



HANSA TRUST PLC

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**HANSA**, *investing to create  
long-term growth*



**Annual Report**  
Year Ended  
31 March 2014

**2014**

# WELCOME

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Welcome to the Hansa Trust PLC Annual Report for the year to 31 March 2014. I am pleased to say that the Company has had a good year.

I hope you like the refreshed 'look' of the report together with that of the Company's new website and factsheets. Our regular readers will also note the updated layout of this report – more on that later.

I would just like to take this opportunity, on behalf of the whole Board, to invite you to the Company's Annual General Meeting on 21 July at The Washington Hotel in Mayfair. We value the feedback we receive from all shareholders and look forward to meeting you at the AGM.

Yours sincerely

*R Hammond Chambers*

THIS DOCUMENT IS IMPORTANT and if you are a holder of Ordinary shares it requires your immediate attention. If you are in doubt as to the action you should take or the contents of this document, you should seek advice from an independent financial advisor, authorised in the UK under the Financial Services and Markets Act 2000, or other appropriately authorised financial advisor if outside of the UK. If you have sold or transferred your Ordinary shares in the Company, you should send this document and any accompanying Form of Proxy, immediately to the purchaser or transferee; or to the stockbroker, bank or other agent through whom the sale or transfer was effected for onward transmission as soon as practicable.

COMPANY REGISTRATION AND NUMBER: The Company is registered in England & Wales under company number 126107.

**2 Strategic Report**

- 2 Chairman's Report To The Shareholders
- 8 The Board of Directors
- 12 Long Term Performance
- 13 Organisation and Objectives
- 20 Portfolio Manager's Report
- 24 Portfolio Statement
- 25 Shareholder Profile and Engagement

**28 Corporate Governance Reports**

- 28 Report of the Directors
- 29 UK Corporate Governance Code
- 29 Compliance with the Provisions of the UK Corporate Governance Code
- 29 Association Of Investment Company Code
- 34 Audit Committee Report
- 36 Directors' Remuneration Report

**40 Financial Statements**

- 40 Report of the Independent Auditor to the Members of Hansa Trust PLC
- 43 Group Income Statement
- 44 Statement of Changes in Equity
- 45 Balance Sheet of the Group and Company
- 46 Cash Flow Statement
- 47 Notes to the Financial Statements

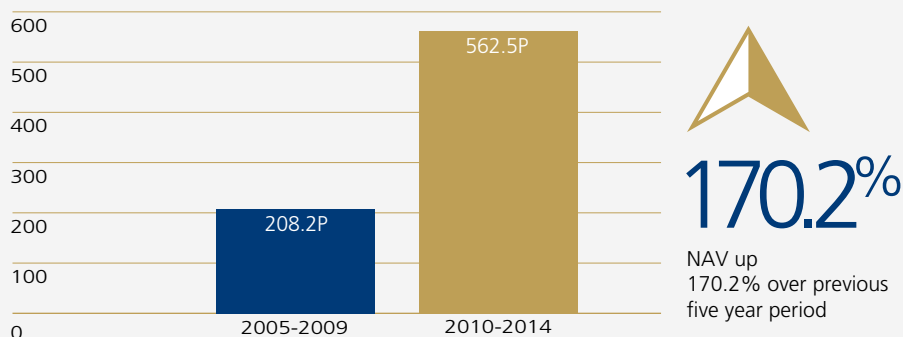
**60 Notice of the Annual General Meeting****64 Investor Information**

- 66 Company Information

## Highlights 2014

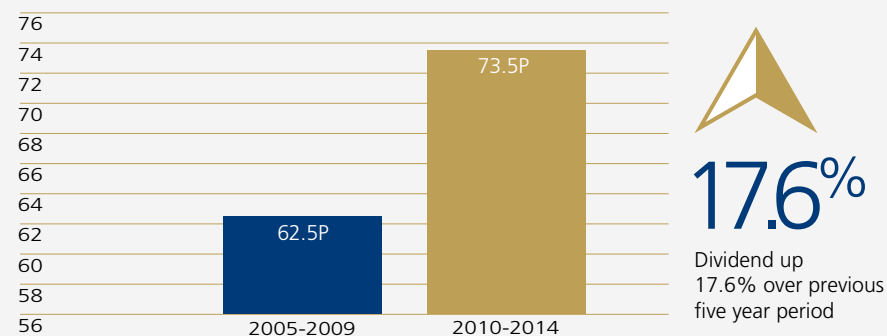
### Five year NAV per share performance (pence per share)

2004 – 2014



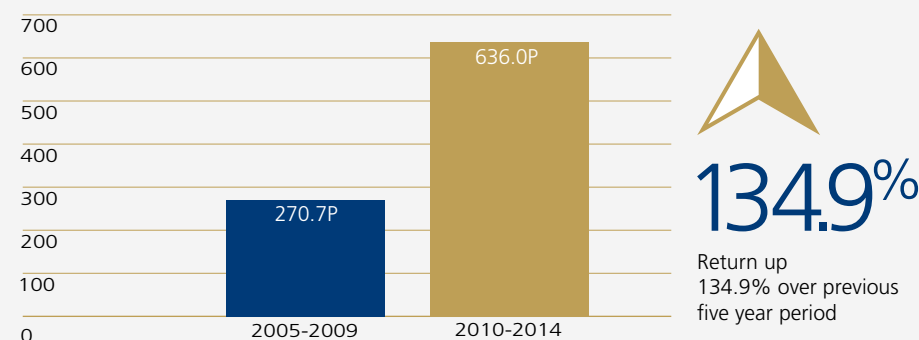
### Cumulative, five year Dividend (pence per share)

2004 – 2014



### Total Shareholder Return (pence per share)

2004 – 2014



# Chairman's Report to the Shareholders

ALEX HAMMOND-CHAMBERS  
*Chairman*

The new strategic course we have embarked upon will give rise to a more focused portfolio – focused on the areas we particularly like – and should produce good returns in the years to come

*This is the first year a Strategic Report has been prepared and, by way of background, its purpose is to inform the members of the Company and help them to assess how the Board of Directors have performed their duty to promote the success of the Company.*

*The Strategic Report has been prepared in accordance with requirements of Companies Act 2006 and incorporates the Chairman's Report to the Shareholders, the majority of the former Directors' Report and elements from The Directors' Remuneration Report which in previous annual reports were presented separately. A smaller Report of the Directors is still presented, but a number of the key items are now incorporated into the Strategic Report and are cross referenced as appropriate.*

The last three years have not produced the level of returns we would have expected and, having given much thought to a number of comments made to the Board of Directors, at both annual general meetings and through individual correspondence, we have spent the last year or so giving careful consideration to the investment proposition that Hansa Trust provides for its shareholders and offers to other investors.

