profit for the year then ended;
- the parent company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of affairs of the parent company as at 31 March 2007;
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the group financial statements, Article 4 of the IAS Regulation; and
- the information given in the Report of the Directors is consistent with the financial statements.

RSM Robson Rhodes LLP
Chartered Accountants and Registered Auditors
London, England
29 June 2007

Group Income Statement

For the year ended 31 March 2007

	Notes	Revenue 2007 £000	Capital 2007 £000	Total 2007 £000	Revenue 2006 £000	Capital 2006 £000	Total 2006 £000
Gains on investments	11	–	**52,403**	**52,403**	–	55,973	55,973
Loss on derivative		–	**(20)**	**(20)**	–	–	–
Exchange losses on currency balances		–	**(10)**	**(10)**	–	(12)	(12)
Investment income	2	**5,215**	–	**5,215**	4,261	–	4,261
		5,215	**52,373**	**57,588**	4,261	55,961	60,222
Investment management fee	3	**(1,312)**	–	**(1,312)**	(1,034)	–	(1,034)
Other expenses	4	**(561)**	–	**(561)**	(539)	–	(539)
		(1,873)	–	**(1,873)**	(1,573)	–	(1,573)
Profit before finance costs and taxation		**3,342**	**52,373**	**55,715**	2,688	55,961	58,649
Finance costs	5	**(226)**	–	**(226)**	(70)	–	(70)
Profit before taxation		**3,116**	**52,373**	**55,489**	2,618	55,961	58,579
Taxation	6	**(58)**	–	**(58)**	(31)	–	(31)
Profit for the year		**3,058**	**52,373**	**55,431**	2,587	55,961	58,548
Return per Ordinary and 'A' non-voting Ordinary share	8	**12.8p**	**218.2p**	**231.0p**	10.8p	233.2p	244.0p

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

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

The accompanying notes are an integral part of this statement.

Statement of Changes in Equity - Group

For the year ended 31 March 2007

	Note	Share Capital 2007 £000	Capital redemption reserve 2007 £000	Retained earnings 2007 £000	Total 2007 £000	Share Capital 2006 £000	Capital redemption reserve 2006 £000	Retained earnings 2006 £000	Total 2006 £000
Net assets at 1 April		1,200	300	194,875	196,375	1,200	300	138,547	140,047
Profit for the year		–	–	55,431	55,431	–	–	58,548	58,548
Dividends paid	7	–	–	(2,340)	(2,340)	–	–	(2,220)	(2,220)
Net assets at 31 March		1,200	300	247,966	249,466	1,200	300	194,875	196,375

Statement of Changes in Equity - Company

For the year ended 31 March 2007

	Note	Share Capital 2007 £000	Capital redemption reserve 2007 £000	Retained earnings 2007 £000	Total 2007 £000	Share Capital 2006 £000	Capital redemption reserve 2006 £000	Retained earnings 2006 £000	Total 2006 £000
Net assets at 1 April		1,200	300	194,875	196,375	1,200	300	138,547	140,047
Profit for the year		–	–	55,431	55,431	–	–	58,548	58,548
Dividends paid	7	–	–	(2,340)	(2,340)	–	–	(2,220)	(2,220)
Net assets at 31 March		1,200	300	247,966	249,466	1,200	300	194,875	196,375

The accompanying notes are an integral part of this statement.

Balance Sheet of the Group and Company

as at 31 March 2007

	Notes	Group 2007 £000	Group 2006 £000	Company 2007 £000	Company 2006 £000
Non–current investments					
Shares in Group undertaking	*10*	**–**	–	**638**	643
Investments held at fair value through profit and loss	*11*	**243,641**	202,099	**243,641**	202,099
		243,641	202,099	**244,279**	202,742
Current assets					
Other receivables	*13*	**737**	930	**737**	930
Investments	*14*	**4,667**	–	**4,667**	–
Cash and cash equivalents		**1,424**	241	**1,424**	212
		6,828	1,171	**6,828**	1,142
Current liabilities					
Other payables falling due within one year	*15*	**(1,003)**	(6,895)	**(1,641)**	(7,509)
Net current assets/(liabilities)		**5,825**	(5,724)	**5,187**	(6,367)
Net assets		**249,466**	196,375	**249,466**	196,375
Capital and reserves					
Called up share capital	*16*	**1,200**	1,200	**1,200**	1,200
Capital redemption reserve	*17*	**300**	300	**300**	300
Retained earnings	*18*	**247,966**	194,875	**247,966**	194,875
Total equity shareholders' funds		**249,466**	196,375	**249,466**	196,375
Net asset value per Ordinary and 'A' non-voting Ordinary share	*19*	**1,039.4p**	818.2p	**1,039.4p**	818.2p

