HANSA TRUST PLC

ANNUAL REPORT Year Ended 31 March 2009

CONTENTS

Page

2 Key Information

3 Ten Year Performance Statistics

4 Chairman's Statement

10 Report of the Directors

18 Corporate Governance

22 Statement of Directors' Responsibilities

23 Investment Manager's Report

36 Portfolio Information

37 Directors' Remuneration Report

39 Report of the Independent Auditor

40 Group Income Statement

41 Statement of Changes in Equity – Group and Company

42 Balance Sheet of the Group and Company

43 Cash Flow Statement

44 Notes to the Financial Statements

57 Notice of Annual General Meeting

59 Investor Information

60 Company Information

Key Information

SUMMARY INVESTMENT POLICY AND BENCHMARK

To achieve growth of shareholder value, Hansa Trust PLC invests in a portfolio of special situations, where individual holdings or specific sectors may constitute a significant proportion of the portfolio or that of the equity of the companies concerned. This investment approach may produce returns which are not replicated by movements in any market index. Performance is measured against an absolute benchmark derived from the three year average rolling rate of return of a five year UK government bond, plus 2% with interest being re-invested semi-annually. Investments are intended to add value over the medium to longer term through a non-market correlated, conviction based investment style.

STATISTICS

	31 March 2009	31 March 2008	% change
Shareholders' Funds	**£152.4m**	£221.9m	(31.3)
Dividends (see Note 7)	**18.0p**	13.0p	38.5
Net Asset Value per			
Ordinary share	**635.0p**	924.5p	(31.3)
'A' non-voting Ordinary share	**635.0p**	924.5p	(31.3)
Performance benchmark	**6.7%**	6.8%	–
Share Price			
Ordinary shares	**510.0p**	820.0p	(37.8)
'A' non-voting Ordinary shares	**490.0p**	815.0p	(39.9)
FTSE All-Share Index	**1,984**	2,927	(32.2)
Discount/(Premium)			
Ordinary shares	**19.7%**	11.3%	–
'A' non-voting Ordinary shares	**22.8%**	11.8%	–
Total Return			
Ordinary shares	**(36.7%)**	(26.1%)	–
'A' non-voting Ordinary shares	**(38.8%)**	(19.3%)	–
FTSE All-Share Index	**(29.0%)**	(7.4%)	–

CAPITAL STRUCTURE

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

STATUS AND ACTIVITIES

During the year under review the Company has operated as an investment company, under Section 833 of the Companies Act 2006 and in compliance with Section 842 of the Income and Corporation Taxes Act 1988. The Company has received approval as an investment trust for the year ended 31 March 2008. The Directors are of the opinion that the Company has subsequently directed its affairs so as to enable it to continue to obtain HMRC approval as such.

There has been no significant change in the activities of the Company and its subsidiary (the 'Group') during the year and the Directors anticipate 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.

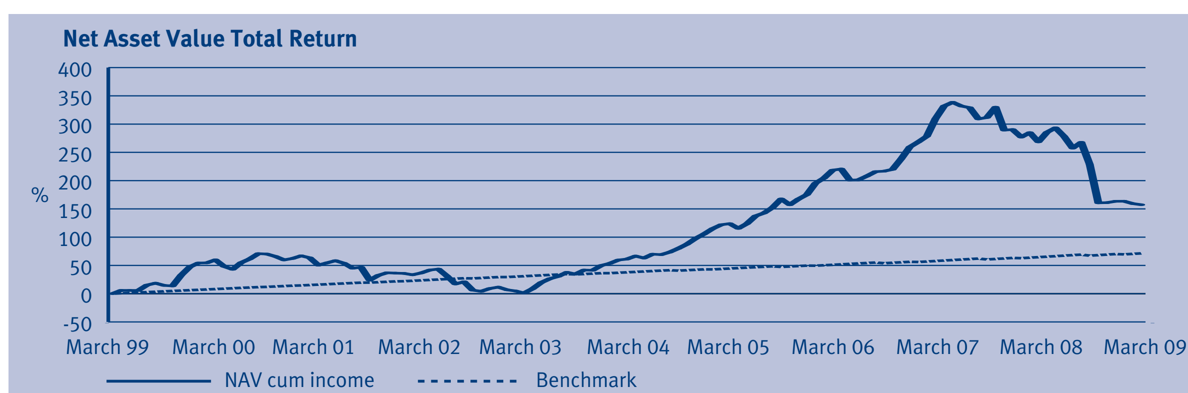
10 Year Performance Statistics

TEN YEAR RECORD

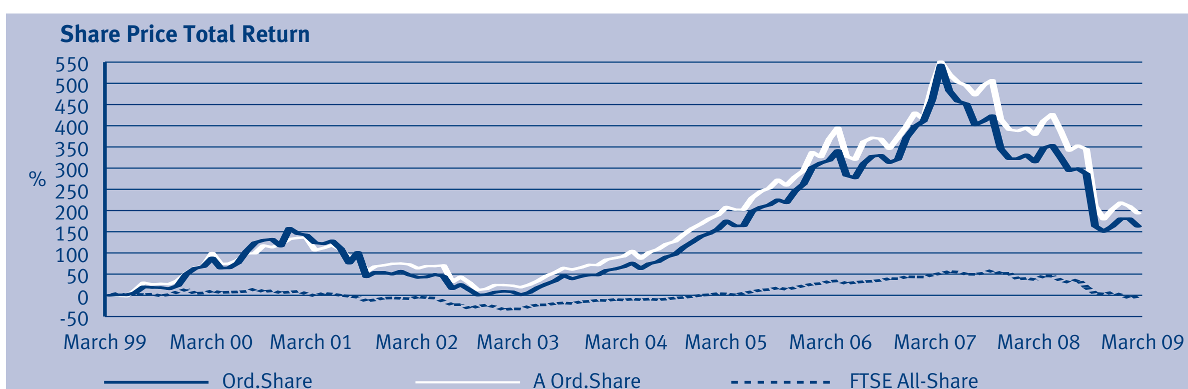
Year ended	Shareholders' Funds	Net Asset Value Ordinary and 'A' Ordinary	Annual Dividend	Share Price Ordinary	Share Price 'A' Ordinary	FTSE All-Share Index	Discount/(Premium) Ordinary	Discount/(Premium) 'A' Ordinary
2009	£152.40m	635.0p	18.0p	510.0p	490.0p	1,984	19.7%	22.8%
2008	£221.88m	924.5p	13.0p	820.0p	815.0p	2,927	11.3%	11.8%
2007	£249.47m	1,039.4p	12.5p	1,123.0p	1,022.5p	3,283	(8.0%)	1.6%
2006	£196.38m	818.2p	9.75p	847.5p	818.0p	3,048	(3.6%)	0.0%
#2005	£140.05m	583.5p	9.25p	566.0p	546.5p	2,458	3.0%	6.3%
2004	£102.44m	426.8p	6.0p	350.0p	346.5p	2,197	18.0%	18.8%
2003	£64.90m	270.4p	4.0p	215.0p	218.0p	1,736	20.5%	19.4%
2002	£89.16m	371.5p	5.0p	307.5p	305.0p	2,557	17.2%	17.9%
2001	£99.32m	413.9p	5.0p	490.0p	390.0p	2,711	(18.4%)	5.8%
2000	£106.79m	445.0p	5.0p	416.5p	382.5p	3,111	6.4%	14.0%
1999	£67.96m	281.9p	4.2p	225.0p	195.0p	2,894	20.2%	30.8%

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

TEN YEAR SHAREHOLDERS' TOTAL RETURN RECORD



	1 year	3 years	5 years	10 years
Net Asset Value – income re-invested	(30.17%)	(19.20%)	59.64%	157.35%
Performance benchmark	6.75%	20.24%	33.55%	71.36%



	1 year	3 years	5 years	10 years
Ordinary shares – income re-invested	(36.66%)	(37.22%)	57.10%	162.63%
'A' non-voting Ordinary shares income re-invested	(38.76%)	(37.41%)	52.86%	193.28%
FTSE All-Share – total return	(28.99%)	(26.70%)	9.29%	(2.69%)

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

THE YEAR'S RESULTS

NAV: -31.3% to 635.0p per share

Our year to 31 March 2009 proved to be frustrating (and very disappointing) in that we didn't do better and in that we lost money for shareholders. Of course there will be years when we lose money, that is the nature of investing, but good investment managers are concerned about preservation of capital as well as earning returns and that is what was frustrating about the year's net asset value loss. The importance of preservation of capital is one of the reasons the Company's benchmark is based on a fixed interest return. By contrast to the fall in our net asset value of 30.17% on a total return basis, our benchmark returned a positive 6.7%. In any good year a fixed interest benchmark can prove easy to beat, but over the long term (five or even ten years) it is a lot tougher (more of which below). The UK stock market (the FTSE All-Share Index) fell 32.2%.

As is his wont, John Alexander, our portfolio manager, has done an excellent job in writing his Investment Manager's Report (pages 23 – 35) laying out the course of the year's events (economic and financial), the activity and performance within the portfolio and then finally his view of the stock market outlook. While it makes quite sombre reading, your Board believes it is a realistic assessment of the difficulties that the stock market, investors generally and he, as our portfolio manager, face in looking after our affairs. John covers the background to the year and its various – largely negative – influences on our net asset value – so I won't go into it any further.

OCEAN WILSONS

Value of Holding: -33.3% at £48.6m

Our largest holding, of which shareholders will be well aware, is the investment we have in Ocean Wilsons, a Bermuda based company with two lines of business – its 58.25% holding in Wilson Sons (a Brazilian operator of ports, tugs and other maritime services) and its subsidiary, Ocean Wilsons (Investments) (a portfolio company with investments largely focused on companies operating in the higher growth economies). The value of our holding accounted for 31.9% of our total assets at the end of the year.

Investors generally discovered that there was nowhere to hide during the past year and that included investing in Brazil, whose BOVESPA stock market index declined by 29.5% (expressed in sterling). Ocean Wilsons' share price declined by one third, which cost our net asset value 101.3p per share, reduced to 93.3 p per share by the dividend we received from our holding. In return terms the two parts performed rather differently; the share price of Wilson Sons declined by 39.0% (expressed in sterling) but the investment portfolio, aided by not investing some of the cash raised in the previous year, lost 21.2%. We continue to be excited by the prospects for Brazil generally and Wilson Sons' port operations specifically and by the prospects for good returns from Ocean Wilsons (Investments) portfolio of companies operating in higher growth economies. I should also emphasise that, although the size of the holding (£48.6m) represents a considerable one company risk within the portfolio, we regard it as an important diversification from the risks of UK plc and its stock markets.

DIVIDEND

+38.5% to 18.0p per share

Our investment income for the year rose by £0.9m to £6.5m (16.9%). The portfolio benefitted from some good increases in dividend income during the course of the year, most notably from the holding in Ocean Wilsons, from which we received £1.9m; an increase of £0.8m or 69.0%. The investment management fee fell (£0.6m) but there was no benefit this year from any VAT reclaim (£0.7m), while other costs and taxes were £0.3m lower – all of which ended up with distributable profits after tax increasing by £1.1m or 32.8% to £4.4m (18.3p per share).

I would not normally go into the detail of the revenue account but these increases were material and the subsequent final dividend we are recommending to shareholders – 14.5p per share – means that the total dividends for the year would amount to 18.0p per share. In a year when capital losses were significant, it is at least some small compensation that shareholders should receive a much larger dividend. I should, however, re-emphasise that the portfolio is managed for capital growth so the amount of income generated will vary with whatever happens to be in the portfolio in any given year. As a consequence the dividend can rise or fall in any given year, although over the very long-term it should rise as the general level of dividends grow.

SHARE PRICE PERFORMANCE

Ordinary Shares:	**–37.8% to 510p per share**	**Discount to NAV: 19.7%**
"A" Ordinary Shares:	**–39.9% to 490p per "A" share**	**Discount to NAV: 22.8%**

It is, I am afraid, a feature of investment trusts that discounts at which their share prices sell in relation to their underlying net asset values tend to rise in bear markets. The discount on the Ordinary shares increased from 11.3% to 19.7% during the course of the year – with the result that Ordinary shareholders suffered a loss in the value of their shares of even more than that stemming from the fall in the net asset value. The numbers for the "A" Ordinary shares were somewhat similar, the discount increasing from 11.8% to 22.8%.

It is difficult to attribute any particular reason for this decline other than to note that – as is highlighted on page 3 – the discount of the Trust has varied quite a lot over the years and the latest experience is not enormously different from that of previous bear markets. The Board understands that there are many investors who do not like such discount volatility because it affects their short term performance, the level of their fees and their track records. For such investors the shares of Hansa Trust may therefore not be a suitable investment. The Company is run for the long-term shareholder whose return will depend very largely on the performance of the portfolio and the returns it earns (not on the volatility of its discount). Over the long-term the change in the level of the discount does not tend to add or subtract materially from shareholder returns.

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

Attribution of Shareholders' Return

	Ordinary shares	'A' Ordinary shares
Change in the NAV	-289.5p	-289.5p
Change in the premium/discount	-20.5p	-35.5p
Dividends	+18.0p	+18.0p
Shareholders' Return	**-292.0 p (–35.6%)**	**-307.0p (–37.7%)**

LONG-TERM TOTAL RETURNS

5 Years: NAV: +59.6%; Benchmark: +33.5%; FTSE A-s Index: – 9.3%
Ordinary share price: +57.1%; "A" Ordinary Share Price: +52.9%

Forgive me if I reiterate the long-term nature of the goal of the Company – to earn above average returns over the long-term, which the Board adjudges to correspond to rolling five year periods. As can be seen from the figures above, the net asset value has risen by nearly one half (59.6%), an annualised rate of 8.3% per annum; it compares with the return of our benchmark (the three year rolling average return of a five year government bond plus 2%) of 33.5% or 6.0% per annum. The question of the appropriateness of our fixed interest benchmark is raised from time to time at our Annual General Meetings. Apart from the fact that, in attempting to achieve positive returns for shareholders, having a positive return benchmark is the obvious comparator, fixed interest investments do sometimes outperform equities over longish periods; much as in the fable of the tortoise and the hare, the former is often rather hard to beat. Indeed over the last ten years our fixed interest benchmark has risen by 71.4% while the FTSE All-Share Index total return has fallen 2.7% (our net asset value total return, by the way, rose 157.4%).

