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HANSA TRUST PLC



ANNUAL REPORT

Year Ended 31 March 2002



KEY INFORMATION

INVESTMENT POLICY AND BENCHMARK

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

| STATISTICS | 31 March 2002 | 31 March 2001 | % change |
|-----------------------------|------------------|------------------|----------|
| Total Assets ⁽¹⁾ | £89.16m | £107.64m | -17.2 |
| Shareholders' Funds | £89.16m | £99.32m | -10.2 |
| Net Asset Value per | | | |
| 'A' Ordinary share | 371.5p | 413.9p | -10.2 |
| Ordinary share | 371.5p | 413.9p | -10.2 |
| Share Price | | | |
| 'A' Ordinary shares | 305.0p | 390.0p | -21.8 |
| Ordinary shares | 307.5p | 490.0p | -37.2 |
| Discount/(premium) | | | |
| 'A' Ordinary shares | 17.9% | 5.8% | - |
| Ordinary shares | 17.2% | (18.4%) | - |
| FTSE All-Share Index | 2,557 | 2,711 | -5.7 |

⁽¹⁾ net assets gross of bank loans/overdrafts

CAPITAL STRUCTURE

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

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

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

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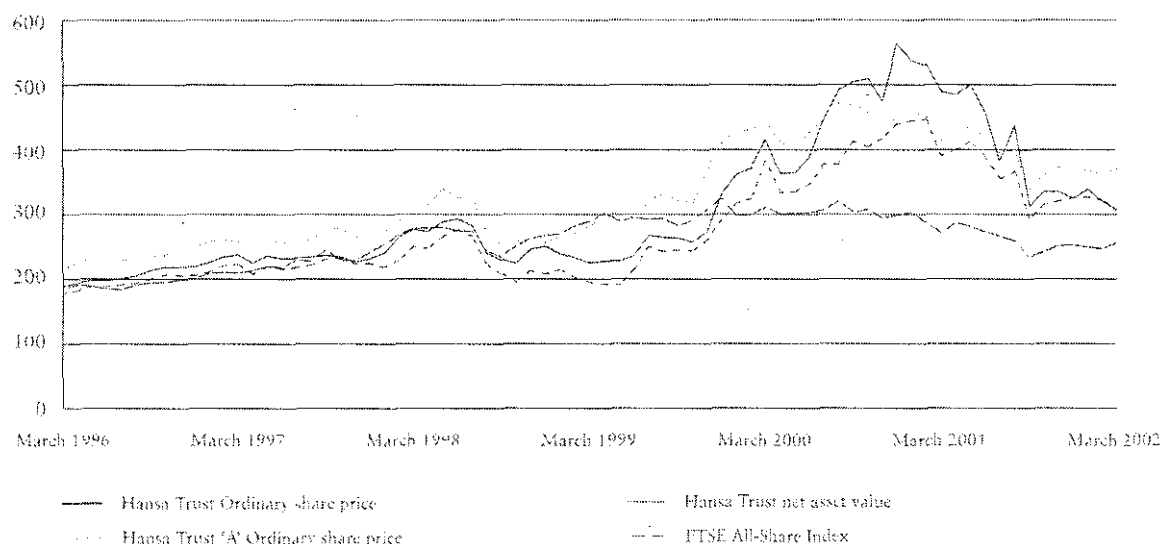
PERFORMANCE SUMMARY

FIVE YEAR RECORD

| | 31 March 1998 | 31 March 1999 | 31 March 2000 | 31 March 2001 | 31 March 2002 | % change over year |
|-----------------------------|------------------|------------------|------------------|------------------|------------------|-----------------------|
| Total Assets ⁽¹⁾ | £79.80m | £69.76m | £112.29m | £107.64m | £89.16m | -17.2 |
| Shareholders' Funds | £74.79m | £67.96m | £106.79m | £99.32m | £89.16m | -10.2 |
| Net Asset Value per | | | | | | |
| 'A' Ordinary share | 310.4p | 281.9p | 445.0p | 413.9p | 371.5p | -10.2 |
| Ordinary share | 310.4p | 281.9p | 445.0p | 413.9p | 371.5p | -10.2 |
| Share Price | | | | | | |
| 'A' Ordinary shares | 250.5p | 195.0p | 382.5p | 390.0p | 305.0p | -21.8 |
| Ordinary shares | 276.5p | 225.0p | 416.5p | 490.0p | 307.5p | -37.2 |
| Discount/(Premium) | | | | | | |
| 'A' Ordinary shares | 19.3% | 30.8% | 14.0% | 5.8% | 17.9% | - |
| Ordinary shares | 10.9% | 20.2% | 6.4% | (18.4%) | 17.2% | - |
| FTSE All-Share Index | 2,781 | 2,894 | 3,111 | 2,711 | 2,557 | -5.7 |

⁽¹⁾ net assets gross of bank loans/overdrafts

PERFORMANCE GRAPH



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



CHAIRMAN'S STATEMENT

PERFORMANCE

During the year under review the Net Asset Value per Ordinary and 'A' Ordinary shares fell from 413.9p to 371.5p, a drop of 10.2% as against a fall in the Company's benchmark, the FTSE All Share Index, of 5.7%.

The comparative figures for the medium and long term are as follows: over three years the Company's Net Asset Value rose by 31.78% compared to a fall of 11.64% in the FTSE All Share, over five years the Company's Net Asset Value rose by 43.85% compared to a rise of 21.8% in the FTSE All Share, and over ten years the Company's Net Asset Value rose by 232.89% compared to a rise of 118.26% in the FTSE All Share.

Whilst the short term performance has been disappointing, and an extensive explanation of this is set out in the Manager's Report which follows, the long term return on the Company's assets has been more than satisfactory. As a consequence of this recent underperformance there has been considerable widening in the discount at which your shares trade on the Stock Exchange; for the Ordinary shares the discount has widened from a premium of 18.4% to a discount of 17.2% and for the 'A' Ordinary shares from a discount of 5.8% to 17.9%. Perhaps the focus on short-term returns by the financial press had led to the obscuring of longer-term value generated by the Company and consequently a reduced level of retail interest.

REVENUE AND DIVIDENDS

Total income in the year rose from £2.490m to £2.584m, and this generated a revenue return on ordinary activities before taxation of £1.144m as opposed to £0.950m. Regrettably the Company's trading subsidiary Consolidated Investment Funds Limited produced a loss of £373,000 (2001: loss £368,000). This has naturally had an impact on the surplus available for distribution by way of dividend compared with that of two years ago where there was a profit of £670,000.

An interim dividend of 1.8p per share (2001: 1.8p) was paid to shareholders in December 2001. The Directors have decided to maintain the total level of dividend payable for the year of 5p and are now recommending a final dividend of 3.2p per Ordinary and 'A' Ordinary share. This final dividend will be payable on 9 August 2002, subject to shareholders approval at the AGM on 31 July 2002, to shareholders on the register at 28 June 2002. As I have previously mentioned, the level of dividend will of course vary both with the success of the Company's trading subsidiary Consolidated Investment Funds Limited and with the strategy being pursued in respect of the Company's main funds. The Company's focus is on total return and the balance between income and capital and will vary depending on market conditions. There is therefore no guarantee that the level of dividend will be maintained from year to year.

