126107

HANSA TRUST PLC

ANNUAL REPORT Year Ended 31 March 2010

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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 reinvested 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-Mar-10	31-Mar-09	% change
Shareholders' Funds	**£215.0m**	£152 4m	41 1
Dividends (see Note 7)	**25.0p**	18 0p	38 9
Net Asset Value (NAV) per share			
Opening NAV	**635 0p**	924 5p	-
Dividends (see Note 7)	**(39.4p)**	(13 0p)	-
Revenue and capital return	**300 3p**	(276 5p)	-
Closing NAV	**895.9p**	635 0p	41 1
Performance Benchmark	**6.2%**	6 7%	-
Ordinary Share Price	**760.0p**	510 0p	49 0
'A' Ordinary Share Price	**750.0p**	490 0p	53 1
FTSE All-Share Index	**2,910**	1,984	46 7
Discount			
Ordinary shares	**15.2%**	19 7%	-
'A' non-voting Ordinary shares	**16.3%**	22 8%	-
Total Return (Dividends Reinvested)			
Ordinary shares	**57 4%**	(36 7%)	-
'A' non-voting Ordinary shares	**61.8%**	(38 8%)	-
FTSE All-Share Index – Total Return	**52 8%**	(29 0%)	-

COMPANY REGISTRATION AND NUMBER

The Company is registered in England and its number is 126107

10 Year Performance Statistics

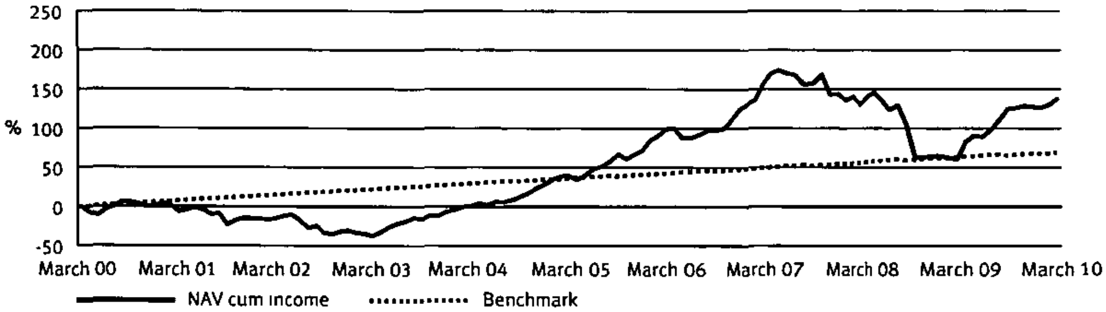
TEN YEAR RECORD

Year ended	Shareholders' Funds	Net Asset Ordinary and 'A' Ordinary	Annual Dividend	Share Price Ordinary	Share Price 'A' Ordinary	FTSE All-Share Index	Discount/(Premium) Ordinary	Discount/(Premium) 'A' Ordinary
2010	£215 0m	895 9p	25 0p	760 0p	750 0p	2,910	15 2%	16 3%
2009	£152 4m	635 0p	18 0p	510 0p	490 0p	1,984	19 7%	22 8%
2008	£221 9m	924 5p	13 0p	820 0p	815 0p	2,927	11.3%	11 8%
2007	£249 5m	1,039 4p	12 5p	1,123 0p	1,022 5p	3,283	(8 0%)	1 6%
2006	£196 4m	818 2p	9 75p	847 5p	818 0p	3,048	(3 6%)	0 0%
#2005	£140 1m	583 5p	9 25p	566 0p	546 5p	2,458	3 0%	6 3%
2004	£102 4m	426 8p	6 0p	350 0p	346 5p	2,197	18 0%	18 8%
2003	£64 9m	270 4p	4 0p	215 0p	218 0p	1,736	20 5%	19 4%
2002	£89 2m	371 5p	5 0p	307 5p	305 0p	2,557	17 2%	17 9%
2001	£99 3m	413 9p	5 0p	490 0p	390 0p	2,711	(18 4%)	5 8%
2000	£106 8m	445 0p	5 0p	416 5p	382 5p	3,111	6 4%	14 0%

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

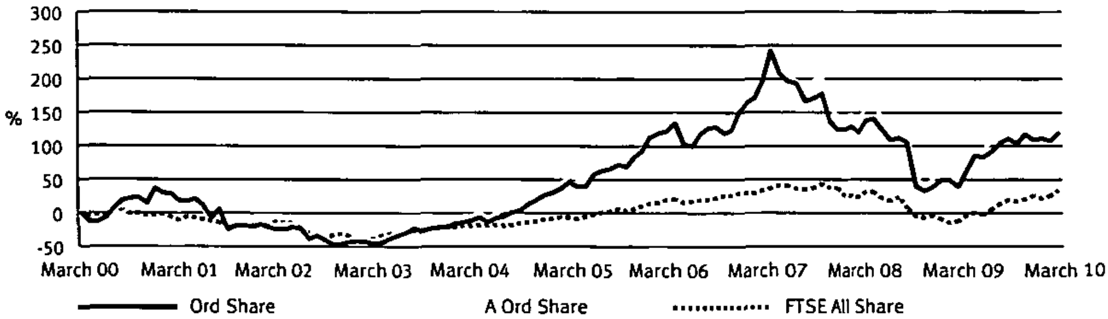
TEN YEAR SHAREHOLDERS' TOTAL RETURN RECORD

Net Asset Value Total Return



	1 year	3 years	5 years	10 years
Net Asset Value – dividends reinvested	48 0%	(7 1%)	70 0%	138 0%
Benchmark	6 2%	19 7%	33 0%	69 2%

Share Price Total Return



	1 year	3 years	5 years	10 years
Ordinary Share – dividends reinvested	57 4%	(26 3%)	50 1%	119 7%
"A" Ordinary Share – dividends reinvested	61 8%	(20 0%)	53 9%	137 7%
FTSE All-Share	52 8%	0.4%	44 0%	34 9%

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

Chairman's Statement

2009-2010: STOCK MARKET RECOVERS, VOLATILITY CONTINUES

A year ago all was gloom and doom, a year on there is a sense of relief that there has been no doom, but no conviction that it hasn't just been postponed Stock markets remain volatile and edgy It is interesting to look back over the last ten years (31 March 2000 to 2010) and remind ourselves how volatile stock markets have been Volatility may be born of many things but three certainly contribute to it volatile interest rates, excessive amounts of debt and nervousness about the future (caused I believe by – as much as anything – lack of credibility in our political leadership and its policies)

The decade began with the bursting of the dot com boom Indices had become thoroughly distorted by small and often worthless companies being valued as large, while larger well established businesses were demoted to the junior leagues The UK stock market duly collapsed and over circa three years between 31 March 2000 and its subsequent low on 12 March 2003, just before the invasion of Iraq, it fell by 48 9% The Federal Reserve, the US central bank, had reduced its interest rate from 6% to 1%, in an almost panic like fashion, markets worldwide became flush with money

In response to very easy global monetary conditions stock markets recovered, the FTSE All-Share Index rising by 119% in the space of just over four years However the loose money had also triggered what proved to be property and housing bubbles of volcanic proportions, like all volcanoes, they do eventually burst and it did – in spectacular fashion Between an intra-day high on 13 July 2007 and the eventual bottom nearly two years later on 9 March 2009 the UK stock market fell 49 6% Now, just over one year on, the stock market, once again swimming in oceans of money, had recovered by no less than 65 7% at our year end It all amounted to one hell of a roller coaster

Given that over the full ten years the UK stock market declined by 6 4%, it can be said that Macbeth's "full of sound and fury signifying nothing" aptly describes what has been going on The point of all of this is that we live in volatile times and we are likely to continue to do so, the three causes outlined above are still very much in play Our own net asset values and therefore our two share prices have also experienced volatility (although we have been fortunate enough to make money over the ten year period), the volatility is likely to continue

THE YEAR'S RESULTS

NAV. +41.1% to 895.9p per share

After the disappointment of not making any money last year – during which the net asset value declined by 31 3% – we enjoyed the benefit of the recovery in the world's stock markets Our net asset value rose after dividend payments by 260 9p per share (41 1%) to 895 9p per share, driven once again by a stellar performance by our holding in Ocean Wilsons – it contributed 167 6p of the rise and ended the year accounting for 39 4% of the Trust's net asset value Most of the rest of the portfolio chipped in but to a lesser extent, the individual holdings being much smaller than that in Ocean Wilsons We suffered just a few losses, most notably from our holding in Ark Therapeutics

We have stressed many times that it is our aim to make money for shareholders over the longer-term (which I will return to later) and so it is that we have an absolute benchmark (described on page 2) that reflects that money making goal During the year it returned 6 2% The FTSE All-Share Index, which we keep an eye on, rose by 46 7% John Alexander's portfolio management commentary, which starts on page 23, is his usual excellent account of what has been going on in stock markets and in our portfolio and his observations about the outlook for stocks and shares in the UK It is a good read and I do encourage shareholders to peruse it, very few portfolio managers provide such a thorough resume of their activities

OCEAN WILSONS

Value of Holding: +74 0% at £84.6m

Our investment in the shares of Ocean Wilsons, as I mentioned above, had a cracking good year, the value of it rose by 74% and stood at £84 6m at our year end (accounting for 39 4% of the net asset value) The company continues to do well and its prospects remain exciting Again, John's commentary provides a good review of its progress

We should remember that Ocean Wilsons' business (market capitalisation 31 March 2010: £325 3m) now consists of -

i its 58 25% owned subsidiary, Wilson Sons Ltd which is involved in maritime services in Brazil and which had a stock market value at our year end of $922 4m, and

ii a portfolio of investments with a market value of $245 m (of which 41% is invested in quoted equities, 9% in bonds, 25% in unquoted investments and 25% is held in cash) – invested in different countries but with an emphasis on the emerging economies (including the Americas 41%, Asia 30%, Europe 5%, and the UK 10%)

It is not our policy to trade in and out of our holding in Ocean Wilsons One of the reasons for achieving the quotation for Wilson Sons shares two years ago, realising some cash from Ocean Wilsons' investment in it, was to make Ocean Wilsons a geographically more diversified company So, although our holding of 26 4% of Ocean Wilsons accounts for 39 4% of our net asset value (as mentioned above) the exposure to any one country or to any single investment is much less

DIVIDEND

+38.9% to 25.0p per share

We experienced a particularly good year in terms of the investment income from our portfolio, it rose from £6 5m to £8 4m, an increase of 29 2% Declines in the interest and tax paid meant that the earnings rose by even more – by 50% – from 18 28p to 27 42p per share The investment income benefited from increased dividends, most notably that from Ocean Wilsons, which increased its dividends by 40% – from US$0 30 to US$0 42 per Ocean Wilsons share

In respect of this year the Board of Directors has declared interim dividends – one of 3.5p per share and one of 21 5p per share, totaling 25 0p per share (18 0p per share was paid in respect of last year) Details of the payments can be found in note 7 to the accounts on page 44

As I mentioned last year, the portfolio is managed for capital growth so that the amount of income generated will vary with whatever happens to be in the portfolio in any given year and when the companies concerned pay their dividends As a consequence the dividend may rise or fall from one year to the next, although over the very long term it should rise as the general level of dividends grows (over the last ten years it has risen from 5p to 25p per share)

SHARE PRICE PERFORMANCE

Ordinary shares:	**+49.0% to 760p per share;**	**Discount to NAV. 15.2%**
"A" Ordinary shares·	**+53.1% to 750p per share;**	**Discount to NAV: 16.3%**

As confidence returned to the stock market and share price valuations recovered, so the discounts on investment trust shares declined, thereby providing even better returns for shareholders than those of their underlying net asset values In our case the discounts declined from the very depressed levels of March 2009

The table below provides an attribution of shareholders' return over the course of the year – after taking into consideration the dividends paid during the course of the year, amounting to 39 5p per share

Attribution of Shareholder Returns	**Ordinary Shares**	**"A" Ordinary Shares**
Share price change due to change in NAV	+209 5p	+201 3p
Share price change due to change in discount	+40 5p	+58 7p
Dividends paid during the year	+39 5p	+39 5p
Shareholders' Return	**+289.5p**	**+299.5p**

We do take powers to buy back shares and will do so if the circumstances make it particularly attractive But, as I will expound upon later, we do not seek to manage the share price over the short term with buy back programmes, content in the knowledge that over the long term the share price return will not be materially different from the net asset value return