We ended that process on 22 April 2014 with an announcement (see within our new website: [www.hansatrust.com](http://www.hansatrust.com)) of a new approach to the investment strategy designed to fulfil our investment objective of growth of shareholder value and of a more clearly defined dividend policy. I say "something of" because I don't want to represent the changes as being of a revolutionary nature (changing the whole basis of our portfolio), but rather an evolutionary nature whereby we seek to achieve that growth of shareholder value in a more interesting way.

The thinking process behind these developments started with an Association of Investment Companies ("AIC") conference held back in December 2012 on the subject of the Retail Distribution Review (now commonly referred to as "RDR") and attended by Peter Gardner of Hansa Capital Partners and myself. What was clear to us was that RDR provided the prospect of a much wider investor audience for investment trust company shares and it also intensified the competition for "investment products". We



needed to think hard about our own investment proposition to make sure we had a part to play in the post RDR world. So we embarked on that thought process.

Hansa Trust is an unusual investment trust – on a number of counts – and one of those counts is that we aim to provide an investment proposition that individual investors cannot easily replicate for themselves. While much of our portfolio fulfilled that characteristic, we had about a quarter of it invested in large UK quoted companies – companies whose shares are an important component of the portfolio of many other investment trusts, unit trusts and open-ended investment companies (“OEICs”). We had those investments in part because they were somewhat defensive in nature and in part because they provided exposure to the growth of economies in other parts of the world. The main thrust of the change is to achieve that overseas exposure through a portfolio of dedicated investment funds, many of which are not available for investment by the man in the street. So, as the Portfolio Manager’s Review, which follows this statement, notes our portfolio structure will trend towards circa 25% in each strategic investment (our indirect exposure to Ocean Wilson’s Brazilian subsidiary Wilson Sons), UK companies, core funds and eclectic and diversifying funds (which includes our indirect exposure to Ocean Wilsons Investments, DV3 and DV4).

Such a change may well have an effect on the dividend income we earn from the portfolio. As the underlying companies in our portfolio make progress over the years, we would expect our own dividend income to grow – not necessarily in each and every year but over time. However, some of that extra income will be generated within some of the funds in which we invest but will not necessarily flow through to Hansa Trust’s own income account. As a consequence we decided that it was appropriate this progress should be reflected in our dividend payments and that we should therefore have a progressive dividend policy. So, in future and barring unforeseen circumstances, we expect to announce the year’s dividends to be paid as two equal interim dividends – one in November and the other in May. From time to time there may be one-off circumstances, which give rise to an exceptional level of income, in which case we would declare a final dividend to be approved by shareholders at that year’s AGM.

### Shareholder and Investor Communications

As part of our RDR strategic thinking process, we recognised that having an attractive investment proposition was not good enough if it was not known and understood in the market place. We have not always received complimentary comments on our website and monthly fact sheets and we recognised they presented the facts without telling the story. We also understood that, post RDR, there would be an increasing number of DIY investors, those who do their own research, make their own decisions and use platform services to administer their investments.

So we have redesigned our website ([www.hansatrust.com](http://www.hansatrust.com)) so it is more user friendly and better at telling the story behind the investment portfolio, in which shareholders are invested. We have outlined some of the principles, which guide our policies and which determine our portfolio management disciplines. Following that we have redesigned the monthly fact sheet which can be found on the website.

This Annual Report is also a new look communication – in part because we wished it to be a better Annual Report and in part because certain changes of order were prescribed by the Financial Reporting Council (“FRC”). In practice, although the design and layout is rather different, the content and information does not differ greatly from that of previous years, because the Company was already fulfilling the majority of the disclosure requirements. Hopefully it will continue to provide a good understanding of what Hansa Trust is all about and how it is doing.

### Fulfilling Hansa Trust’s Goal

It has, rather ironically, become the practice of many investment trust company chairmen/chairwomen – in making their annual statements to shareholders – to emphasise the relative performance of the net asset value over the past year against a benchmark, despite the fact that the stated objective of their investments trusts is often long-term (absolute) capital appreciation or total return.

## Chairman's Report to the Shareholders *Continued*

However, we thought it made sense for the Chairman, on behalf of the Board of Directors, to account to shareholders for the performance against the Company's stated objective, which in our case is:

**“To achieve longer-term growth of shareholder value, Hansa Trust invests in a portfolio of special situations ... Investments are intended to add value over the medium to longer-term ...”**

So I will report to you on the returns of the past five years (the length of time we regard as longer-term). The Portfolio Manager's Report (pages 20-23), however, will report to shareholders on the returns of the past year and all of the investment matters relevant to the past year's results. We believe there is certain logic to this in that the Board's responsibilities include the longer-term fulfilment of its Company objectives and that the Portfolio Manager's responsibilities encompass the day to day investment operations of the Company.

Over the past five years, the returns are shown in the table below:

	31 March 2014	31 March 2009	Capital Return	Total Return
Net Asset Value	1,197.56p	635.00p	+88.6%	+100.2%*
Benchmark				+22.9%
Share prices Ord	879.25p	510.00p	+72.4%	+86.6%*
“A” Ord	877.50p	500.00p	+75.5%	+90.2%*
FTSE All-Share Index	3,555.59	1,984.17	+79.2%	+118.0%

\* Includes dividends of 73.5p per share paid in respect of the last five years.