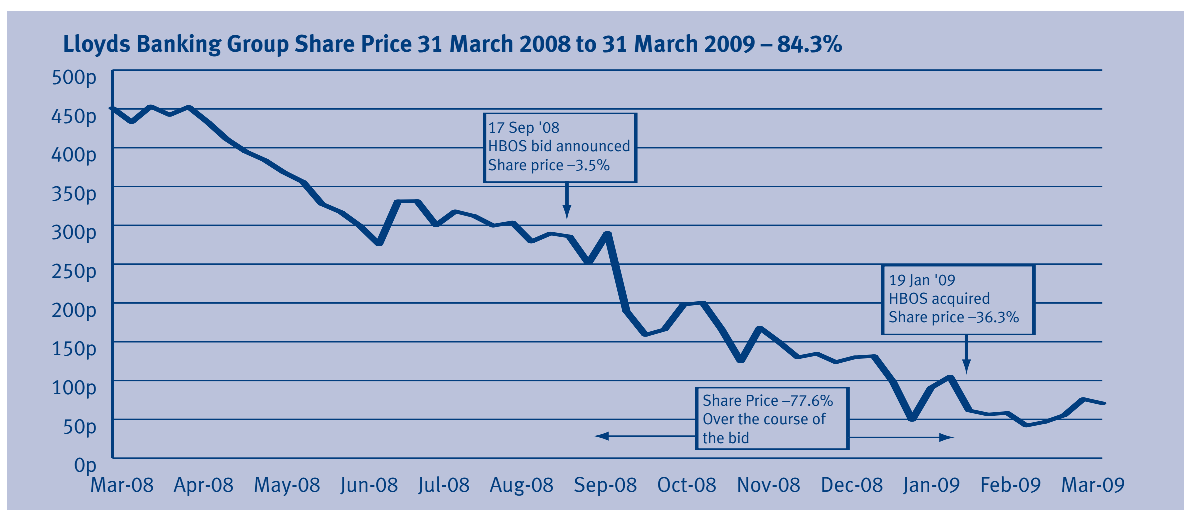
We are also asked from time to time how the rest of the portfolio – excluding the holding in Ocean Wilsons – has performed. I am happy to report those numbers are positive. Over the last five years the net asset value (ex Ocean Wilsons) per Hansa share has risen by 20.9%, not as good as our benchmark (+33.5%), but certainly better than the market which fell 9.3%. Indeed even over this last ghastly year, the net asset value (ex Ocean Wilsons) outperformed the stock market (–30.3% v. –32.2%).

The Listing Rules of the London Stock Exchange require boards of directors of investment companies to review the ongoing engagement of the manager. We, the independent directors of Hansa Trust, have no difficulty in concluding that it is very much in your interests that Hansa Capital, our manager, remains as the Company's manager. It isn't just the excellent long-term returns – important though they undoubtedly are – but it is also the excellent management and administration of the Company's affairs generally that persuades us we are in good hands. It is appropriate for us, on behalf of all shareholders, to thank William Salomon, John Alexander, Peter Gardner and all their colleagues at Hansa Capital for all they do for us and the returns they have earned for us over the years. Thank you.

LLOYDS BANKING GROUP

At the beginning of our year our sixth largest investment was in Lloyds TSB Group (now renamed Lloyds Banking Group ("Lloyds")). The rationale for owning the shares was that, although it had, like most banks, a highly leveraged balance sheet, the bank had – by and large – not made the bad and (at times) highly irresponsible loans and investments other banks had made. In those circumstances its relatively stronger balance sheet gave it a material competitive advantage over its rivals. It looked as though it had been sensibly managed. That was until it acquired HBOS (Halifax Bank of Scotland). In acquiring HBOS it may have made an even worse investment than that of the Royal Bank of Scotland when it bought the Dutch bank, ABN AMRO. It is your Board's view – and judging by the 78% decline in its share price over the course of the bid, it was also the stock market's view – that the acquisition has crippled the business of Lloyds and it is not impossible that it turns out to be fatal. We will see. The performance of the share price alone should have sent a warning signal to the bank's board of directors. But it appears not to have done; indeed the directors appear to have remained in denial.

The reason for raising this in my Chairman's Statement is that your Board was actively involved in correspondence with the board of Lloyds in an attempt to persuade the board that not only was it not in the interest of Lloyds shareholders to acquire HBOS, but also that it would prove to be very injurious to the value of Lloyds and its shareholders. So far that does appear to be the case: its stock market value has been decimated, it is now not paying a dividend and finally it had to resort to financial support from the Government in order to survive. A quote from the Report of the House of Commons Treasury Committee included in its comments the following:



- "The merger between Lloyds and HBOS has been described in some quarters as a "shotgun wedding"."
- "Lloyds Group Chief Executive Eric Daniels conceded that the merger proceeded swiftly on the basis of relatively little due diligence ..."
- "Nevertheless, from the evidence we have received, if the merger has had injurious consequences for Lloyds TSB we consider that the responsibility for this lies primarily with the Lloyds Board."

Your Board of Directors became concerned that the board of one of its largest investee companies was about to commit an enormous blunder. In the spirit of Lord Myners, who has been urging investors to become more active in telling boards of companies how to run their businesses (on the whole not a sensible proposition), we wrote to Sir Victor Blank, Lloyds' chairman; we did not benefit from the courtesy of a reply from him but rather we received a short and rather curt response from someone else. Not, I would have thought, a sensible way to treat the legitimate concerns of a shareholder.

When we concluded that Sir Victor Blank seeemed unlikely to acknowledge, let alone respond to our letter, I wrote, on behalf of the Hansa Trust Board, to another Lloyds' director, Ewan Brown; he is an eminent banker from Edinburgh whom I have known for many years. While he was courteous enough to acknowledge receipt of the letter and assure me that the concerns I had raised had been dealt with by the board, he passed the letter on to someone else to answer. Sir Victor Blank was copied in on all of the correspondence.

Your Board of Directors is very angry about what has happened. The value of our holding of 1.2m shares declined from £5.4m to £0.8m during the year – we consider in the main because of the behaviour and decisions of the Lloyds' board. We think their actions indicate that the board of Lloyds Banking Group is contemptuous of the views of its shareholders, that the letters we did receive made certain assertions at least one, the issue of due diligence, concerns us greatly. The reasons for the merger appear to us to be all about getting bigger, not better and finally that their standards of governance (involving sound business judgements and taking responsibility for decisions) appear lamentable (box ticking apart, of course).

It leaves us with a decision to make regarding our holding of 1.2m shares. We could, may be we should, just sell it, consigning it to the "good riddance to bad rubbish" out tray. But we believe this issue should not be allowed to rest. William Salomon attended the recent AGM held in Glasgow at which he aired your Board's views and concerns. He also, on our behalf, voted against the re-election of Sir Victor Blank as a director and against the remuneration report. However both these resolutions were passed following support from the Government and the block votes of investing institutions. We feel we should – both as a duty towards our own shareholders and also as a matter of good shareholder practice – see what we can do to retrieve some of the value for the losses we have incurred. We are examining what, if any, other courses of action may be available to us.

ANNUAL GENERAL MEETING
30 July 2009 at 11.30am at the Washington Hotel, Curzon Street

The Annual General Meeting ("AGM") will be held at the Washington Hotel, Curzon Street, London (Green Park tube station, see map on page 57) at 11.30am on Thursday 30 July 2009. Your attendance is important to us because it gives us, the Directors and Management, the chance to hear your views, concerns and suggestions. **Please, please come and join us.** John Alexander will give his usual presentation of the events of the past year and the prospects for the current one. Following the formal AGM you will have the chance to meet the Directors and the Management should you wish to do so.

OUTLOOK
Shorter-term very difficult to assess but longer-term optimistic

(a) Shorter-term risks:

John's assessment of the Market Outlook in his Investment Manager's Report is comprehensive but, in summary, amounts to the short strap line above; "shorter-term very difficult to assess but longer-term optimistic". In the previous two years the strap line had read "short-term cautious, long-term bullish" but I fear that the word "cautious" proved to be rather too bullish! In the first paragraph of my statement on the outlook last year (written some three months before the Lehman Brothers bomb went off), I left no doubt about the gravity of the situation; it was quite a pessimistic opening paragraph and yet it turned out to be a lot short of the mark. Each year the Directors meet for a strategy session during which we look at the outlook for stock markets and the risks inherent in them and we consider how best to take advantage of the opportunities and mitigate the risks. We identify those risks within the Report of the Directors; last year we highlighted the risks of global recession, of rising inflation, of incompetent government (particularly in the UK), of the spreading of the bad debt crisis and of falling corporate profits. While inflation was rearing its ugly head, it was quickly knocked on that ugly head by the financial crisis, which in the short-term, at least, is thoroughly deflationary. The rest came to pass. I do not think we were complacent about them but we simply didn't imagine the consequences of what was unfolding would be anything like as dramatic as they proved to be.

In assessing the risks we now face (outlined on page 13) we are rather more sanguine. Certain of last years risks – recession, incompetent Government, a broad based financial crisis and falling corporate profits – are now events (rather than risks). The major risk we face is that the polices of this incompetent, untrustworthy and populist Government, involving a truly massive economic pump priming financed by huge increases in the National Debt, don't work and that we end up with a long period – rather akin to that which Japan endured in the 1990s and early 2000s – of deflation and no economic growth (if we are lucky) or in extremis of depression (if we are unlucky). In May 1939 Mr Morgenthau, Secretary to the US Treasury, described the results of America's economic policies in the 1930s thus:

> "We have tried spending money. We are spending more than we have ever spent before and it does not work … We have never made good on our promises … I say after eight years of this administration we have just as much unemployment as when we started … and an enormous debt to boot.

Given that this financial crisis is debt induced and given that this Government's idea of a cure is to incur yet more debt, the scenario above is not far-fetched. In truth the Government's policies appear to us to be aimed squarely at trying to win the next election with no care of their consequences; the recent budget made financial assumptions which are widely regarded as fanciful but the policies behind which – if those assumptions are not realised – will aggravate an already grave situation.

However the rather more common view in the City is that the Government's extravagance will kick start the economy, will overcome the recession, but will inevitably result in high rates of inflation. That too is a plausible outcome but not necessarily more realistic than the other one. The problem with high rates of inflation, as with deflation, is that they are both very difficult to control. In neither scenario is lasting and real wealth created.

It is very difficult to know which of these two scenarios will play out. Hence the "Shorter-term very difficult to assess ...". The risk investors generally face is that the process of getting the economy on to an even keel is drawn out, made all the more difficult because savers, who naturally re-liquify the financial system, are being punished with almost non-existent interest rates, cut dividends and (in some cases) higher taxes. What is reasonable to assert is that in any highly indebted society, company, stock market, etc there will be high levels of volatility in their performance; we live in a highly indebted society and it is getting worse. So we can expect even more volatility than we have become used to – involving for us periods of severe rises and falls in stock market values over short periods of time.

(b) Longer-term opportunities:

The old Chinese adage that risk has two components – danger and opportunity – surely applies to these highly risky and turbulent times. One day – probably later rather than sooner – there will have been a thorough cleansing of the financial system with the bad debts and bad assets written down – or even written off – and a much less indebted society. That then will provide the background for healthy economic and thence corporate growth. Given the severity of the financial mess that exists in Britain, other parts of the world are likely to recover earlier than Britain. Given the international nature of the business of most of the larger companies quoted on the London Stock Exchange, those companies should benefit earlier than those wholly dependent on the UK economy.

The countries with high savings and investment rates, with stable and sound government, with a good work ethic, with good demographics and finally with good educational standards are those that will fare best over the longer-term. While no country is perfect in all of these respects China fits most of this bill best. Much as we have suggested in the past, China, along with other emerging market economies, is likely to emerge as the driver of global economic growth and those British companies exposed to that growth directly or indirectly are likely to provide their shareholders with good returns. Ocean Wilsons is particularly well positioned to take advantage of this.

In respect to home grown opportunities in Britain, much will depend on the result of the forthcoming general election and then on the efficacy of the Government that follows this one. The present Government has done so much to kill off the many excellent aspects of the British economy it inherited in 1997, that it will inevitably take time to rebuild them. It looks as though a Conservative Government is likely to be returned and, if David Cameron and his colleagues have the necessary courage to do what's needed rather than what's popular (not a given) and do it with a modicum of efficiency, then good investment opportunities will emerge domestically, particularly amongst smaller companies.

Most of all I would like to stress that opportunities need to be found. They are not found following the index hugging herd nor the portfolio churning traders, but rather through proper investment thinking about what is going on and identifying the long-term opportunities that others ignore. That is what William, John and their colleagues have been good at, along with providing an investment portfolio for shareholders that they cannot easily reproduce for themselves. That, more than anything else, gives your Board the confidence to believe that Hansa Trust can earn good positive returns for its shareholders over the long-term.

Alex Hammond-Chambers
Chairman 26 June 2009

for the year ended 31 March 2009

The Directors present their Report and Financial Statements for the year ended 31 March 2009.

THE BOARD'S OBJECTIVES

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.

THE BOARD

Your current Board consists of the following, each of whom brings certain individual and complementary skills and experience to the Board's workings, as summarised below. All Directors resign at each Annual General Meeting and offer themselves for re-election. The board endorses the re-appointment of each of the Directors based on their continuing contribution to the Company and its shareholders.

Mr Hammond-Chambers (Chairman)

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

Lord Borwick

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

Mr Salomon

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

Professor Wood

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

BUSINESS REVIEW

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

Investment Policy

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

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

Portfolio Limits

The Board of Directors has set a limit of 15% of the portfolio of the Company that can be invested in any one company, the limit applying at the time of the acquisition of the holding (co-incidently as required by Section 842 of the Income and Corporation Taxes Act 1988). The Board has not set a limit on the market value of an investment held in any company, which can therefore rise above 15%. The Board has not set a limit on the number or value of unquoted investments which can be held in the portfolio; nor has it set a limit on the number of companies it can invest in, however it would usually invest in at least 30 companies.

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

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

Borrowing Limits

The Board believes that shareholders' returns will be enhanced if the Company borrows money at appropriate times for the purpose of investment. While the Memorandum and Articles of Association allow the Company to borrow up to 3.5 times shareholders' funds, the amount that can be borrowed at any time is normally subject to a constraint imposed in the lender's borrowing covenants. The Board will normally set an informal borrowing limit of approximately one half of the lender's covenanted constraint at the time the borrowings are made, allowing plenty of capacity for the value of the portfolio to fall without having to sell investments to conform with those covenants. However, in extreme circumstances, such as when it believes to be the bottom of a bear market, the Board may well borrow up to the full amount the lender's covenant allows.

Hedging Limits

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

Results and Dividends

The results attributable to shareholders for the year and the transfer to reserves are shown on page 41.