LONG TERM NAV RETURNS

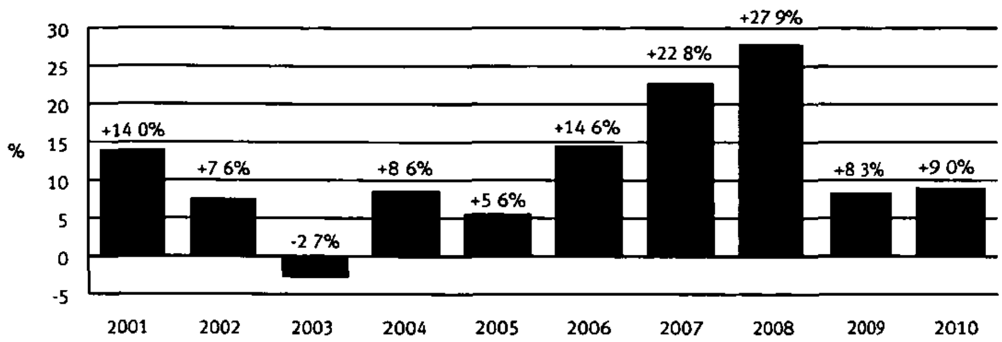
5 Years· NAV· +53 5%;	**Benchmark· +33.0%;**	**FTSE All-Share Index: +18 4%**
Ordinary share price:	**+34.3% (including dividends +49.1%)**	
"A" Ordinary share price:	**+37.2% (including dividends +52.7%)**	

As I stressed above, we manage the Company and its portfolio to make money over the longer-term, a period that we deem to be a rolling five years So the Board of Directors, in assessing the performance of the Company, looks at returns that have been earned for shareholders as part of their annual assessment of the Management As the numbers above show, the returns over the last five year period have been quite satisfactory, particularly given that it included the severe two year bear market that ended in March 2009 The net asset value has risen by 53 5% which is equivalent to 9 0% per annum, better than the benchmark, which in turn is rather better than the stock market (FTSE All-Share Index)

However, looking at how the five year rolling returns have worked out in the last ten years and the chart opposite illustrates that, by and large and with the exception of one period, the five year returns have been satisfactory – some very good periods, others not quite as good but, in nine out of the ten periods, money has been made for shareholders For the first ten years of this new century the net asset value rose 101 3% (equivalent to 7 2% per annum) That's not bad considering the FTSE All-Share Index declined 6 5% over those years

Having looked at the record referred to opposite, the independent Directors have had no difficulty in concluding that it is in shareholders' interests that Hansa Capital Partners remain as the Company's investment manager It isn't just the long-term returns that we looked at in reaching the conclusion but also the management and administration of the Company's affairs generally In that respect we are also 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 Partners for all they do for us and the returns they have earned for us over the years Thank you

Five Year NAV Returns (pa) 2001 to 2010



HANSA TRUST – AN INVESTMENT TRUST THAT IS DIFFERENT

It is always risky to portray anything as unique, but I would describe Hansa Trust as very different from the vast majority of other investment trusts The first and perhaps most fundamental difference lies in the capital structure of the Trust, with 16 million non-voting "A" Ordinary shares and 8 million voting Ordinary shares The Directors and members of the investment manager have a significant interest in the shares of Hansa Trust PLC, which affords the Trust the protection from the corrosive influence of short-termism so prevalent in the activities of today's stock market Hansa Trust really can and does take long term decisions when making investments

Perhaps the most obvious illustration of our long-termism is provided by our investment in Ocean Wilsons Our holding of 9,352,770 shares was acquired in 1958 and has never been changed since As I have mentioned earlier, it is not our policy to trade this investment, largely because it is unlikely we will add value to our holding by trading in and out of it and it would compromise our tax status While I would not suggest that all of the different holdings in the portfolio will be retained for decades on end, we do not seek to trade them just because there might be short term price movements We believe that high portfolio turnover seldom adds value and that we certainly won't achieve extra returns from trading and of course having 39 4% of the Trust's assets invested in the shares of one rather unusual company – Ocean Wilsons – makes Hansa Trust's portfolio very different from most others

Another feature of Hansa Trust, although by no means unique, is that its Investment Manager, Hansa Capital Partners is not in the asset gathering business Hansa Capital Partners, concentrates solely on making money for its clients The business model of most investment managers is focused on building the assets under management – so as to build their management fee revenues and profits Although that is difficult to achieve without a good performance record, it is not quite the same thing For them, making money from – rather than for – their clients is the priority Nothing better reflects this than the fact that many managers charge performance fees for losing their clients' money – providing they lose them less than the market Hansa Trust, with a large proportion of its shares in the hands of the Board and Management (an unusual feature within the investment trust world) benefits from that focus on making money

Investment trusts are subject to the pressure not only to produce good short-term returns but also to ensure that their share prices are as high as possible – again in the short-term Faced with the competition of the instant liquidity of unit trusts and open-ended investment companies, investment trusts have found themselves being forced to minimise their discounts – if possible at all times Worse still the market making capacity for investment trusts has shrunk so that they find themselves playing the role of market maker of last resort They are becoming hybrids – half investment trusts and half unit trusts – and are losing some of the benefits that accrue from proper long-term portfolio management We do not engage in a policy of discount control management, believing that it is not the duty of any board of any company to engage in short-term share price fixing However, we do retain the ability to buy back shares should an appropriate and very attractive opportunity to enhance the net asset value significantly present itself

The point that I am guilty of going on and on about the portfolio is managed to make money over the long-term Nearly all investment trusts do in fact have an absolute return goal (usually expressed as capital gains) but they judge their performance on a relative basis by comparing their returns to that of an equity index It is a perfectly well understood axiom that, if a benchmark for performance in any field is set (teaching, hospitals, etc and, of course, portfolio management), then beating it will ultimately become the goal The fact that portfolio managers generally regard the risk in any holding to be its weighting relative to that within an index provides evidence of the relative portfolio management bias We regard the risk in any holding as the risk that we have made a bad investment and will lose money for shareholders

I should make one final point and make it emphatically Just because we are different does not mean we will always perform better than others We won't However, we are not different just for the sake of it but rather because we believe it is the better way to do things and that, over the long-term, it will produce good results for our shareholders – whatever anyone else may achieve

ANNUAL GENERAL MEETING

3 August 2010 at 11.30am at the Washington Hotel, Curzon Street

The Annual General Meeting will be held at the Washington Hotel, Curzon Street, London (Green Park tube station, see map on page 55) at 11 30am on Tuesday 3 August 2010 Your attendance is important to us because it gives us, the Directors and Management, the chance to hear your views, concerns and suggestions Please come and join us John 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 Management and discuss any aspect of the Company's business – should you wish to do so

OUTLOOK

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

The strap line above is the same as that above last year's outlook statement The fact that not much of a fundamental long-term nature has changed in the last year does perhaps justify repeating the statement Governments in many countries all over the world have flooded markets with money and made their tax payers bail out their banking systems – so that the consequences of decades of living beyond our means have been alleviated for the time being liquidity has been returned to the financial system, economies have stopped shrinking and stock markets have made remarkable recoveries But the basic causes of the crisis have not been addressed, with governments frightened of doing anything too drastic or too quickly for fear of the political consequences Macbeth's (again!) quote "if it were done when 'tis done, then 'twere well it were done quickly" does not seem to resonate with our political masters

In the statement last year I addressed the inflation/deflation conundrum, wondering which way it would go Would we follow down the path of Japan which has still not fully recovered from its financial orgy of the 1980s? Or would we suffer the fate of high inflation as governments set about debasing their currencies as a solution to their debt repayment problems? The jury remains out on the conundrum and I suspect will remain so for quite some time.

But it isn't just this rather fundamental issue that creates uncertainty about the future There are all sorts of paradoxes that abound within the writings of City commentators, which will be resolved in the longer-term but which add to the uncertainty of the moment For instance

- Economic growth will return but consumer expenditure will be restrained and government expenditure will be cut
- Economic growth can return (to previous debt enhanced rates, even) but interest rates will remain low

- Consumer expenditure (the biggest component of GNP) can grow but the consumer will be hit with higher taxes and repayment of debts
- The Government will put its house in order (raise taxes and cut expenditure) but the economy will continue to grow
- Interest rates will stay low but the government will be borrowing huge quantities of money
- Inflation will stay low but the central bank will continue to buy government debt and thereby print money
- Interest rates will stay low because of slow economic growth but company sales and profits will continue to grow
- The City will prosper but the rest of the economy won't

To be fair there are quite a number of commentators who are both realistic and logical in their assessments of the future, it is important to understand, however, that optimism is the oxygen of the City and that much of what is said drives stock market sentiment in the short term but suffers from the Mandy Rice-Davies syndrome – "he would say that, wouldn't he " So when reality slaps us in the face – the Greek Euro Tragedy, for instance – markets retreat very quickly indeed and so it is that volatility continues to dominate investing

We really don't know how the future is going to pan out for our economy As long as we go on believing that past economic policies and behaviour are the solution to the problems we face, the greater the problems we store up for ourselves To quote Martin Wolf "The question is whether the country drives those adjustments [the ones necessary to address our structural problems] or is driven by them " At this stage it must be said that the second outcome is the more likely

Having wallowed for a few paragraphs in gloom and doom, I think it is worth making a couple of very positive points about the corporate world in which we invest While our Government seems to be frozen in indecision (or, where it does make a decision, it is usually too little rather late), companies have been anything but They have been decisive and quick about putting their houses in order and preparing themselves for difficult times ahead (whether or not they occur) Costs have been slimmed down, debt has been repaid, equity has been raised and positive cash flow is being generated

Secondly, British companies are – as a generalisation – very international in the structure of their businesses so that the woes of Britain don't affect them hugely Something like two thirds of the sales and profits of quoted companies are earned abroad – providing an excellent hedge against our own problems but, better still, providing growth opportunities from exposure to more soundly financed countries with growing economies and from any decline in the exchange rate of the Pound

Therein lies the opportunity for Hansa Trust The right equities can provide a good safe haven in these troubled times and it is, in part at least, these two factors that have driven the recovery in the stock market Despite having a portfolio of stocks and shares that are listed on the London Stock Exchange, our exposure to the UK economy is a little less than 30% We undertook a portfolio exercise – by looking at the geographic breakdowns of the companies that are provided in their annual reports – which showed that circa 37% is exposed to the Americas (of which circa 29% is accounted for by Brazil), circa 20% to Europe, Middle East and Africa, circa 11% to the emerging markets of East Asia and circa 29% in the UK

We have always stated that ultimately the prospects for Hansa Trust are in our own hands Choosing the right companies to invest in can be very rewarding over the long-term Patience in investing has always been rewarding generally and for our shareholders specifically I think it will prove to be so in the future

Alex Hammond-Chambers
Chairman 24 June 2010

Report of the Directors

for the year ended 31 March 2010

The Directors present their Report and Financial Statements for the year ended 31 March 2010

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

The Directors who served in the year to 31 March 2010 are set out below Each of them 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

The Company's Articles of Association include a general power for the Directors to authorise any matter which would or might constitute or give rise to a breach of the duty of a director under s 175 of the Companies Act 2006 Procedures have been established for the disclosure of any such conflicts and also for the consideration and authorisation of these conflicts by the Board, where relevant

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 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 Investment Manager and Company Secretary), 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

A 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 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, coincidently as required by s 1158 CTA 2010 (formerly s 842 ICTA 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 Constitution allows 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 for the year ended 31 March 2010

Results and Dividends

The results attributable to shareholders for the year and the transfer to reserves are shown on page 37

The dividends paid and proposed are as follows

	2010 £000	2009 £000
Ordinary and 'A' non-voting Ordinary shares		
Interims paid of 25 0p (2009 3 5p) per share	**6,000**	840
Final proposed nil (2009 paid 14 5p) per share	**–**	3,480
Total dividends	**6,000**	4,320

The Board are not proposing a final dividend

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

To 31 March 2010	(1 year)	(3 years)	(5 years)	(10 years)
Share Price				
Ordinary shares	**57.4%**	(26 3%)	50 1%	119 7%
'A' non-voting Ordinary shares	**61.8%**	(20 0%)	53 9%	137 7%
Company's benchmark	**6.2%**	19 7%	33 0%	69 2%

ii) Company – Total Returns

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

To 31 March 2010	(1 year)	(3 years)	(5 years)	(10 years)
Net Asset Value	**48.0%**	(7 1%)	70 0%	138 0%
Absolute comparison				
Company's benchmark	**6.2%**	19 7%	33 0%	69 2%
Relative comparison				
FTSE All-Share Index	**52.8%**	0 4%	44 0%	34 9%
Peer Group Average	**56.8%**	(11 7%)	48 2%	57 5%

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.