TRADING COMPANIES

Of the two strategic investments within our portfolio, Adam & Harvey has effectively become a cash shell having disposed of its entire African steel operations in December 2001. The Board of that Company has indicated that it is considering the strategy for the future of that company and we await further news during the course of the current year. Ocean Wilsons Holdings Limited, the Bermuda based investment and shipping group in which we have a significant stake, managed to increase both its turnover and operating profit despite further erosion in the value of the Brazilian currency, the Real. Nevertheless, the net profit was impacted by significant exchange losses on the foreign currency value of the long-term debt. Although the after tax profit fell by some 26%, the company maintained its dividend.

INVESTMENT TRUSTS

Within the Company's portfolio of investments, both Finsbury Growth Trust PLC and Finsbury Smaller Quoted Companies Trust PLC had a satisfactory year. The Net Asset Value of the trusts outperformed their respective benchmarks i.e. FTSE All-Share Index and FTSE Small Cap Index (ex IT). Finsbury Growth Trust lost 2.08%



CHAIRMAN'S STATEMENT

(continued)

against a loss of 5.67% and Finsbury Smaller Quoted lost 7.38% against a loss of 11.63% and the discounts did vary significantly during the year, however they did begin and end the year at approximately the same levels.

SHARE REPURCHASES

At the Annual General Meeting in 2001 shareholders authorised the repurchase for cancellation of up to 14.99% of the 'A' non-voting Ordinary shares, although no purchases were made during the year. However, the Board intends to keep the matter under review and a renewal of the authority will be proposed at the forthcoming Annual General Meeting.

ADMINISTRATION

Since the transfer at the end of last September of the management contract from Close Finsbury Asset Management Limited to Hansa Capital Limited, a number of administrative changes have been made. The Company's registered office is now 17a Curzon Street, London, W1J 5HS, where shareholders can write to me. The Company has retained Cogent Investment Operations Limited as administrators of the PEP, ISA and Savings Schemes and Close Finsbury Asset Management Limited to manage these schemes, information on the Company is available on their website www.closefinsbury.com.

Hansa Capital Limited has retained the services of Artemis Investment Management Limited. Consequently John Dodd continues to manage the portfolio on a day-to-day basis. Lastly, the Company has engaged Cogent directly to provide it with accounting and administrative services.

THE BOARD

This year, both Michael Reeve and Jocelin Harris would have come up for re-election at the AGM, but they will retire from the board at that time instead. Michael, in addition to serving for 12 years with the Company, has undertaken the onerous task of steering Finsbury Growth Trust PLC through difficult times onto its recent success. Jocelin joined our group 11 years ago, but has been a friend of the Company for even longer, and his independent wisdom obtained through long experience of investments in smaller companies has been invaluable.

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held on 31 July 2002 in the Curzon Suite, at the Mayfair Intercontinental Hotel, Stratton Street, London, W1A 2AN. I do hope that as many shareholders as are able will attend. This will be an opportunity not just to meet with the Board of Directors, but also with John Dodd, the Investment Adviser, who will make a short presentation and be available to answer questions.

Jamie Borwick

Chairman

26 June 2002



REVIEW OF MARKET INVESTMENTS

Most of last year was characterised by the gloom of a slowing economy and the ill effects caused by the excesses of the technology hangover. Although well reported, the collapse of the TMT sector has continued to have a major impact on the performance of the UK stockmarket.

Clearly the terrorist attacks in September had a direct bearing on sectors such as insurance and travel, but the subsequent further reduction in interest rates have provided a much needed positive contribution to sentiment and so, in the second half of the year under review, there has been greater stability and a gradual recovery in stock prices.

Over the year to 31 March 2002, the net asset value fell by 10.2% compared to a fall of 5.7% for the FTSE All Share Index.

Some of this underperformance can be attributed to certain investments that were reported in last year's review.

Within the insurance sector we suffered from the collapse of **Independent Insurance**. The events during September impacted **BRIT Insurance** and the sector in general. Recently **BRIT** and **Ockham** have raised new monies which we believe will underpin their businesses. Going forward the rating environment is likely to provide better returns and we have added to this sector with the purchase of **Goshawk** which is managed by a highly regarded team who have created capacity from the Bermudan market.

We used the words "less than rewarding" in last year's review to describe our investment in **Photo-Me International**. Our support has been completely misplaced and it is without doubt our worst investment. The management have proved to be far too optimistic and the lesson we have learnt is simply we should have followed them in their share sales.

On a positive note, we managed to sell **Railtrack** and **Stagecoach** prior to the former going into administration and the latter suffering from problems with their US subsidiary. Our "big" successful holdings which we have recently sold include **Inchcape** and **Jardine Lloyd** both of which have provided a positive contribution to the portfolio. We have also realised good profits from the sale of **Balfour Beatty**, **CLS Holdings** and **Selfridges**. New holdings bought during the period include both a combination of growth and value types of companies including **De la Rue** – a business internationally known for printing money and cash handling systems; **Paterson Zochonis** – the owner of Imperial leather soap products, which have successfully developed the **Carex** brand into new products; and **Wincanton** – a leading distribution business, which specialises in food, consumer and retail, providing a stable earnings base. **AGA Foodservice** is now a focused business which is being developed around the core **AGA** range. Given current cash resources, the management will have an excellent opportunity to expand the business and the recent acquisition of **Domain** is a strategic platform for growth in the US market.

We turned very positive on the oil sector through the purchase of **Enterprise Oil** which is currently in bid talks with **Shell**. Since the year-end we have bought **Dana Petroleum**. Our other major holding in this sector **Ramco Energy** has not yet benefited from interest in the sector, but we remain hopeful of a discovery from their Irish prospect. The higher oil price will eventually lead through to further exploration work which will benefit our new holding in **Hunting**, which has been transformed into a world leading focused oil and gas service business.

The mining sector is often considered a speculative area for investment but we believe there is considerable potential given the current stage of the economic cycle and generally these companies are considered special situations. We supported a rights issue for **Auiron Energy** which on the surface offered an excellent play on both coal and iron ore. Unfortunately, the existing management have to date been unable to convert any potential from the company's considerable asset base. In contrast our holdings in **Dwyka Diamonds** and **Kenmare Resources** are progressing well. In the latter, a recent fund raising has been completed ahead of the necessary project financing to start commercial production at their **Mona ilmenite** project.



REVIEW OF MARKET INVESTMENTS

(continued)

Within our investment trust holdings we have added to our holdings in Baillie Gifford Japan and Henderson European Micro. More recently we have bought a holding in Scottish Oriental and the income shares of Jupiter Split. This trust unlike many in its sector has a very stable portfolio of equities.

OUTLOOK

The stockmarket's recent overall progress masks quite divergent sector performances. For example, given the low level of interest rates the buoyancy/resilience of consumer spending has maintained considerable momentum in sectors such as housebuilding and retailing. In contrast the under performing sectors continue to include the obvious such as technology and telecoms where the portfolio has little exposure.

Another notable feature has been the bouts of outperformance for mid and smaller companies relative to their larger counterparts. This portfolio will benefit from this trend given its exposure of 55% to mid and smaller companies.