The dividends paid and proposed are as follows:

	2009 £000	2008 £000
Ordinary and 'A' non-voting Ordinary shares		
Interim paid of 3.5p (2008: 3.5p) per share	**840**	840
Final proposed of 14.5p (2008 paid: 9.5p) per share	**3,480**	2,280
Total dividends	**4,320**	3,120

The final dividend will, if approved, be paid on 10 August 2009 to Ordinary and 'A' non-voting Ordinary shareholders registered at the close of business on 26 June 2009.

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) they do not make a return from their 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, against the market (the FTSE All-Share Index) and the total expense ratio in relation to the returns shareholders have received. The numbers are computed on a one, three, five and ten year basis – five years being the better time period over which to judge the progress of the Company.

i) Shareholder – Total Returns

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

	2009 (1 year)	2006 (3 years)	2004 (5 years)	1999 (10 years)
Share Price				
Ordinary shares	**(36.66%)**	(37.22%)	57.10%	162.63%
'A' non-voting Ordinary shares	**(38.76%)**	(37.41%)	52.86%	193.28%
Company's benchmark	**6.75%**	20.24%	33.55%	71.36%

ii) Company – Total Returns

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

	2009 (1 year)	**2006 (3 years)**	**2004 (5 years)**	**1999 (10 years)**
Net Asset Value	**(30.17%)**	(19.20%)	59.64%	157.35%
Absolute comparison				
Company's benchmark	**6.75%**	20.24%	33.55%	71.36%
Relative comparison				
FTSE All-Share Index	**(28.99%)**	(26.70%)	9.29%	(2.69%)
Peer Group Average	**(33.7%)**	(33.8%)	10.9%	35.1%

iii) Discount/ (Premium)

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

	2009 (1 year)	**2006 (3 years)**	**2004 (5 years)**	**1999 (10 years)**
Discount				
Ordinary shares	**19.7%**	(3.6%)	18.0%	20.2%
'A' non-voting Ordinary shares	**22.8%**	0.0%	18.8%	30.8%
Peer Group Average	**13.2%**	4.5%	11.8%	14.2%
AIC Average	**9.4%**	6.2%	9.4%	11.9%

iv) Expense ratios

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

	2009 (1 year)	**2006 (3 years)**	**2004 (5 years)**	**1999 (10 years)**
Total expense ratio per annum	**1.01%**	0.88%	0.91%	1.00%
NAV Total Return per annum	**(30.17%)**	(6.40%)	11.93%	15.74%

Risks

The Board considers 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 government policies, economic recession, declining corporate profitability, rising inflation and interest rates and excessive stockmarket speculation. At the annual strategy meeting, the Directors and Management highlighted certain risks that concerned them, including:

- The wrong economic policies being adopted by the Government;
- The spreading of the UK's recession into a longer lasting depression;
- A protraction of the global recession;
- High levels of inflation as a consequence of the economic policies both in the UK (domestic risk) and in the USA (international risk);
- Rising taxation;
- High interest rates being caused by high inflation;
- A decline in the sterling exchange rate;
- Falling profits and reduced dividends; and

- Threatened interference by the European Union in the status of investment trusts.

It should be stressed that these are the risks which most concern the Directors and Management, not forecasts of future events.

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

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

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

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

Details of how the principal risks arising from financial instruments are managed, have been summarised in Note 21 on pages 53 to 56.

THE PURSUIT OF GROWTH OF SHAREHOLDER VALUE

In pursuit of shareholder value, the Board:

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

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

- **Monitors investment performance and risks**
  The Board reviews reports prepared by the Manager at its regular meetings which enables 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 regularly and refinements are made to it as required, with formal review at the Board's annual strategy meeting.

  The Board issues formal investment guidelines and restrictions; 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, taking account of 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 ING Barings Bank; currently the maximum level of the facility is £30m. The Board has approved the utilisation of hedging instruments in order to provide the portfolio with a limited degree of protection from extreme market declines.

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

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

SERVICE PROVIDERS

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.

Investment Manager

Hansa Capital Partners LLP charges an investment management fee at an annual rate of 1% of the net assets of the Company (after any borrowings), but after deducting the value of the investment in Ocean Wilsons Holdings Limited on which no fee is payable. The terms of the investment management agreement permit either party to terminate the agreement by giving to the other not less than 12 months' notice or such shorter period as is mutually acceptable. The investment management fee outstanding at the year end amounted to £88,268 excluding VAT (2008: £125,857). In its annual assessment of the investment manager, 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 place under the present terms.

Auditor

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

Company Secretary

Secretarial services were provided by Hansa Capital Partners LLP at an annual rate of £100,000, excluding VAT (2008: £100,000).

Administrator

The Company engages BNP Paribas Services UK Limited as its Administrators.

BOARD STATEMENTS AND DISCLOSURES

In accordance with the Companies Acts and Financial Services Authority UKLA Listing Rules, the Board is required to make the following statements and disclosures to shareholders:

Publication of Financial Statements on a website

The Financial Statements are made available on the Hansa Trust website www.hansatrust.com. The work carried out by the Auditor does not involve consideration of the maintenance and integrity of the website, and accordingly, the Auditor accepts no responsibility for any changes that may have occurred to the Financial Statements since they were initially presented on the website. Visitors to the website need to be aware that the legislation in the UK governing the preparation and dissemination of the Financial Statements may differ from legislation in their jurisdiction.

Directors' Interests

The present members of the Board are shown on page 10, all of whom retired at the last Annual General Meeting and were duly re-elected. The Board's policy is that it is appropriate for all members to retire annually at the AGM and therefore Mr Hammond-Chambers, Lord Borwick, Mr Salomon and Professor Wood will retire again and offer themselves for re-election at the forthcoming AGM. The interests of Directors and their families in the Company at 31 March 2009 are shown below:

	Ordinary shares of 5p each		'A' non-voting Ordinary shares of 5p each		Nature of interest
	2009	2008	**2009**	2008	
Mr Hammond-Chambers	**500**	500	**7,600**	7,600	Beneficial
Lord Borwick	**24,678**	24,678	**16,376**	16,376	Beneficial
Mr Salomon	**2,113,219**	2,113,219	**98,700**	98,700	Beneficial
Professor Wood	**5,500**	5,500	**7,000**	7,000	Beneficial

Mr Salomon is senior partner of Hansa Capital Partners LLP. Fees payable to Hansa Capital Partners LLP, amounted to £1,276,271 (2008: £1,836,690). During the year, no rights to subscribe were granted to, or exercised by Directors, their spouses or infant children.

Fixed Asset Investments

The market value of the Group's investments at 31 March 2009 was £139,027,000 (2008: £235,366,000). Taking these investments at this valuation, the net assets attributable to each Ordinary and 'A' non-voting Ordinary share amounted to 635.0p at 31 March 2009 (2008: 924.5p).

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 2009 outstanding trade creditors amounted to £Nil (2008: £Nil).

Directors' and Officers' Indemnity and Liability Insurance

The Company through its Articles has indemnified its Directors and Officers to the fullest extent permissable by law.

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

Going Concern

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

Status and Activities

During the year under review the Company has operated as an investment company, under Section 833 of the Companies Act 2006 and in compliance with Section 842 of the Income and Corporation Taxes Act 1988. The Company has received approval as an investment trust for the year ended 31 March 2008. The Directors are of the opinion that the Company has subsequently directed its affairs so as to enable it to continue to obtain HMRC approval as such. There has been no significant change in the activities of the Company and its subsidiary (the 'Group') during the year and the Directors anticipate 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 Auditor 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 Auditor is aware of that information. The Directors are not aware of any information relevant to the audit of which the Company's Auditor is unaware.

Social, Community, Employee Responsibilities and Environmental Policy

The Company does not have any employees. As an investment trust, the Company has no direct social, community, or environmental responsibilities. Its principal responsibility to shareholders is to ensure the investment portfolio is properly invested and managed.

Charitable and Political Donations

The Company did not make any charitable or political donations in the year (2008: Nil).

ANNUAL GENERAL MEETING

Special resolutions relating to the following items will be proposed at the forthcoming AGM:

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

A resolution will be proposed at the forthcoming AGM, 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 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 AGM 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 AGM.

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 AGM.

By order of the Board
Hansa Capital Partners LLP
Secretary
26 June 2009

Internal Controls

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

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

Compliance with the provisions of the Combined Code

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

The Board confirms, with the exception of the composition of the Audit Committee as detailed on page 21, that it has in all respects followed the AIC Code in meeting its obligations under the Listing Rules and the Combined Code. The AIC Code can be found on The AIC website at www.theaic.co.uk.

The AIC Code has 21 principles, the vast majority of which the Board 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 Code. They include:

The Board

- **The Chairman should be independent**

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

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

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

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

  All Directors resign at each AGM and where appropriate offer themselves for re-election.

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

  A brief biography of each member of the Board can be found on page 10. The Company Chairman does chair the Audit and Remuneration Committees as the Company considers he is the most appropriately qualified person on the Committees to fulfil these roles.

- **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 37.

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

  The Board regularly reviews its requirements to direct the affairs of the Company. Where and when appropriate, individuals are identified who would

strengthen the Board and put forward as candidates for board membership.

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

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

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

  The level of Directors' fees is reviewed on a regular basis relative to other comparable companies, in 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 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, 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, service levels are defined between the Manager and the Company. In addition the Board determines certain investment restrictions and guidelines for the Manager, on which the Manager reports monthly.

- **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 also seeks authority to purchase up to 14.99% of the Company's 'A' non-voting Ordinary shares at the Company's AGM.

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

  The Board, through its Audit Committee, receives independent reports from the auditors of the main service providers; these reports are called either AAF 01/06 or SAS 70 reports.

Shareholder Communication

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

  The Board reviews the shareholder profile at its regular meetings. The Company, through the Manager, has regular contact with its institutional shareholders. The Board supports the principle that the AGM 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 content of its communications.

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

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

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.

Substantial Shareholders

As at 31 March 2009 and 15 June 2009 the Directors were aware of the following interests in the Ordinary shares of the Company, which exceeded 3% of the voting issued share capital of that class:

	No. of voting shares	% of voting shares
Nicholas B. Dill, Jr. & Codan Trust Company Limited (note)	4,096,350	51.20

Note: Of the shares held by Nicholas B. Dill, Jr & Codan Trust Company Limited, Mr Salomon is interested in 2,048,175 and Mrs Townsend is interested in 2,048,175, each holding representing 25.6% of the voting share capital. In addition, Mr Salomon has further interests in the Company's shares, the total interest is detailed in the paragraph Directors' Interests on page 15.

BOARD COMMITTEES

The Directors consider that in order for them to fulfil their responsibilities as Directors of the Company, all members of the Board should be members of all sub-committees, except where there is a conflict of interest.

Details of the Directors' attendance at Board, Strategy and Audit Committee meetings are in the Directors' Remuneration Report on page 37.

Audit Committee

The Audit Committee consists of all four Directors and is assisted by Mr Teideman, a former director whose skills and experience strengthen the Committee. The Committee is chaired by Mr Hammond-Chambers. The Smith Report's guidance to the Combined Code emphasises the need for 'Audit Committee arrangements to be proportionate to the task'. With such a small Board, it was deemed both proportionate and practical to involve all Directors in its workings even though Mr Salomon is not regarded as being independent.

The Company's Audit Committee meets representatives of the Investment Manager and its Compliance Officer, who report as to the proper conduct of business in accordance with the regulatory environment in which both the Company and the Investment Manager operate. The Company's Auditor also attends this Committee and reports on its work procedures, the quality and effectiveness of the Company's accounting records and its findings in relation to the Company's statutory audit. The responsibilities of the Audit Committee include reviewing the internal controls, the financial reporting process, the valuation of the unquoted investments, the management contract, the statutory audit and the Auditor's appointment, remuneration and independence (no non-audit services are provided by the Auditor). The Board has issued the Committee with Terms of Reference which are available from the Company Secretary at the registered address of the Company.

Following careful consideration of the independence, experience and value for money of the current Auditor, the Audit Committee has recommended that the Board re-appoint Grant Thornton UK LLP as Auditor to the Company.

Nomination Committee

The Board as a whole fulfils the function of the Nomination Committee. The Company's Articles of Association require newly appointed Directors to submit themselves for election by shareholders at the next AGM 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 AGM.

Management Engagement Committee

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

Remuneration Committee

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

Statement of Directors' Responsibilities

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

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

- Proper accounting records are kept, which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Financial Statements comply with the Companies Act 1985.
- The assets of the Company are safeguarded; and for taking reasonable steps for the prevention and detection of fraud and other irregularities.
- The Directors' Report and other information included in the Annual Report is prepared in accordance with company law in the UK. The Directors are also responsible for ensuring the Annual Report includes information required by the Listing Rules of the Financial Services Authority.
- The Company has effective internal control systems, designed to ensure that proper accounting records are maintained, that the financial information on which the business decisions are made and which are issued for publication is reliable. Such a system of internal control can provide only reasonable, but not absolute, assurance against material mis-statement or loss.
- The Group Financial Statements for each financial year are prepared in accordance with IFRS, as adopted by the EU and have elected to prepare Company financial statements on the same basis. The Group and Company 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; and
    - prepare the financial statements on the going concern basis, unless it is inappropriate to presume the Company and Group will continue in business.

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

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

Responsibility Statement

The Board confirms that to the best of its knowledge:

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

For and on behalf of the Board
Alex Hammond-Chambers
Chairman
26 June 2009

BACKGROUND

2008 saw a massive destruction in global shareholder wealth as the combined effect of constrained credit, mark to market investment losses and the deleveraging of corporate and personal borrowing shook the global economy. At the same time, the public sector moved to replace the private sector as provider of both capital and economic demand in a manner not seen in recent times. For bankers, 15 September 2008, the day Lehman Brothers went bust, was when the world completely changed, as there was a complete absence of credit after then and the only safe havens were government bonds and cash. Equities, emerging markets, corporate bonds and commodities or anything remotely risky or linked to the performance of the global economy was abandoned. The credit crunch is a long-term process of deleveraging after an extended period of excessive borrowing and mispricing of risk by the West, which created a host of asset bubbles in its wake.

What we are going through is first and foremost a very serious balance sheet recession, after a period of taking on excessive leverage, as the capital-fuelled trading desks within giant financial conglomerates became massive and imprudent lenders with too little capital. These dramatically undercapitalised financial institutions then sliced and diced much of that imprudent lending in the securities markets, in the form of mortgage-backed securities (the main villains of the still-unfolding fall-out). They then stashed these in off-balance sheet vehicles that had lines of credit back to the banks, plus other guarantees, thereby creating financial system-threatening levels of leverage. Debt out of line with falling income and declining asset values to service it and support it is at the heart of the problem.