	2010	2007	2005	2000
Discount				
Ordinary shares	**15.2%**	(8 0%)	3 0%	6 4%
'A' non-voting Ordinary shares	**16.3%**	1 6%	6 3%	14 0%
Peer Group Average	**11 3%**	6 4%	8 3%	12 8%
AIC Average	**10 3%**	5 2%	7 4%	13 7%

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

To 31 March 2010	(1 year)	(3 years)	(5 years)	(10 years)
Total expense ratio per annum	**1 0%**	0 9%	0 9%	1 0%
NAV Total Return per annum	**48.0%**	(2 4%)	14 0%	13 8%

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

- A large rise in either long or short term interest rates
- A collapse of Sterling
- Currency instability, in particular the disintegration of the Euro
- Uncertainty of outcome of recovery policies (particularly inflation or deflation), given they amount to a untried experiment
- Aftershocks to the financial crisis, particularly in the continental European banking system
- Unquantifiable risks in China
- Risk of political paralysis stemming from the coalition government
- Terrorism and international conflict
- Regulatory change, particularly from the EU

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 1158 CTA 2010 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 1158, 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 1158 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 50 to 53

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 Bank NV, 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 repurchase 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 of dividends payable to shareholders**
  The Board's policy is to distribute to shareholders the majority of the Company's income by way of dividends

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 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 (2009 £100,000)

Administrator

The Company engages BNP Paribas Services UK Limited as its Administrators

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 2010 and 14 June 2010 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	4,096,350	51 2

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 Directors' Interests section on page 16

BOARD STATEMENTS AND DISCLOSURES

In accordance with the Companies Act 2006 and Financial Services Authority UKLA Listing Rules, the Board is required to make the following statements and disclosures to shareholders

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 connected parties in the Company at 31 March 2010 are shown below

	Ordinary shares of 5p each		'A' non-voting Ordinary shares of 5p each		Nature of interest
	2010	2009	**2010**	2009	
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	**7,100**	7,000	Beneficial

Mr Salomon is the senior partner of Hansa Capital Partners LLP Fees payable to Hansa Capital Partners LLP amounted to £1,264,413 (2009 £1,276,271) The investment management fee outstanding at the year end amounted to £110,829 (2009 £88,268) 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 2010 was £216,309,000 (2009 £139,027,000) Taking these investments at this valuation, the net assets attributable to each Ordinary and 'A' non-voting Ordinary share amounted to 895 9p at 31 March 2010 (2009 635 0p)

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 2010 outstanding trade creditors amounted to £Nil (2009 £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 1158 CTA 2010 The Company has received approval as an investment trust for the year ended 31 March 2009 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

Corporate Governance

The Corporate Governance Statement on pages 18 to 21 forms part of this Report of the Directors

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 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

PJGordon

By order of the Board
Hansa Capital Partners LLP
Secretary
24 June 2010

Corporate Governance Statement

This statement forms part of the Report of the Directors

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 misstatement or loss

Financial Reporting

The Board has a responsibility to present a balanced and understandable assessment of annual, half-yearly and other price sensitive public reports and reports to regulators, as well as to provide information required to be presented by statutory requirements All such reports are reviewed and approved by the Board prior to their issue to ensure that this responsibility is fulfilled

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 20 and the existence of a Senior Independent Director, 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 independent

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

  With the exception of Mr Salomon, who is a partner in the Investment 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 33

- **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 or 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 and Half Yearly Reports, 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

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 33

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 to ensure that these remain competitive and in the best interests of shareholders

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

- Adequate 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 2006
- 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

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website www hansatrust com Visitors to the website need to be aware that legislation in the UK governing the preparation and dissemination of the financial statements may differ from legislation in their own jurisdictions

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
24 June 2010

Investment Manager's Report

BACKGROUND

An excess reliance on short-term wholesale money to fund long-term mis-priced and risk-laden illiquid assets led to disaster in the 2008 credit crunch A roller coaster ride followed in 2009 By March 2009 it felt as though the world was about to end The financial abyss facing developed economies after the bankruptcy of Lehman Brothers in September 2008 was avoided by the transfer of credit risk from banks to governments and by the stimulus provided by liquidity measures such as quantitative easing Interest rates were cut to the lowest level on record, government deficits ballooned to the highest on record, the Bank of England spent £200bn on flooding the market with liquidity and the UK economy posted its sharpest decline in GDP growth since 1945 The world survived, the financial system did not collapse, the downgrade cycle in corporate earnings came to an end, markets rallied and the talk of a double dip recession subsided

Emergency liquidity measures will need to be unwound in 2010 as western governments are forced to take measures to bring their huge fiscal deficits under control, necessitating huge cuts in public expenditure as well as tax increases, suggesting a prolonged period of sub-trend economic growth in the developed world and particularly in the UK Debt busts are deflationary and recoveries that follow financial recessions tend to be much weaker than those that follow non-financial recessions Japan's experience strongly suggests that even sustained fiscal deficits, zero interest rates and quantitative easing do not lead to soaring inflation in post-bubble economies suffering from excess capacity and a balance sheet overhang, such as the US and UK, as well as suggesting that unwinding from such excesses is a long-term process, given the need for deleveraging and balance sheet repair by the governments and consumers of debtor nations Sterling has continued to weaken against the background of an enormous fiscal deficit, political uncertainty and the risk of a return to recession and money printing, as the governor of the Bank of England warned that Britain might have to resort to further quantitative easing if the economy deteriorates further A weak administration might lack the mandate and will to get to grips with the public deficit and rein in an oversized state Meanwhile cost cutting and improved efficiencies have been responsible for decent corporate results, while it has generally been a struggle to grow the top line against a background of stalling household incomes and lack of credit growth The recovery is nascent, and a long term recovery would require a sustained revival in private sector demand for goods and services

The crash of 2008-2009 has turned out to be little more than a scare for the emerging markets as the historic power shift from east to west gets back on track. On this note it is worth remembering that 76% of FTSE 100 revenues are derived from abroad, so the UK's benchmark blue chip index is more closely correlated with the performance of international markets than the UK economy Hansa Trust had 21 0% of its assets in FTSE 100 companies at period end HSBC's chief economist Stephen King expects rich nations to grow by 1 9% this year, while emerging nations will expand by 6 2% and China by 9 5% HSBC's emerging markets index rose to 56 1 in the fourth quarter of 2009 from 55 3 in the third quarter, signalling the strongest quarterly increase in emerging market manufacturing and services since late 2007 (a reading above 50 means growth) The global economy has become more China-centric, and growth in the emerging world is no longer driven solely or even primarily by US and European consumers One reason for China's emergence as the world's top exporter in 2009, overtaking Germany, is the growth of trade between emerging nations The increase in commodity prices is primarily being fuelled by a shift in the source of global growth away from the West and towards China By bolstering commodity prices, China's success is also insulating other emerging nations, the main exporters of raw materials, from the West's troubles Growth in China's exports and imports continue to surprise on the upside A large part of China's recovery is the result of government sponsored cheap credit and infrastructure spending, putting a question mark under its sustainability as a result of lower costs and increased productivity China has increased the amount banks must set aside as reserves in the clearest sign yet that the central bank is trying to tighten monetary conditions amid mounting concerns of overheating and inflation as a result of the credit boom, while the People's Bank of China has also raised interest rates modestly in the inter-bank market

OVERALL PERFORMANCE

During the year under review, the Ordinary and "A" Ordinary share prices rose by 49 0% and 53 1% respectively against the FTSE All-Share Index rise of 46 7%, as both classes of shares traded at a narrower discount to their net asset value The time weighted return of the portfolio was 48 7%, compared with a rise of 6 2%

in the company's benchmark and a rise of 52 8% in the FTSE All-Share Index – Total Return. The largest positive contributors to the overall 261 0 pence per share gain of the Net Asset Value were Ocean Wilsons Holdings +167 6p and BHP +13 0p The major negative contributors were Ark Therapeutics -7 2p and Premier Foods -1 5p

SECTOR WEIGHTING AND PERFORMANCE

Sector	Sector Weighting at 31 March 2010 %	One Year Performance to 31 March 2010 %
Strategic	39 4	84 2
Natural Resources	17 3	32 0
Smaller Cap/AIM	16 5	36 5
Property	9 3	42 1
Cash Funds	0 9	0 4
Large Cap	8 8	50 3
Utilities	4 4	19 5
Insurance	2 6	13 0
Mid Cap	3 8	26 4
Investment Trusts	2 4	89 4
Hedge	0 0	(99 8)
Cash & Commitments	(5 4)	0 0

THEMATIC REVIEW (For Year ended 31 March 2010): EMERGING MARKETS and OVERSEAS EARNERS (73.0% NAV)

Ocean Wilsons Holdings Limited (Mkt cap £320 0m, 26 5% Co, 39 3% NAV, +84 2%) has two principal subsidiaries Wilson Sons Limited (58 25% owned) is one of the largest providers of maritime services in Brazil, including harbour and ocean towage, container terminal operations, offshore support services, logistics, small vessel construction and ship agency, operating in some 30 locations throughout Brazil and employing over 4000 people Wilson Sons Limited is an autonomous Bermuda company listed on the Sao Paulo Stock Exchange (BOVESPA) and Luxembourg Stock Exchange Ocean Wilsons Investments Limited (100% owned) is an unquoted Bermudan investment company investing in a portfolio of diversified assets including global equities, fixed income and alternative assets, with a particular emphasis on emerging markets. Wilson Sons continued to report solid operating results for the year ended 31 December 2009, with strong performances from the towage, offshore and port terminal businesses, which were responsible for 11% of total container activity in Brazil during the year Operating margins improved as a result of a better sales mix, with an increase in high margin special towage operations and the number of platform supply vessels (PSVs) operating in the premium priced spot market At year-end Wilson Sons operated three PSVs on long-term contracts and another four PSVs (two of which are owned by Magallanes and chartered to Wilson Sons) at spot rates, on short-term renewable contracts This year a further two PSVs are expected to be delivered from the shipyard operation at Guaruja, along with four new tugboats as part of the ongoing tug renewal programme 2010 is expected to be another solid year, with the Brazilian economy remaining relatively strong with forecasts predicting over 5% growth, while the fast expanding Brazilian offshore oil industry continues to offer opportunities for the Group through its offshore vessel business and Brasco, located in Rio de Janeiro, which provides support services to the oil and gas industry It is the intention to start expanding the shipyard operation at Guaruja to service the increasing internal and external demand for offshore support vessels, while the completion of the offshore joint venture with Ultratug announced in October 2009 awaits final regulatory approval The Investment Portfolio (excluding cash and liquidity funds) rose 35 7%, compared with a return of 30 0% for the MSCI, producing gains on the investment portfolio of US$34 3m (2008 US$59 5m loss) while exchange gains on the Real denominated cash balances amounted to US$23 7m (2008 US$23 6m loss), as the Real appreciated 30% against the US Dollar between March and

October 2009 The value of the trading investment portfolio and cash under management increased by 15 4% over the year from US$212 4m to US$245 2m, and over the nine years that Hanseatic Asset Management has managed the portfolio it has increased in value by 94 7%, compared with 6 7% for the MSCI world index and a 48 9% return from the performance benchmark over the same period During the year the investment managers deployed US$51m of the portfolio's cash and liquidity funds in new investments and capital draw downs, and at year end the investment portfolio held US$67m in cash and liquidity funds A second interim dividend of 38 cents per share for the year ended 31 December 2009 was paid on 26 March 2010 The total dividend for the year of 42 cents per share (2008 30 cents per share) represents a 40% increase over 2008

Fundamentals in Brazil continue to look encouraging It is one of the ten largest economies in the world and has produced a most defensive performance during the credit turmoil, with a forecast real GDP growth of 4-5% in 2010 Headline inflation is at fairly low and stable rate and there is some spare capacity in the economy Real interest rates have fallen to a very low level by Brazilian standards, while Brazil's largely locally owned banks are generally well capitalised and willing to lend to small businesses and consumers alike, both of which generally have very low levels of debt relative to other emerging markets The country has good demographics and has been creating a lot of new jobs, while poverty has been greatly reduced Brazil is hosting the football world cup in 2014 and Rio has been awarded the summer Olympics in 2016 The country could have a consumer boom ahead of it