The Financial Statements on pages 35 to 52 were approved by the Board of Directors on 13 June 2007 and were signed on its behalf by:

A Hammond Chambers

Alex Hammond–Chambers
Chairman

The accompanying notes are an integral part of this statement.

CASH FLOW STATEMENT

for the year ended 31 March 2007

	Notes	Group 2007 £000	Group 2006 £000	Company 2007 £000	Company 2006 £000
Cash flows from operating activities					
Profit before finance costs & taxation		**55,715**	58,649	**55,715**	58,649
Adjustments for:					
Realised gains on investments	*11*	**(32,063)**	(13,705)	**(32,063)**	(13,705)
Unrealised gains on investments	*11*	**(20,340)**	(42,268)	**(20,335)**	(42,481)
Effect of foreign exchange rate changes		**10**	12	**10**	12
Interest paid		**–**	(1)	**–**	(1)
Decrease in current asset investments		**–**	(255)	**–**	–
(Increase)/decrease in prepayments and accrued income	*13*	**(391)**	146	**(391)**	146
Increase in other creditors and accruals	*15*	**–**	110	**24**	507
Taxes paid		**(58)**	(31)	**(58)**	(31)
Purchase of non-current investments		**(65,752)**	(53,066)	**(65,752)**	(53,066)
Sale of non-current investments		**77,905**	49,302	**77,905**	48,839
Net cash (outflow)/inflow from operating activities		**15,026**	(1,107)	**15,055**	(1,131)
Cash flows from financing activities					
Interest paid on bank loans		**(226)**	(69)	**(226)**	(69)
Dividends paid		**(2,340)**	(2,220)	**(2,340)**	(2,220)
(Repayment)/ drawdown of loans		**(6,600)**	3,565	**(6,600)**	3,565
Net cash inflow/(outflow) from financing activities		**(9,166)**	1,276	**(9,166)**	1,276
Increase in cash and cash equivalents		**5,860**	169	**5,889**	145
Cash and cash equivalent at 1 April		**241**	84	**212**	79
Effect of foreign exchange rate changes		**(10)**	(12)	**(10)**	(12)
Cash and cash equivalents at 31 March		**6,091**	241	**6,091**	212

The accompanying notes are an integral part of this statement.

1. ACCOUNTING POLICIES

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

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

(a) Basis of preparation

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

(b) Basis of Consolidation

The Financial Statements comprise the accounts of the Company and its subsidiary undertaking made up to 31 March 2007. In the Company's Financial Statements the investment in its subsidiary undertaking is stated at fair value. All accounting policies are applied consistently throughout the Group.

(c) Presentation of income statement

In order to reflect better the activities of an investment trust company and in accordance with guidance issued by the AIC, supplementary information which analyses the income statement between items of a revenue and capital nature has been presented alongside the income statement. In accordance with the Company's status as a UK investment company under section 266 of the Companies Act 1985, net capital returns may not be distributed by way of dividend. Additionally the net revenue is the measure that the Directors believe to be appropriate in assessing the Company's compliance with certain requirements set out in section 842 of the Income and Corporation Taxes Act 1988.

(d) Non- current investments

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

Investments are recognised and de-recognised on the trade date where a purchase or sale is under a contract whose terms require delivery within the timeframe established by the market concerned. For listed investments, this is deemed to be bid market prices or closing prices for SETS stocks sourced from the London Stock Exchange. SETS is the London Stock Exchange electronic trading service covering most of the market including all FTSE 100 constituents and most liquid FTSE 250 constituents along with some other securities.