The Japanese example shows that throwing money at the real economy, or trying to fix the problem with even more credit, will achieve little if the banks remain sick and are unwilling to lend and undertake their crucial role of being money-multipliers. All the evidence from previous financial crises makes it clear that sustainable economic recovery is contingent upon a purge of the toxic loans and securities on contaminated bank balance sheets. The centre of the problem is insufficient and shrinking equity capital (and too much debt capital), supporting too many assets in the banking system, so liquidity schemes that leave all the credit risk with the banks are not the solution. In the US (core of the global market economy and the centre of the current storm), the aggregate debt of the financial sector jumped from 22% of GDP in 1981 to 117% by the third quarter of 2008. Overall, debt in the US reached an all-time peak of just under 350% of GDP (85% of it private), up from just over 160% in 1980. In the UK, with its heavy reliance on financial activity, gross debt of the financial sector reached almost 250% of GDP. Inside the US, the ratio of household debt to GDP rose from 66% in 1997 to 100% a decade later and even bigger jumps in household indebtedness occurred in the UK.

The key question is can banks generate enough pre-provision profit to protect their capital from impairments before they emerge from the recession? Banks need to be adequately capitalised to cope with the colossal losses on securitised assets, as well as all the normal credit losses that emerge in a recession. It would be a brave investor who bets this time that bank revenues can overwhelm the writedown/impairment bogeyman. Debts need to be paid, or put another way credit needs paying back, at a time when corporate profits are falling and pay freezes or reductions in the form of four day weeks are becoming increasingly common, with no corresponding deflation in the nominal value of debt, against a background of rising unemployment which likely precludes the ability of the consumer to service debt, let alone pay it back. Permanent placements and temp billings continue to decline at the weakest rates for six months, while candidate availability continues to rise at a record pace, exerting downward pressure on wages and salaries. Hence, the fear of deflation is at the top of the worries facing central banks. The threat is of accelerating debt liquidation or deleveraging, a process in which declining asset values, debt reduction and asset sales reinforce one another in a deflationary spiral. That is why governments are now trying to tackle the problem of the debt itself, since the £37bn banking recapitalisation programme announced last October did not halt the slide in bank shares and did little to encourage lending. In a world of debt and deflation, inflation is a friend, and is anyway likely to come as a by-product of quantitative easing; "printing" money to buy new gilts to support public spending. What must be avoided is hyper-inflation, which could come by force through debt and currency dislocation, exacting an appalling Weimar Republic-like social cost in its wake.

There was significant policy action by the Bank of England and the UK Treasury, alongside traditional monetary easing measures. Interest rates were reduced by 0.5% every month in the last quarter of the Trust's financial year, to reach 0.5%, the lowest level for over 300 years or since the Bank of England was created. The normal effect of lower interest rates on the economy did not work their way through the system, so policy action was changed with the emphasis on the need to get long-term interest rates lower

and to try to encourage bank lending, at a time when lending to businesses and households grew at its slowest pace for 15 years. The Government Asset Protection scheme has ring-fenced almost £585bn of toxic bank debt and offers protection for the banks against losses in certain asset classes such as mortgages, structured credit and certain corporate loans. The scheme is an insurance mechanism, rather than the creation of a "bad bank" and has helped to reduce the uncertainty surrounding bank solvency, thereby bolstering confidence in the banking system. Royal Bank of Scotland has insured £325bn of toxic assets and Lloyds has insured £260bn and under the scheme these banks have given lending commitments of about £50bn, or 3% of total bank lending. The most innovative measure introduced is the Bank of England's quantitative easing programme. The Bank of England announced the unprecedented plan to inject up to £150bn into the UK economy by buying government gilts in the secondary market as well as private sector assets, including corporate bonds and commercial paper, in an attempt to pump fresh money into the economy by increasing the size of banks' accounts at the central bank, known as reserves, in an attempt to revive lending. Gordon Brown has a huge need to issue and sell gilts to fund his budget deficit and has become increasingly worried that he might run out of willing buyers. The Bank of England will be able to buy this gilt supply, thereby monetising the budget deficit. It is interesting to note that Gordon Brown has played down the prospect of further tax cuts in the budget, after Mervyn King, the Governor of the Bank of England, warned that the country would not be able to afford a second fiscal stimulus. The Chancellor is looking at a UK budget deficit representing 11% of GDP, with both receipts and revenues moving in the wrong direction, suggesting that more tax rises and spending cuts are on their way to get the public finances back on course over the medium-term. Ireland has been forced to resort to £3bn of tax rises and spending cuts this year in an emergency budget, to rein in surging government borrowing to comply with the European Union's five-year timetable to put Ireland's house in order, despite the deepening scale of its economic slump. Ireland's budget pain will soon be ours. Gordon Brown turned on the spending taps in 1999, taking state expenditure from 37.5% of GDP to just below 45% at the height of the bubble. Since the onslaught of the credit crunch, the share of public spending has risen further and threatens to breach 50% of GDP. Once the recession in the private sector abates, it is likely to move into the public sector as the clamour for public spending restraint amplifies. The public vs private sector divide has now well and truly taken over from the geographical north vs south divide and higher fiscal deficits will make over-generous unfunded public sector pensions even more unaffordable and unacceptable.

The US Federal Reserve unveiled plans to buy US$300bn of US government debt over the next six months, followed by the launch of its US$1 trillion "Public-Private Investment Programme" to help investors purchase the troubled mortgages and securities currently crippling banks' balance sheets. There are two separate schemes: one aimed at removing toxic credit securities from banks' balance sheets and the other targeting the removal of bad loans. The plan aims to put a price on securities that are not trading, which will hopefully improve asset values, increase lending capacity by banks and reduce uncertainty about the scale of losses on bank balance sheets, thereby increasing confidence in the banking system.

OVERALL PERFORMANCE

During the year under review, the capital and revenue returns per Ordinary and "A" non-voting Ordinary shares amounted to –289.5p, a fall of 31.3%, after paying dividends of 13p per share. The share prices of the Ordinary and "A" non-voting Ordinary shares fell by 37.8% and 39.9% respectively, as both classes of share traded at a wider discount to their net asset value. This compares with a rise of 6.8% in the Company's benchmark and a fall of 32.2% in the FTSE All-Share Index over the period.

We ended the year with £12.4m of cash, representing 8.2% of total assets and held average cash balances of £13.2m over the 12 months, so we did not amplify our losses through the use of gearing.

SECTOR REVIEW

Sector weighting and performance – (Time Weighted)	Portfolio weighting at 31 March 2009	One year performance to 31 March 2009
	%	%
Strategic	31.9	(31.8)
Natural Resources	16.7	(9.1)
Smaller Cap/AIM	16.4	(44.3)
Property	11.4	(40.5)
Cash Funds	8.2	4.2
Large Cap	7.2	(38.2)
Utilities	5.5	(15.5)
Insurance	3.5	(17.7)
Mid-Cap	2.8	(24.8)
Investment Trusts	1.8	(27.9)
Hedge	0.6	225.6
Cash & Commitments	(6.0)	0.3
Closed Life Funds	0.0	5.2

STRATEGIC

	Opening Value	Net New Investment	Closing Value	Added Value
Portfolio Movements	£73.0m	(£1.9m)	£48.6m	(£22.5m)
Portfolio Weighting			31.9%	
Portfolio Performance				(31.8%)
Contribution to overall total return of (289.5p)				(93.3p)
Major Contributor:				
Ocean Wilsons Holdings				(93.3p)

Ocean Wilsons Holdings Ltd (–31.8%) which has two principal subsidiaries, Wilson Sons Ltd and Ocean Wilsons (Investments) Ltd, has published its annual accounts for the year ending 31 December 2008. Wilson Sons continued to produce strong operating results with good performances from the towage, port terminal, logistic and offshore businesses. However, the fall in global investment markets and the depreciation of the Real against the US Dollar created significant losses during the year that adversely affected bottom line earnings. Although falling in value, the portfolio outperformed the MSCI World Index thanks largely to its significant position in liquidity funds. Wilson Sons, operating as a maritime services company in Brazil, intends to move forward with the expansion project at its container terminal in Salvador (Bahia) and is exploring possibilities to expand its shipyard operation to service the internal and external demand for offshore support vessels.

Brazilian President Luiz Inacio "Lula" da Silva is in many respects justified in remarking that the global economic crisis was caused by "white people with blue eyes". Monetary and fiscal policy in Brazil has been much more responsible than those of the United States or Britain. Its cautious fiscal policy has reduced the heavy debt burden Lula inherited in 2002, unlike Gordon Brown's headlong spending spree during the good times and his complete failure to save anything for a rainy day. By keeping real interest rates close to 10% while the economy was booming, Brazil avoided asset bubbles and the excesses in the global banking system, leaving the domestic banks strong and healthy and with ample room for monetary stimulus during the downturn, thereby expanding the domestic economy even as exports drop. Economists expect two more rate cuts of 1% each in April and June, followed by a further 0.5% cut in July, bringing the Selic rate to 8.75% pa, a total easing cycle of 5%. The Brazilian services sector, which represents three fifths of GDP has been able to hold up reasonably well compared to the performance of the manufacturing sector, which is suffering from reduced global demand for Brazil's manufactured exports and reduced domestic sales of goods that are more sensitive to credit conditions. Economists are generally forecasting that the Brazil's GDP will contract by about 1% in 2009.

NATURAL RESOURCES

	Opening Value	Net New Investment	Closing Value	Added Value
Portfolio Movements	£29.1m	(£1.0m)	£25.5m	(£2.6m)
Portfolio Weighting			16.7%	
Portfolio Performance				(9.1%)
Contribution to overall total return of (289.5p)				(10.8p)
Major Contributors:				
Melrose Resources Plc				(3.9p)
Eni S.p.A				(3.6p)
BG Group Plc				(3.0p)

The oil price threatened to fall below US$30 a barrel at the beginning of March, having reached US$147 a barrel last July, as the credit crunch pushed much of the world into recession, raising concerns about slumping demand. The world's third-largest oil consumer, Japan, has suffered a sharper contraction than other major economies because of its heavy dependence on exports, combined with persistently soft domestic demand. The International Energy Agency has forecast that global oil use this year will fall at the fastest rate since 1982. This year is expected to mark two successive years of falling demand for the first time since 1982-83. As oil demand dropped, the IEA said its estimates of oil supply capacity were falling as well, as companies delayed planned investment in either increasing or sustaining production. When economic growth picks up, under-investment could lead to supply shortages and send prices soaring again as "low prices sow the seeds of their own destruction". This year the world is expected to consume some 85m barrels of oil a day, about 1mbd fewer than last year. In the 1979 oil price shock, demand shrank by 2.5mbd and then fell for another two years, suggesting the effects of this recession are still to play out. Although non-Opec production has been hamstrung by the lack of investment by national oil companies, Saudi Arabia is

adding about 2mbd and Brazil another 0.5mbd of production capacity and the long anticipated wave of new LNG supply is coming. Refining capacity is being increased in China and the Middle East reducing the probability of supply bottlenecks. On the demand side, oil is used mostly for transport, with almost a third accounted for by intra-urban commuting. The dramatic shift to smaller cars and hybrids as a result of US fuel efficiency standards and changing consumer tastes will reduce demand. Oil prices could remain lower for longer than many seem to think, as the global recession of 2008/09 is likely to be severe and long-lasting. Recovery when it does come is likely to be anaemic. However, productive commodities like oil are an attractive store of value and "hedge" in a more inflationary economic environment. Prices could benefit accordingly, whereas gold tends to benefit most when there is real fear of a breakdown in the financial system.

Thirty years ago, the big international oil companies controlled over three-quarters of global reserves and four-fifths of production. Now they control about 6% of oil reserves and a quarter of production. Year-on-year production performance is patchy across the sector, with only **Eni** (–17.7%) and **BG Group** (–8.8%) generating volume growth. Large-cap oil companies have robust balance sheets, strong cash flow and access to corporate debt markets and take a long-term view of project economics and crude prices, so it is not anticipated any of them will cut dividends or drastically reduce Capex in 2009. **BP** (–1.8%) in particular has shifted its focus away from share buybacks towards dividends, as a means of returning value to shareholders. BP's latest strategy presentation suggests cash flow projections indicate that the sources of cash flow match commitments at a US$60/bbl oil price and the dividend is covered at a US$50/bbl oil price, although this year will see the first freeze in its dividend since 1999. **Royal Dutch Shell's** (–4.7%) strategy presentation gave a good deal of confidence on the sustainability of its dividend, with a major inflection point for free cash flow coming in 2011. BG Group set out strategic targets, which should sustain high earnings growth over the next decade on the back of its transformational success in Brazil and Australia. BG plans to invest £4bn in 2009, compared with £3bn in 2008 and £16bn of expenditure is planned over the period 2009-2012. **Melrose Resources** (–31.8%), a small E&P company, delivered a record set of results for 2008 and highlighted that the company has considerably more flexibility within its existing debt facilities than the market had anticipated, with forward capital expenditure focused on development spend, underpinning confidence on the production profile and the company's ongoing ability to generate significant levels of operating cash flow.

The HSBC Global Mining Index fell 74.6% between the May high and October low last year, as hedge funds that had been using investment bank balance sheets to leverage their investments in mining companies were suddenly required to unwind their positions as banks called back capital to reduce pressure on their own balance sheets. **BHP Billiton** (–3.9%), the world's largest diversified resource company has a strong balance sheet (net debt of US$6.3bn), strong cash flow generation and sector leading margins. As a result, the group has the firepower to pay a progressive dividend, buy back shares and take advantage of bottom-of-the-cycle prices to acquire assets. The mining sector is now seeing the effects of capacity cuts coming through as well as the end of the de-stocking phase. Rio Tinto and Anglo American are making multi-billion dollar cuts in capital expenditure and are planning to dispose of assets and lay off workers. When demand returns to stronger levels, driven by structural trends, the global mining industry may well be in an even worse position with regards to supply than it was in 2003, before the latest mining boom began.