BP (Mkt cap £117 1bn, 2 9% NAV, +40 7%) recently overtook **Royal Dutch Shell** (Mkt cap £114 0bn, 1 2% NAV, +25 9%) in market capitalisation terms for the first time in more than three years BP has benefited from rising production, cost cuts and a successful exploration programme in the Gulf of Mexico, while Shell has been burdened by a heavy capital expenditure programme amounting to U$29bn in 2009 and U$28bn in 2010 and seven years of falling oil and gas output The oil price is well above the U$60 per barrel that BP needs to cover dividend payments and capital spending programme from its cash flow BP's Q4 earnings disappointment was confined to a weaker than expected downstream result whereas the upstream earnings were on track BP has pledged to improve its underlying pre-tax profitability by more than U$3bn by cutting further costs and increasing efficiency in its troubled refining and marketing arm, as well as a significant organisational restructuring of its exploration and production unit As well as cutting costs, BP plans to increase oil and gas production by one to two per cent year-on-year to 2015 BP is entering the deep waters off the coast of Brazil with a U$7bn deal to buy international oil and gas assets from Devon Energy Under the terms of the deal, BP will also expand its operations in the Gulf of Mexico, where it is already the largest producer of oil and gas and increase its interests in Azerbaijan Royal Dutch Shell reduced operating costs by U$2bn in 2009 and a further underlying cost reduction of at least U$1bn is expected in 2020 Shell has large projects such as Pearl, which will produce liquid fuels from gas, and the Qatargas 4 liquified natural gas plant, both in Qatar and due to come on stream by the end of this year Royal Dutch Shell's strategy announcement demonstrated that the company is at an important turning point operationally, with both E&P volumes and free cash flow set to improve significantly on a 2-3 year view

BG Group (Mkt cap £38 5bn, 3 7% NAV, +9 3%) expects to grow production volumes at the top end of its annual growth rate forecast of 6-8% pa to 2020, well ahead of the behemoths of the industry which are struggling to keep production flat In Brazil, the Group is moving forwards and believes that it has net reserves of more than 3bn boe, with net production of more than 400,000 boe/day by 2020 Overall, the Group's total reserves and resources increased by 10% to 14 5bn boe over the year One of the main reasons for BG shares' weakness relative to the sector is concern over its earnings outlook in the LNG division because of market fears of a glut of natural gas BG's LNG profitability should be robust because a good proportion of near term LNG sales are based on prices linked to a basket of oil products, and hence to the lagged crude price, while the flexibility of the company's spot cargoes has increased with the recent opening of its UK terminal at Milford Haven. BG enjoys a low-cost gas supply, while Asian buyers in particular are still very keen to sign long-term contracts from prospective LNG projects The strength of recent test flow rates and the successful Tupi extended well test could prove significant for project economics, with drilling cost estimates likely to be reduced substantially Knight Vinke continues its debate about the structure of **Eni** (Mkt cap €69 1bn, 2 2% NAV, +26 9%) which is hiding a lot of value The EU regulator's recent discussions with Eni could lead to the separation of the Italian gas pipeline utility from the E&P business through a share distribution or other method to reduce Eni's influence **Melrose Resources** (Mkt cap £344 0m, 1 3% NAV, +36 8%) issued its 2010 capital expenditure programme, demonstrating that the company offers an interesting exploration and development programme in 2010 Its 2009-year end production and reserve report highlighted a 131% reserves replacement ratio for 2009 and an 8 6% increase in production We switched out of **Hammerson** into **Cairn Energy** (Mkt cap £5 8bn, 2 2%

NAV, +5 6%) before the latter's results towards the end of March, when the company quantified the prospective upside in Rajasthan and in Greenland The Rajasthan resource base, at 6 5bn boe, continues to impress in its scale and potential, while the management is targeting production of 240kbopd compared to the current agreed plateau of 175kbopd The headline detail on the four current prospects due to drill offshore Greenland in the second half of 2010 implies an average prospect size of 1bn bbls, with the chance of success on each of the four prospects ranging from 7-14% **BHP Billiton** (Mkt Cap £137 0bn, 3 5% NAV, +67 7%), the largest mining company in the world, released its Q1 production report, with petroleum output at a record high as its projects in the deepwater Gulf of Mexico and Western Australia both delivered BHP continues to expect strong growth in demand for its commodity range and maintains the view that a lack of investment since 2007 will leave the supply side struggling to match demand The group's ability to reinvest in its premier assets while bringing new ones on stream, almost regardless of the cycle, has become its most important competitive advantage Global steel prices are set to rise after miners and steelmakers agreed a ground-breaking change in the iron ore price system The deal by Vale of Brazil and Anglo-Australian BHP Billiton with Japanese and Chinese mills marks the end of the 40-year-old benchmark system of annual contracts and lengthy price negotiations The industry has instead agreed to move to quarterly contracts linked to the nascent iron ore spot market Not surprisingly, Australia's competition regulator has now extended its probe into the iron ore production joint venture between BHP Billiton and Rio Tinto for a second time

HSBC (Mkt cap £116 4bn, 2 8% NAV, +82 0%) showed a stronger commitment to emerging markets than ever before, as it revealed that Asia Pacific accounted for 130% of headline profits in 2009, and predicted growth of 6% in the region over 2010 HSBC is running off the now-closed disastrous Household division, as a huge U$15 6bn impairment charge, representing 59% of total writedowns, saw the US region post a U$7 7bn loss In 2010, the run-off of Household should see reduced impairments while the effects of cost-savings will accelerate **GlaxoSmithKline's** (Mkt cap £65 7bn, 2 4% NAV, +22 6%) new CEO has implemented a series of bold initiatives aimed at reducing the company's historic dependence on blockbuster products such as Advair, Avandia and Paxil to a business built on greater long-term sustainability and wider geographical footprint, with a particular emphasis on emerging markets GlaxoSmithKline raised its full year dividend by 7% and its commitment to a progressive payout remains intact The restructuring programme has been extended and further annual pre-tax savings of £500m by 2012 have been announced The investment thesis was supported by the news that Novartis has relinquished US rights to generic Advair Advair is GSK's biggest selling drug with some 17% of group revenues generated from the product GSK is developing a next generation Advair product called Revolair, which is expected to take US sales from Advair from 2013 **Wolseley** (Mkt cap £4 5bn 1 1% NAV, +57 5%), the international builders' merchant, where housing markets which provide more than half of sales are showing signs of stabilisation, has made substantial cost savings which will feed in to earnings Wolseley recently announced that it expects group-trading profit before exceptional items will exceed current market expectations, primarily due to better than expected cost efficiencies Wolseley has already announced cumulative cost savings of £566m, sold businesses in Ireland, Czech Republic, Belgium, Hungary and Slovakia, and changed management in the UK, France, Italy and across Central & Eastern Europe, reducing headcount by 22% across the group The group's operating margin has fallen to 2 9% from a historic range of 5 7%-6 6%, while the shares trade at 45% 2010E EV/sales against 63%-65% when the margin was last 6 3% Management has so far said that only France may not return to steady state margins, arguing that all the other businesses should be capable of returning to former levels

Experian Group (Mkt cap £6 7bn, 1 3% NAV, +52 2%), which helps businesses to manage credit risk, prevent fraud and target marketing offers, issued a Q3 trading update with the outlook statement highlighting a likely pick-up in Q4 organic growth revenue, due to strong growth in South America (largely Brazil) and to a lesser extent growth in EMEA/Asia Pacific region, while the group is on track to deliver another year of strong free cash flow Experian is also reaping the rewards of its earlier than planned completion of a cost efficiency programme and a general culture of cost containment Experian's agile management team have maintained positive organic growth and margin improvement through the economic downturn by flexing their offering and sales approach in step with customer needs **SSL** (Mkt cap £1 7bn, 1 8% NAV, +84%) tabled an excellent set of interim figures with the contribution from its new Russian acquisition BLBV performing better than expected, while SSL now generates 85% of revenues from outside the UK SSL confirmed that it is on track to meet its goal of increasing its earnings per share by 50% over the three years to 2012, as well as announcing that it is to take its holding in Russian subsidiary BLBV to 75% for an additional £140m, while retaining an option to acquire the remaining 25% until 2011 **Andor Technology** (Mkt cap £53 0m, 5 5% Co, 1 4%

NAV, +176 3%), the leading developer and manufacturer of high performance digital cameras and solutions for academic, industrial and government applications globally announced excellent final figures with earnings up 80% and cash generation up 411% Andor recently acquired Swiss based Bitplane AG, the leading global supplier of 3D and 4D microscopy image analysis software for medical and life science markets **Delta** (Mkt cap £292 5m, 0 9% NAV, +84 5%) an international group with manufacturing operations in Australia, Asia, South Africa and the United States has announced a recommended cash offer by Valmont Group Pty Ltd at 185p cash per share, and has now in addition agreed to Delta's payment of a second interim dividend of 4 8p per share, while a third party has withdrawn from making a potential competing offer **Cape** (Mkt cap £265 1m, 1 6% NAV, +250 2%), the international provider of essential support services to the energy and resources sectors (75% of revenue), announced good finals, with improved operating profit margins, strong free cash flow, a substantial reduction in debt, an intention to reinstate dividend payments later this year and a full provision for its future asbestos liabilities The proportion of Group profits generated from outside the UK now represents 68% of Group operating profit before central items **QinetiQ Group** (Mkt cap £885 0m, 0 6% NAV, +2 1%), the international provider of technology-based services and solutions to the defence, security and related markets, has announced that the cost of war in Afghanistan had resulted in lower spending by the British and American governments QinetiQ has been a poorly run business, with inferior margins, poor working capital and too much cost New chief executive Leo Quinn is planning to cut head office costs by half and significantly reduce the number of senior management, as well as launching two internal programmes to reshape the business The US government spends 4% of GDP on defence, or some U$660bn in 2010 **NCC Group** (Mkt cap £125 4m, 3 7% Co, 2 2% NAV, +36 2%) the international, independent provider of Escrow and Assurance Testing, announced interim profits up 19%, dividend up 17% and forward visibility remaining very strong **Herald Investment Trust** (Mkt cap £299 0m, 2 4% NAV, +89 4%), which has a large number of holdings to spread stock-specific risk, as well as having a large part of the portfolio exposed to operating expenditure in areas like business process outsourcing, maintenance, data centres, disaster recovery, software subscription, often predictable and cash generative businesses Most of Herald's 231 investee companies have zero debt, are cash-generative and have strong balance sheets, with 57 5% of gross assets in the UK, 22 2% in North America, and 7 5% in Asia and Japan Imagination Technology, SDL and Phoenix IT are the top three holdings, or 12% of the trust Herald's discount to NAV has come in to 18% against a six-month range of 28% to 16% **Camco International** (Mkt cap £22 9m, 0 3% NAV, +44 4%), a global emissions reduction company with a 20-year track record ended the year with net cash of €28 3m The company manages one of the world's largest carbon portfolios, focussing on project development and financing activities in both China and America to create value **CAP-XX** (Mkt cap £22 4m, 0 2% NAV, +106 3%) is a world leader in the design and manufacture of thin form super capacitors and energy management systems, predominantly for portable electronic devices Expectations remain high that a leading mobile phone will be produced with a CAP-XX super capacitor within the next financial year

REAL ASSETS (5.8% NAV)