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

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

(e) Current asset investments

Current asset investments are classified as held for trading and are measured at fair value with gains and losses arising from their changes in fair value being included in the Income Statement as a revenue item. Transaction costs incurred on the acquisition or disposal of current asset investments are expensed and included in the revenue column of the Income Statement.

(f) Cash and cash equivalents

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

(g) Investment Income

Dividends receivable on equity shares are recognised on the ex-dividend date. Where no ex-dividend date is quoted, dividends are recognised when the Company's right to receive payment is established. Dividends and interest on investments in unlisted shares and securities are recognised when they become receivable. Dividends are stated net of related tax credits.

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

(h) Expenses

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

(i) Material expenses which are incidental to the acquisition of an investment are taken to the Realised Capital Reserves via the capital column of the Income Statement;

(ii) Expenses which are incidental to the disposal of investments are deducted from the sale proceeds via the capital column of the Income Statement;

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

(i) Taxation

The tax expenses represent the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the income statement because it excludes items of income or expenses that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantially enacted by the balance sheet date. Deferred taxation is recognised in respect of all temporary differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more or a right to pay less tax in future have occurred at the balance sheet date measured on an undiscounted basis and based on enacted tax rates. This is subject to deferred tax assets only being recognised if it is considered probable that there will be suitable profits from which the future reversal of the underlying temporary differences can be deducted. Temporary differences are differences arising between the Company's taxable profits and its results as stated in the accounts, which are capable of reversal in one or more subsequent periods.

Due to the Company's status as an investment trust company, and the intention to continue meeting the conditions required to obtain approval in the foreseeable future, the Company has not provided for deferred tax on any capital gains and losses arising on the revaluation or disposal of investments.

(j) Foreign Currencies

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

(k) Reserves

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

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

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

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

2. INCOME

	Revenue 2007 £000	Revenue 2006 £000
Income from listed investments		
Dividends	**3,562**	2,673
Overseas dividends	**1,391**	1,232
	4,953	3,905
Other operating income		
Net dealing profit of the subsidiary	**–**	255
Placement and underwriting income	**4**	28
Interest receivable AAA rated money market funds	**205**	–
Other interest receivable	**53**	73
	262	356
Total income	**5,215**	4,261
Total income comprises:		
Dividends	**4,953**	3,905
Interest	**258**	73
Other income	**4**	283
	5,215	4,261

3. INVESTMENT MANAGEMENT FEE

	Revenue 2007 £000	Revenue 2006 £000
Periodic fees	**1,117**	880
Irrecoverable VAT thereon	**195**	154
	1,312	1,034

Details of the management agreement are disclosed in the Report of the Directors on page 16.

4. OTHER EXPENSES

	Revenue 2007 £000	Revenue 2006 £000
Secretarial services	**47**	47
Directors' remuneration	**62**	62
Auditors' remuneration for the audit of the Group and Company	**29**	21
Auditors' remuneration for the review of the interim accounts	**2**	4
Administration fees	**113**	108
Production and distribution of Annual and Interim Reports	**35**	19
Registrar's fees	**28**	69
Bank charges	**40**	37
Marketing	**74**	65
Savings scheme	**50**	50
Other	**81**	57
	561	**539**

5. FINANCE COSTS

	Revenue 2007 £000	Revenue 2006 £000
Interest payable	**226**	**70**
	226	**70**

6. TAXATION

(a) Taxation Charge on Ordinary Activities

	Revenue 2007 £000	Revenue 2006 £000
UK corporation tax @ 30%	–	–
Irrecoverable foreign tax	**58**	**31**
	58	**31**

(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% (2006: 30%). The differences are explained below:

	2007 £000	2006 £000
Total Profit before taxation	**55,489**	58,579
Profit multiplied by standard rate of corporation tax	**16,647**	17,574
Effects of:		
Non taxable UK capital gains	**(15,712)**	(16,789)
Non taxable UK investment income	**(1,068)**	(802)
Excess administration expenses unused	**118**	2
Irrecoverable foreign tax	**58**	31
Disallowed expenses	**15**	15
Current tax charge	**58**	31

(c) Provision for Deferred Taxation

There is no requirement to make a provision for deferred taxation in the current or prior accounting period.