SMALLER CAP/AIM

	Opening Value	Net New Investment	Closing Value	Added Value
Portfolio Movements	£45.9m	(£1.2m)	£25.0m	(£19.7m)
Portfolio Weighting			16.4%	
Portfolio Performance – (time weighted)				(44.3%)
Contribution to overall total return of (289.5p)				(82.6p)
Major Contributor:				
Ark Therapeutics Group Plc				(9.4p)
Cape Plc				(9.0p)
Superglass Holdings Plc				(8.5p)

Small caps suffer the problems of illiquidity at the best of times and in these types of stock market conditions they can effectively become quasi-unquoted, with prices being set at the margin by often very small trades. **NCC Group** (–14.5%) the international, independent provider of Escrow Solutions, Assurance Testing and Consultancy Services issued a positive set of interim figures, with adjusted operating profits increasing by 17%, the ratio of cash inflow from operating activities before interest and tax to operating profit up to 119% and a rise of 33% in the interim dividend. **Delta** (+21.4%), with its Australian focused business and particular exposure to infrastructure, announced an excellent set of final figures combined with strong free cash flow. The group enjoys high net cash balances even after reducing pension liabilities by £450m to £195m. **Camco International** (–75.0%), a leading climate change and sustainable development business with a 20-year track record, announced maiden full year profits and a E27m cash balance, positioning the company strongly for 2009. **Straight** (–8.0%), a leading recycling products and services group established in 1993, has restructured its retail division and grown its trade business and the board is confident 2009 will be a successful year in terms of profits and cash. **EAGA** (–14.7%), established in 1990, a "Green" support services company and the UK's leading provider of residential energy efficiency solutions, announced interim results marginally ahead of expectations, with EBITA up 13%, the interim dividend up 10% and net cash on the balance sheet. EAGA is cash generative and enjoys strong revenue visibility and an established contract base, evidenced in the strength of the £1.9bn five-year secured contract pipeline. **Superglass** (–87.5%), one of the UK's leading manufacturers of glass mineral fibre insulation products, stated that overall trading is in line with management expectations and it had seen demand for insulation from the Carbon Emissions Reduction Target (CERT) scheme materially increase, while trading conditions outside of the CERT programme remain challenging.

The independent directors of **Andor** (+55.5%), a global leader in pioneering and manufacturing high performance light measuring solutions, announced that discussions with a third party regarding a possible offer for the company have been terminated because they had not received any proposal which reflected the prospects for Andor. Trading during the first quarter of the financial year has been very strong and well in excess of management's expectations at the beginning of the period. The systems division continues to grow quickly, the company has benefited from the weakness of sterling and the order book remains strong. **All Leisure Group** (–62.9%), with its unique destination led cruising model for the older traveller, enjoys high levels of repeat business and well established brands providing customer loyalty. Swan Hellenic was established in 1954, Voyages of Discovery in 1994 and Discover Egypt in 1999. The company has strong asset backing and significant balance sheet liquidity, with year-end unrestricted cash of £29.9m. **Ark Therapeutics Group** (–51.0%) continues to build its pioneering DNA-based medicine capabilities as it transitions from an R&D company to a commercial revenue generating business, with cash balances of £40.6m at the end of December 2008. Its lead products in Phase III, Cerepro (for brain tumours), Trinam (for haemodialysis access) and Vitor (for muscle wasting in cancer) are all making material progress and Cerepro has been submitted for marketing approval in Europe. **CAP-XX** (–30.4%) is a world leader in the design and manufacture of thin form supercapacitors and energy management systems, predominantly for portable electronic devices. The consistent strategy has been to develop relationships with mobile phone manufacturers that will lead to them designing CAP-XX supercapacitors into their products, at the same time providing the manufacturing credibility to deliver large volumes of reliable high quality devices to fulfil their requirements. Interim cash balances were A$3m following receipt of scheduled payments under the terms of a manufacturing agreement with Murata Manufacturing Corporation of Japan. **CAPE** (–75.3%), the international provider of essential support services to the energy and natural resources sectors, has provided revenue, margin and cash flow (cash conversion rate of 115%) guidance which is materially better than expected and net debt is set to head down from £165.5m to £128m by year-end. Syndicated senior debt facilities are committed until September 2012. **Goals Soccer Centres** (–50.3%) is the premier operator of five-a-side soccer centres across the UK, currently operating 31 centres, while establishing a well progressed pipeline of sites to continue its proven rollout concept. The spend at £5.50 per game per person is relatively inexpensive and proving resilient when compared with other areas of the leisure market. Assuming zero roll-out, Goals would be debt free in six years. **Hargreaves Services** (–13.7%) supplies defensive end markets of power generation and waste and has no exposure to consumer/discretionary spending. Coal production from the Maltby mine is sold on fixed price, long-term contracts, minimising exposure to short-term coal price fluctuations. Hargreaves announced record interim results and a 15% increase in the dividend. **Morson Group** (–56.6%) the UK's number one provider of engineering and technical human resources solutions, working in partnership with customers

across the key sectors of infrastructure, rail, nuclear, aerospace and defence, reported another successful year and celebrated its 40th anniversary. **Work Group** (–92.0%) ended 2008 with a net cash position of £1.6m, following the extraction during the year of close to £1.8m from working capital, largely via improved debtor days.

PROPERTY

	Opening Value	Net New Investment	Closing Value	Added Value
Portfolio Movements	£17.9m	£2.0m	£8.8m	(£11.1m)
Portfolio Weighting			11.4%	
Portfolio Performance – (time weighted)				(40.5%)
Contribution to overall total return of (289.5p)				(46.3p)
Major Contributor:				
Hammerson				(13.6p)

DV3 (–60.2%) stated, "the real estate market is currently in the midst of a crash", with the Investment Property Databank, All Property Index falling 27% in 2008, with a double-digit decline expected this year as well. Following the yield shift of the past 18 months, companies are having to deal with falling revenues due to declining rental values and increased numbers of tenants going in to administration. The big worry for the property market in 2009 is rents, which are falling more sharply than ever before and with tenant insolvencies on the rise, the cost of holding empty buildings is high. Property firms are facing growing pressure to lease property at knock-down rates rather than pay out taxes under the "empty property" scheme, which in some cases could be the equivalent of up to 40% of the rent. This is causing landlords to cut rents competitively and grant incentives to tenants. Commercial real-estate companies need more capital after amassing debts to buy assets during the market's five year boom that ended in mid-2007, while £76bn of property debt requires refinancing by the end of 2010, at a time when the property market has fewer banks, lending less money, with stricter lending criteria, off lower loan to value covenants, charging higher margins. Meanwhile the banks have not really started to make the writedowns to property they need to. So the big question is how this decline in capital values is going to interply with the stress being experienced in the banking sector. The actions of the banks over the next two years, and their systemic impact on the market, will be the key determinant of how the UK commercial property market collapse pans out and who is able to survive. 2009 has begun with a flurry of rights issues, totalling over £3bn, from a number of the largest quoted players in the sector, in a move to bolster balance sheets with fresh equity, while there have been some deeply discounted emergency rights issues from a number of the smaller companies, in a bid to survive. This is a start, but reigniting credit growth is the key to recovery and interest rate policy alone will not be enough.

DV3 originally closed in July 2003 with total shareholder commitments of £330.8m. Since then the fund has drawn down £264m from shareholders, which has subsequently been returned through five capital redemptions, leaving undrawn shareholder commitments of £66.8m. DV3 has now drawn down a further 12% of shareholders' commitments, on the basis that the combination of the quality of most of the remaining assets and their secure long-term financing means that the fund should be able to retain the bulk of its portfolio intact for up to five years if it needs to do so. Dream will reduce their management fees and their carried interest only crystallises once the fund has realised all of its assets, so to date none has been paid. **DV4** (–43.1%), to which Hansa Trust has a £10m commitment, had, by 31 December 2008 drawn down 17% of total commitments, totalling approximately £185m. The 31 December 2008 management accounts report shareholders' funds of £980m, an 8% fall over the 18 months the fund has been in existence. At the operating level, the fund's investments are generally performing perfectly satisfactorily.

Hammerson's (–68.3%) figures confirmed that their retail and office portfolios are of the highest quality and that prime properties let on long leases to occupiers with strong covenants are showing greater resilience than secondary assets. The company has raised £584m by way of a rights issue, to reduce debt levels and prevent a possible breach of banking covenants, as part of a sector-wide attempt to recapitalise balance sheets. The value of Hammerson's

properties would need to fall 25% more, or about 55% peak-to-trough, to threaten its covenants, while further property sales would provide more headroom. **Great Portland Estates** (–52.7%) invests in and develops freehold properties with a focus on the office market in central London, with 80% of its portfolio in the West End. The management is confident in the quality of its assets in under-supplied locations, highlighting the strong occupational markets and solid demand. The company has one of the strongest balance sheets in the sector and at the end of December 2008 had sufficient headroom to absorb an additional 33% fall in valuations. **Hansteen** (–48.5%), the investor in continental Europe, delivered a sector-beating performance and demonstrated resilient income capability in its full-year results to the end of December. Net asset value fell 7%, net debt to value was 51% and portfolio initial yield was 8.4%, substantially higher than the average cost of borrowing which is approximately 4.7%. The average capital value per square metre of the properties is materially less than the replacement cost and the sites are effectively thrown in for free.

Companies with tangible assets could, if people start to get worried about paper money, become popular as a hedge against rising inflation. These companies, in the meantime, could be attractive in the current period of super-low interest rates too, if they can provide sustainable and long term streams of income. Given time, property could fit the bill, since REITs are structured as dividend paying vehicles and unexpired lease terms across most of the sector remain long.

CASH FUNDS

	Opening Value	Net New Investment	Closing Value	Added Value
Portfolio Movements	£0.2m	£11.7m	£12.4m	£0.5m
Portfolio Weighting			8.2%	
Portfolio Performance – (time weighted)				4.2%
Contribution to overall total return of (289.5p)				2.0p
Major Contributors:				
JPM Serling Liquidity Fund				0.9p
RBS Global Treasury Fund				0.9p

Clients of Morgan Stanley withdrew a total of US$46bn from money market accounts in September, forcing the investment bank to buy US$23bn of assets from the funds to keep them afloat, highlighting just how jittery investors became as capital markets came under extreme pressure at the end of September. One old and well-established fund, Reserve Primary Fund, was forced to write off US$785m of Lehman debt, causing the fund's asset value to fall below the US$1-a-share mark, or "break the buck", triggering a run on other funds.

LARGE CAP

	Opening Value	Net New Investment	Closing Value	Added Value
Portfolio Movements	£18.8m	(£1.0m)	£11.0m	(£6.8m)
Portfolio Weighting			7.2%	
Portfolio Performance – (time weighted)				(38.2%)
Contribution to overall total return of (289.5p)				(28.5p)
Major Contributor:				
Lloyds Banking Group Plc				(17.4p)
HSBC Holdings Plc				(8.5p)
Wolseley Plc				(5.4p)

The healthcare sector, weighted mainly toward large pharmaceutical groups, suffered its wave of investor anxiety over two years ago, because of the increasingly bare drugs pipelines of the big companies, as new medicines came through too slowly to replace those that were going off patent. Pharma stocks are now attracting investor interest because of their low debt levels, high free cash flow and robust dividend yields. **GlaxoSmithKline**'s (+7.0%) share buy-back programme has been radically reduced and may now only operate to the extent that exercised share options are offset. Instead, Glaxo will be focusing on acquisitions and increasing the dividend. Glaxo's fourth quarter revenues were ahead of expectations, but the company has dropped earnings guidance for 2009. **Wolseley** (–55.6%), the world's number one distributor of heating and plumbing products to the professional market and a leading supplier of building materials, is raising £1bn through a two stage process. The interim figures were as expected, and the group has said that it will exit Stock by 1 August 2009 and has put Central and Eastern Europe under review. The balance sheet risk is reduced and the group has a 50% exposure to the US market, where there are genuine reasons to assume the stimulus package will benefit construction in due course.

HSBC (–41.6%) has completed its record £12.5bn rights issue, leaving it in better shape than many of its rivals to absorb future losses. Outside the US its operations are highly profitable, while its funding base is also the envy of the industry. The ratio of its loans to deposits at the end of 2008 was just 84%, down from 90% a year earlier, reflecting the bank's status as a magnet for savers seeking safety. After the rights issue and a 29% reduction in its dividend, HSBC's tier one core ratio will be 8.5%, higher than most banks other than those that have been bailed out by their governments and are expected to suffer significant losses in the future. However, although it has stopped making sub-prime consumer loans in the US, it still faces the prospect of mounting losses on its existing US$100bn portfolio and investors remain nervous about its exposure to complex debt securities held in its available-for-sale portfolio. The Government finalised a deal with **Lloyds Banking Group** (–82.9%) that could take its stake up from 43% to as much as 77%, while the bank has insured £260bn of toxic assets, mostly inherited from HBOS, with the Treasury, reducing significantly the threat of complete nationalisation, improving the Group's credit rating and taking it a step closer to a time when the market is able to value the group on an earnings basis. Lloyds' toxic loans were insured with strings attached, namely the compulsory conversion of £4bn of preference shares into ordinary equity at 38p and the issuance to the state of £15.6bn of non-voting B shares which can be converted into ordinary shares when they reach 115p. The conversion date has not been set for conversion of the preference shares, but with a current market price of 70p, ordinary shareholders would buy the shares if the deadline to convert the prefs was tomorrow, letting their Government underwriter off the hook and keeping the Government's stake at 43%. The Government still has the right to convert its B shares into ordinary equity when the shares reach 115p, which would take its stake up to 62% of the votes, but it does not have to. If the share price reaches 115p, it is feasible Lloyds will be able to buy back the B shares. Current fully diluted book value, adjusted for the Government's asset protection scheme, is just over 100p per share, while pre-provision profits at Lloyds are about £13bn a year, compared with a current market capitalisation of £11bn. If the bank survives its book value should grow quickly.

UTILITIES

	Opening Value	Net New Investment	Closing Value	Added Value
Portfolio Movements	£9.3m	£0.3m	£8.3m	(£1.3m)
Portfolio Weighting			5.5%	
Portfolio Performance – (time weighted)				(15.5%)
Contribution to overall total return of (289.5p)				(5.5p)
Major Contributors:				
Scottish & Southern Energy Plc				(3.9p)
Centrica				(1.6p)

Scottish & Southern (–17.2%) raised £480m via a placing to enhance the strength of the group's balance sheet and provide additional sources of funding to capitalise on investment opportunities that have been identified as up to £6.7bn running up to 2013. The funds will also provide the flexibility to make small and medium-sized bolt-on acquisitions that might become available. SSE remains on track to pay a full-year dividend of 66p (YoY +9%) and plans to increase the distribution in the following year by at least 4% above inflation. **Centrica** (–14.5%) announced a 91.3% take-up of the £2.2bn worth of shares offered to investors under its rights issue to part fund the acquisition of a 25% stake in British Energy, the UK nuclear generator. The rationale for the British Energy stake purchase remains valid, namely further diversification of energy resources and a reduction in Centrica's exposure to volatile wholesale energy prices, but the £3.1bn headline purchase price may be looking a bit steep in today's market. Centrica also has other irons in the gas-fuelled fire, such as the possibility of a bid for Venture Production, the North Sea oil and gas company in which it has acquired a stake.