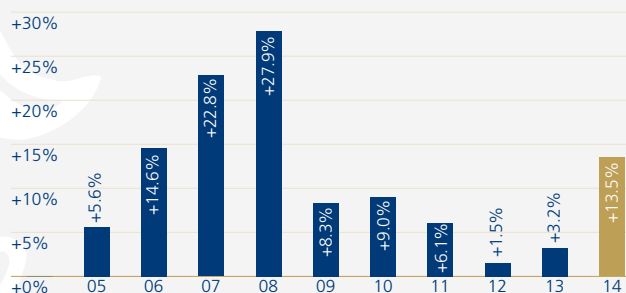
It has to be said that it could not have been a much more favourable period over which to report longer-term returns, with the UK stock market hitting a bottom in March 2009 (having fallen by circa 49% from a peak in the middle of 2007). So a rise of 97% (circa 19%) per annum in the net asset value over the five years represents a good return – most especially in an era of ultra low interest rates. It is considerably better than that of our benchmark, but in such circumstances it should be.

The increases in the prices of our two shares (Ordinary and “A” Ordinary) have also produced good returns (11.5% and 12% per annum), if not quite as good because the discount to the net asset value rose over the period from 19.7% to 25.5% (Ordinary shares) and from 21.3% to 25.6% (“A” Ordinary shares). There were a number of reasons for the lack of interest in our shares, which we judge to have caused the discount to drift out, but perhaps the most important of them was the Brazilian factor as investors globally lowered their appetite for investing there. With circa 35% of the net asset value invested in Ocean Wilsons, that sentiment undoubtedly affected the attraction of Hansa Trust's shares.

Having said that – our holding in Ocean Wilsons contributed 270p of the 545p rise in the net asset value over the period, with our holdings in NCC Group (+50p per Hansa Trust share), Andor Technology (+33p), Galliford Try (+31.5p) and Herald Investment Trust (+30p) all making important contributions. There were (as there always will be) detractors from the returns and our holdings in Ark Therapeutic (-10p), Cairn Energy (-10p), EAGA (-9p), Premier Foods (-5p) and Petroceltic (-4p) all detracted from our returns.

The chart below presents the trailing five year capital returns for the Net Asset Value (“NAV”) over the past ten years. Although the individual returns vary from period to period, they are all positive. Whether good or bad against other comparators, they do demonstrate a fulfilment of the Company's objective of achieving longer-term growth of shareholder value.

**5 year per annum NAV capital returns  
2005 – 2014**



## Thank You

On behalf of all of us shareholders, I would like to thank those at Hansa Capital Partners, our Portfolio Manager for these achievements. But over and above that, I would like to pay tribute to the team for the huge workload of the past year. The team has been joined by Alec Letchfield, who has been appointed Hansa Capital Partner's Chief Investment Officer and by Stephen Thomas, who has taken over responsibility for Company Secretarial duties from Peter Gardner, who has retired from Hansa Capital Partners. I would like to pay a particular tribute to Peter, who has served both the Company and the Board of Directors tirelessly and selflessly over many years and guided us through a veritable nettle field of regulatory weeds. We will miss him and wish him well.

Not only have we undertaken the changes I have already referred to, but we have also incorporated a lot of new regulation, which has become mandatory during the year. The EU's Alternative Investment Fund Manager Directive ("AIFMD") has now become UK law and placed a significant burden and cost on the investment trust industry, including on your Company. The FRC's restructuring of how it wishes to see annual reports presented and Foreign Account Tax Compliance Act ("FATCA") requirement imposed on us by the United States are another two of the unending tsunami of new rules and regulations we have to deal with on what seems like a permanent basis.

## The Annual General Meeting: 21 July at the Washington Hotel, Curzon Street, London.

The 2014 Annual General Meeting will take place at the Washington Hotel, Curzon Street, London (Green Park is the nearest tube station) at 11.30am. It is the most important occasion of the year for your Board of Directors, giving us the chance to meet with shareholders and listen to the comments and questions you put to us. They are of immense value and have played a particular part in forming our thinking over the past year.

This year, amongst the normal resolutions which will be put to shareholders, is one that seeks shareholders' approval to change the Company's Memorandum and Articles of Association, one part of which is to allow the Company to pay dividends out of capital profits. As explained earlier, this is an important part of our investment strategy for the future.

We will also be seeking approval for the payment of a final dividend of 11.0p per share, which when added to the interim (paid in November 2013) of 5p per share brings a total of 16.0p per share for the year. In respect of the year just started and ending on 31 March 2015 we propose to pay two interim dividends – each of 8.0p per share – in November 2014 and May 2015 – totalling 16.0p per share in respect of the year as a whole.

At last year's AGM there were a number of questions put to the meeting, including:

### *What actions was the Board taking to promote the Company?*

The activities of the past year – culminating in the redirection of part of the portfolio, in redesigning the Annual Report, the Company's website and fact sheet and in working with Edison and Morningstar to facilitate coverage of Hansa Trust to the investing community, are all part of addressing the issue of having an appropriate investment proposition and promoting it in the market place.

### *Could the Board consider reviewing the website which appears staid and old fashioned?*

As above – we have done that. We hope you find it much more informative and interesting. We would appreciate any thoughts you have on it.

### *Should the cost of running the Company be allocated between income and capital, thereby increasing the amount available for dividends?*

As stated earlier in this statement, we have refined our dividend policy so that, with shareholders approval to altering the Company's Articles accordingly (see the Notice of the Annual General Meeting on pages 60 to 63, Resolution number 12), we can pay dividends to shareholders out of capital profits, as well as from income profits.