From a sector strategy view point, we will add further focus to the portfolio with an increased weighting favouring oil exploration and insurance. Both offer considerable re-rating opportunities, but yet to many investors represent too much risk.

Looking further ahead we remain positive whilst recognising progress will be hampered by bouts of adjustment as investors come to terms with the negative impact of some of the excesses of recent years.

John Dodd
Artemis Investment Management Limited
26 June 2002



ANALYSIS OF PORTFOLIO

As at 31 March



LARGEST INVESTMENTS

As at 31 March 2002

| Investment | Market value £000 | Percentage of investments |
|---|----------------------|------------------------------|
| Finsbury Growth Trust PLC | 12,420 | 13.9 |
| Ocean Wilsons Holdings Limited | 6,547 | 7.3 |
| Finsbury Smaller Quoted Companies Trust PLC | 4,505 | 5.0 |
| Glenmorangie PLC | 4,280 | 4.8 |
| Nover PLC | 4,248 | 4.8 |
| Wincanton PLC | 4,140 | 4.6 |
| Ranmo Energy PLC | 3,842 | 4.3 |
| De La Rue PLC | 3,708 | 4.2 |
| BRIT Insurance Holdings PLC | 3,547 | 4.0 |
| Enterprise Oil PLC | 3,460 | 3.9 |
| Top 10 investments | 50,697 | 56.8 |
| British Empire Securities and General Trust PLC | 2,542 | 2.8 |
| South African Breweries PLC | 2,256 | 2.5 |
| Chelshold PLC | 2,119 | 2.4 |
| British American Tobacco PLC | 2,025 | 2.3 |
| Renaissance US Growth and Income Trust PLC | 1,812 | 2.0 |
| AGA Foodservice Group PLC | 1,806 | 2.0 |
| Aurion Energy Ltd | 1,800 | 2.0 |
| Hunting PLC | 1,800 | 2.0 |
| Ockham Holdings PLC | 1,488 | 1.7 |
| Laura Ashbey Holdings PLC | 1,469 | 1.6 |
| Top 20 investments | 69,814 | 78.1 |
| The Weir Group PLC | 1,382 | 1.6 |
| Goshawk Insurance Holdings PLC | 1,370 | 1.5 |
| Dwyka Diamonds Limited | 1,218 | 1.4 |
| The Scottish Oriental Smaller Companies Trust Plc | 1,210 | 1.4 |
| Kenmare Resources PLC | 1,190 | 1.3 |
| Paterson Zochonis PLC | 1,110 | 1.2 |
| Henderson European Micro Trust PLC | 1,098 | 1.2 |
| Hallidale Group PLC | 1,050 | 1.2 |
| House of Fraser PLC | 960 | 1.1 |
| The Baillie Gifford Japan Trust PLC | 947 | 1.1 |
| Top 30 investments | 81,549 | 91.1 |
| Other investments | 7,996 | 8.9 |
| Total investments | 89,545 | 100.0 |
| Equities | 86,084 | 96.1 |
| Convertible Securities | 696 | 0.8 |
| Bonds | - | - |
| Property | 565 | 0.6 |
| | 89,545 | 100.0 |



PORTFOLIO INFORMATION

As at 31 March 2002

| | Market value £000 | Percentage of investments |
|---|----------------------|------------------------------|
| Strategic Investments | | |
| Ocean Wilsons Holdings Limited | 6,547 | 7.3 |
| Adam & Harvey Group PLC | 899 | 1.0 |
| | <u>7,446</u> | <u>8.3</u> |
| Investment Trusts | | |
| Finsbury Growth Trust PLC | 12,420 | 13.9 |
| Finsbury Smaller Quoted Companies Trust PLC | 4,505 | 5.0 |
| British Empire Securities and General Trust PLC | 2,542 | 2.8 |
| Renaissance US Growth and Income Trust PLC | 1,812 | 2.0 |
| The Scottish Oriental Smaller Companies Trust PLC | 1,210 | 1.4 |
| Henderson European Micro Trust PLC | 1,098 | 1.2 |
| The Baillie Gifford Japan Trust PLC | 947 | 1.1 |
| | <u>24,534</u> | <u>27.4</u> |
| Market Investments | | |
| Glenmorangie PLC | 4,280 | 4.8 |
| Novar PLC | 4,248 | 4.8 |
| Wincanton PLC | 4,140 | 4.6 |
| De La Rue PLC | 3,708 | 4.2 |
| BRIT Insurance Holdings PLC | 3,547 | 4.0 |
| Enterprise Oil PLC | 3,460 | 3.9 |
| South African Breweries PLC | 2,256 | 2.5 |
| Chelsfield PLC | 2,119 | 2.4 |
| British American Tobacco PLC | 2,025 | 2.3 |
| other market investments | 15,430 | 17.3 |
| | <u>45,213</u> | <u>50.8</u> |
| AIM & OFEX Investments | | |
| Ramco Energy PLC | 3,842 | 4.3 |
| Aurion Energy Ltd | 1,800 | 2.0 |
| Dwyka Diamonds Limited | 1,218 | 1.4 |
| Halladale Group PLC | 1,050 | 1.2 |
| 11 other AIM & OFEX investments | 3,279 | 3.6 |
| | <u>11,189</u> | <u>12.5</u> |
| Unquoted Investments | | |
| Brightcom | 351 | 0.4 |
| Diomed Holdings Inc | 29 | 0.0 |
| | <u>380</u> | <u>0.4</u> |
| Property investments | <u>583</u> | <u>0.6</u> |
| Total investments | <u>89,345</u> | <u>100.0</u> |



COMPANY INFORMATION

DIRECTORS

Jamie Borwick (*Chairman*)

Aged 47. Joined the Board in 1984.

He is chairman of Manganese Bronze Holdings PLC, a non-executive director of Adam & Harvey Group PLC and a member of The Listing Authority Advisory Committee of The Financial Services Authority.

Jocelin Harris

Aged 56. Joined the Board in 1991. He is chief executive of Durrington Corporation Limited which provides finance to small and growing businesses, and is a director of a number of other companies.

Michael Reeve

Aged 65. Joined the Board in 1990. He is the chairman of Finsbury Growth Trust PLC and of Close Brothers AIM VCT PLC.

William Salomon

Aged 44. Joined the Board in 1999. He is vice-chairman of Close Asset Management Holdings Limited, chairman of Hansa Capital Limited, deputy chairman of Ocean Wilsons Holdings Limited, a director of Manganese Bronze Holdings PLC, non-executive director of Adam & Harvey Group PLC, and a director of a number of other companies.

Edwin Teideman

Aged 72. Joined the Board in 1976. He is a consultant to, and former director of, Ocean Wilsons Holdings Limited.

Geoffrey Wood

Aged 56. Joined the Board in 1997. He is professor of Economics at City University, London.