(d) Factors that may affect future Tax Charges

The Company has not recognised a deferred tax asset of £1,424,000 (2006: £1,249,000), arising as a result of having unutilised management expenses and loan relationship deficits. In addition there are unrecognised deferred tax assets of £7,000 (2006: £37,000) relating to the subsidiary's unutilised tax losses. 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.

7. DIVIDENDS PAID

	Revenue 2007 £000	Revenue 2006 £000
Amounts recognised as distributions to equity holders in the year:		
Final dividend for 2006: 6.25p (2005: 5.75p)	**1,500**	1,380
Interim dividend for 2007: 3.5p (2006: 3.5p)	**840**	840
	2,340	2,220

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

We set out below the total dividends paid and proposed in respect of the financial year, which is the basis on which the requirements of Section 842 of the Income and Corporation Taxes Act 1988 are considered. The Company's revenue available for distribution by way of dividend for the year is £3,063,000 (2006: £2,374,000).

	Revenue 2007 £000	Revenue 2006 £000
Interim dividend for 2007: 3.5p (2006 3.5p)	**840**	840
Proposed final dividend for 2007: 9.0p (2006: 6.25p)	**2,160**	1,500
	3,000	2,340

8. RETURN ON ORDINARY SHARES (EQUITY)

	Revenue 2007	**Capital 2007**	**Total 2007**	Revenue 2006	Capital 2006	Total 2006
Returns per share	**12.8p**	**218.2p**	**231.0p**	10.8p	233.2p	244.0p

Returns

Revenue
Revenue return per share is based on revenue return attributable to equity shareholders of £3,058,000 (2006: £2,587,000).

Capital
Capital return per share is based on capital gain attributable to equity shareholders of £52,373,000 (2006: £55,961,000).

Total
Return per share is based on the combined returns of revenue and capital attributable to equity shareholders of £55,431,000 (2006: £58,548,000).

Both revenue and capital return are based on: 8,000,000 Ordinary shares (2006: 8,000,000) and 16,000,000 'A' non-voting Ordinary shares (2006: 16,000,000), in issue throughout the year.

9. PROFIT OF THE COMPANY ATTRIBUTABLE TO SHAREHOLDERS

The profit for the year after taxation dealt with in the accounts of the Company is £55,431,000 (2006: £58,548,000). As permitted by Section 230 of the Companies Act 1985, no separate income statement for the Company has been included in these accounts.

10. SHARE IN GROUP UNDERTAKING

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

	2007 £000	2006 £000
Cost at 1 April 2006	**3**	3
Unrealised appreciation at 1 April 2006	**640**	426
Valuation at 1 April 2006	**643**	429
Movements in unrealised appreciation	**(5)**	214
Valuation as at 31 March 2007	**638**	643
Cost at 31 March 2007	**3**	3
Unrealised appreciation	**635**	640
	638	643

11. INVESTMENTS HELD AT FAIR VALUE THROUGH PROFIT AND LOSS

	Group and Company 2007 Total £000	Listed £000	AIM & OFEX £000	Unquoted £000
Cost at 1 April 2006	**122,631**	102,907	12,816	6,908
Unrealised appreciation at 1 April 2006	**79,468**	76,019	2,102	1,347
Valuation at 1 April 2006	**202,099**	178,926	14,918	8,255
Movements in the year:				
Changes in listing	–	5,407	(4,274)	(1,133)
Purchases at cost	**66,460**	27,685	37,808	967
Sales – proceeds	**(77,321)**	(62,812)	(4,367)	(10,142)
– realised gains on sales	**32,063**	25,197	2,251	4,615
Movement in unrealised appreciation	**20,340**	15,220	4,675	445
Valuation as at 31 March 2007	**243,641**	189,623	51,011	3,007
Cost at 31 March 2007	**143,833**	98,384	44,234	1,215
Unrealised appreciation at 31 March 2007	**99,808**	91,239	6,777	1,792
	243,641	189,623	51,011	3,007

Transaction costs

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

	Group and Company 2007 £000	2006 £000
Purchases	**275**	199
Sales	**140**	119
	415	318

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 $000	Profit after Tax for the year $000
Ocean Wilsons Holdings Limited	Bermuda	Ordinary	26.4	31.12.06	225,641	56,077