### *Can the Board consider ways and means by which greater clarity of the underlying investment in Ocean Wilsons could be shown?*

While it is necessary to report our holding in Ocean Wilsons as one investment (worth circa £103m or 430p per Hansa Trust share), we have broken it down into its two underlying

## Chairman's Report to the Shareholders *Continued*

components – showing our indirect investment in Wilson Sons (worth £70m) and the underlying Ocean Wilsons Investments portfolio (worth £33m).

There is a lot of information available about Ocean Wilsons from the company itself and from its website. We do not seek to duplicate that information nor express an opinion on its prospects. The Portfolio Manager's Report goes into some detail on recent developments there. We, the Directors, remain of the view that Wilson Sons has excellent management and exciting prospects in the next few years, from which we would expect Hansa Trust's shareholders to benefit in time.

***Could the Portfolio Manager in future cover some of those investments, which have not been successful, explaining why?***

He will.

***Could the Book cost of the investments be shown in the annual report?***

We do not regard reporting the book cost of an investment as an important piece of information. The current share price has no connection to what we paid for our holding and it does not affect its prospects. Focus on the book cost can prove to be a distraction, affecting one's view of the investment. The prospects of any holding can only be considered in the light of its current value, not past values.

Over and above these specific questions there are regular questions that arise at annual general meetings and at other times – including questions about managing the discount and about having two classes of shares. In each and every annual report, as well as in individual communications, we make it clear that we do not attempt to manipulate the share price in an attempt to manage the discount. That does not mean it is wrong for other investment trusts to do so, rather that we believe it is wrong for us. I have cited a number of reasons for not doing so – particularly in last year's annual report but I would add that an active buy back policy would mean we would have to have a different, much more liquid portfolio. The integrity of the portfolio is not to be compromised by the need for liquidity – or put another way – the portfolio comes first. That closed-ended characteristic of investment trust companies is one of their great advantages over open-ended funds in the management of less liquid, special situation portfolios.

I am personally asked from time to time whether the Company's shares would be more attractive to investors generally if we had just one class of share. It is certainly the case that it would make them more attractive to some investors but not necessarily all. It is my own view that the two class share structure we have and the ownership of the different classes helps protect the Company from the huge pressures of short-termism that abound amongst the investing community today. It enables us to be genuine longer-term investors, which we are. To those shareholders, like myself and like others such as my independent Board colleagues, this is one of the attractions of Hansa Trust's shares; it will be to those other investors more concerned with longer-term returns than short-term trading profits. We will never be able to appeal to everyone, rather just to those who understand and want to invest in what we are doing.

### **LONGER-TERM PROSPECTS**

Each year I emphasise that our longer-term prospects depend largely on ourselves and that the shorter-term prospects are too difficult to call. This year is no different from the past – despite the new developments in our investment strategy which I outlined earlier and which are recounted in some detail in the Portfolio Manager's Report (starting on page 20).

Not a lot has changed in respect of the external investment environment in the last year. Economic recovery is slowly happening – with an emphasis on "slowly". Large scale money printing (aka "quantitative easing") and ultra-low interest rates continue to provide liquidity in the financial market place, in an attempt to ease the debt repayment process and to finance continuing and large scale government deficits. It is a risky and unprecedented monetary strategy which may ease the pain of post financial crisis adjustment, but not necessarily address the root causes of debt accumulation in the first place. The risk is generally regarded as one likely to trigger serious inflation at some point in the future, but inflation has yet to emerge. This may be because of the powerful deflationary forces at work in some parts of the world. We will see but, in the meantime, printing money has proved to be good for the prices of many asset classes – most especially of equities. So – notwithstanding the risks inherent in printing money and in international confrontations – more of the same seems to be on the cards for the immediate future.



For Hansa Trust shareholders, however, our prospects primarily lie with our own investment management and the new strategic course we have embarked upon.

What has changed? Well, we have reduced our rather general international exposure through investment in large companies (in holdings in companies such as HSBC, Royal Dutch Shell, GlaxoSmithKline) and with the proceeds made some rather more focused international investments in certain funds (which are reported upon in the Portfolio Manager's Report). Not only does this give us a more focused portfolio – focused on those areas of investment we particularly like – but it also provides exposure to many investments that our individual shareholders are unlikely to be able to make for themselves. It makes Hansa Trust the special situations investment trust company that we hope – and indeed believe – will produce good returns for shareholders in the years to come.



Alex Hammond-Chambers  
Chairman  
20 June 2014

# The Board of Directors



The Directors who served during the year to 31 March 2014 are:

**ALEX HAMMOND-CHAMBERS  
(Chairman)**

Alex joined the Board in 2002. He serves on a number of boards of a variety of companies, including several investment trust and open-ended investment companies. His career has spanned two phases. The first working for Ivory and Sime (investment managers) for 27 years from which he has gained portfolio management skills and experience working with investment trusts. The second phase working for 22 years to date has been involved in corporate governance serving on the boards of many companies in a number of different countries – serving investment trust company boards particularly. He has served as chairman of the Association of Investment Companies and as a governor of the NASD (NASDAQ).

**JONATHAN DAVIE**

Jonathan joined the Board in January 2013. He was appointed chairman of IG Group in 2004. He is also a non-executive director of Persimmon and chairman of First Avenue Partners, an alternatives advisory boutique.

Jonathan qualified as a Chartered Accountant and then joined George M. Hill and Co. and became an authorised dealer on the London Stock Exchange. The firm was acquired by Wedd Durlacher Mordaunt and Co. where Jonathan became a partner in 1975. He was the senior dealing partner of the firm on its acquisition by Barclays Bank to form BZW in 1986.

Jonathan developed BZW's Fixed Income business prior to becoming chief executive of the Global Equities Business in 1991. In 1996 he became deputy chairman of BZW and then vice chairman of Credit Suisse First Boston in 1998 on their acquisition of most of BZW's businesses. Jonathan focused on the development of Credit Suisse's Middle Eastern business. Jonathan retired from Credit Suisse in February 2007.