SECRETARY AND REGISTERED OFFICE

Hansa Capital Limited

17a Curzon Street

London W1J 5HS

Telephone 020 7647 5750

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

COMPANY NUMBER

126107 (Registered in England)

INVESTMENT MANAGER

Hansa Capital Limited

17a Curzon Street

London W1J 5HS

INVESTMENT ADVISER

Artemis Investment Management Limited

42 Melville Street

Edinburgh EH3 7HA

AUDITORS

RSM Robson Rhodes

186 City Road

London EC1V 2NU

SOLICITORS

Eversheds

Senator House

85 Queen Victoria Street

London EC4V 4JL

BANKERS

The Bank of New York

One Canada Square

London E14 5AL

STOCKBROKERS

HSBC Investment Bank plc

Vintners Place

68 Upper Thames Street

London EC4V 3BJ



INVESTOR INFORMATION

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

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

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

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

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

Capita IRG Plc
Balfour House
390/398 High Road
Ilford Essex IG1 1NQ
Telephone: 0870 1623 100
www.capita-irg.com

SHARE PRICE LISTINGS

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

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

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

INTERNET ADDRESSES

| | |
|----------------------|--|
| TrustNet | www.trustnet.com |
| Interactive Investor | www.iii.co.uk |

FINANCIAL CALENDAR

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



REPORT OF THE DIRECTORS

for the year ended 31 March 2002

The Directors present their Report and Financial Statement for the year ended 31 March 2002.

STATUS AND ACTIVITIES

During the year under review the Company has operated as an investment company, as defined under Section 266 of the Companies Act 1985, so as to qualify as an investment trust within the meaning of Section 842 of the Income and Corporation Taxes Act 1988. The Company has received approval as an investment trust for the year ended 31 March 2001. The Directors are of the opinion that the Company has subsequently directed its affairs so as to enable it to continue to obtain Inland Revenue approval as such.

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

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

RESULTS AND DIVIDENDS

The results attributable to shareholders for the year and the transfer to reserves are shown on page 19. The dividends paid and proposed are as follows:

| | 2002 £000 | 2001 £000 |
|---|--------------|--------------|
| Ordinary and 'A' non-voting Ordinary shares | | |
| Interim paid of 1.8p (2001: 1.8p) per share | 432 | 432 |
| Final proposed of 3.2p (2001: 3.2p) per share | 768 | 768 |
| Total dividends | 1,200 | 1,200 |

The final dividend will, if approved, be paid on 9 August 2002 to Ordinary and 'A' non-voting Ordinary shareholders registered at the close of business on 28 June 2002.

FIXED ASSET INVESTMENTS

The market value of the Group's investments at 31 March 2002 was £89,345,000 (2001: £103,010,000). Taking these investments at this valuation, the net assets attributable to each Ordinary and 'A' non-voting Ordinary share amounted to 371.5p at 31 March 2002 (2001: 413.9p).



REPORT OF THE DIRECTORS

(continued)

MANAGEMENT

The portfolio was managed by Close Finsbury Asset Management Limited ("CFAM"), advised on investment matters by AFIM Limited until 30 September 2001, and from 1 October 2001 the portfolio was managed by Hansa Capital Limited, advised on investment matters by Artemis Investment Management Limited.

CFAM charged investment management fees at an annual rate of 0.75 per cent. of the valuation of the Company's portfolio, after deducting investments in any other company managed by CFAM. From 1 October 2001 the Company entered into a contract for administration services with Cogent Investment Operations Limited on substantially the same terms and conditions that Cogent Investment Operations Limited had previously charged CFAM for the same administration services supplied to the Company. In addition the Company entered into a contract with Close Finsbury Asset Management Limited to manage the Company's ISA, Savings Schemes and PEP accounts.

Hansa Capital Limited charges investment management fees at an annual rate of 0.75 per cent. of the valuation of the Company's portfolio, after deducting investments in the two "Finsbury Trust" holdings and Ocean Wilson Holdings Limited on which investment management fees are charged at an annual rate of 0.33 per cent. and 0.00 per cent. respectively. Under the terms of the investment management agreement with Hansa Capital Limited the investment management fee is reduced by the amount the Company is charged under its administration agreement with Cogent Investment Operations Limited.

In addition, CFAM and Hansa Capital Limited charge a management fee to the dealing subsidiary of 1.5 per cent. of the pre-tax profits of that company after adjusting for a notional interest charge on capital employed.

Secretarial and accounting services were provided by CFAM up to 30 September 2001 and Hansa Capital Limited from 1 October 2001, at an annual rate of £40,000 excluding VAT (2001: £40,000).

The investment management fee outstanding at the year end amounted to £34,074 excluding VAT (2001: £178,443).

DIRECTORS

The present members of the Board are shown on page 10. In accordance with the Articles of Association Mr Michael Reeve and Mr Jocelin Harris retire by rotation.

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

| | Ordinary shares of 5p each | | A Ordinary shares of 5p each | | Nature of interest |
|--------------------|----------------------------|--------------|------------------------------|--------------|--------------------|
| | 31 March 2002 | 1 April 2001 | 31 March 2002 | 1 April 2001 | |
| Mr Jamie Borwick | 2,200 | 2,200 | — | — | Beneficial |
| Mr J M St.J Harris | 5,000 | — | — | 5,000 | Beneficial |
| Mr M A F Reeve | — | — | 6,250 | 6,250 | Non-Beneficial |
| Mr W H Salomon | 2,039,675 | 2,039,675 | — | — | Beneficial |
| | 102,000 | 102,000 | — | — | Non-Beneficial |
| Mr E C Teideman | 2,000 | 2,000 | — | — | Beneficial |
| Professor G E Wood | 2,000 | 1,000 | — | — | Beneficial |

No change in the Directors' interests has occurred prior to the date of this report. None of the Directors has any service contract with the Company or its subsidiary. Other than Mr W H Salomon none of the Directors have been



REPORT OF THE DIRECTORS

(continued)

interested in any contracts with the Company or its subsidiary. W H Salomon is vice-chairman of Close Asset Management Holdings Limited and chairman of Hansa Capital Limited. Fees payable to Hansa Capital Limited amounted to £275,307 (2001: £nil).

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

SUBSTANTIAL SHAREHOLDERS

As at 31 May 2002 the following interests in the Ordinary shares of the Company which exceeded 3 per cent. of the voting issued share capital of that class have been notified:

| | No. of voting shares | % of voting shares |
|---|-------------------------|-----------------------|
| Nicholas B. Dill, Jr. & Codan Trust Company Limited (<i>note</i>) | 3,994,350 | 49.93 |
| British Empire Securities and General Trust PLC | 625,000 | 7.81 |
| HBOS plc | 365,792 | 4.57 |

Note: Of the shares held by Nicholas B. Dill, Jr. & Codan Trust Company Limited, Mr W H Salomon is interested in 1,997,175 and Mrs J A V Townsend is interested in 1,997,175, each holding representing 24.65 per cent. of the voting share capital. In addition, Mr W H Salomon is interested in a further 144,500 of the voting shares of which Mrs J A V Townsend is also interested in 42,500.

AUDITORS

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

CREDITORS PAYMENT POLICY

While the Company does not follow a formal code, it is the Company's continuing policy to pay amounts due to creditors as and when they become due. Payments relating to investment transactions are made in accordance with the settlement practices of the relevant exchange. At 31 March 2002 outstanding trade creditors amounted to £nil (2001: £nil).