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

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

Company	Class of capital	% of class held
Ocean Wilsons Holdings Limited	Ordinary	26.45
Straight Plc	Ordinary	8.05
Dowliss Plc	Ordinary	6.54
Robotic Technology Plc	Ordinary	6.06
Work Group Plc	Ordinary	5.49
International Nuclear Solutions Plc	Ordinary	5.09
BV Group Plc	Ordinary	4.72
Helesi Plc	Ordinary	4.60
Cap-XX Plc	Ordinary	4.31
Halladale Group Plc	Ordinary	4.11
Media Square Plc	Ordinary	3.96
Morson Group Plc	Ordinary	3.86
NCC Group Plc	Ordinary	3.83
Hargreaves Services Plc	Ordinary	3.81
Engel East Europe NV	Ordinary	3.13
Ark Therapeutics Group Plc	Ordinary	3.09
Ramco Energy Plc	Ordinary	3.08
Andor Technology Plc	Ordinary	3.00

13. OTHER RECEIVABLES

	Group 2007 £000	Group 2006 £000	Company 2007 £000	Company 2006 £000
Amount due from broker	–	584	–	584
Derivative instruments held for trading	80	–	80	–
Prepayments and accrued income	591	322	591	322
Recoverable overseas tax	66	24	66	24
	737	930	737	930

14. CURRENT ASSET INVESTMENTS

	Group 2007 £000	Group 2006 £000	Company 2007 £000	Company 2006 £000
JP Morgan cash funds	4,667	–	4,667	–
	4,667	–	4,667	–

15. CURRENT LIABILITIES

	Group 2007 £000	Group 2006 £000	Company 2007 £000	Company 2006 £000
Bank loans and overdrafts	–	6,600	–	6,600
Amount due to broker	708	–	708	–
Due to subsidiary undertaking	–	–	640	659
Other creditors and accruals	295	295	293	250
	1,003	6,895	1,641	7,509

16. SHARE CAPITAL

	Company 2007 £000	Company 2006 £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. CAPITAL REDEMPTION RESERVE

	Group and Company 2007 £000	2006 £000
Balances at 31 March 2007 and 1 April 2006	300	300

18. RETAINED EARNINGS

Group	Revenue 2007 £000	Realised Capital 2007 £000	Unrealised Capital 2007 £000	Revenue 2006 £000	Realised Capital 2006 £000	Unrealised Capital 2006 £000
Opening balance at 1 April	3,667	111,740	79,468	3,300	98,047	37,200
Profit for the year	3,058	32,033	20,340	2,587	13,693	42,268
Dividend paid	(2,340)	–	–	(2,220)	–	–
Closing balance at 31 March	4,385	143,773	99,808	3,667	111,740	79,468

Company	Realised Revenue 2007 £000	Unrealised Capital 2007 £000	Capital 2007 £000	Realised Revenue 2006 £000	Unrealised Capital 2006 £000	Capital 2006 £000
Opening balance at 1 April	3,027	111,740	80,108	2,873	98,047	37,627
Profit for the year	3,063	32,033	20,335	2,374	13,693	42,481
Dividend paid	(2,340)	–	–	(2,220)	–	–
Closing balance at 31 March	3,750	143,773	100,443	3,027	111,740	80,108

Note: Only Revenue reserves are distributable.

19. NET ASSET VALUE

	2007	2006
Net asset value per Ordinary and ‘A’ non-voting Ordinary share	1,039.4p	818.2p

The net asset value per Ordinary and ‘A’ non-voting Ordinary share is based on the net assets attributable to equity shareholders of £249,466,000 (2006: £196,375,000) and on 8,000,000 Ordinary shares (2006: 8,000,000) and 16,000,000 ‘A’ non-voting Ordinary shares (2006: 16,000,000), in issue at 31 March 2007.

20. COMMITMENTS AND CONTINGENCIES

The Company has entered into a commitment agreement with DV3 Limited, an unquoted property investment company. The commitment was for £4 million for a period of four years from 30 March 2004 and the amount outstanding at 31 March 2007 was £1,127,873 (2006: £3,706,167). At 31 March 2007 the amount drawn down less amounts received under the agreement was £1,050,954 (2006: £1,610,943).

21. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS

Background

The Company's financial instruments comprise securities, cash balances and debtors and creditors that arise directly from its operations.

Risk Objectives and Policies

The objective of the Company is to achieve growth of shareholder value which is commensurate with the risks taken, bearing in mind that the protection of long-term shareholder value is paramount. The policy of the Board is to provide a framework within which the Investment Manager can operate and deliver the objectives of the Company.

Risks Associated with Financial Instruments:

Foreign currency risk

Foreign currency risks arise in two distinct areas which affect the valuation of the investment portfolio, 1) where an investment is denominated and paid for in a currency other than sterling; and 2) where an investment has substantial non-sterling cash flows. The Group does not normally hedge against foreign currency movements affecting the value of the investment portfolio but takes account of this risk when making investment decisions. The Investment Manager monitors the effect of foreign currency fluctuations through the pricing of the investments by the various markets. The level of investments denominated in foreign currencies held by the Company at 31 March is 2.7% of the portfolio (2006: 2.9%) and therefore the portfolio valuation is not materially sensitive to foreign currency fluctuations.

	Direct foreign currency risk 2007 £000	**No direct foreign currency risk 2007 £000**	**Total 2007 £000**	Direct foreign currency risk 2006 £000	No direct foreign currency risk 2006 £000	Total 2006 £000
Investments	**6,695**	**236,946**	**243,641**	5,860	196,239	202,099
Other receivables excluding prepayments	**–**	**726**	**726**	–	927	927
Current asset investments	**–**	**4,667**	**4,667**	–	–	–
Cash and cash equivalents	**–**	**1,424**	**1,424**	–	241	241
Current liabilities	**–**	**(1,003)**	**(1,003)**	–	(6,895)	(6,895)
	6,695	**242,760**	**249,455**	5,860	190,512	196,372

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. The Company has banking facilities amounting to £20 million which are available for the Investment Manager to use in purchasing investments, the costs of which are base rate plus a margin. When an investment is made utilising the facility consideration is given to the financing costs which would impact the returns. The level of banking facilities used is monitored by both the Board and the Investment Manager on a regular basis. The impact on the revenue returns of the Company for every 1% change in interest rates if the full banking facility were utilised would be £200,000. The level of banking facilities utilised at 31 March 2007 was £nil (2006: £6,600,000).

Interest rate changes will always impact equity prices. The level and direction of change in equity prices is subject to prevailing local and world economics as well as market sentiment all of which are very difficult to predict with any certainty. At 31 March 2007 and 2006 the Group had no financial liabilities that bore an interest rate risk, other than the previously disclosed bank loan facilities.

The Company has floating rate financial assets consisting 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%.

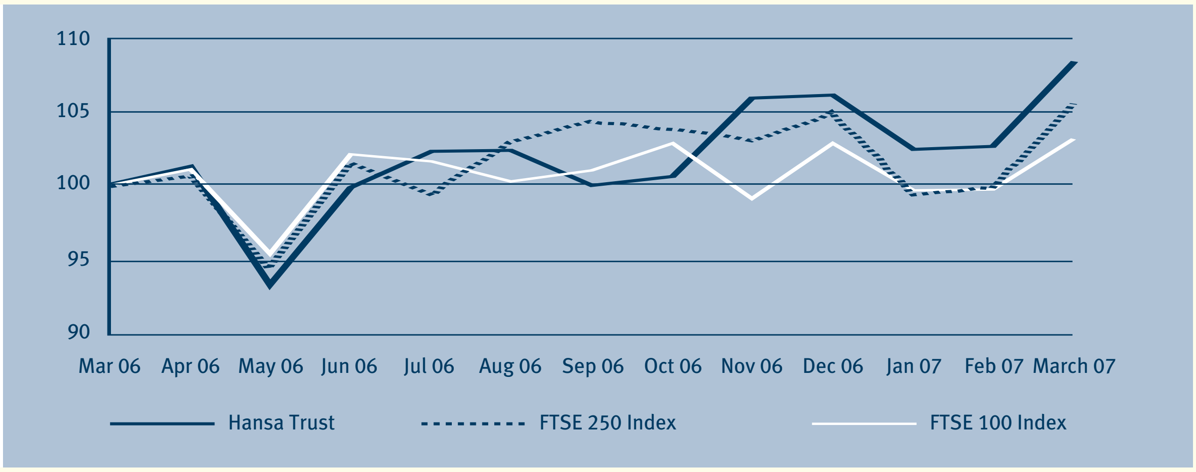
	Cash flow interest rate risk 2007 £000	No interest rate risk 2007 £000	Total 2007 £000	Cash flow interest rate risk 2006 £000	No interest rate risk 2006 £000	Total 2006 £000
Investments	–	243,641	243,641	–	202,099	202,099
Other receivables excluding prepayments	–	726	726	–	927	927
Investments	4,667	–	4,667	–	–	–
Cash and cash equivalents	1,424	–	1,424	241	–	241
Current liabilities	–	(1,003)	(1,003)	(6,895)	–	(6,895)
	6,091	243,364	249,455	(6,654)	203,026	196,372