	Meetings attended:	Total Yearly Meetings:
Strategic Board	1	1
Audit Committee	5	5
	2	2

	Meetings attended:	Total Yearly Meetings:
Strategic Board	1	1
Audit Committee	5	5
	2	2



**RAYMOND OXFORD**

Raymond joined the Board in January 2013. He served 18 years with the British Foreign & Commonwealth Office. He spent three years in Moscow (1983-1985), seven years in the Cabinet Office covering Soviet and East European political, military and economic developments (1985-1992) and was a founding member of the British Embassy in Kiev (1992-1997). In 1997 he left British government service to pursue private business interests in the United Kingdom, Eastern Europe and the Middle East, chiefly in energy, agriculture and environmental remediation. He is currently non-executive director of JKX Oil & Gas plc.

**WILLIAM SALOMON**

William joined the Board in 1999. 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. William is both a German and British citizen. He is the senior partner of Hansa Capital Partners LLP (the Portfolio 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.

**GEOFFREY WOOD**

Geoffrey was appointed to the Board in 1997. Geoffrey is Professor Emeritus of Economics at Cass Business School, in the City of London, Professor Emeritus of Monetary Economics at the University of Buckingham, 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 advisor to a number of Central Banks and City of London financial firms. Geoffrey has great knowledge of economics generally and monetary and fiscal policy issues specifically.

	Meetings attended:	Total Yearly Meetings:
Strategic Board	1	1
Board	4	5
Audit Committee	1	2

	Meetings attended:	Total Yearly Meetings:
Strategic Board	1	1
Board	5	5
Audit Committee	2	2

	Meetings attended:	Total Yearly Meetings:
Strategic Board	1	1
Board	5	5
Audit Committee	2	2

## The Board

Each of the Directors brings certain individual and complementary skills and experience to the Board's workings, as summarised in the previous Directors pages and has dedicated his time to the Company to ensure its success. All Directors resign at each AGM and offer themselves for re-election. The Board endorses the re-appointment of each of the Directors, based on his continuing contribution to the Company and its shareholders.

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 explained below.

### INVESTMENT POLICY, STRATEGY AND BENCHMARK

The investment policy adopted by the Board, which constitutes the Company's Business Model, is to invest in a portfolio of quoted and unquoted special situations, not normally available to the general public, with the objective to achieve 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 strategy of the Trust has evolved over time, but it has always been managed with a strong focus on seeking out undervalued investments. The Trust has historically comprised a portfolio of special situations in UK equities, combined with a strategic stake in Ocean Wilsons Holdings. The Trust continues to invest in these assets, but today's investment strategy includes a wider remit that spans other asset classes and geographies. Typically, the non-UK equity exposure is achieved through investment in funds managed by third party managers with whom we have relationships through Hansa Capital Partners' activities. Importantly though, these funds are intended to complement the Trust's UK equity exposure, many of which are not readily available to the man in the street. The final part of the Trust's portfolio reflects our size and flexible structure, as we are always on the lookout for unconventional investments, which often cannot be accommodated by more traditional, larger fund managers, typically less flexible in

their approach. These more eclectic investments range from those sectors benefiting from structurally higher growth, such as biotechnology, to assets which we believe stand on unwarranted discounts to their true intrinsic value, including other investment trusts.

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.

The Portfolio Manager is charged by the Board to implement the investment policy under its supervision and guidance. It is important for the Portfolio Manager to be able to vary any investment at any time, in order either to protect shareholders' funds and/or to optimise shareholders' returns.

### SUMMARY OF THE DIRECTORS' REMUNERATION REPORT

The Directors' Remuneration Report is included in full on page 36. However, the Board considers that the Strategic Report should include some key details of that report in order for shareholders to understand how the Board operates.

The law requires your Company's Auditor to audit certain of the disclosures provided, such as Directors' emoluments. The disclosures on the Directors' emoluments for the year have been audited and the Auditor's opinion is included in its report on page 40.

### Remuneration Committee

The Company has five non-executive Directors. The Board as a whole fulfils the function of a remuneration committee. The Board has appointed the Company Secretary to provide relevant information when the Directors consider the level of Directors' fees.

### Policy on Directors' Remuneration

The Board's policy is that the remuneration of non-executive Directors should include a basic pay level and should reflect the experience of the Board as a whole, be appropriate for the work carried out and the responsibilities undertaken, including additional remuneration for any roles in addition to the responsibilities of the non-executive Director role, for example, Chairman. The remuneration does not include a performance related element and Directors do not receive bonuses, share options, pensions or long-term incentive schemes. The total remuneration of the Board will be kept within the limits set out in the Company's Articles of Association, as amended from time to time.

The fees for the non-executive Directors are within the limits during the financial year to 31 March 2014. The Board will seek permission at the AGM to increase the limit for Directors' remuneration to £175,000 from £150,000 per annum and manage non-executive Director remuneration within the limit as prescribed in the Articles of Association for a period of three years from 1 July 2014 to 30 June 2017. The increase is requested to give the Board capacity to hire an additional non-executive director if it is considered necessary. The Policy on Directors' Remuneration will be presented to shareholders at the AGM for their consideration and approval.

### Directors' Emoluments (Audited)

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

	2014 Fee £000	2014 Expenses £000	2014 Total £000	2013 Fee £000	2013 Expenses £000	2013 Total £000
Alex Hammond-Chambers (Chairman)*	38	4	42	30	6	36
Jonathan Davie**	25	–	25	5	–	5
Raymond Oxford**	25	–	25	5	–	5
William Salomon	23	–	23	18	–	18
Geoffrey Wood	25	–	25	20	–	20
	<b>136</b>	<b>4</b>	<b>140</b>	<b>78</b>	<b>6</b>	<b>84</b>

\* The amounts due in respect of Alex Hammond-Chambers are paid to his service company and include company related travel expenditure.

\*\* Jonathan Davie and Raymond Oxford joined the Board in January 2013.

The Company pays National Insurance contributions on the Directors' emoluments where applicable.