GOING CONCERN

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



REPORT OF THE DIRECTORS

(continued)

DIRECTORS' RESPONSIBILITIES

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

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

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

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

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

CORPORATE GOVERNANCE

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

COMPLIANCE WITH THE COMBINED CODE

The Board considers that the Company has complied with the provisions of Section 1 of the Combined Code throughout the year ended 31 March 2002, other than those it believes are not appropriate to an investment trust company (as detailed below under Principles of the Combined Code).

INTERNAL CONTROL

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



REPORT OF THE DIRECTORS

(continued)

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

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

PRINCIPLES OF THE COMBINED CODE

(a) Directors

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

The Directors meet as a Board on a quarterly basis and at other times as necessary. The Board is responsible for investment policy and has a schedule of investment matters reserved for the resolution of the Directors. The Board has contractually delegated to external agencies the management of the investment portfolio, the custodial services which includes 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.

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

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

(b) Remuneration

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

(c) Relations with Shareholders

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



REPORT OF THE DIRECTORS

(continued)

(d) Accountability and Audit

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

ANNUAL GENERAL MEETING

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

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

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

The Company's Articles are drafted in such a way that the Company may from time to time purchase and cancel its own shares. However, company law requires that shareholders' approval to repurchase shares be sought. At the Annual General Meeting the Company will therefore seek the authority to purchase up to 2,398,400 'A' non-voting Ordinary shares (representing 14.99 per cent of the Company's issued 'A' non-voting Ordinary share capital, the maximum permitted under the Listings Rules of the Financial Services Authority) at a price that is not less than 5p per share (the nominal value of each share) and not more than 5 per cent above the average of the middle-market quotations for the five business days preceding the day of purchase. The authority being sought, the full text of which can be found in Resolution 7 in the Notice of Meeting, will last until the date of the next Annual General Meeting.

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

By order of the Board
Hansa Capital Limited

Secretary

26 June 2002



REPORT OF THE AUDITORS

Independent Auditors' Report to the Shareholders of Hansa Trust PLC

We have audited the Financial Statements on pages 19 to 32.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Directors' responsibilities for preparing the Annual Report and the Financial Statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the Financial Statements in accordance with relevant legal and regulatory requirements, United Kingdom Auditing Standards and the Listing Rules of the Financial Services Authority. We report to you our opinion as to whether the Financial Statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the Financial Statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding Directors' remuneration and transactions with the Company and other members of the Group is not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited Financial Statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Financial Statements. Our responsibilities do not extend to any information outside the Annual Report.

BASIS OF AUDIT OPINION

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

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

OPINION

In our opinion the Financial Statements give a true and fair view of the state of affairs of the Company and the Group as at 31 March 2002 and of the Group's net revenue, total return and cashflow for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

RSM Robson Rhodes

RSM Robson Rhodes

Chartered Accountants and Registered Auditors

London, England

26 June 2002



CONSOLIDATED STATEMENT OF TOTAL RETURN

incorporating the revenue account for the year ended 31 March

| | | Revenue 2002 £000 | Capital 2002 £000 | Total 2002 £000 | Revenue 2001 £000 | Capital 2001 £000 | Total 2001 £000 |
|---|-------|-------------------------|-------------------------|-----------------------|-------------------------|-------------------------|-----------------------|
| | Notes | | | | | | |
| Losses on investments | 11 | — | (10,141) | (10,141) | — | (7,224) | (7,224) |
| Exchange (losses)/gains on currency balances | | — | (29) | (29) | — | 21 | 21 |
| Income | 2 | 2,584 | — | 2,584 | 2,490 | — | 2,490 |
| Investment management fees | 3 | (641) | — | (641) | (727) | — | (727) |
| Other expenses | 4 | (484) | — | (484) | (412) | — | (412) |
| Net return/(loss) before finance costs and taxation | | 1,459 | (10,170) | (8,711) | 1,551 | (7,203) | (5,852) |
| Interest payable and similar charges | 5 | (315) | — | (315) | (401) | — | (401) |
| Return/(loss) on ordinary activities before taxation | | 1,144 | (10,170) | (9,026) | 950 | (7,203) | (6,253) |
| Taxation charge on ordinary activities | 6 | 23 | — | 23 | (10) | — | (10) |
| Return/(loss) on ordinary activities after taxation | | 1,167 | (10,170) | (9,003) | 940 | (7,203) | (6,263) |
| Dividends on Ordinary and 'A' Ordinary shares (equity) | 7 | (1,165) | — | (1,165) | (1,200) | — | (1,200) |
| Transfer to/(from) reserves | 17 | 2 | (10,170) | (10,168) | (260) | (7,203) | (7,463) |
| Return/(deficit) per Ordinary share | 8 | 4.9p | (42.4p) | (37.5p) | 3.9p | (30.0p) | (26.1p) |

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

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

The accompanying notes are an integral part of this statement.



BALANCE SHEET OF THE GROUP AND COMPANY

as at 31 March

| | Notes | Group 2002 £000 | Group 2001 £000 | Company 2002 £000 | Company 2001 £000 |
|-------------------------------------|-------|-----------------------|-----------------------|-------------------------|-------------------------|
| Fixed assets – investments | | | | | |
| Group undertaking | 10 | – | – | 123 | 496 |
| Other investments | 11 | 89,345 | 103,010 | 89,345 | 103,010 |
| | | <u>89,345</u> | <u>103,010</u> | <u>89,468</u> | <u>103,506</u> |
| Current assets | | | | | |
| Debtors | 13 | 231 | 861 | 221 | 5,264 |
| Investments | 14 | 43 | 870 | – | – |
| Cash at bank | | 488 | 4,031 | 417 | – |
| | | <u>762</u> | <u>5,762</u> | <u>638</u> | <u>5,264</u> |
| Creditors | | | | | |
| Amounts falling due within one year | 15 | (950) | (9,447) | (949) | (9,445) |
| Net current liabilities | | <u>(188)</u> | <u>(3,685)</u> | <u>(311)</u> | <u>(4,181)</u> |
| Net assets | | <u>89,157</u> | <u>99,325</u> | <u>89,157</u> | <u>99,325</u> |
| Capital and reserves | | | | | |
| Called up share capital | 16 | 1,200 | 1,200 | 1,200 | 1,200 |
| Capital reserve – realised | 17 | 81,800 | 76,505 | 81,800 | 76,505 |
| Capital reserve – unrealised | 17 | 4,374 | 19,839 | 4,494 | 20,332 |
| Revenue reserve | 17 | 1,783 | 1,781 | 1,663 | 1,288 |
| Total equity shareholders' funds | | <u>89,157</u> | <u>99,325</u> | <u>89,157</u> | <u>99,325</u> |
| Net asset value per Ordinary share | 18 | <u>371.5p</u> | <u>413.9p</u> | <u>371.5p</u> | <u>413.9p</u> |

The Financial Statements on pages 19 to 32 were approved by the Board of Directors on 12 June 2002 and were signed on its behalf by:

Jamie Borwick Chairman

The accompanying notes are an integral part of this statement.



CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 March

| | Notes | 2002 £000 | 2001 £000 |
|---|-------|-----------------|-----------------|
| Net cash inflow from operating activities | 22 | <u>2,055</u> | <u>5,802</u> |
| Servicing of finance | | | |
| Interest paid | | <u>(325)</u> | <u>(390)</u> |
| Net cash outflow from servicing of finance | | <u>(325)</u> | <u>(390)</u> |
| Taxation | | | |
| Taxation recovered/(paid) | | <u>71</u> | <u>(22)</u> |
| Financial investment | | | |
| Purchases of investments | | <u>(72,459)</u> | <u>(50,652)</u> |
| Sales of investments | | <u>76,625</u> | <u>47,179</u> |
| Net cash inflow/(outflow) from financial investment | | <u>4,166</u> | <u>(3,473)</u> |
| Equity dividends paid | 7 | <u>(1,200)</u> | <u>(1,200)</u> |
| Unclaimed dividends | 7 | <u>35</u> | <u>—</u> |
| | | <u>(1,165)</u> | <u>(1,200)</u> |
| Financing | | | |
| Repayment of loans | | <u>(5,500)</u> | <u>—</u> |
| (Decrease)/increase in cash | 23 | <u>(698)</u> | <u>717</u> |

The accompanying notes are an integral part of this statement.



NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

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

(a) Accounting Convention

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

(b) Basis of Consolidation

The Financial Statements comprise the accounts of the Company and its subsidiary undertaking made up to 31 March 2002.

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

(c) Investments held as Fixed Assets

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

- (i) Listed investments are stated at closing middle market prices on recognised stock exchanges.
- (ii) Alternative Investment Market ("AIM") investments are stated at closing middle market prices.
- (iii) OFEX investments are valued by reference to the latest traded prices.
- (iv) Unlisted investments are stated at Directors' valuation.
- (v) Property is stated at open market valuation and re-valued every five years.

(d) Investments held as Current Assets

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

(e) Investment Income

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

Franked dividends are stated net of related tax credits.

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

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

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

Rental income is recognised when it becomes receivable.



NOTES TO THE FINANCIAL STATEMENTS

(continued)

1. ACCOUNTING POLICIES *continued*

(f) *Expenses*

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

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

(g) *Taxation*

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

Previously under Statement of Standard Accounting Practice 15, provision for deferred taxation was necessary only to the extent that it was probable that the tax would be payable in the foreseeable future.

The change in accounting policy for deferred tax has not changed the Group's profit after taxation for the year nor the shareholders' funds, and has not affected the Group's cash flows.

(h) *Foreign Currencies*

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

(i) *Reserves*

Capital reserves – Realised

The following are credited or charged to this reserve:

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

Capital reserves – Unrealised

The following are credited or charged to this reserve:

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



NOTES TO THE FINANCIAL STATEMENTS

(continued)

2. INCOME

| | Revenue 2002 £000 | Revenue 2001 £000 |
|--------------------------------|-------------------------|-------------------------|
| Income from listed investments | | |
| Franked dividends | 2,224 | 2,064 |
| Unfranked interest | 16 | – |
| Overseas dividends | 563 | 642 |
| | <u>2,803</u> | <u>2,706</u> |
| Other operating income | | |
| Dealing loss | (410) | (408) |
| Underwriting income | 5 | 24 |
| Interest receivable | 120 | 102 |
| Rental income | 66 | 66 |
| | <u>(219)</u> | <u>(216)</u> |
| Total income | <u>2,584</u> | <u>2,490</u> |
| Total income comprises: | | |
| Dividends | 2,787 | 2,706 |
| Interest from investments | 16 | – |
| Other income | (219) | (216) |
| | <u>2,584</u> | <u>2,490</u> |

3. INVESTMENT MANAGEMENT FEE

| | Revenue 2002 £000 | Revenue 2001 £000 |
|---------------------------|-------------------------|-------------------------|
| Periodic fees | 546 | 619 |
| Irrecoverable VAT thereon | 95 | 108 |
| | <u>641</u> | <u>727</u> |

Details of the management agreement are disclosed in the Report of the Directors on page 13.

4. OTHER EXPENSES

| | Revenue 2002 £000 | Revenue 2001 £000 |
|---|-------------------------|-------------------------|
| Secretarial services | 47 | 47 |
| Directors' remuneration | 71 | 71 |
| Auditor's remuneration for audit services | 15 | 14 |
| Other expenses | 351 | 280 |
| | <u>484</u> | <u>412</u> |



NOTES TO THE FINANCIAL STATEMENTS

(continued)

5. INTEREST PAYABLE AND SIMILAR CHARGES

| | Revenue 2002 £000 | Revenue 2001 £000 |
|---------------|-------------------------|-------------------------|
| Bank interest | 315 | 401 |

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

6. (a) TAXATION CHARGE ON ORDINARY ACTIVITIES

| | Revenue 2002 £000 | Revenue 2001 £000 |
|---|-------------------------|-------------------------|
| UK Corporation tax @ 30% | — | — |
| (Over)/Underprovision in previous years | (23) | 10 |
| | (23) | 10 |

(b) FACTORS AFFECTING TAX CHARGE FOR PERIOD

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

The tax assessment for the period is lower than the standard rate of corporation tax in the UK of 30% (2001: 30%). The differences are explained below:

| | 2002 £000 | 2001 £000 |
|---|--------------|--------------|
| Return on ordinary activities before tax | 1,144 | 950 |
| Return on ordinary activities multiplied by standard rate tax rate of corporation tax | 343 | 285 |
| Effects of: | | |
| Non taxable UK investment income | (663) | (604) |
| Excess administration expenses unused | 187 | 181 |
| Disallowed expenses | 14 | 31 |
| Subsidiary dealing losses | 119 | 107 |
| (Over)/Underprovision in previous years | (23) | 10 |
| Current tax charge | (23) | 10 |

(c) PROVISION FOR DEFERRED TAXATION

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

(d) FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

The Company has not recognised deferred tax assets of £721,000 (2001: £534,000) arising as a result of having unutilised management expenses, and £193,000 relating to the subsidiary's unutilised tax losses of £642,000 (2001: £246,000). The expenses will only be utilised if the tax treatment of the capital gains made by the Company or the Company's investment profile changes. The subsidiary tax losses which will only be recoverable to the extent that there is sufficient future taxable revenues.



NOTES TO THE FINANCIAL STATEMENTS

(continued)

7. DIVIDENDS

| | Revenue 2002 £000 | Revenue 2001 £000 |
|---|-------------------------|-------------------------|
| Dividends on equity shares: | | |
| Interim paid on 21 December 2001 – 1.8p (2001: 1.8p) | 432 | 432 |
| Final proposed payable on 9 August 2002 – 3.2p (2001: 3.2p) | 768 | 768 |
| Unclaimed dividends | (35) | – |
| | <u>1,165</u> | <u>1,200</u> |

8. RETURN ON ORDINARY SHARES (EQUITY)

| | Revenue 2002 | Capital 2002 | Total 2002 | Revenue 2001 | Capital 2001 | Total 2001 |
|-------------------------------------|-----------------|-----------------|----------------|-----------------|-----------------|----------------|
| Return/(deficit) per Ordinary share | <u>4.9p</u> | <u>(42.4p)</u> | <u>(37.5p)</u> | <u>3.9p</u> | <u>(30.0p)</u> | <u>(26.1p)</u> |

Revenue return

Revenue return per share is based on revenue return attributable to equity shareholders of £1,167,000 (2001: £940,000).