Market price risk

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

The Company's investment in Ocean Wilsons is large both in absolute terms (£74.8m) and as a proportion of the portfolio (30.7%). Shareholders should recognise that if anything of a severe and untoward nature were to happen to this company, it could result in a significant reduction in the NAV and share price. However it is an investment that the Board pays close attention to and it should be pointed out that the risks associated with it are very different from those of the other companies represented in the portfolio. The company itself has recently undertaken a thorough review of its business and prospects and determined that its future holds a lot of promise – a view with which we concur. As a consequence the Board believes that the risk involved in the investment is worthwhile.

The portfolio as a whole does not correlate exactly to any London Stock Exchange Index. The chart below details the movement of the Company's net asset value against the FTSE 100 and 250 indices for the year ended 31 March 2007.



Derivatives

The Investment Manager may only use derivative instruments in order to mitigate the market risk to the portfolio. At the year end there were two OTC options open as detailed below. These provide a limited degree of protection from a fall in the value of the FTSE 100 Index and would not materially impact the portfolio returns if a large market movement did occur. The Company entered into two similar OTC options during the year which proved profitable.

Option	Index	Notional Value	Strike Price	Market Value as at 31 March 2007	Expiry Date
Purchased	FTSE 100	£16,075,895	5,716.89	£100,477	26 June 2007
Written	FTSE 100	£14,289,684	5,081.68	(£20,747)	26 June 2007

Credit Risk

The Company only transacts with regulated institutions on normal market terms which are trade date plus one to three days. The levels of amounts outstanding from brokers are regularly reviewed by the Investment Manager. The duration of credit risk associated with the investment transactions is the period between the date the transaction took place, the trade date and the date the stock and cash are transferred, the settlement date. The level of risk during the period is the difference between the value of the original transaction and its replacement with a new transaction. The amounts due to/(from) brokers at 31 March 2007 are shown in Note 13 and Note 15.

The Company is exposed to credit risk on OTC options. Amounts receivable in relation to options open at the year end amounted to £79,730 (2006: Nil). The related credit risk is managed by purchasing the options from a regulated institution.

Liquidity Risk

The majority of the Company's portfolio is held in liquid quoted investments; however there is a large holding in Ocean Wilsons Holdings Ltd of 30.7% and 20.9% in AIM and unquoted investments.

The Investment Manager takes into consideration the liquidity of each investment when purchasing and selling in order to maximise the returns to Shareholders by placing suitable transaction levels into the market. Special consideration is given to investments that represent more than 5% of the investee company. A detailed list of the investments held at 31 March 2007 is shown on Page 31, together with a summary table detailing the markets on which the investments are quoted which can be used broadly to ascertain the levels of liquidity within the portfolio, although liquidity will vary with each investment.

The Group's financial liabilities at 31 March 2007 consist of short-term bank loans amounting to £nil (2006: £6.6m) that would bear interest based on the prevailing LIBOR rate plus an agreed margin.