INSURANCE

	Opening Value	Net New Investment	Closing Value	Added Value
Portfolio Movements	£7.2m	(£0.6m)	£5.4m	(£1.2m)
Portfolio Weighting			3.5%	
Portfolio Performance				(17.7%)
Contribution to overall total return of (289.5p)				(4.9p)
Major Contributors:				
BRIT Insurance Holdings Plc				(4.9p)

Hurricane and investment losses severely dented insurance industry capital during 2008, while falls in interest rates to historic lows have reduced the ability of insurers to rely on investment returns to supplement earnings. Collectively the supply of US insurance capacity may have dropped by as much as 25%. AIG was one quarter of the US surplus lines market losing US$70bn in Q4 2008. A nationalised and much weakened AIG together with the increasing trend towards syndicating insurance risk offers opportunities for Lloyd's insurers to increase market share, against a background of sustained rate increases, as evidenced by the January 2009 renewals. Aon Benfield reported that property catastrophe rates had continued to rise at the 1 April renewals and that capacity had remained limited for property retrocession, while capacity for trade credit and bond reinsurance was also scarce.

BRIT Insurance (–17.7%) has moderate exposure to rising prices in 2009/10 due to having the largest casualty business in the peer group. Brit has exceeded market expectations and should not be trading at such a deep discount (–30%) to asset value. The financial institutions exposure has been well reserved and backed by significant disclosure. The fiscal move to Holland enhances earnings by 19% going forwards.

MID CAP

	Opening Value	Net New Investment	Closing Value	Added Value
Portfolio Movements	£5.2m	£0.4m	£4.3m	(£1.3m)
Portfolio Weighting			2.8%	
Portfolio Performance				(24.8%)
Contribution to overall total return of (289.5p)				(5.6p)
Major Contributors:				
Galliford Try Plc				(2.1p)
Premier Foods Plc				(2.0p)

SSL International (+0.7%) placed 9.99% of its existing issued share capital, the proceeds of which will help fund its medium-term organic growth plans, pursue selected bolt-on acquisitions and fund the exercise of an option to increase its holding in BLBV to 50% plus one share. SSL has a further option, exercisable in the first quarter of the 2010 calendar year, to acquire the remaining shares in BLBV. SSL remains optimistic about BLBV and the potential for SSL's products within the CIS and Eastern Europe.

Premier Foods (–68.4%) raised £379m to help repair its balance sheet, and announced that trading is solid as it benefits from more consumers eating in and from its focus on staple products. The operational and financial benefits of working in both construction and housebuilding markets are mitigating the worst effects of the recession for **Galliford Try** (–33.7%), while the group benefits from its strong presence in the public and regulated sectors and substantial headroom within its banking facilities.

INVESTMENT TRUSTS

	Opening Value	Net New Investment	Closing Value	Added Value
Portfolio Movements	£3.9m	–	£2.8m	(£1.1m)
Portfolio Weighting			1.8%	
Portfolio Performance				(27.9%)
Contribution to overall total return of (289.5p)				(4.5p)
Major Contributors:				
Herald Investment Trust				(4.5p)

Technology stocks have historically been early cycle outperformers, because companies are keen to improve productivity via efficiency improvements in hard times and an investment in technology can provide a swift return on investment. Technology companies constantly operate in a deflationary environment, where falling prices are the norm, so the world has not changed as much for them as many other sectors. Many technology companies enjoy strong balance sheets with sizeable net cash positions. **Herald Investment Trust** (–27.9%) is well spread over a large number of holdings across the world, with over 85% of the portfolio in companies generating profits and an average price earnings ratio of 8.5x.

HEDGE

	Opening Value	Net New Investment	Closing Value	Added Value
Portfolio Movements	£1.1m	(£2.1m)	£0.9m	£1.9m
Portfolio Weighting			0.6%	
Portfolio Performance				225.6%
Contribution to overall total return of (289.5p)				7.7p
Major Contributors:				
JPM OTC FTSE PUT SPREAD				7.7p

During the 12 months, four contracts were closed with a profit of £1,182k and a further contract entered into at a cost of £200k, leaving one contract maturing in May 2009. This contract gives protection between FTSE 100 levels of 4,952 and 5,571. The FTSE 100 closed on 31 March at 3,926 creating a further unrealised gain of £688k giving a total return of £1,870k or 226%.

CLOSED LIFE FUNDS

	Opening Value	Net New Investment	Closing Value	Added Value
Portfolio Movements	£25.6m	(£26.9m)	–	£1.3m
Portfolio Weighting			0.0%	
Portfolio Performance				5.2%
Contribution to overall total return of (289.5p)				5.5p
Major Contributors:				
Resolution Plc				5.5p

As reported in the previous Annual Report, the acquisition of Resolution Plc by Pearl was completed on 1 May 2008 at 720p per share, an uplift of 35p per share from the year-end valuation, with the funds being received on 15 May 2008.

OUTLOOK

After hitting lows at the beginning of March against the awful economic backdrop and heavy flow of rights issues and dividend cuts, the UK and other world stock markets staged a sharp rally as some of the world's major central banks engaged in quantitative easing, after cutting interest rates to close to zero. UK Plc is restructuring itself and indebted companies have raised about £25bn of equity this year, as 2009 is shaping up to be the year of the rights issue, with the banks and property companies taking most of it so far. Is this the rally that marks the end of the bear market? The critical issue is whether the US Treasury's plan works, because all the evidence from previous financial crises makes it clear that sustainable recovery is contingent on a purge of contaminated bank balance sheets. The plan assumes that the basic problem is one of liquidity, not solvency. In other words, the US Treasury thinks pumping liquidity into toxic assets will remove the illiquidity discount, which is depressing valuations. If this is a problem of solvency and long-term losses, rather than fundamental value and short-term liquidity issues, then the rally is likely to fade. The provision of cheap non-recourse funding to private investors should make them more willing to buy toxic assets, but the market prices of mortgage-backed securities and the like have hardly risen since the plan was announced. The effectiveness of policies to strengthen the banking system remain a wild card. Secondly, will quantitative easing re-ignite bank lending and bring a little bit of inflation back to the party? Governments can supply the "quantity" bit,

and they are, but they cannot control the "velocity" of money, which is determined by lenders' ability and inclination to lend and borrowers' willingness to borrow. Companies' and individuals' love and addiction to debt/credit could turn into a huge aversion/loathing of the same, as a result of a collapse in asset values. Both could come to suffer from "balance sheet insecurity syndrome", where heavily indebted companies and individuals turn in to savers. This could create a balance sheet recession, where companies and individuals become more interested in minimising debt than maximising profits, which suggests that a lack of demand for credit could become the bigger problem than a lack of supply of credit going forward.

The world economy is expected to contract by over 1% this year, which would be the first negative outcome for 60 years. The International Monetary Fund is forecasting that the UK economy will shrink by 3.5-4.0% in 2009; the worst prognosis for any country other than Japan, whose economy is set to decline by 5%. It predicts that the UK economy is set to keep shrinking well into next year, even after all or most of its leading competitors have begun to enjoy renewed growth. The excesses in the UK housing market and financial system dwarfed those of all other developed economies, making the healing process disproportionately costly and lengthy. The bulls acknowledge that the economic news remains grim, but feel that the pace of deterioration is abating, with the "plunging phase" over and claim that investors are starting to get a sense that things are stabilising. They say the large cuts in interest rates, the introduction of an aggressive quantitative easing initiative, lower commodity prices, the fall in Sterling and banking bail-outs are beginning to aid the economy. Two separate data points encourage the bulls that levels of UK housing market activity may be bottoming out. Mortgage approvals have picked up month-on-month in February, while Nationwide report that house prices actually rose 0.9% month-on-month in March. There are anecdotal reports that a step-up in buyer enquiries are slowly beginning to translate into actual activity. Even though the US housing market, which unleashed the sub-prime lending crisis, is declining as fast as ever in the early months of 2009, the bulls claim that the fall in US house prices may be nearer the end than the beginning. However the structural problems faced by the US real estate market remain, owing to home owners' ability to walk away from their homes and mortgage liabilities.

Equity markets have cheered up, moving towards pricing in a recession instead of a depression. Credit markets have not seen much of a recovery. Lending is still weak as banks shrink their balance sheets and issues of undercapitalisation and a lack of economic confidence limit banks from making new loans. Consumer confidence is expected to remain weak, with concerns over rising unemployment and falling house prices more than offsetting any declines in mortgage, fuel and energy costs. A sustainable economic recovery this year is far from assured, given the huge loss of household wealth and collapse in world trade. Domestic savings will rise sharply over the next few years as households attempt to rebuild their balance sheets and while UK consumers made their biggest net repayment of debt in February since records began in 1993, the required deleveraging will take years. The most intense phase of the financial crisis may well be over, as the shocks to the financial system have eased, but the economic crisis is probably still far closer to its beginning than its end. Frightening uncertainty has been replaced by the grim reality of a gradual increase in unemployment to over three million and a long and painful recession, with the steady sapping of public confidence this will bring.

Morgan Stanley are warning that UK corporate profits are set to plunge by 60% from their peak, while the return on equity is set to fall from 19% to just 8%. In most companies, there is just one overriding priority in 2009, cash, as the spectre of bankruptcy haunts the streets. Moody's is projecting a 15% default rate for high yield corporate bonds this year, which would be the highest since the Depression year of 1932. Hence the desire to conserve cash by cutting dividends. Goldman Sachs estimates a 22% fall for UK dividends this year, the worst fall since 1930. Dividend income has been an important part of shareholder returns, so the parlous state of dividends is causing investors to be cautious. There is a tough earnings season ahead and guidance for the rest of the year will be critical as investors search for stability and signs of recovery and try to assess whether or not share prices have already discounted the bad news. Expect markets to remain highly volatile as investor sentiment swings between the fears of recession or depression, inflation or deflation, while the search for green shoots gets punctured by reality checks and stockmarkets rally on short-covering, only to fall on further rounds of fund liquidations. Following a major economic contraction there is overcapacity in the economic system. When bank lending starts flowing again and banks resume their role of money-multipliers, the initial stage of recovery will be reflected in increased capacity utilisation, not rising prices, so the inflationary threat is still quite far off, leaving plenty of room to continue with the current monetary and fiscal easing initiatives.

Hansa Capital Partners LLP
Investment Manager

Portfolio Information

As at 31 March 2009

Investment	Fair value £000	Percentage of Investments
Ocean Wilsons Holdings Limited	48,634	34.98
BG Group Plc	7,385	5.31
Brit Insurance Holdings Plc	5,351	3.85
BP Plc	4,715	3.39
BHP Billiton Plc	4,640	3.34
Scottish and Southern Energy Plc	4,436	3.19
GlaxoSmithKline Plc	4,350	3.13
Hargreaves Services Plc	4,250	3.06
Eaga Plc	4,153	2.99
Eni S.p.A	4,038	2.90
Top 10 Investments	91,952	66.14
Centrica Plc	3,914	2.82
NCC Group Plc	3,500	2.52
Hammerson Plc	2,901	2.09
Herald Investment Trust Plc	2,788	2.01
HSBC Holdings Plc	2,469	1.78
Ark Therapeutics Group Plc	2,434	1.75
Royal Dutch Shell Plc	2,200	1.58
SSL International Plc	2,133	1.53
Melrose Resources Plc	2,043	1.47
Great Portland Estates Plc	1,950	1.40
Top 20 Investments	118,284	85.09
Experian Plc	1,898	1.37
Goals Soccer Centres Plc	1,831	1.32
Hansteen Holdings Plc	1,725	1.24
DV3 Ltd#	1,250	0.90
Morson Group Plc	1,103	0.79
Delta Plc	1,085	0.78
All Leisure Plc	1,083	0.78
Wolseley Plc	1,038	0.75
Cape Industries Plc	950	0.68
Andor Technology Plc	949	0.68
Top 30 Investments	131,196	94.38
Other Investments (30)	7,831	5.62
Total Investments	**139,027**	**100.00**
Listed	114,012	82.01
AIM and OFEX	22,859	16.44
Unquoted	2,156	1.55
	139,027	**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 AGM.

The law requires your Company’s Auditor to audit certain of the disclosures provided. The disclosures on the Directors’ emoluments for the year have been audited and the Auditor’s opinion is included in its report on page 39.

REMUNERATION COMMITTEE

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

The Board carried out a review of the level of Directors’ fees during the financial year and concluded that the emoluments paid to the Directors should remain unchanged.

POLICY ON DIRECTORS’ FEES

The Board’s policy is that the remuneration of non-executive Directors should not include a performance related element and that Directors do not receive bonuses, share options, pensions or long-term incentive schemes; however it 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.

DIRECTORS’ SERVICE CONTRACTS

It is the Board’s policy that all the Directors have a service contract. None of the service contracts are for a fixed term. The terms of their appointment provide that a Director shall retire and be subject to re-election at the first AGM after their appointment and at least every three years by rotation thereafter. 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

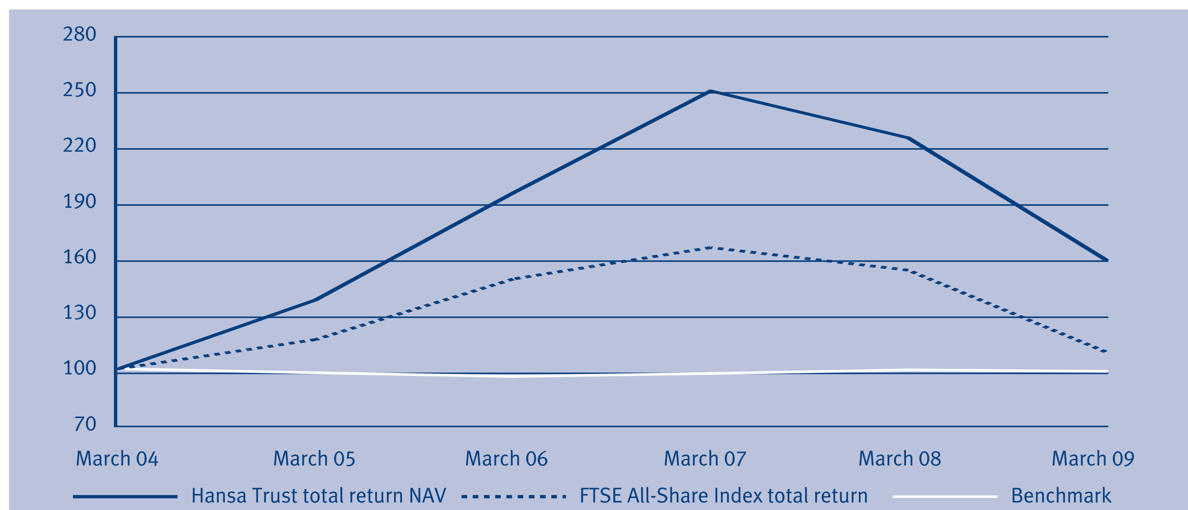
The Directors meet as a Board on a quarterly basis and at other times as necessary and the table below sets out the number of meetings and the attendance of them by each Director.