Capital return

Capital return per share is based on capital loss attributable to equity shareholders of £10,170,000 (2001: £7,203,000).

Both revenue and capital return are based on: 8,000,000 Ordinary shares (2001: 8,000,000) and 16,000,000 'A' Ordinary shares (2001: 16,000,000), in issue at 31 March 2002.

9. REVENUE ATTRIBUTABLE TO SHAREHOLDERS

The return on ordinary activities after taxation dealt with in the accounts of the holding company is £1,540,000 (2001: £1,309,000). As permitted by Section 230(2) of the Companies Act 1985, no separate revenue account for the holding company has been included in these accounts.

10. GROUP UNDERTAKING

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

| | 2002 £000 | 2001 £000 |
|-------------------------|--------------|--------------|
| Shares at cost | 3 | 3 |
| Unrealised appreciation | <u>120</u> | <u>493</u> |
| | <u>123</u> | <u>496</u> |



NOTES TO THE FINANCIAL STATEMENTS

(continued)

11. FIXED ASSETS – INVESTMENTS

| Other investments | Listed £000 | AIM & OFEX £000 | Unquoted £000 | Group and Company Property £000 | 2002 Total £000 |
|---|----------------|-----------------------|------------------|---------------------------------------|-----------------------|
| Cost at 1 April 2001 | 68,028 | 13,658 | 953 | 532 | 83,171 |
| Unrealised appreciation/(depreciation) at 1 April 2001 | 23,983 | (3,696) | (499) | 51 | 19,839 |
| Valuation at 1 April 2001 | 92,011 | 9,962 | 454 | 583 | 103,010 |
| Movements in the year: | | | | | |
| Purchases at cost | 63,236 | 9,223 | – | – | 72,459 |
| Sales – proceeds | (74,245) | (1,738) | – | – | (75,983) |
| – realised gains/(losses) on sales | 6,061 | (737) | – | – | 5,324 |
| Movement in unrealised depreciation | (9,870) | (5,521) | (74) | – | (15,465) |
| Valuation as at 31 March 2002 | 77,193 | 11,189 | 380 | 583 | 89,345 |
| Cost at 31 March 2002 | 63,080 | 20,406 | 953 | 532 | 84,971 |
| Unrealised appreciation/(depreciation) at 31 March 2002 | 14,113 | (9,217) | (573) | 51 | 4,374 |
| | 77,193 | 11,189 | 380 | 583 | 89,345 |
| Gains/(losses) on investments: | | | | | |
| Realised gains based on historical cost | | | | | 5,324 |
| Add: amount recognised as unrealised in the previous year | | | | | 3,658 |
| Realised gains based on carrying value at 31 March 2001 | | | | | 8,982 |
| Movement on unrealised appreciation | | | | | (19,123) |
| Total capital losses on investments | | | | | (10,141) |

AIM listed investments include convertible unsecured loan stock with a value of £698,000 (2001: £124,000).

The Directors decided not to revalue the property during the year owing to its pending sale. Since the Balance Sheet date the Company has entered into an agreement to sell the property for £685,000 excluding costs. The property was originally purchased for £532,000 and is currently valued at £583,000.



NOTES TO THE FINANCIAL STATEMENTS

(continued)

12. SIGNIFICANT HOLDINGS

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

| Company | Country of incorporation or registration | Class of capital | % of class held | Latest available (audited) accounts | Aggregate capital and reserves £000 | Profit/ (loss) after tax for the year £000 |
|---|--|------------------|-----------------|-------------------------------------|-------------------------------------|--|
| Investment Companies | | | | | | |
| Finsbury Growth Trust PLC | Scotland | ordinary | 17.7 | 30.09.01 | 69,881 | 924 |
| Finsbury Smaller Quoted Companies Trust PLC | England | ordinary | 11.4 | 31.12.01 | 47,466 | (182) |
| Non Investment Company | | | | | | |
| Ocean Wilsons Holdings Limited | Bermuda | ordinary | 26.5 | 31.12.01 | 56,544 | 3,257 |

The Company does not exercise control over or influence the activities of the above companies and, therefore, these holdings have been accounted for in accordance with the normal accounting policies of the Group.

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

| Company | Class of capital | % of class held |
|---|------------------|-----------------|
| Halladale Group PLC | ordinary | 11.5 |
| Dwyka Diamonds Limited | ordinary | 7.5 |
| Glenmorangie PLC | ordinary | 5.2 |
| Renaissance US Growth and Income Trust PLC | ordinary | 4.9 |
| Kenmare Resources PLC | ordinary | 4.4 |
| Rancco Energy PLC | ordinary | 4.4 |
| The Scottish Oriental Smaller Companies Trust PLC | ordinary | 3.9 |
| Aurion Energy Ltd | ordinary | 3.6 |
| Ockham Holdings PLC | ordinary | 3.3 |

13. DEBTORS

| | Group 2002 £000 | Group 2001 £000 | Company 2002 £000 | Company 2001 £000 |
|---------------------------------------|-----------------|-----------------|-------------------|-------------------|
| Due from subsidiary undertaking | - | - | 13 | 4,403 |
| Securities sold for future settlement | - | 642 | - | 642 |
| Taxation recoverable | 23 | 71 | - | 71 |
| Prepayments and accrued income | 208 | 148 | 208 | 148 |
| | 231 | 861 | 221 | 5,264 |



NOTES TO THE FINANCIAL STATEMENTS

(continued)

14. INVESTMENTS HELD BY DEALING SUBSIDIARY

| | Group 2002 £000 | Group 2001 £000 |
|--|-----------------------|-----------------------|
| Listed investments at the lower of cost and market value | 43 | 870 |
| Listed investments at aggregate market value | 43 | 870 |

15. CREDITORS

| | Group 2002 £000 | Group 2001 £000 | Company 2002 £000 | Company 2001 £000 |
|-------------------------------------|-----------------------|-----------------------|-------------------------|-------------------------|
| Amounts falling due within one year | | | | |
| Bank loans and overdrafts | — | 8,316 | — | 8,316 |
| Dividend payable | 768 | 768 | 768 | 768 |
| Other creditors and accruals | 182 | 363 | 181 | 361 |
| | 950 | 9,447 | 949 | 9,445 |

16. SHARE CAPITAL

| | Group 2002 £000 | Group 2001 £000 |
|---|-----------------------|-----------------------|
| Authorised | | |
| 300,000 7.5% Cumulative preference shares of £1 | 300 | 300 |
| 8,000,000 Ordinary shares of 5p | 400 | 400 |
| 16,000,000 'A' non-voting Ordinary shares of 5p | 800 | 800 |
| | 1,500 | 1,500 |
| Allotted, called up and fully paid | | |
| 8,000,000 Ordinary shares of 5p | 400 | 400 |
| 16,000,000 'A' non-voting Ordinary shares of 5p | 800 | 800 |
| | 1,200 | 1,200 |

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



NOTES TO THE FINANCIAL STATEMENTS

(continued)