### Directors' Service Contracts

It is the Board's policy that every Director has a service contract. None of the service contracts is for a fixed term. The terms of appointment provide that a Director shall retire and be subject to re-election at the first AGM after appointment. The Board has decided 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. There are no agreements between the Company and its Directors concerning compensation for loss of office. The Chairman is employed through his service company. However, the key terms as noted above are the same for this appointment as for the other Directors.

# Long Term Performance

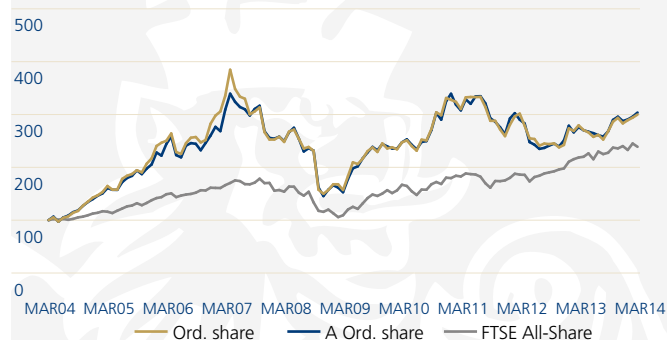
## TEN YEAR COMPANY PERFORMANCE STATISTICS

### Ten Year Record

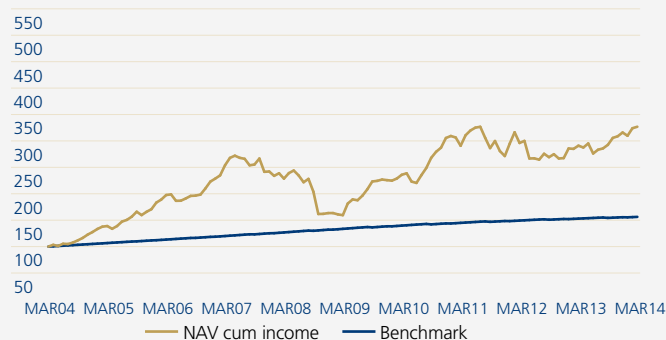
Year ended	Shareholders' Funds	Net Asset Ordinary and 'A' Ordinary	Annual Dividends	Share Price		FTSE All-Share Index	Discount/(Premium)	
				Ordinary	'A' Ordinary		Ordinary	'A' Ordinary
2014	£287.4m	1,197.5p	16.0p	879.3p	877.5p	3,556	25.8%	26.7%
2013	£259.9m	1,082.9p	15.0p	837.0p	815.0p	3,381	22.7%	24.7%
2012	£268.2m	1,117.5p	14.0p	920.0p	873.0p	3,003	17.7%	21.9%
2011	£264.1m	1,100.5p	3.5p	951.0p	930.0p	3,068	13.6%	15.5%
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	500.0p	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%

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

### Share Price Total Return (%)



### NAV performance for the last 10 years versus Company benchmark



To 31 March 2014	1 year	3 years	5 years	10 years	To 31 March 2014	1 year	3 years	5 years	10 years
Share Price Total Return					NAV performance versus Company benchmark				
Ordinary shares (%)	7.3	-3.4	90.9	199.9	Net Asset Value (%)	12.3	12.4	105.0	226.9
A' non-voting Ordinary Shares (%)	9.9	-1.4	98.6	203.6	Company's benchmark (%)	3.3	11.5	22.9	56.2
FTSE All-Share Index (%)	9.3	30.8	118.6	138.9					

# Organisation and Objectives

This section explains how the Board has organised the Company and delivered its objectives.

## BOARD COMMITTEES

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

### Audit Committee

The Audit Committee consists of all five Directors, chaired by Alex Hammond-Chambers, and includes Edwin Teideman, a former director, whose skills and experience strengthen the Committee. The Board does not consider the establishment of an internal audit function appropriate for the size and complexity of the organisation.

### Nomination Committee

The Board as a whole fulfils the function of the Nomination Committee. Appointments are made on merit and against objective criteria in accordance with the UK Corporate Governance Code. The Board consider it is of paramount importance to shareholders that, after consideration of the skills and experience needed by the Board, candidates are chosen on the basis of merit only and that there should be no discrimination in the choice of directors for any reason, be it gender, race, religion, etc. 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 William 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 fulfils the function of a Remuneration Committee and considers the specific appointment of such a committee is not appropriate for an investment trust company. The level of Directors' fees is monitored annually and formally reviewed every three years in the light of their duties and also relative to other comparable companies. The Policy on Directors' Remuneration will be regularly presented to shareholders at the AGM for their consideration and approval.

## PROMOTING THE COMPANY

Although the Board has always considered ways and means to promote the ownership of the shares in the Company, the establishment of the RDR has had the effect of making the various different investment products compete rather more directly with each other. It will, we believe, polarise the investing community into the DIY investor, collective schemes of wealth managers, investment platforms and institutional investors. It assists us in targeting the type of shareholder that Hansa Trust shares would most likely appeal to. It has placed an added requirement that we should promote the "Hansa Trust story" in the market place so there is reasonably widespread understanding of it; by doing so, we aim to promote the demand for the Company's shares with a positive effect on the discount.

Indeed the promotion of the Company is also part of the Discount Policy – the purpose of which is to encourage the demand for the Company's shares and thereby reduce any discount at which the shares sell in relation to the net asset value.

We have therefore instituted the following promotional initiatives and activities:

- Recognising the growing number of DIY investors, we have redesigned the Annual Report, the monthly Factsheet and the website to make them, we hope, more interesting and easier to use.
- We have broadened the remit of Winterflood Securities as the Company's corporate stockbroker to assist us in proactively promoting the Company and enhancing our market coverage.

## Organisation and Objectives *Continued*

We have established working relationships with Morningstar and Edison Research to help produce written research on the Company, its investments and its progress. Such research is distributed to many thousands of investors.