	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

The graph below shows the five year total return to shareholders against the FTSE All Share Index and 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:

	2009 £000	2008 £000
Mr Hammond-Chambers (Chairman of the Board)	30	30
Lord Borwick	20	20
Mr Salomon*	18	18
Professor Wood	20	20
	88	88

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

APPROVAL

The Directors' Remuneration Report was approved by the Board of Directors on 15 June 2009 and signed on its behalf by Mr Hammond-Chambers.

Report of the Independent Auditor to the Members of Hansa Trust PLC

We have audited the group and parent company financial statements (the "financial statements") of Hansa Trust Plc for the year ended 31 March 2009 which comprise the group income statement, the group and parent company statement of changes in equity, the group and parent company balance sheets, the group cash flow statement, and notes 1 to 23. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

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

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Directors Responsibilites statement on page 22.

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

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

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

We review whether the Corporate Governance statement reflects the company's compliance with the nine provisions of the 2006 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures.

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

Basis of audit opinion

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

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

Opinion

In our opinion:

- the group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's affairs as at 31 March 2009 and of its loss for the year then ended;
- the parent company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent company's affairs as at 31 March 2009;
- 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.

Grant Thornton UK LLP
Registered Auditor & Chartered Accountants
London
26 June 2009

Group Income Statement

For the year ended 31 March 2009

	Notes	Revenue 2009 £000	Capital 2009 £000	Total 2009 £000	Revenue 2008 £000	Capital 2008 £000	Total 2008 £000
Losses on investments	11	–	(72,631)	(72,631)	–	(28,112)	(28,112)
Gain on derivative		–	1,891	1,891	–	221	221
Exchange gains/(losses) on currency balances		–	1	1	–	(1)	(1)
Investment income	2	6,479	–	6,479	5,541	–	5,541
		6,479	(70,739)	(64,260)	5,541	(27,892)	(22,351)
Investment Management fee	3	(1,276)	–	(1,276)	(1,838)	–	(1,838)
Write back of prior years' VAT		–	–	–	674	–	674
Other expenses	4	(616)	–	(616)	(729)	–	(729)
		(1,892)	–	(1,892)	(1,893)	–	(1,893)
Profit/(loss) before finance costs and taxation		4,587	(70,739)	(66,152)	**3,648**	**(27,892)**	**(24,244)**
Finance costs	5	(113)	–	(113)	(200)	–	(200)
Profit/(loss) before taxation		4,474	(70,739)	(66,265)	**3,448**	**(27,892)**	**(24,444)**
Taxation	6	(87)	–	(87)	(144)	–	(144)
Profit/(loss) for the year		4,387	(70,739)	(66,352)	**3,304**	**(27,892)**	**(24,588)**
Return per Ordinary and 'A' non–voting Ordinary share	8	18.3p	(294.8p)	(276.5p)	13.8p	(116.2p)	(102.4p)

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 2009

	Note	Share capital 2009 £000	Capital redemption reserve 2009 £000	Retained earnings 2009 £000	Total 2009 £000	Share capital 2008 £000	Capital redemption reserve 2008 £000	Retained earnings 2008 £000	Total 2008 £000
Net assets at 1 April		1,200	300	220,378	221,878	1,200	300	247,966	249,466
Loss for the year		–	–	(66,352)	(66,352)	–	–	(24,588)	(24,588)
Dividends paid	7	–	–	(3,120)	(3,120)	–	–	(3,000)	(3,000)
Net assets at 31 March		1,200	300	150,906	152,406	1,200	300	220,378	221,878

Statement of Changes in Equity – Company

For the year ended 31 March 2009

	Note	Share capital 2009 £000	Capital redemption reserve 2009 £000	Retained earnings 2009 £000	Total 2009 £000	Share capital 2008 £000	Capital redemption reserve 2008 £000	Retained earnings 2008 £000	Total 2008 £000
Net assets at 1 April		1,200	300	220,378	221,878	1,200	300	247,966	249,466
Loss for the year		–	–	(66,352)	(66,352)	–	–	(24,588)	(24,588)
Dividends paid	7	–	–	(3,120)	(3,120)	–	–	(3,000)	(3,000)
Net assets at 31 March		1,200	300	150,906	152,406	1,200	300	220,378	221,878

The accompanying notes are an integral part of this statement.

Balance Sheet of the Group and Company

as at 31 March 2009

	Notes	**Group 2009 £000**	Group 2008 £000	**Company 2009 £000**	Company 2008 £000
Non–current investments					
Investment in subsidiary	*10*	**–**	–	**635**	637
Investments at fair value through profit and loss	*11*	**139,027**	235,366	**139,027**	235,366
		139,027	235,366	**139,662**	236,003
Current assets					
Trade and other receivables	*13*	**1,150**	2,398	**1,150**	2,398
Cash and cash equivalents	*14*	**12,452**	251	**12,452**	251
		13,602	2,649	**13,602**	2,649
Current liabilities					
Trade and other payables	*15*	**(223)**	(16,137)	**(858)**	(16,774)
Net current assets/(liabilities)		**13,379**	(13,488)	**12,744**	(14,125)
Net assets		**152,406**	221,878	**152,406**	221,878
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*	**150,906**	220,378	**150,906**	220,378
Total equity shareholders' funds		**152,406**	221,878	**152,406**	221,878
Net asset value per Ordinary and 'A' non-voting Ordinary share	*19*	**635.0p**	924.5p	**635.0p**	924.5p

The Financial Statements on pages 40 to 56 were approved by the Board of Directors on 15 June 2009 and were signed on its behalf by:

Alex Hammond–Chambers
Chairman

The accompanying notes are an integral part of this statement.

Cash Flow Statement

for the year ended 31 March 2009

	Notes	**Group 2009 £000**	Group 2008 £000	**Company 2009 £000**	Company 2008 £000
Cash flows from operating activities					
Loss before finance costs & taxation		**(66,152)**	(24,244)	**(66,152)**	(24,244)
Adjustments for:					
Realised gains on investments	*11*	**(13,181)**	(6,646)	**(13,181)**	(6,646)
Unrealised losses on investments	*11*	**85,812**	34,758	**85,814**	34,759
Effect of foreign exchange rate changes		**(1)**	1	**(1)**	1
Interest paid		**–**	–	**–**	–
Decrease in current asset investments		**–**	–	**–**	–
(Decrease)/increase in trade and other receivables	*13*	**1,248**	(1,661)	**1,248**	(1,661)
(Decrease)/increase in trade and other payables	*15*	**(114)**	42	**(116)**	41
Taxes paid		**(87)**	(144)	**(87)**	(144)
Purchase of non-current investments		**(6,974)**	(42,801)	**(6,974)**	(42,801)
Sale of non-current investments		**30,682**	22,256	**30,682**	22,256
Net cash inflow/(outflow) from operating activities		**31,233**	(18,439)	**31,233**	(18,439)
Cash flows from financing activities					
Interest paid on bank loans		**(113)**	(200)	**(113)**	(200)
Dividends paid		**(3,120)**	(3,000)	**(3,120)**	(3,000)
(Repayment)/drawdown of loans		**(15,800)**	15,800	**(15,800)**	15,800
Net cash (outflow)/inflow from financing activities		**(19,033)**	12,600	**(19,033)**	12,600
Increase/(decrease) in cash and cash equivalents		**12,200**	(5,839)	**12,200**	(5,839)
Cash and cash equivalent at 1 April		**251**	6,091	**251**	6,091
Effect of foreign exchange rate changes		**1**	(1)	**1**	(1)
Cash and cash equivalents at 31 March	*14*	**12,452**	251	**12,452**	251

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. New and changed standards in place, but not yet effective, have been reviewed, but the Board do not consider they will have an effect on the financial statements.

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

(a) Basis of preparation

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

(b) Basis of Consolidation

The Financial Statements comprise the accounts of the Company and its subsidiary undertaking made up to 31 March 2009. 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 better reflect the activities of an investment trust company and in accordance with guidance issued by the AIC, supplementary information which analyses the income statement between items of a revenue and capital nature has been presented alongside the Income Statement. In accordance with the Company's status as a UK investment company under section 833 of the Companies Act 2006, net capital returns may not be distributed by way of dividend. Additionally, the net revenue is the measure 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 income received and increases in fair value, investments are designated as fair value through profit and loss on initial recognition in accordance with IAS 39. The Company manages and evaluates the performance of these investments on a fair value basis in accordance with its investment strategy and information about the investments is provided on this basis to the Board of Directors.

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

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

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

(e) Derivative Financial Instruments

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

(f) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank, short-term deposits and cash funds with an original maturity of three months or less and are subject to an insignificant risk of changes in capital value.

(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. UK dividends are stated net of related tax credits while overseas dividends and REIT income is stated gross.

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

(h) Expenses

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

(i) expenses which are incidental to the acquisition or disposal of an investment are charged to the capital column of the Income Statement; and

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

(i) Taxation

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

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

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

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

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

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

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

(j) Foreign Currencies

Transactions denominated in foreign currencies are recorded in the local currency, at the actual exchange rates as at the date of the transaction. 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; and
– 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; and
– unrealised gains from quoted investments.

Revenue Reserves
The following are credited or charged to this reserve via the revenue column of the Income Statement:

– net revenue recognised in the revenue column of the Income Statement; and
– dividends paid.

2. INCOME

	Revenue 2009 £000	Revenue 2008 £000
Income from listed investments		
Dividends	3,474	3,840
Overseas dividends	2,454	1,564
	5,928	5,404
Other operating income		
Placement and underwriting income	–	25
Interest receivable on AAA rated money market funds	487	108
Other interest receivable	64	4
	551	137
Total income	6,479	5,541
Total income comprises:		
Dividends	5,928	5,404
Interest	551	112
Other income	–	25
	6,479	5,541

3. INVESTMENT MANAGEMENT FEE

	Revenue 2009 £000	Revenue 2008 £000
Periodic fees	1,276	1,682
VAT incurred thereon	–	156
	1,276	1,838

Details of the management agreement are disclosed in the Report of the Directors on page 15.

4. OTHER EXPENSES

	Revenue 2009 £000	Revenue 2008 £000
Secretarial services	**117**	117
Directors’ remuneration	**88**	88
Auditor’s remuneration for the audit of the Group and Company	**26**	24
Auditor’s remuneration for the review of the Half Yearly Report	**3**	2
Administration fees	**117**	126
Production and distribution of Annual and Half Yearly Report	**16**	43
Registrar’s fees	**30**	40
Bank charges	**125**	58
Marketing	**–**	71
Savings scheme	**(7)**	75
Other	**101**	85
	616	729

5. FINANCE COSTS

	Revenue 2009 £000	Revenue 2008 £000
Interest payable	**113**	200
	113	200

6. TAXATION

(a) Taxation Charge on Ordinary Activities

	Revenue 2009 £000	Revenue 2008 £000
UK corporation tax @ 28%	**–**	–
Irrecoverable foreign tax	**87**	144
	87	144

(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 28% (2008: 30%). The differences are explained below:

	2009 £000	2008 £000
Total loss before taxation	**(66,265)**	(24,444)
Loss multiplied by standard rate of corporation tax	**(18,554)**	(7,333)
Effects of:		
Non-taxable UK capital losses	**19,807**	8,367
Non-taxable UK investment income	**(973)**	(1,152)
Excess administration expenses (used) /unused	**(278)**	95
Irrecoverable foreign tax	**87**	144
Disallowed expenses	**(2)**	23
Current tax charge	**87**	144

(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 £1,252,000 (2008: £1,577,000), arising as a result of having unutilised management expenses and loan relationship deficits. In addition, there are unrecognised deferred tax assets of £7,000 (2008: £7,000) relating to the subsidiary's unutilised tax losses. The expenses will only be utilised, to the extent that there is sufficient future taxable income, or if the tax treatment of the capital gains made by the Company or the Company's investment profile changes. The Subsidiary has tax losses which will only be recoverable to the extent that there are sufficient future taxable profits.

7. DIVIDENDS PAID

	Revenue 2009 £000	Revenue 2008 £000
Amounts recognised as distributions to equity holders in the year:		
Final dividend for 2008: 9.5p (2007: 9.0p)	**2,280**	2,160
Interim dividend for 2009: 3.5p (2008: 3.5p)	**840**	840
	3,120	3,000

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 £4,389,000 (2008: £3,305,000).

	Revenue 2009 £000	Revenue 2008 £000
Interim dividend for 2009: 3.5p (2008: 3.5p)	**840**	840
Proposed final dividend for 2009: 14.5p (2008: 9.5p)	**3,480**	2,280
	4,320	3,120

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

8. RETURN ON ORDINARY SHARES (EQUITY)

	Revenue 2009	**Capital 2009**	**Total 2009**	Revenue 2008	Capital 2008	Total 2008
Returns per share	**18.3p**	**(294.8p)**	**(276.5p)**	13.8p	(116.2p)	(102.4p)

Returns

Revenue return per share is based on the revenue attributable to equity shareholders of £4,387,000 (2008: £3,304,000).

Capital return per share is based on the capital loss attributable to equity shareholders of £70,739,000 (2008: £27,892,000 loss).

Total return per share is based on the combination of revenue returns and capital losses attributable to equity shareholders, amounting to a net loss of £66,352,000 (2008: £24,588,000 loss).

Both revenue and capital return are based on: 8,000,000 Ordinary shares (2008: 8,000,000) and 16,000,000 'A' non-voting Ordinary shares (2008: 16,000,000), in issue throughout the year.

9. PROFIT OF THE COMPANY ATTRIBUTABLE TO SHAREHOLDERS

The loss for the year after taxation dealt with in the accounts of the Company is £66,352,000 (2008: £24,588,000 loss).