17. RESERVES

| Group | Capital Reserve Realised £000 | Capital Reserve Unrealised £000 | Revenue Reserve £000 |
|--|--|--|----------------------------|
| Balance at 1 April 2001 | 76,505 | 19,839 | 1,781 |
| Revenue surplus | - | - | 2 |
| Realised gain on investments | 8,982 | - | - |
| Transfer on disposal of investments | (3,658) | 3,658 | - |
| Decrease in unrealised appreciation on investments | - | (19,123) | - |
| Exchange movements | (29) | - | - |
| Balance at 31 March 2002 | 81,800 | 4,374 | 1,783 |
| Company | | | |
| Balance at 1 April 2001 | 76,505 | 20,332 | 1,288 |
| Revenue surplus | - | - | 375 |
| Realised gain on investments | 8,982 | - | - |
| Transfer on disposal of investments | (3,658) | 3,658 | - |
| Decrease in unrealised appreciation on investments | - | (19,123) | - |
| Exchange movements | (29) | - | - |
| Decrease in valuation of subsidiary | - | (373) | - |
| Balance at 31 March 2002 | 81,800 | 4,494 | 1,663 |

18. NET ASSET VALUE PER ORDINARY SHARE

| | 2002 | 2001 |
|------------------------------------|--------|--------|
| Net asset value per ordinary share | 371.5p | 413.9p |

The net asset value per Ordinary and 'A' Ordinary share is based on the net assets attributable to equity shareholders of £89,157,000 (2001: £99,325,000) and on 8,000,000 Ordinary shares (2001: 8,000,000) and 16,000,000 'A' Ordinary shares (2001: 16,000,000), in issue at 31 March 2002.

19. MOVEMENT IN SHAREHOLDERS' FUNDS

| | 2002 £000 | 2001 £000 |
|--------------------------------------|--------------|--------------|
| Total recognised losses for the year | (9,003) | (6,263) |
| Dividends | (1,165) | (1,200) |
| Opening shareholders' funds | 99,325 | 106,788 |
| Closing shareholders' funds | 89,157 | 99,325 |

20. CAPITAL COMMITMENTS

There were no capital commitments at 31 March 2002 (2001: £nil).



NOTES TO THE FINANCIAL STATEMENTS

(continued)

21. DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

Background

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

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

Foreign currency risk

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

Interest rate risk

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

Market price risk

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

Use of derivatives

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

Financial Assets

| | Floating rate cash balances 2002 £000 | Fixed interest investments 2002 £000 | Equity and property investments 2002 £000 | Total 2002 £000 | Floating rate cash balances 2001 £000 | Fixed interest investments 2001 £000 | Equity and property investments 2001 £000 | Total 2001 £000 |
|-------------------|---|--|---|-----------------------|---|--|---|-----------------------|
| Sterling | 488 | 698 | 86,275 | 87,461 | 4,031 | 124 | 102,886 | 107,041 |
| US Dollar | — | — | 351 | 351 | — | — | — | — |
| Canadian Dollar | — | — | 803 | 803 | — | — | — | — |
| Australian Dollar | — | — | 1,218 | 1,218 | — | — | — | — |
| | <u>488</u> | <u>698</u> | <u>88,647</u> | <u>89,833</u> | <u>4,031</u> | <u>124</u> | <u>102,886</u> | <u>107,041</u> |

Financial Liabilities

The Group had no financial liabilities at 31 March 2002 that bore an interest or currency exposure risk (2001: £5.5m at an interest rate based upon the prevailing LIBOR rate plus an agreed margin, repayable on demand).

Borrowing Facility

The Group has an undrawn loan facility with Allied Irish Bank PLC of £10,000,000 (2001: £4,500,000).



NOTES TO THE FINANCIAL STATEMENTS

(continued)

21. DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS *continued*

Fair values

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

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

| | 2002 £000 | 2001 £000 |
|---|--------------|--------------|
| Net revenue return before finance costs and taxation | 1,459 | 1,351 |
| (Increase)/decrease in prepayments and accrued income | (60) | 100 |
| Decrease in other debtors | - | 2,676 |
| Decrease in current asset investments | 827 | 3,783 |
| Decrease in other creditors and accruals | (171) | (2,055) |
| UK Income tax deducted at source | - | (53) |
| Net cash inflow from operating activities | 2,055 | 5,802 |

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

| | 2002 £000 | 2001 £000 |
|--|--------------|--------------|
| Movement in net funds resulting from cashflows | 4,802 | 717 |
| Exchange (losses)/gains | (29) | 21 |
| Movement in net funds in the year | 4,773 | 738 |
| Net debt at start of year | (4,285) | (5,023) |
| Net funds/(debt) at end of year | 488 | (4,285) |

Represented by:

| | At 31 March 2001 £000 | Cashflow £000 | Exchange movements £000 | At 31 March 2002 £000 |
|-----------------------|-----------------------------|------------------|-------------------------------|-----------------------------|
| Cash at bank | 4,031 | (3,514) | (29) | 488 |
| Overdraft | (2,816) | 2,816 | - | - |
| Short-term bank loans | (5,500) | 5,500 | - | - |
| Net (debt)/funds | (4,285) | 4,802 | (29) | 488 |

24. RELATED PARTIES

Details of the relationship between the Company, Close Finsbury Asset Management Limited and Hansa Capital Limited are disclosed in the Report of the Directors and in Note 3.



NOTICE OF THE ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of Hansa Trust PLC will be held in the Curzon Suite at the Mayfair Inter-Continental Hotel, Stratton Street, London W1A 2AN on 31st July 2002 at 11.00 a.m., for the following purposes:

Ordinary Business

- 1 To receive and consider the audited Financial Statements and the Report of the Directors for the year ended 31 March 2002.
- 2 To declare a final dividend.
- 3 To re-appoint the Auditors and to authorise the Directors to determine the remuneration of the Auditors.

Special Business

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

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

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

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

By order of the Board
Hansa Capital Limited
Secretary
1 July 2002

17a Curzon Street
London W1J 5HS



NOTICE OF THE ANNUAL GENERAL MEETING

(continued)

NOTES

1 Attendance at Meeting

Ordinary shareholders, proxies and authorised representatives of corporations which are Ordinary shareholders, are entitled to attend the meeting. Shareholders' names must be entered on the register by 11.00 a.m. on 29 July 2002, so that they may have the right to vote at the meeting.

2 Appointment of Proxies

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

3 To be entitled to attend and vote at the meeting (and for the purpose of the determination by the Company of the number of votes they may cast), members must be entered on the Company's register of members at 11.00 a.m. on 29 July 2002 ('the specified time'). If the meeting is adjourned to a time not more than 48 hours after the specified time applicable to the original meeting, that time will also apply for the purpose of determining the entitlement of members to attend and vote (and for the purpose of determining the number of votes they may cast) at the adjourned meeting. If however the meeting is adjourned for a longer period then, to be so entitled, members must be entered on the Company's register of members at the time which is 48 hours before the time fixed for the adjourned meeting or, if the Company gives notice of the adjourned meeting, at the time specified in that notice.

ANNUAL GENERAL MEETING

The Annual General Meeting of Hansa Trust PLC will be held in the Carzon Suite at the Mayfair Inter-Continental Hotel, Stratton Street, London W1A 2AN at 11.00 a.m. on Wednesday 31 July 2002.

Hansa Trust PLC
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Tel: 020 7647 5750 Fax: 020 7647 5770