From the market low in July 2009, all property capital values have risen by 12 8% with total returns of 18 8% The CBRE UK Monthly Index returned a total of 2% in February, led by a capital growth figure of 1 4% Central London offices were the best performers over the month, with total returns of 2 6% and capital growth of 2 1% Shopping centres also performed strongly, with a total return of 2 4% and capital growth of 1 8% Demand, led by international investors, is being joined by domestic private and public funds and companies, as debt is relatively affordable and is becoming more available Meanwhile, the supply of property has remained very tight as banks have been unwilling to call in the billions of pounds of property loans they have outstanding to the sector, even if in breach of loan-to-value covenants In Jones Lang LaSalle's first Lenders' Expectation report, the property agent found that only well-capitalised banks are willing and able to offer finance, despite values growing strongly in the UK since August, but they were being consistently outmanoeuvred on deals by cash-buyers The report suggests that confidence among lenders has improved significantly, as values have recovered, with 48% of respondents expecting to offer loans of more than £100m by the end of 2011 At present, 35% of respondents will make loans of between £25m and £50m, 30% will lend £50m £100m, and 16% will lend £100m-£250m A five-year term is backed by almost 50% of lenders, with loan-to-value ratios of around 65% expected until 2011 The most active lenders are German banks, with finance focused on prime stock. Investment statistics for 2009 compiled by Cushman & Wakefield show that 101 deals worth £6 66bn were completed in Central London last year, down from £6 99bn in 2008 and 347 deals worth £19 42bn in 2007 A recovery in the market from the summer is reflected by deals increasing sharply in the final quarter, when £2 95bn was completed This was up 76% on 2008, with cash-rich overseas investors dominant Some analysts are concerned that the recovery could be disrupted by banks flooding the market with distressed assets, thereby imbalancing supply and demand However, banks told Jones Lang LaSalle that they would look to sell only a limited number of prime assets in the short term and would seek partnerships in order to take advantage of an upturn, so product is likely to remain scarce in the short term Interestingly business take-up of commercial property space in the Central London area amounted to 3 5m sqft in the first three months of this year, an increase of 20% from the fourth quarter of 2009, largely driven by the City, which recorded the largest first quarter total since 2000, according to Jones Lang LaSalle The lack of speculative development in the Central London commercial property market means rents are likely to continue rising in 2010

DREAM, the management company of unquoted **DV3** (as at 31 December 2009, the company had drawn a total of £303 7m of the £330 8m committed by investors, with £27 1m remaining undrawn £264m of the total amount drawn has been returned to investors) and DV4 are somewhat more cautious, writing "The absence of an ability to establish what stabilised levels of rent might be, whilst they continue to fall, would appear to suggest that the market is overpaying for assets by ignoring the severity of rental declines Such is this boom that equivalent yields today for these assets adjusting for rental deflation are now lower i e more expensive than they were in 2007 Whilst buyers for these assets have largely been from overseas, more recently the UK institutional and retail funds, driven by a desire to seek yield as cash pours back in to their funds, have re-emerged It is an uneasy situation in our opinion but is likely to continue for the moment, and probably until post the general election in mid 2010 when a new government starts the process of raising taxes", when the City super tax may lead to tenants sub-letting London office space Meanwhile from DV3's (0 7% NAV, +19 4%) perspective, it has seen and will continue to see an improvement in values, particularly as rents are starting to improve in specific markets like City and West End offices due to increased tenant demand and a lack of space This might offer DV3 an opportunity to consider realisations, given the expectation of higher borrowing costs as the year progresses Meanwhile, from **DV4's** (26 2% Co, 0 8% NAV, -5 0%) drawn down and outstanding commitment of £7 4m perspective, it presents a challenge, whether to follow the momentum or continue to pursue a cautious and reserved approach DV4 is staying out of the market and will only make selected acquisitions where there is little competition and where fundamentals stand rigorous testing and underwriting DV4 has acquired 40 Holborn Viaduct, a newly completed office building of 177,000 sqft for £76 5m reflecting a net 7% yield, one of the first major transactions to be completed through the RBS Global Restructuring Group In a related transaction involving RBS, DV4 has purchased a 28% partnership interest in one of the UK's largest prime shopping parks, Castlepoint, located on the edge of Bournemouth Last July **Hansteen** (Mkt cap £362 9m, 2 2% NAV, +48 4%), the pan European property investment company, raised £200 8m in new capital and has acquired a German industrial property portfolio for €330m, financed by using €70m from Hansteen's existing cash resources with the balance of €260m coming from a UniCredit loan "stapled" to the HBI portfolio The company expects the occupational market to remain challenging but believes that high yielding industrial property with low capital values and a broad spread of tenants is a resilient and defensive investment medium **Great Portland Estates** (Mkt cap £983 1m, 2 0% NAV, +61 7%) announced a third quarter valuation and business update with the portfolio valuation and NAV up 8 7% and 11 6% respectively for the quarter ending December The Central London investment and development portfolio is 80% West End, 20% City, 72% offices, 28% retail £161 5m of total commitments have been made since the rights issue, representing 97% of net capital raised, with three development projects due to start in the first half of 2010 As previously mentioned we sold **Hammerson** (+57 8%) for Cairn Energy

OUTSOURCING and SERVICES (8.4% NAV)

Goals Soccer Centres (Mkt cap £80 1m, 3 4% Co, 1 3% NAV, +18 0%), the premier operator of five-a-side soccer centres in the UK announced full year results showing like-for-like sales were flat in 2009, reflecting snow disruption, while like-for-like sales rose by 1% for the group's core football product which generates 75% of sales There are currently 34 centres across the UK, with 23 centres added since IPO, with an average lease length of 62 years The management have cut central costs by £0 5m pa from 2010 and believe the 2010 Football World Cup could provide a stimulus for trade and the board remains confident that a minimum of six new centres will be added during 2010 There is a strong pipeline of over 40 sites at heads of terms stage or later, and a Los Angeles site is under construction and will be open by mid year **Hargreaves Services** (Mkt cap £174 8m, 3 8% Co, 3 1% NAV, +57 3%) is a support services specialist for the energy industry, providing a "one stop shop" for the distribution of coal and carbon-related materials through its integrated supply chain and ownership of strategic assets, with customers in the UK and increasingly across Europe The company has announced the launch of the Rocpower renewable electricity operation The first plant will incur investment of £3 5m while the subsequent five plants will cost £2 8m each One fully running plant could contribute £1 4m of operating profit and the engines are designed to run on a variety of different feedstocks Interims showed continued strength in its Energy & Commodities speciality coals business where the key determinant of divisional profitability is volume and mix. The volume of commodities blended or processed has increased, particularly in speciality coal markets in the UK and Europe The Production Division mines coal at Maltby and manufactures coke at Monkton Hargreaves has announced that it has approached UK Coal, the UK's leading but troubled coalminer, about merging their deep mines in a joint venture that shares capital investment and risk, allowing both companies to focus on their other interests **Morson Group** (Mkt cap £43 5m, 3 9% Co, 0 8% NAV, +60 5%), the UK's leading provider of technical engineering personnel and project design solutions, supplying over 9000 highly skilled white collar personnel to aerospace and defence, nuclear and power, rail and other technical industries, announced that the unprecedented economic environment has affected its client base including both government backed contracts and the wider funding of large infrastructure contracts New clients and contracts continue to be won and the group is gaining market share, while it has a model built on long-term relationships and framework agreements

All Leisure (Mkt cap £44 8m, 3 6% Co, 0 8% NAV, +13 8%) differentiates itself by being destination-led and by offering smaller, more intimate ships, while its cruise customers are mature (55yrs+), the largest and fastest growing demographic within the leisure industry. The company enjoys high levels of repeat business and strong revenue visibility due to early sales and benefits from the strength of its established brands including Swan Hellenic, Voyages of Discovery, Discover Egypt and Hebridean Island Cruises. In May it makes the final payment on the Discovery, leaving it the owner of three ships, the other two being the recently acquired Hebridean Princess and the Alexander von Humboldt The company also leases the Minerva Roger Allard, the founding chairman owns 59% of the company **EAGA** (Mkt cap £361 0m, 1 6% NAV, +0 6%) is a "Green" support services and business process outsourcing company It is also the UK's largest residential energy efficiency provider The company offers services, products and solutions that address the social, environmental and energy efficiency objectives of Government It has strong relationships with Local Authorities and Central Government as well as the six main energy companies (Scottish Power in particular) on whom the financial burden of delivery will be centred The potential solar PV opportunity has been supported by the recent confirmation of Feed-in-Tariffs with heads of terms agreements with eight Local Authorities and advanced discussions with a further 14 Local Authorities After 19 years running the Warm Front scheme for the Government, EAGA has the infrastructure to deliver complex, large-scale, nationwide contacts and EAGA aims to leverage this infrastructure and expertise **Straight** (Mkt cap £11 3m, 9 4% Co, 0 5% NAV, +131 2%), is the UK's leading supplier of specialist kerbside recycling containers, as well as a key supplier of a broad range of waste and recycling container solutions. The final quarter of 2009 saw the company take orders at unprecedented levels, leaving it in a strong position for 2010 Around 4% of revenues were generated from overseas customers in 2009, and this figure is expected to increase substantially in 2010 **Superglass** (Mkt cap £15 6m, 4 1% Co, 0 3% NAV, +83 8%), the UK's leading independent manufacturer of glass mineral fibre insulation products, announced that trading has been in line with expectations and the company continues to reduce debt levels and is highly focused on cash generation.

NON-DISCRETIONARY (5.9% NAV)

Ark Therapeutics (Mkt cap £23.0m, 3 1% Co, 0 3% NAV, −71 1%) received notice from the European Medicines Agency that a negative opinion has been adopted for Ark's Marketing Authorisation Application for Cerepro, Ark's novel gene-based therapy for operable malignant glioma (brain cancer) The main underlying objection from the regulator, which has not been resolved in this open label trial, concerns specifically whether or not patients treated with Cerepro might for some reason have been left longer by surgeons prior to re-intervention than those who did not receive Cerepro The primary end point is death or re-intervention, so time to re-intervention is the main efficacy measure in the primary endpoint Following a presentation to the EMEA's Scientific Advisory Group on Oncology as part of the re-examination procedure, the Advisory Group did not consider that the current study provides sufficiently reliable evidence of clinical benefit and the recommendation was made that Ark needed to conduct a further clinical trial before the product could be approved Ark has withdrawn their current Marketing Authorisation Application **Immupharma** (Mkt cap £68 1m, 0 5% NAV, -2 3%) is a specialist drug discovery and development group working with the Centre National de la Recherche Scientifique, France's leading scientific research institution Its lead candidate for the treatment of Lupus, LupuzorTM, a chronic, life-threatening auto-immune disease, was licensed to Cephalon Inc, in a transaction worth up to U$500m in milestone payments in addition to significant royalties U$45m in cash has been received to date, U$15m in Q4 2008 and U$30m post year-end in Q1 2009 It is up to Cephalon to gain the conviction to start expensive phase three studies **Premier Foods** (Mkt cap £761 1m, 0 6% NAV, -10 1%) has announced a strong improvement in Hovis profitability, with branded sales up 6 4% reflecting good market-share gains for its key brands, but the benefit was offset by lower retailer brand sales and significantly higher promotional costs in an extremely competitive market place The company has provided greater transparency about its profits make up and laid out a credible model for delivering earnings growth via modest top line and margin progression, along with significant deleveraging Sales have been segmented between Drive, Core and Defend brands, plus retailer brands, each with its own distinct strategy Premier has also identified significant cost reduction opportunities in procurement, manufacturing and administration that should bolster margins Reducing working capital and delivering in excess of £100m pa of net cash flow remain a priority for management **Scottish & Southern Energy's** (Mkt cap £10 2bn, 2 1% NAV, +5 2%) half year results were in line with expectations, with profit increases achieved in Generation and Supply, Energy Networks and other business areas Scottish & Southern Energy is 18 months into a five-year £6 7bn capex programme to March 2013, to drive future growth as capacity comes on stream The interim dividend was up 6%, and beyond 2010 SSE expects to maintain its track record of annual above-inflation increases in the dividend The company has announced that it remains on course to deliver a moderate increase in adjusted profit before tax for 2009/10 as a whole, while its balance sheet remains one of the strongest in the global utility sector **Centrica** (Mkt cap £15 1bn, 2 4% NAV, +36 0%) Post the acquisition of Venture Production and a 20% stake in British Energy, vertical integration has improved to over 60%, making earnings less volatile and of a higher quality As a result, it is possible Centrica may revise its dividend policy Centrica's results showed a strong performance from UK downstream, namely British Gas, which is now being run as a single business

OTHER (4.7 % NAV)