The Company has a total revolving credit facility with Allied Irish Bank Plc of £20m. The facility is made up of a £10m committed facility and a £10m uncommitted facility both repayable on or before 18 December 2008. The Group has un-drawn loans from this facility of £20m (2006: £13.4m). The Company holds this facility for use at short notice for its investment activities. If fully drawn the loan would form 8% of the current value of the investment portfolio.

Capital Management

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

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

22. RELATED PARTIES

Details of the relationship between the Company and Hansa Capital Partners LLP, including amounts paid during the year and owing at 31 March 2007 are disclosed in the Report of the Directors page 16 and in Note 3 above.

23. CONTROLLING PARTIES

At 31 March 2007 Nicholas B. Dill, Jr and Codan Trust Company Limited held 51.20% of the issued Ordinary shares. Additional information is disclosed in the Report of the Directors, "Substantial Shareholders" on page 18.

Notice is hereby given that the Annual General Meeting of Hansa Trust PLC will be held at The Washington Hotel, 5 Curzon Street, London W1J 5HE on 31 July 2007 at 11.30 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 2007.

2 To declare a final dividend.

3 To re-appoint the Auditors and to authorise the Directors to determine the remuneration of the Auditors.

4 To re-elect Mr Hammond-Chambers (a biography can be found on page 8), who retires, a Director of the Company.

5 To re-elect Lord Borwick (a biography can be found on page 8), who retires, a Director of the Company.

6 To re-elect Mr Salomon (a biography can be found on page 8), who retires, a Director of the Company.

7 To re-elect Professor Wood (a biography can be found on page 8), who retires, a Director of the Company.

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

Special Business

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

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

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

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

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

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

By order of the Board
Hansa Capital Partners LLP
Secretary
29 June 2007

50 Curzon Street
London W1J 7UW

NOTES

1 Attendance at Meeting

Ordinary Shareholders, proxies and authorised representatives of corporations which are Ordinary Shareholders, are entitled to attend the meeting. Shareholders' names must be entered on the register by 11:30a.m. on 29 July 2007, 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 by 11:30a.m. on 29 July 2007 ('the specified time'). If the meeting is adjourned to a time not more than 48 hours after the specified time applicable to the original meeting, that time will also apply for the purpose of determining the entitlement of members to attend and vote (and for the purpose of determining the number of votes they may cast) at the adjourned meeting. If however the meeting is adjourned for a longer period then, to be so entitled, members must be entered on the Company's register of members at the time which is 48 hours before the time fixed for the adjourned meeting or, if the Company gives notice of the adjourned meeting, at the time specified in that notice.

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

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

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

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

INVESTOR INFORMATION

The Company currently manages its affairs so as to be a qualifying investment trust for ISA purposes. As a result, under current UK legislation, the Ordinary and 'A' non-voting Ordinary shares qualify for investment in the stocks and shares component of an ISA up to the full annual subscription limit. The Company's Ordinary and 'A' non-voting Ordinary shares qualify for inclusion in an existing general PEP. It is the present intention that the Company will conduct its affairs so as to continue to qualify for ISA and PEP products.

CONTACT DETAILS

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

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

Please contact the ISA, Savings Scheme and PEP Manager, as below, if you have any queries concerning a Close Finsbury ISA, Savings Scheme, MileStones or PEP account, online facilities are available 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
Northern House
Woodsome Park
Fenay Bridge
Huddersfield
West Yorkshire HD8 0LA
Telephone: 0870 162 3131
Email: shareholder.services@capitaregistrars.com
www.capitaregistrars.com

WEBSITE ADDRESS AND CONTENTS

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

Monthly Fact Sheets
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.

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

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

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

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

	Code
Reuters	
Ordinary shares	HAN.L
'A' non-voting Ordinary shares	HANA.L
Bloomberg	
Ordinary shares	HAN LN
'A' non-voting Ordinary shares	HANA LN
SEAQ	
Ordinary shares	HAN
'A' non-voting Ordinary shares	HANA

USEFUL INTERNET ADDRESSES

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

FINANCIAL CALENDAR

Company year end	31 March
Preliminary full year results announced	14 June
Annual Report sent to shareholders	5 July
Annual General Meeting held	31 July
Final Dividend payment	10 August
Announcement of interim results	November
Interim Report sent to shareholders	December
Interim Dividend payment	December

Company Information

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