- We are working with Capita Asset Services, the Company's Registrars, to improve our understanding of our shareholder base and promote the dividend re-investment programme.
- We, through our Portfolio Manager, Hansa Capital Partners, are increasing the numbers of presentations to investment trust investors.

### SERVICE PROVIDERS

#### Service Provider Policy

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 regularly reviewed and monitored either by the Board or its Committees.

The Board, in seeking to engage organisations which can provide the relevant levels of experience and expertise at an acceptable cost, carries out the following processes:

- **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 is 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 BNP Paribas; currently the maximum level of the facility is £30m. The Board has approved the utilisation of hedging instruments at appropriate times in order to provide the portfolio with a limited degree of protection from extreme market declines.

### THE PROVIDERS

#### Portfolio 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. Hanseatic Asset Management LBG, a company connected to Hansa Capital Partners LLP, separately charges an investment management fee to the investment subsidiary of Ocean Wilsons Holdings Limited. 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.

There is no agreement between the Company and the Portfolio Manager concerning compensation in respect to the termination of the agreement. In its annual assessment of the Portfolio Manager, the Board has concluded that, because of the calibre of the whole management team and its commitment to the Company and the long-term returns to shareholders it has produced, it is in the best interest of shareholders that the Manager remains in place under the present terms. Details of the fees paid to the Portfolio Manager can be found in Note 3 on page 50.

#### Auditor

The Auditor, Grant Thornton UK LLP, has expressed its 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 AGM.



All non-audit work carried out by the Auditor is approved by the Board, in advance, to ensure that Auditor's objectivity and independence is safeguarded. (Details in Note 4 on page 50.)

#### COMPANY SECRETARY

The Company engages Hansa Capital Partners LLP as its Company Secretary at an annual rate of £100,000, excluding VAT (2013: £100,000).

#### ADMINISTRATOR

The Company engages Phoenix Administration Services Limited as its Administrator at an annual rate of £116,820, excluding VAT (2013: £100,380).

#### CUSTODIAN

The Company engages BNP Paribas Securities Services as its Custodian at an annual rate of £25,000, excluding VAT (2013: £33,810).

#### ALTERNATIVE INVESTMENT FUND MANAGERS DIRECTIVE ("AIFMD")

The EU AIFMD is to be implemented by 22 July 2014 with the Company. As a result of this change in legislation, a number of changes will occur relating to the Company's service providers. The Company has appointed Phoenix Fund Services (UK) Limited, with effect from 10 June 2014, to act as its Alternative Investment Fund Manager ("AIFM") with responsibilities for the Portfolio Management and Risk Management. The AIFM has indicated to the Company that it has contracted with Hansa Capital Partners LLP to continue to provide Portfolio Management services. Under the AIFMD, the role of Custodian is expanded to include Portfolio and Risk Monitoring responsibilities in a role now referred to as the Depositary. The Company has appointed BNP Paribas Securities Services to act as its Depositary, a decision that has been ratified by the AIFM. This is also effective from 10 June 2014.

#### KEY PERFORMANCE INDICATORS

The Board at its quarterly meeting reviews the performance and development of the business, including an analysis using the Key Performance Indicators ("KPIs") listed below.

The KPI, against which the Board compares shareholders' share price and dividend returns, is the benchmark which is, in essence, a proxy for the return from a five year fixed interest investment, plus 2%. Other KPIs include the NAV 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) Shareholders – 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 2014	1 year	3 years	5 years	10 years
Share Price				
Ordinary shares (%)	7.3	-3.4	90.9	199.9
'A' non-voting Ordinary shares (%)	9.9	-1.4	98.6	203.6
Company's benchmark (%)	3.3	11.5	22.9	56.2

##### ii) Company – Total Returns

These comparisons are used to determine the effectiveness of the Investment Strategy and of the Portfolio Manager.

To 31 March 2014	1 year	3 years	5 years	10 years
Net Asset Value (%)	12.3	12.4	105.0	226.9
Absolute comparison				
Company's benchmark (%)	3.3	11.5	22.9	56.2
Relative comparison				
FTSE All-Share Index (%)	9.3	30.8	118.6	138.9
Peer group average (%)	20.3	49.7	178.4	210.4

## Organisation and Objectives Continued

### 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.

To 31 March 2014	1 year	3 years	5 years	10 years
Share Price				
Ordinary shares (%)	26.2	14.5	15.2	19.3
'A' non-voting Ordinary shares (%)	26.7	16.0	16.9	19.9
Peer group average (%)	11.4	8.6	8.8	11.4
AIC average (%)	6.9	8.7	8.8	12.8

### 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 shareholders receive.

To 31 March 2014	1 year	3 years	5 years	10 years
Ongoing charges per annum (%)	0.9	0.9	0.9	0.9
NAV total return (%)	12.3	12.4	105.0	226.9

### LIMITS

#### Investment Guidelines

The Investment Policy enables the Portfolio 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 Portfolio 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.

The Board does not set a limit on the number of investments which can be held in the portfolio; however it would usually invest in at least 30 investments. Approval of the Board is required before:

(a) An investment is made in an unquoted investment.

(b) An investment is made in a derivative or financial instrument.

(c) If the market value of an investment sector becomes greater than 20% of the market value of the portfolio notification is required.

(d) An investment greater than 5% of the market value of the portfolio (at the time of the investment) can be made in any company/fund.

(e) An investment, which constitutes more than 5% of the share capital of the investee company, can be made.

(f) An investment is made that involves a potential conflict of interests for a Director of the Company, the Portfolio Manager or any connected party to either.

In light of the new investment strategy announced on 22 April 2014, the list of Board approvals has been revised to include:

(a) Investing in illiquid assets in excess of 10% of the portfolio's value.

(b) An investment to be made in a derivative instrument.

(c) At the time of investment, the market value of an investment sector exceeds the following bands within the portfolio:

- |                                     |       |
|-------------------------------------|-------|
| i. Country-based Exposure           | 0-40% |
| ii. UK Equity Special Situations    | 0-40% |
| iii. Eclectic & Diversifying Assets | 0-30% |

Note: No further investment may be made in Ocean Wilsons Holdings Ltd or Wilson Sons Ltd.