Sentiment has turned against the non-life insurance sector, reflecting disappointment over the direction of insurance rates and the outlook for diminishing investment returns The re-insurance industry's capital base recovered more quickly in 2009 than most expected and this has put pressure on pricing for many lines in 2010 In the UK the assumption of a 5% "risk free" return was reasonable in the decade 1998-2008, because this was the average 1-3 year government bond redemption yield, which is now a much lower figure A recent meeting of non-life insurers gave a consistent, upbeat message on the underwriting outlook, with 2010 average premium rates expected to be down only slightly from 2009, suggesting that margins remain attractive overall and that rate softening in 2010 is unlikely to necessitate a meaningful contraction in premium income **BRIT Insurance Holdings'** (Mkt cap £590 6m, 2 6% NAV, +13 0%) latest results exceeded average market expectations, driven by better than expected investment returns, along with a maintained "capital return" of 60p on the basis of a one-for-four share consolidation and a combined ratio of 94%, leaving the shares trading at a 30% discount to prospective net tangible assets and yielding 8% BRIT is not a bad business but neither is it a great underwriting operation nor does it have an exciting ROE record A catalyst is required to focus attention on a potential uplift to earnings/ROE in order for the shares to re-rate The group expects its established UK regional network to provide a credible alternative to the large incumbents (e g RSA, Aviva, AIG, Zurich), in a hardening market BRIT needs to focus on improving its underwriting profitability, since its key area of underperformance relative to its peers has been its loss ratio **Lloyds Banking Group** (Mkt cap £42.0bn, 1 4% NAV, +47 0%) reported 95 3% rights take-up which enabled it to avoid the Government's asset protection scheme, while fears regarding the breaking-up of the group were overblown Recent headline figures looked better than consensus, despite impairments above forecast due to heavy provisioning in Ireland Costs fell by 5%, while the cost to income ratio improved from 57 3% in 2008 to 48 4% in 2009 The target annual run-rate costs synergies have been increased from £1 5bn to £2 0bn by the end of 2011 LBG has a 25% share of the UK mortgage market and a £55bn commercial property loan book, so it is very sensitive to UK economic growth and to property prices We suspect regulatory uncertainty has been overpriced by investors and that investors will be surprised how quickly provisioning will normalise, even if the economy is only growing modestly More recently, LBG announced that impairment provisions are currently trending at lower levels than anticipated and the group believes it will be profitable on a combined basis in 2010 The key aspect of **Galliford Try's** (Mkt cap £261 5m, 0 7% NAV, +10 9%) latest trading statement is that the group is securing land at commercially attractive rates which underpins the strategic ambition to double the size of the housing operation over the next few years By 2012, Galliford anticipates that 80% of its private housing output will be from land purchased at current prices and they are currently seeing very little competition Including Affordable Housing, the group has achieved 75% of its projected sales for June 2010

OUTLOOK

Although the threat of a corporate debt crisis has receded massively, as companies have slashed costs and focused on generating cash against a background of a generally improving global economy, the Sovereign debt crisis is still with us in relation to Greece and the threat remains in the other highly indebted European countries like Spain, Portugal and possibly even Italy Leverage has shifted from the private sector to the public sector as governments worldwide have incurred enormous budget deficits in their quest to appease the majority Indebted countries can default by not paying back what they owe, or by resorting to inflation and one could argue that in some respect government bonds are potentially the new subprime, with Greece spiralling out of control against the background of surging Greek government bond yields. Prospects for the eurozone as a whole are looking worse in 2010 than those for the UK Growth will need to wait for the debtor/ developed nations to repair their balance sheets and recover their appetites, hopefully with the help of high-savings countries expanding their domestic demand

The UK's real medium-term problem is not rising prices, but failing growth The fiscal deficit of nearly 13% of output must be reined in, and the State, whose expansion helped to prevent a slide into depression, will inevitably decline as a source of demand Public spending makes up 52% of UK gross domestic product, compared with the State's share of 40% when Labour came to power in 1997 and public sector employment is expected to fall sharply as average spending cuts are introduced by whichever winning political party In 2008, the UK household sector's outstanding debts were equal to 181% of disposable income, but now UK consumers are more nervous about their jobs and are saving keenly Consumers are about to feel the first effects of earlier budget proposals to raise taxation by various means and a further squeeze is inevitable after the election Tough labour market conditions are likely to constrain wage growth, limiting the scope for a sustained revival in consumer spending Credit conditions are expected to remain tight, and even if banks were to make credit more readily available, it is difficult to gauge what the take up might be, as household deleveraging has become a widespread theme as the high debt levels of the past are gradually addressed The corporate sector has undertaken huge cutbacks in capital spending, inventories and employment in its dash for cash, leaving cash flow-to-GDP at its highest level in 40 years Encouragingly there is plenty of scope for re-hiring, rebuilding inventories and increasing capital spending if the current level of demand proves to be resilient Such an outcome would reduce unemployment and underpin consumer confidence, thereby bolstering end demand Interestingly the current surge in M&A activity suggests companies are not deploying their cash resources on capital expenditure and building working capital, but are buying market share, while simultaneously taking out more costs, creating more efficiencies and squeezing out more cash from the combined businesses, with knock on effects on unemployment and consumer confidence Business investment remains far below what it ought to be in a cyclical recovery and boosting investment spending is crucial to catalysing a sustainable recovery because it creates jobs Recent surveys are pointing to stronger growth in the services sector, while the Organisation for Economic Co-operation and Development suggests that the UK economy will avoid a double-dip recession Even so, there is likely to be a growing divergence later this year between the drastic tightening of UK fiscal policy, which will affect companies that rely on British demand and Government spending, and the overall FTSE, an increasingly global index.

Hansa Capital Partners LLP
Investment Manager
April 2010

Portfolio Information

As at 31 March 2010

Investment	Fair value £000	Percentage of Net Assets
Ocean Wilson Holdings Limited	84,643	39 4
BG Group Plc	7,984	3 7
BHP Billiton Plc	7,571	3 5
Hargreaves Services Plc	6,570	3 1
BP Plc	6,234	2 9
HSBC Holdings Plc	5,915	2 7
BRIT Insurance Holdings Plc	5,577	2 6
Herald Investment Trust Plc	5,171	2 4
GlaxoSmithKline Plc	5,062	2 4
Centrica Plc	5,051	2 3
Top 10 Investments	139,778	65 0
Hansteen Holdings Plc	4,800	2 2
Cairn Energy Plc	4,754	2 2
NCC Group Plc	4,650	2 2
Eni S p A	4,619	2 1
Scottish & Southern Energy Plc	4,404	2 1
Great Portland Estates Plc	4,344	2 0
SSL International Plc	3,862	1 8
Eaga Plc	3,497	1 6
Cape Industries Plc	3,327	1 5
Lloyds TSB Group Plc	2,929	1 4
Top 20 Investments	180,964	84 1
Andor Technology Plc	2,918	1 4
Melrose Resources Plc	2,886	1 3
Experian Plc	2,819	1 3
Goals Soccer Centres Plc	2,696	1 3
Royal Dutch Shell Plc	2,608	1 2
Wolseley Plc	2,292	1 1
Delta Plc	1,903	0 9
DV4 Ltd#	1,706	0 8
Morson Group Plc	1,680	0 8
All Leisure Plc	1,618	0 8
Top 30 Investments	204,090	95 0
Other Investments (31)	12,219	5 6
Total Investments	**216,309**	**100 6**
Net current liabilities	(1,295)	(0 6)
Net Assets	**215,014**	**100 00**
Listed	176,192	81 45
AIM and OFEX	36,919	17 07
Unquoted	3,198	1 48
	216,309	**100 00**

Unquoted

Directors' Remuneration Report

The Board has prepared this report in relation to all Directors who have served during the year and in accordance with the requirements of s 420 to 422 of the Companies Act 2006 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 35

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 of £150,000 in total, set out in the Company's Articles of Association

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

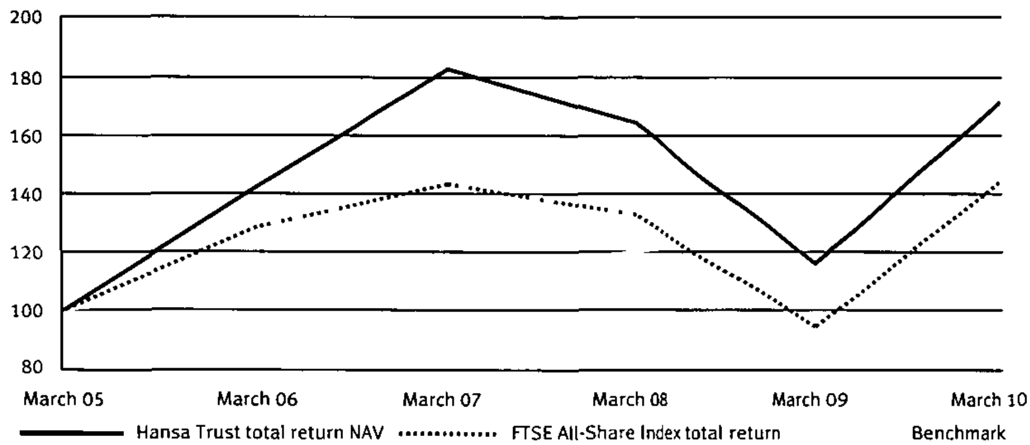
	Strategic	Board	Audit Committee
Number of meetings held	1	5	2
Number of meetings attended			
Mr Hammond-Chambers	1	5	2
Lord Borwick	1	5	2
Mr Salomon	1	5	2
Professor Wood	1	5	2

Directors' Remuneration Report (continued)

YOUR COMPANY'S PERFORMANCE

The graph below shows the five year cumulative total return to shareholders against the FTSE All-Share Index total return and the Company's Performance Benchmark

BENCHMARK COMPARISON



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

	2010 £000	2009 £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 14 June 2010 and signed on its behalf by Mr Hammond-Chambers

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

We have audited the financial statements of Hansa Trust PLC for the year ended 31 March 2010 which comprise the group income statement, the group and parent company statements of changes in equity, the group and parent company balance sheet, the group and parent cashflow statement, and the related notes The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 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

As explained more fully in the Statement of Directors' Responsibilities set out on page 22 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www frc org uk/apb/scope/UKP

Opinion on financial statements

In our opinion

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2010 and of the group's profit for the year then ended,
- the financial statements have been properly prepared in accordance with IFRS as adopted by the European Union,
- the parent company financial statements have been properly prepared in accordance with IFRS as adopted by the European Union and as applied in accordance with the provision of the Companies Act 2006, and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation

Opinion on other matters prescribed by the Companies Act 2006

In our opinion

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006, and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following

Under the Companies Act 2006 we are required to report to you if, in our opinion

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns,
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules, we are required to review

- the directors' statement, set out on page 16 in relation to going concern, and
- the part of the Corporate Governance Statement relating to the company's compliance with the nine provisions of the June 2008 Combined Code specified for our review

Grant Thornton UK LLP

Marcus Swales
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
28 June 2010

Group Income Statement

for the year ended 31 March 2010

	Notes	Revenue 2010 £000	Capital 2010 £000	Total 2010 £000	Revenue 2009 £000	Capital 2009 £000	Total 2009 £000
Gains/(losses) on investments	11	–	**66,232**	**66,232**	–	(72,631)	(72,631)
(Loss)/gain on derivatives		–	**(744)**	**(744)**	–	1,891	1,891
Exchange gains on currency balances		–	–	–	–	1	1
Investment income	2	**8,370**	–	**8,370**	6,479	–	6,479
		8,370	**65,488**	**73,858**	6,479	(70,739)	(64,260)
Investment Management fee	3	**(1,264)**	–	**(1,264)**	(1,276)	–	(1,276)
Write back of prior years' VAT		**97**	–	**97**	–	–	–
Other expenses	4	**(618)**	–	**(618)**	(616)	–	(616)
		(1,785)	–	**(1,785)**	(1,892)	–	(1,892)
Profit/(loss) before finance costs and taxation		**6,585**	**65,488**	**72,073**	4,587	(70,739)	(66,152)
Finance costs	5	**(1)**	–	**(1)**	(113)	–	(113)
Profit/(loss) before taxation		**6,584**	**65,488**	**72,072**	4,474	(70,739)	(66,265)
Taxation	6	**(4)**	–	**(4)**	(87)	–	(87)
Profit/(loss) for the year		**6,580**	**65,488**	**72,068**	4,387	(70,739)	(66,352)
Return per Ordinary and 'A' non-voting Ordinary share	8	**27.4p**	**272.9p**	**300.3p**	18 3p	(294 8p)	(276 5p)

The Company does not have any income or expense that is not included in the profit for the year Accordingly the "Profit for the year" is also the "Total comprehensive income for the year", as defined in IAS 1 (revised) and no separate Statement of Comprehensive Income has been presented