10. INVESTMENT IN SUBSIDIARY

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

11. INVESTMENTS HELD AT FAIR VALUE THROUGH PROFIT AND LOSS

	Listed £000	AIM & OFEX £000	Unquoted £000	**Group and Company 2009 Total £000**	Group and Company 2008 Total £000
Cost at 1 April 2008	114,324	54,528	1,464	**170,316**	143,833
Unrealised appreciation at 1 April 2008	76,144	(13,455)	2,361	**65,050**	99,808
Valuation at 1 April 2008	190,468	41,073	3,825	**235,366**	243,641
Movements in the year:					
Purchases at cost	3,942	2,122	910	**6,974**	42,093
Sales – proceeds	(30,682)	–	–	**(30,682)**	(22,256)
– realised gains on sales	13,181	–	–	**13,181**	6,646
Movement in unrealised appreciation	(62,897)	(20,336)	(2,579)	**(85,812)**	(34,758)
Valuation as at 31 March 2009	114,012	22,859	2,156	**139,027**	235,366
Cost at 31 March 2009	100,765	56,650	2,374	**159,789**	170,316
Unrealised appreciation at 31 March 2009	13,247	(33,791)	(218)	**(20,762)**	65,050
	114,012	22,859	2,156	**139,027**	235,366

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 2009 £000	2008 £000
Purchases	**29**	194
Sales	**–**	14
	29	208

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	Exc. Minority Interest Total capital and reserves US$000	Exc. Minority Interest Loss after tax for the year US$000
Ocean Wilsons Holdings Limited	Bermuda	Ordinary	26.4	31.12.08	424,524	(26,700)

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

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

Company	Class of capital	% of class held
Straight Plc	Ordinary	9.36
Polastar Plc	Ordinary	8.17
Altitude Group Plc	Ordinary	6.54
Robotic Technology Systems Plc	Ordinary	6.06
Andor Technology Plc	Ordinary	5.43
Work Group Plc	Ordinary	4.89
BV Group Plc	Ordinary	4.72
Helesi Plc	Ordinary	4.60
Leadcom Integrated Solutions Plc	Ordinary	4.57
Acertec Plc	Ordinary	4.38
Cap-XX Plc	Ordinary	4.28
Media Square Plc	Ordinary	4.03
Morson Group Plc	Ordinary	3.86
Hargreaves Services Plc	Ordinary	3.79
NCC Group Plc	Ordinary	3.71
Engel East Europe NV	Ordinary	3.13
Ark Therapeutics Group Plc	Ordinary	3.09

13. OTHER RECEIVABLES

	Group 2009 £000	Group 2008 £000	**Company 2009 £000**	Company 2008 £000
Derivatives at fair value held for trading	**869**	1,103	**869**	1,103
Prepayments and accrued income	**253**	1,285	**253**	1,285
Recoverable domestic tax	**28**	10	**28**	10
	1,150	2,398	**1,150**	2,398

14. CASH AND CASH EQUIVALENTS

	Group 2009 £000	Group 2008 £000	Company 2009 £000	Company 2008 £000
Cash funds	**12,434**	251	**12,434**	251
Cash at bank	**18**	–	**18**	–
	12,452	251	**12,452**	251

15. CURRENT LIABILITIES

	Group 2009 £000	Group 2008 £000	Company 2009 £000	Company 2008 £000
Bank loans and overdrafts	**–**	15,800	**–**	15,800
Due to subsidiary undertaking	**–**	–	**639**	640
Other creditors and accruals	**223**	337	**219**	334
	223	16,137	**858**	16,774

Details of the bank loan can be found in Note 21.

16. SHARE CAPITAL

	Company 2009 £000	Company 2008 £000
Authorised		
300,000 7.5% cumulative preference shares of £1	**–**	–
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
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 2009 £000	2008 £000
Balances at 31 March 2009 and 31 March 2008	**300**	300

18. RETAINED EARNINGS

Group	Revenue 2009 £000	Realised Capital 2009 £000	Unrealised Capital 2009 £000	Revenue 2008 £000	Realised Capital 2008 £000	Unrealised Capital 2008 £000
Opening balance at 1 April	**4,689**	**150,639**	**65,050**	4,385	143,773	99,808
Profit for the year	**4,387**	**15,073**	**(85,812)**	3,304	6,866	(34,758)
Dividend paid	**(3,120)**	**–**	**–**	(3,000)	–	–
Closing balance at 31 March	**5,956**	**165,712**	**(20,762)**	4,689	150,639	65,050

Company	Revenue 2009 £000	Realised Capital 2009 £000	Unrealised Capital 2009 £000	Revenue 2008 £000	Realised Capital 2008 £000	Unrealised Capital 2008 £000
Opening balance at 1 April	**4,055**	**150,639**	**65,684**	3,750	143,773	100,443
Profit for the year	**4,389**	**15,073**	**(85,814)**	3,305	6,866	(34,759)
Dividend paid	**(3,120)**	**–**	**–**	(3,000)	–	–
Closing balance at 31 March	**5,324**	**165,712**	**(20,130)**	4,055	150,639	65,684

Note: Only Revenue reserves are distributable, by way of dividends.

19. NET ASSET VALUE

	2009	2008
Net asset value per Ordinary and ‘A’ non-voting Ordinary share	**635.0p**	924.5p

The net asset value per Ordinary and ‘A’ non-voting Ordinary share is based on the net assets attributable to equity shareholders of £152,406,000 (2008: £221,878,000) and on 8,000,000 Ordinary shares (2008: 8,000,000) and 16,000,000 ‘A’ non-voting Ordinary shares (2008: 16,000,000), in issue at 31 March 2009.

20. COMMITMENTS AND CONTINGENCIES

The Company has entered into a commitment agreement with DV3 Limited, an unquoted property investment company. The commitment was for £807,438 for a period of three years from 30 March 2008. The amount outstanding at 31 March 2009 was £327,438 (2008: £807,438).

During 2007/08 the Company entered into a further commitment agreement with DV4 Limited, also an unquoted property investment company. The commitment was for £10m for a period of five years from 7 March 2008 and the amount outstanding at 31 March 2009 was £8,268,873 (2008: £8,699,704).

The Company continues to pursue the outstanding VAT recoverable following the HMRC’s acceptance of the European Court of Justice Judgement, from its former investment managers and whilst the Board is confident it will recover further amounts, the level and timing of these amounts remains uncertain.

21. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS

Background

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

Risk Objectives and Policies

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

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

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

Risks Associated with Financial Instruments:

Foreign currency risk

Foreign currency risks arise in two distinct areas which affect the valuation of the investment portfolio. 1) where an investment is denominated and paid for in a currency other than sterling; and 2) where an investment has substantial non-sterling cash flows. The Group does not normally hedge against foreign currency movements affecting the value of the investment portfolio, but takes account of this risk when making investment decisions. The Investment Manager monitors the effect of foreign currency fluctuations through the pricing of the investments by the various markets. The level of investments denominated in foreign currencies held by the Company at 31 March 2009 is 2.8% of the portfolio (2008: 2.8%) and therefore the portfolio valuation is not materially sensitive to foreign currency fluctuations.

	Direct foreign currency risk 2009 £000	**No direct foreign currency risk 2009 £000**	**Total 2009 £000**	Direct foreign currency risk 2008 £000	No direct foreign currency risk 2008 £000	Total 2008 £000
Investments	**4,256**	**134,771**	**139,027**	6,634	228,732	235,366
Other receivables excluding prepayments	**–**	**1,129**	**1,129**	–	2,381	2,381
Cash funds	**–**	**12,434**	**12,434**	–	251	251
Cash at bank	**–**	**18**	**18**	–	–	–
Current liabilities	**–**	**(223)**	**(223)**	–	(337)	(337)
Bank loan	**–**	**–**	**–**	–	(15,800)	(15,800)
	4,256	**148,129**	**152,385**	6,634	215,227	221,861

Interest rate risk

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

The Company has banking facilities amounting to £30m (2008: £30m) which are available for the Investment Manager to use in purchasing investments, the costs of which are base rate plus a margin. The Group does not normally hedge against interest rate movements affecting the value of the investment portfolio, but takes account of this risk when an investment is made utilising the facility. The level of banking facilities used is monitored by both the Board and the Investment Manager on a regular basis. The impact on the returns and net assets of the Company for every 1% change in interest rates based on the amount drawn down at the year end under the facility would be £Nil (2008: £158,000). The level of banking facilities utilised at 31 March 2009 was £Nil (2008: £15.8m).

Interest rate changes will always impact equity prices. The level and direction of change in equity prices is subject to prevailing local and world economic conditions as well as market sentiment, all of which are very difficult to predict with any certainty. The Company has floating rate financial assets consisting of bank balances and cash funds that have received average rates of interest during the year of 1.3% on bank balances and 4.3% on cash funds.

	Cash flow interest rate risk 2009 £000	**No interest rate risk 2009 £000**	**Total 2009 £000**	Cash flow interest rate risk 2008 £000	No interest rate risk 2008 £000	Total 2008 £000
Investments	**–**	**139,027**	**139,027**	–	235,366	235,366
Other receivables excluding prepayments	**–**	**1,129**	**1,129**	–	2,381	2,381
Cash funds	**12,434**	**–**	**12,434**	251	–	251
Cash at bank	**18**	**–**	**18**	–	–	–
Current liabilities	**–**	**(223)**	**(223)**	–	(337)	(337)
Bank loan	**–**	**–**	**–**	(15,800)	–	(15,800)
	12,452	**139,933**	**152,385**	(15,549)	237,410	221,861

Other price risk

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

The Company's investment in Ocean Wilsons is large both in absolute terms (£48.6m) and as a proportion of the portfolio (35.0%). Shareholders should recognise that if anything of a severe and untoward nature were to happen to this company, it could result in a significant reduction in the NAV and share price. However it is an investment the Board pays close attention to and it should be pointed out that the risks associated with it are very different from those of the other companies represented in the portfolio. The Board itself has recently undertaken a thorough review of its business and prospects and determined that its future holds a lot of promise. As a consequence the Board believes the risk involved in the investment is worthwhile.

The performance of the portfolio as a whole is not designed to correlate with that of any London Stock Exchange Index. Should the portfolio of the Company, as detailed on page 36, rise or fall in value by 10% from the year end valuation, the effect on the Group profit and equity would be an equal rise or fall of £13.9m (2008: £23.5m). The Group gearing, which is currently at 0.15% (2008: 6.8%), would increase to 0.16% (2008: 7.5%) should the Company's portfolio fall in value by 10%. The impact of the Company's derivative strategies, which are detailed below, would not materially affect the value of the portfolio following a 10% fall in its value.

Derivatives

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

Index	**Notional Value**	**Upper Strike Price**	**Lower Strike Price**	**Market Value as at 31 March 2009**	**Expiry Date**
FTSE 100	8,895,030	5,571.00	4,952.00	£869,383	5 May 2009
				£869,383	

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, the date the stock and cash are transferred and the settlement date. The level of risk during the period is the difference between the value of the original transaction and its replacement with a new transaction. The amounts due to/(from) brokers at 31 March 2009 are shown in Note 13.

The Company's maximum exposure to credit risk on OTC options and cash funds is £13,321,000 (2008: £1,354,000). Amounts receivable in relation to options open at the year end amounted to £869,383 (2008: £1,102,639). The related credit risk is managed by purchasing the options from a regulated institution. Surplus cash is placed in AAA-Rated cash funds.

Liquidity Risk

The liquidity risk to the Company is that it is unable to meet its obligations as they fall due, due to a lack of available cash and an inability to dispose of investments in a timely manner. The majority of the Company's portfolio is held in liquid quoted investments; however there is a large holding in Ocean Wilsons Holdings Ltd of 35.0% (2008: 31.0%), and in other holdings in AIM and unquoted investments of 16.4% (2008: 17.5%).

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 top 30 investments held at 31 March 2009 is shown on page 36, together with a summary table detailing the markets on which the investments are quoted. This can be used broadly to ascertain the levels of liquidity within the portfolio, although liquidity will vary with each investment.

The Group's financial liabilities at 31 March 2009 consist of a short-term bank loan amounting to £Nil (2008: £15.8m) that would bear interest based on the prevailing LIBOR rate plus an agreed margin. This loan is part of a total revolving credit facility with ING Barings Plc of £30m (2008: £30m). The facility is a committed facility repayable on or before 11 February 2011 and subject to a covenant requirement of a minimum adjusted net asset value of £80m. The Group has undrawn loans from this facility of £30m (2008: £14.2m). The Company holds this facility for use at short notice for its investment activities. If fully drawn the loan would form 21.6% (2008: 12.7%) of the current value of the investment portfolio.

Capital Management

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

However, the Board believes 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 2009 are disclosed in the Report of the Directors page 15 and in Note 3 above.

23. CONTROLLING PARTIES

At 31 March 2009 Nicholas B. Dill, Jr and Codan Trust Company Limited held 51.20% of the issued Ordinary shares. Additional information is disclosed in the Report of the Directors, "Substantial Shareholders" on page 20.

Notice 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 30 July 2009 at 11:30 am, for the following purposes:

Ordinary Business

1 To receive and consider the audited Financial Statements and the Report of the Directors for the year ended 31 March 2009.

2 To declare a final dividend.

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

4 To re-elect Mr Hammond-Chambers (a biography and board endorsement can be found on page 10), who retires, a Director of the Company.

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

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

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

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

Special Business

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

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

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

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

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

THAT the authority conferred by this resolution shall expire on the date of the next AGM (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 50 Curzon Street
26 June 2009 London W1J 7UW

NOTES

1 Attendance at Meeting

Ordinary shareholders, proxies and authorised representatives of corporations which are Ordinary shareholders, are entitled to attend the meeting. Shareholders' names must be entered on the register by 11:30am on 28 July 2009, in order 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 11:30am on 28 July 2009 ('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 AGM 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 CREST'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 a non-CAT Standard ISA up to the full annual subscription limit. It is the present intention that the Company will conduct its affairs so as to continue to qualify for ISA 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
Email: hansatrustenquiry@hansacap.com
www.hansagrp.com

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

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

WEBSITE ADDRESS AND CONTENTS

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

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

SHARE PRICE LISTINGS

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

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

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

USEFUL INTERNET ADDRESSES

Association of Investment Companies	www.theaic.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	18 June
Annual Report sent to shareholders	30 June
Annual General Meeting held	30 July
Final dividend payment	10 August
Announcement of half yearly results	November
Half Yearly Report sent to shareholders	December
Half Yearly dividend payment	December
Interim Management Statements	January & July

Company Information

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50 Curzon Street
London W1J 7UW

INVESTMENT MANAGER
Hansa Capital Partners LLP
50 Curzon Street
London W1J 7UW

AUDITORS
Grant Thornton UK LLP
30 Finsbury Square
London EC2P 2YU

SOLICITORS
Eversheds
One Wood Street
London EC2V 7WS

REGISTRAR
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