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 2010

	Note	Share capital 2010 £000	Capital redemption reserve 2010 £000	Retained earnings 2010 £000	Total 2010 £000	Share capital 2009 £000	Capital redemption reserve 2009 £000	Retained earnings 2009 £000	Total 2009 £000
Net assets at 1 April		**1,200**	**300**	**150,906**	**152,406**	1,200	300	220,378	221,878
Profit/(loss) for the year		**–**	**–**	**72,068**	**72,068**	–	–	(66,352)	(66,352)
Dividends	7	**–**	**–**	**(9,460)**	**(9,460)**	–	–	(3,120)	(3,120)
Net assets at 31 March		**1,200**	**300**	**213,514**	**215,014**	1,200	300	150,906	152,406

Statement of Changes in Equity – Company

for the year ended 31 March 2010

	Note	Share capital 2010 £000	Capital redemption reserve 2010 £000	Retained earnings 2010 £000	Total 2010 £000	Share capital 2009 £000	Capital redemption reserve 2009 £000	Retained earnings 2009 £000	Total 2009 £000
Net assets at 1 April		**1,200**	**300**	**150,906**	**152,406**	1,200	300	220,378	221,878
Profit/(loss) for the year		**–**	**–**	**72,068**	**72,068**	–	–	(66,352)	(66,352)
Dividends	7	**–**	**–**	**(9,460)**	**(9,460)**	–	–	(3,120)	(3,120)
Net assets at 31 March		**1,200**	**300**	**213,514**	**215,014**	1,200	300	150,906	152,406

The accompanying notes are an integral part of this statement

Balance Sheet of the Group and Company

as at 31 March 2010

	Notes	Group 2010 £000	Group 2009 £000	Company 2010 £000	Company 2009 £000
Non-current investments					
Investment in subsidiary	*10*	–	–	**634**	635
Investments at fair value through profit or loss	*11*	**216,309**	139,027	**216,309**	139,027
		216,309	139,027	**216,943**	139,662
Current assets					
Trade and other receivables	*13*	**631**	1,150	**631**	1,150
Cash and cash equivalents	*14*	**1,824**	12,452	**1,824**	12,452
		2,455	13,602	**2,455**	13,602
Current liabilities					
Trade and other payables	*15*	**(3,750)**	(223)	**(4,384)**	(858)
Net current (liabilities)/assets		**(1,295)**	13,379	**(1,929)**	12,744
Net assets		**215,014**	152,406	**215,014**	152,406
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*	**213,514**	150,906	**213,514**	150,906
Total equity shareholders' funds		**215,014**	152,406	**215,014**	152,406
Net asset value per Ordinary and 'A' non-voting Ordinary share	*19*	**895.9p**	635 0p	**895.9p**	635 0p

The Financial Statements on pages 36 to 54 were approved by the Board of Directors on 14 June 2010 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 2010

	Notes	Group 2010 £000	Group 2009 £000	Company 2010 £000	Company 2009 £000
Cash flows from operating activities					
Gain/(loss) before finance costs and taxation		**72,073**	(66,152)	**72,073**	(66,152)
Adjustments for					
Realised losses/(gains) on investments	11	**1,704**	(13,181)	**1,704**	(13,181)
Unrealised (gains)/losses on investments	11	**(67,936)**	85,812	**(67,935)**	85,814
Effect of foreign exchange rate changes		**-**	(1)	**-**	(1)
Interest paid		**-**	–	**-**	–
Decrease in current asset investments		**-**	–	**-**	–
Decrease in trade and other receivables	13	**519**	1,248	**519**	1,248
Increase/(decrease) in trade and other payables	15	**27**	(114)	**26**	(116)
Taxes paid		**(4)**	(87)	**(4)**	(87)
Purchase of non-current investments		**(16,075)**	(6,974)	**(16,075)**	(6,974)
Sale of non-current investments		**5,025**	30,682	**5,025**	30,682
Net cash (outflow)/inflow from operating activities		**(4,667)**	31,233	**(4,667)**	31,233
Cash flows from financing activities					
Interest paid on bank loans		**(1)**	(113)	**(1)**	(113)
Dividends paid		**(9,460)**	(3,120)	**(9,460)**	(3,120)
Drawdown/(repayment) of loans		**3,500**	(15,800)	**3,500**	(15,800)
Net cash outflow from financing activities		**(5,961)**	(19,033)	**(5,961)**	(19,033)
(Decrease)/increase in cash and cash equivalents		**(10,628)**	12,200	**(10,628)**	12,200
Cash and cash equivalent at 1 April		**12,452**	251	**12,452**	251
Effect of foreign exchange rate changes		**-**	1	**-**	1
Cash and cash equivalents at 31 March	14	**1,824**	12,452	**1,824**	12,452

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 and the Board do not consider they will have a material 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 408 of the Companies Act 2006, an income statement for the Company has not been presented in the financial statements

The Company adopted the extended disclosure requirements within IFRS7 for accounting periods beginning on or after 1 January 2009 The extended disclosure requirements introduced a fair value hierarchy and this is disclosed in note 22

(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 2009 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 2010 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 s 1158 CTA 2010

(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 or 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 capital reserves, 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 s 1158 CTA 2010 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 – Other
The following are credited or charged to this reserve via the capital column of the Income Statement

- gains and losses on the disposal of investments,
- 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 – Investment Holding Gains
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.

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

2. INCOME

	Revenue 2010 £000	Revenue 2009 £000
Income from quoted investments		
Dividends	**3,446**	3,474
Overseas dividends	**4,869**	2,454
	8,315	5,928
Other operating income		
Interest receivable on AAA rated money market funds	**24**	487
Other interest receivable	**31**	64
	55	551
Total income	**8,370**	6,479
Total income comprises:		
Dividends	**8,315**	5,928
Interest	**55**	551
	8,370	6,479

3. INVESTMENT MANAGEMENT FEE

	Revenue 2010 £000	Revenue 2009 £000
Periodic fees	**1,264**	1,276
	1,264	1,276

Details of the Management Agreement are disclosed in the Report of the Directors on pages 15 and 16

4. OTHER EXPENSES

	Revenue 2010 £000	Revenue 2009 £000
Secretarial services	**116**	117
Directors' remuneration	**88**	88
Auditor's remuneration for the audit of the Group and Company	**26**	26
Auditor's remuneration for the review of the Half Yearly Report	**3**	3
Administration fees	**109**	117
Production and distribution of Annual and Half Yearly Report	**21**	16
Registrar's fees	**33**	30
Bank fees and charges	**125**	125
Marketing	**3**	–
Savings scheme	**–**	(7)
Other	**94**	101
	618	616

The Group financial statements are required to comply with regulation 5(1)(b) of the Companies (Disclosure of Auditor Remuneration and Liability Limitation Agreements) Regulation 2008

5. FINANCE COSTS

	Revenue 2010 £000	Revenue 2009 £000
Interest payable	**1**	113
	1	113

6. TAXATION

(a) Taxation Charge on Ordinary Activities

	Revenue 2010 £000	Revenue 2009 £000
UK corporation tax @ 28%	**–**	–
Irrecoverable foreign tax	**4**	87
	4	87

(b) Factors affecting tax charge for period

Approved investment trusts are exempt from tax on capital gains made by the Trust

The tax charge for the period is lower than the standard rate of corporation tax in the UK of 28% (2009 28%) The differences are explained below

	2010 £000	2009 £000
Total gain/(loss) before taxation	**72,072**	(66,265)
Gain/(loss) multiplied by standard rate of corporation tax	**20,180**	(18,554)
Effects of		
Non-taxable UK capital (gains)/losses	**(18,336)**	19,807
Non-taxable UK stock dividends	**(9)**	–
Non-taxable UK investment income	**(1,732)**	(973)
Excess administration expenses used	**(68)**	(278)
Income taxable in different years	**(35)**	–
Irrecoverable foreign tax	**4**	87
Disallowed expenses	**–**	(2)
Current tax charge	**4**	87

(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 £1,786,000 (2009 £1,252,000), arising as a result of having unutilised management expenses and loan relationship deficits. In addition, there are unrecognised deferred tax assets of £37,000 (2009 £36,000) 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 2010 £000	Revenue 2009 £000
Amounts recognised as distributions to equity holders in the year		
Final dividend for 2009 14 5p (2008 9 5p)	**3,480**	2,280
Interim dividends for 2010 25 0p (2009 3 5p)	**6,000**	840
Unclaimed dividends refunded	**(20)**	–
	9,460	3,120

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 s 1158 CTA 2010 are considered The Company's revenue available for distribution by way of dividend for the year is £6,581,000 (2009 £4,389,000)

	Revenue 2010 £000	Revenue 2009 £000
Interim dividends for 2010 25 0p (2009 3 5p)	**6,000**	840
Proposed final dividend for 2010 Nil (2009 14.5p)	**-**	3,480
	6,000	4,320

The Board are not proposing a final dividend

8. RETURN ON ORDINARY SHARES (EQUITY)

	Revenue 2010	**Capital 2010**	**Total 2010**	Revenue 2009	Capital 2009	Total 2009
Returns per share	**27.4p**	**272.9p**	**300.3p**	18 3p	(294 8p)	(276 5p)

Returns

Revenue return per share is based on the revenue attributable to equity shareholders of £6,580,000 (2009 £4,387,000)

Capital return per share is based on the capital gain attributable to equity shareholders of £65,488,000 (2009 loss £70,739,000)

Total return per share is based on the combination of revenue and capital returns attributable to equity shareholders, amounting to a net gain of £72,068,000 (2009 loss £66,352,000)

Both revenue and capital return are based on 8,000,000 Ordinary shares (2009 8,000,000) and 16,000,000 'A' non-voting Ordinary shares (2009 16,000,000), in issue throughout the year

9. PROFIT OF THE COMPANY ATTRIBUTABLE TO SHAREHOLDERS

The gain for the year after taxation dealt with in the accounts of the Company is £72,068,000 (2009 loss £66,352,000)

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 OR LOSS

	Listed £000	AIM & OFEX £000	Unquoted £000	**Group and Company 2010 Total £000**	Group and Company 2009 Total £000
Cost at 1 April 2009	100,765	56,650	2,374	**159,789**	170,316
Investment holding gains/(losses) at 1 April 2009	13,247	(33,791)	(218)	**(20,762)**	65,050
Valuation at 1 April 2009	114,012	22,859	2,156	**139,027**	235,366
Movements in the year					
Purchases at cost	10,424	4,761	890	**16,075**	6,974
Sales – proceeds	(4,422)	(603)	–	**(5,025)**	(30,682)
– (Losses)/gains on sales	(1,637)	(67)	–	**(1,704)**	13,181
Movement in investment holding gains/(losses)	57,815	9,969	152	**67,936**	(85,812)
Valuation as at 31 March 2010	176,192	36,919	3,198	**216,309**	139,027
Cost at 31 March 2010	105,130	60,741	3,085	**168,956**	159,789
Investment holding gains/(losses) at 31 March 2010	71,062	(23,822)	113	**47,353**	(20,762)
	176,192	36,919	3,198	**216,309**	139,027

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 2010 £000	2009 £000
Purchases	**59**	29
Sales	**13**	–
	72	29

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 Profit after tax for the year US$000
Ocean Wilsons Holdings Limited	Bermuda	Ordinary	26 4	31 12 09	493,024	70,200

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 51
Work Group Plc	Ordinary	4 89
BV Group Plc	Ordinary	4 72
Leadcom Integrated Solutions Plc	Ordinary	4 55
Acertec Plc	Ordinary	4 38
Superglass Holdings Plc	Ordinary	4 05
Morson Group Plc	Ordinary	3 86
Helesi Plc	Ordinary	3 79
Hargreaves Services Plc	Ordinary	3 76
NCC Group Plc	Ordinary	3 71
All Leisure Plc	Ordinary	3 61
Media Square Plc	Ordinary	3 59
Goals Soccer Centres Plc	Ordinary	3 37
Engel East Europe NV	Ordinary	3 13
Cap-XX Ltd	Ordinary	3 09
Ark Therapeutics Group Plc	Ordinary	3.07

13. OTHER RECEIVABLES

	Group 2010 £000	Group 2009 £000	**Company 2010 £000**	Company 2009 £000
Derivatives at fair value held for trading	**16**	869	**16**	869
Prepayments and accrued income	**581**	253	**581**	253
Recoverable domestic tax	**34**	28	**34**	28
	631	1,150	**631**	1,150

14. CASH AND CASH EQUIVALENTS

	Group 2010 £000	Group 2009 £000	Company 2010 £000	Company 2009 £000
Cash funds	**1,856**	12,434	**1,856**	12,434
Cash at bank	**(32)**	18	**(32)**	18
	1,824	12,452	**1,824**	12,452

15. CURRENT LIABILITIES

	Group 2010 £000	Group 2009 £000	Company 2010 £000	Company 2009 £000
Bank loans and overdrafts	**3,500**	–	**3,500**	–
Due to subsidiary undertaking	**–**	–	**638**	639
Other creditors and accruals	**250**	223	**246**	219
	3,750	223	**4,384**	858

Details of the bank loan can be found in Note 21

16. SHARE CAPITAL

	Company 2010 £000	Company 2009 £000
Issued 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 2010 £000	2009 £000
Balances at 31 March 2010 and 31 March 2009	**300**	300

18. RETAINED EARNINGS

Group	Revenue 2010 £000	Capital Reserves Other 2010 £000	Capital Reserves Investment Gains/ (Losses) 2010 £000	Revenue 2009 £000	Capital Reserves Other 2009 £000	Capital Reserves Investment Gains/ (Losses) 2009 £000
Opening balance at 1 April	**5,956**	**165,712**	**(20,762)**	4,689	150,639	65,050
Profit/(loss) for the year	**6,580**	**(2,627)**	**68,115**	4,387	15,073	(85,812)
Dividend paid	**(9,460)**	**–**	**–**	(3,120)	–	–
Closing balance at 31 March	**3,076**	**163,085**	**47,353**	5,956	165,712	(20,762)

Group	Revenue 2010 £000	Capital Reserves Other 2010 £000	Capital Reserves Investment Gains/ (Losses) 2010 £000	Revenue 2009 £000	Capital Reserves Other 2009 £000	Capital Reserves Investment Gains/ (Losses) 2009 £000
Opening balance at 1 April	**5,324**	**165,712**	**(20,130)**	4,055	150,639	65,684
Profit/(loss) for the year	**6,581**	**(2,627)**	**68,114**	4,389	15,073	(85,814)
Dividend paid	**(9,460)**	**–**	**–**	(3,120)	–	–
Closing balance at 31 March	**2,445**	**163,085**	**47,984**	5,324	165,712	(20,130)

Note Only Revenue reserves are distributable, by way of dividends

19. NET ASSET VALUE

	2010	2009
Net asset value per Ordinary and 'A' non-voting Ordinary share	**895.9p**	635 0p

The net asset value per Ordinary and 'A' non-voting Ordinary share is based on the net assets attributable to equity shareholders of £215,014,000 (2009 £152,406,000) and on 8,000,000 Ordinary shares (2009 8,000,000) and 16,000,000 'A' non-voting Ordinary shares (2009 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 2010 was £327,438 (2009 £327,438)

The Company has 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 2010 was £7,379,111 (2009· £8,268,873)

In relation to the recovery of VAT following HMRC's acceptance of the European Court of Justice Judgement, the Company has received a further £97,000 during the year from its former investment managers. The Board does not now expect to recover any further amounts from its former investment managers However, if the result of an action being brought against HMRC by others is successful, further amounts may become due from HMRC

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 The risks that the Group as a whole is exposed to, are the same as those for the Company and are covered below

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 Company 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 2010 is 2 3% of the portfolio (2009 2 8%) and therefore the portfolio valuation is not materially sensitive to direct foreign currency fluctuations

	Direct foreign currency risk 2010 £000	**No direct foreign currency risk 2010 £000**	**Total 2010 £000**	Direct foreign currency risk 2009 £000	No direct foreign currency risk 2009 £000	Total 2009 £000
Investments	**4,861**	**211,448**	**216,309**	4,256	134,771	139,027
Other receivables excluding prepayments	**–**	**617**	**617**	–	1,129	1,129
Cash funds	**–**	**1,856**	**1,856**	–	12,434	12,434
Cash at bank	**–**	**(32)**	**(32)**	–	18	18
Current liabilities	**–**	**(250)**	**(250)**	–	(223)	(223)
Bank loan	**–**	**(3,500)**	**(3,500)**	–	–	–
	4,861	**210,139**	**215,000**	4,256	148,129	152,385

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 (2009 £30m) which are available for the Investment Manager to use in purchasing investments, the costs of which are base rate plus a margin The Company 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 £35,000 (2009 Nil) The level of banking facilities utilised at 31 March 2010 was £3 5m (2009: £Nil)

Interest rate changes will always impact equity prices. The level and direction of change in equity prices is subject to prevailing local and world 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 0 0% on bank balances and 0 2% on cash funds

	Cash flow interest rate risk 2010 £000	**No interest rate risk 2010 £000**	**Total 2010 £000**	Cash flow interest rate risk 2009 £000	No interest rate risk 2009 £000	Total 2009 £000
Investments	**-**	**216,309**	**216,309**	-	139,027	139,027
Other receivables excluding prepayments	**-**	**617**	**617**	-	1,129	1,129
Cash funds	**1,856**	**-**	**1,856**	12,434	-	12,434
Cash at bank	**(32)**	**-**	**(32)**	18	-	18
Current liabilities	**-**	**(250)**	**(250)**	-	(223)	(223)
Bank loan	**(3,500)**	**-**	**(3,500)**	-	-	-
	(1,676)	**216,676**	**215,000**	12,452	139,933	152,385

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, £84 6m (2009 £48 6m) and as a proportion of the portfolio, 39 1% (2009 35 0%) Shareholders should be aware 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 market index. Should the portfolio of the Company, as detailed on page 32, 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 £21.6m (2009 £13 9m). The Company gearing, which is currently at 1 76% (2009 0 15%), would increase to 1 96% (2009 0 16%) 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 was a Put Spread FTSE 100 Index Option open as detailed below, which provides 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 2010	Expiry Date
FTSE 100	£5,318,000	4,800	4,300	£16,000	18 June 2010

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 2010 are shown in Note 13

The Company's maximum exposure to credit risk on OTC options and cash funds is £1,872,000 (2009 £13,321,000) Amounts receivable in relation to options open at the year end amounted to £16,000 (2009 £869,383) 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 A substantial proportion of the Company's portfolio is held in liquid quoted investments, however there is a large holding in Ocean Wilsons Holdings Ltd of 39 1% (2009 35 0%), and other holdings in AIM and unquoted investments of 18 5% (2009 16 4%)

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 2010 is shown on page 32, 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 Company's financial liabilities at 31 March 2010 consist of a short-term bank loan amounting to £3 5m (2009 Nil) that bears interest based on the prevailing LIBOR rate plus an agreed margin This loan is part of a total revolving credit facility with ING Bank NV of £30m (2009 £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 Company has undrawn loans from this facility of £26 5m (2009 £30 0m) The Company holds this facility for use at short notice for its investment activities If fully drawn the loan would form 13 9% (2009 21 6%) 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. FAIR VALUE HIERARCHY

The Company adopted the amendments to IFRS 7 'Financial Instruments Disclosures' effective from 1 January 2009. These amendments require an entity to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements The fair value hierarchy shall have the following levels

- Level 1 quoted prices (unadjusted) in active markets for identical assets or liabilities,
- Level 2 inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (ie as prices) or indirectly (ie derived from prices), and
- Level 3 inputs for the asset or liability that are not based on observable market data (unobservable inputs)

The financial assets and liabilities measured at fair value in the statement of financial position are grouped into the fair value hierarchy at 31 March 2010 as follows

	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial assets at fair value through profit or loss				
Quoted equities	213,111	–	–	213,111
Unquoted equities	–	–	3,832	3,832
Derivatives	–	22	–	22
Total	**213,111**	**22**	**3,832**	**216,965**
Financial liabilities at fair value through profit or loss				
Derivatives	–	(6)	–	(6)
Net fair value	**213,111**	**16**	**3,832**	**216,959**

All amounts included above are valued in accordance with the accounting policies in Note 1

There have been no transfers during the year between levels 1 and 2 A reconciliation of fair value measurements in Level 3 is set out in the following table

	Equity investments £000	Total £000
Opening Balance	2,791	2,791
Purchases	890	890
Sales	–	–
Total gains or losses included in gains on investments in the income statement.		
– on assets sold	–	–
– on assets held at year end	151	151
Closing Balance	**3,832**	**3,832**

23. 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 2010 are disclosed in the Report of the Directors pages 15 and 16 and in Note 3 above

24. CONTROLLING PARTIES

At 31 March 2010 Nicholas B Dill, Jr and Codan Trust Company Limited held 51 2% of the issued Ordinary shares Additional information is disclosed in the Report of the Directors, "Substantial Shareholders" on page 15

Notice of the Annual General Meeting

Notice is hereby given that the Annual General Meeting of Hansa Trust PLC will be held at The Washington Hotel, 5 Curzon Street, London W1J 5HE on 3 August 2010 at 11 30am, 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 2010

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

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

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

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

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

7 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 special resolutions

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

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

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

(b) not more than 5% 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
24 June 2010

50 Curzon Street
London W1J 7UW

Notice of the Annual General Meeting

(continued)

NOTES

1 Ordinary shareholders, proxies and authorised representatives of corporations which are Ordinary shareholders, are entitled to attend the meeting 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 6 00pm on 1 August 2010 ('the specified time') Changes to the register of members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting

2 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

3 A member present in person or by proxy shall have one vote on a show of hands On a vote by poll every Member present in person or by proxy shall have one vote for every Ordinary share of which he/she is the holder

4 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 provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member A proxy need not also be a member To appoint more than one proxy, the Proxy Form should be photocopied and completed for each proxy holder The proxy holder's name should be written on the Proxy Form together with the number of shares in relation to which the proxy is authorised to act All proxy forms should be enclosed in the same envelope

5 In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted Seniority is determined by the order in which the names of the joint holders appear in the register of members in respect of the joint holding (the first-named being the most senior)

6 To be valid any proxy form or other instrument appointing a proxy must be received by post, (during normal business hours only) by hand at Capita Registrars, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU or a proxy can be lodged electronically at www capitashareportal com, in each case no later than 11 30am on 1 August 2010

7 The return of a completed proxy form, other such instrument or any CREST Proxy Instruction (as described below) will not prevent a shareholder from attending the Annual General Meeting and voting in person if he/she wishes to do so

8 Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares

9 As at 29 June 2010 (being the last business day prior to the publication of this Notice) the Company's issued share capital consists of 8,000,000 Ordinary shares, carrying one vote each Therefore, the total voting rights in the Company as at 3 August 2010 are 8,000,000

10 CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so 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 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

11 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 Euroclear UK & Ireland Limited's specifications, and must contain the information required for such instruction, as described in the CREST Manual (available via www euroclear com/CREST) The message, regardless of whether it constitutes the appointment of a proxy or is 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 issuer's agent ID RA10 by 11 30am on

1 August 2010 For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Application Host) from which the issuer'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

12 CREST members and, where applicable, their CREST sponsors, or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message 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, 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 system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings

13 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

14 Any member attending the meeting has the right to ask questions The Company must cause to be answered any such question relating to the business being dealt with at the meeting but no such answer may be given if (a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information, (b) the answer has already been given on a website in the form of an answer to a question, or (c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered

15 A copy of this notice, and other information required by section 311A of the Companies Act 2006, can be found at www hansatrust com

16 The following documents will be available for inspection at the registered office of the Company during usual business hours on any weekday (except Saturdays and public holidays) until the date of the AGM and at the place of the AGM for a period of 15 minutes prior to and during the meeting

a) a copy of the Current Articles of Association, and

b) a copy of all Directors' Service Contracts

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

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

CONTACT DETAILS

Hansa Trust PLC
50 Curzon Street, London W1J 7UW
Tel 020 7647 5750
Fax 020 7647 5770
Website www hansatrust com
Email hansatrustenquiry@hansacap com

The Company's website includes the following

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

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

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

ISIN No	*Code*
Ordinary shares	GB0007879728
'A' non-voting Ordinary shares	GB0007879835
Sedol no	
Ordinary shares	787972
'A' non-voting Ordinary shares	787983
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	17 June
Annual Report sent to shareholders	30 June
Annual General Meeting held	3 August
Final dividend payment	Not applicable
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

SECRETARY AND REGISTERED OFFICE
Hansa Capital Partners LLP
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
Capita Registrars
Northern House
Woodsome Park
Fenay Bridge
Huddersfield
West Yorkshire HD8 0LA

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

STOCKBROKER
Winterflood Investment Trusts
The Atrium Building
Cannon Bridge
25 Dowgate Hill
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