(d) An investment greater than 5% of the market value of the portfolio (at the time of the investment) can be made in any company/fund.

(e) An investment, which constitutes more than 5% of the share capital of the investee company, can be made.

- (f) An investment is made that involves a potential conflict of interest for a Director of the Company, the Portfolio Manager or any connected party to either.

### Borrowing Limits

The Board believes 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 is believed 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 Portfolio 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 would be 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.

### RISKS

The Board review the risks from the point of view of the long-term shareholder, the principal one being that over the long-term (which we determined to be five years) they do not make a return from their investment in the Company. The Board considers the operational risks shareholders face can be divided into external and internal risks.

### External 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 the Management highlighted certain risks that concerned them, including:

- Currency instability, in particular concerns about the Euro and the Yen.
- Uncertainty of outcome of recovery policies (particularly inflation or deflation), given that they amount to an experiment.
- Aftershocks to the financial crisis, particularly in the continental European banking system.
- Unquantifiable risks in China.
- Risk of political paralysis stemming from the UK's Coalition Government.
- Terrorism and international conflict.
- Risks associated with Brazil.
- Major long-term decline in the price of oil (affecting Wilson Sons' business).
- Regulatory interference and suffocation of enterprise, particularly from the EU.

It should be stressed these are the external risks which most concern the Directors and the 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

Internal and operational risks to shareholders and their returns are: portfolio (stock and sector selection and concentration), balance sheet (gearing), and/or administrative mis-management. In respect of the risks associated with administration, the loss of Approved Investment Trust status under s.1158 CTA 2010 would have the greatest impact. The portfolio is continuously

## Organisation and Objectives Continued

monitored by the Manager to ensure the Company is compliant with the key aspects of s.1158/1159 and any discrepancies are reported to the Board in the 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, 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 long-term, the Board does not consider short-term NAV or share price volatility to be a material risk to long-term shareholders.

Details of how the principal risks arising from financial instruments (as determined by the Financial Reporting Council) are managed, have been summarised in Note 21 on pages 56 to 58.

Details of the Company's policy on Stewardship in relation to invested companies can be found on the Company's website at [www.hansatrust.com](http://www.hansatrust.com).

### **DIVIDEND POLICY, AMENDMENT TO ARTICLES OF ASSOCIATION AND DIVIDEND PAYMENTS**

#### **Dividend Policy**

For the year ended 31 March 2015 and going forward, the Board's dividend policy is to pay two similar interim dividends each year. The Board will declare the rate of the two dividends, barring unforeseen circumstances, before the beginning of the financial year in question. The first interim dividend will then be paid in November during the financial year with the second being paid in the May following the end of the financial year. Again barring unforeseen circumstances, the Company expects the dividends to grow over time reflecting the longer-term returns of the portfolio. If circumstances are such that the level of cash income generated by the portfolio is insufficient to meet the dividend commitment, the shortfall may be made up from the Company's reserves. Under certain one-off circumstances an extra and final dividend may be proposed at the Company's Annual General Meeting.

#### **Amendment to Articles of Association**

In light of this revised dividend policy, the Company will propose, at the upcoming AGM, a resolution to change the Company's Articles of Association, which will include a provision for the payments of dividends from capital reserves to provide the necessary flexibility.

#### **Dividend Payments**

The dividends paid and proposed are as follows:

	2014 £000	2013 £000
Ordinary and 'A' non-voting Ordinary shares		
Interims paid 5.0p (2013: 3.5p) per share	<b>1,200</b>	840
Final proposed 11.0p (2013: 11.5p) per share	<b>2,640</b>	2,760
<b>Total dividends</b>	<b>3,840</b>	3,600

The Board is proposing a final dividend of 11.0p per Ordinary and 'A' Ordinary non-voting share and if approved will be paid on 15 August 2014 to shareholders registered at the close of business on 20 June 2014 (ex-dividend 18 June 2014).

As stated, in respect of the year ending on 31 March 2015 we propose to pay two interim dividends – each of 8.0p per share – in November 2014 and May 2015 – totalling 16p per share in respect of the year as a whole.

#### **Discount Policy**

The Discount policy of Hansa Trust, established by its Board of Directors, is to encourage the market place demand for the shares, by ensuring the Company has an investment policy that is likely to produce above average returns over the long-term and to promote the Company so as to encourage the demand for its shares.

The Board of Directors does not believe it can manage the discount in the short-term and has therefore eschewed the phrase "discount management policy". Furthermore, the Board does not believe buying in its own shares is in the best long-term interest of shareholders because:

- it reduces the number of shares outstanding and therefore the liquidity of the shares in the market place; less liquidity may cause a rise in the discount;

- it means that a liquid portfolio needs to be maintained, compromising the ability to have a portfolio of special situations; the maintenance of the long-term investment policy and its portfolio takes precedence over the short-term discount policy;
- the holding in Ocean Wilsons would represent an even greater percentage of the portfolio and buying back shares would raise the commitment to that company, which the Board does not wish to do; and
- buying back shares to manage the discount is only necessary if there is not enough market place demand for them; buying back shares treats the symptoms of the problem of lack of demand, not the cause.

The one good reason for buying back shares is that, if done so on a large enough scale and on a large enough discount, it can have a reasonably positive effect on the NAV per share. So, if there is an unusual opportunity to buy back shares such that it would make a reasonable impact on the NAV, then we will do so.

#### Insurance

The Company through its Articles has indemnified its Directors and Officers to the fullest extent permissible by law. During the year the Company also purchased and maintained liability insurance for its Directors and Officers.

#### Status and Activities

During the year under review the Company has operated as an investment company in compliance with Section 833 of the Companies Act 2006 and Sections 1158/1159 of the Corporation Tax Act 2010. The Company has received approval as an investment trust from HM Revenue & Customs for the financial year to 31 March 2013, but this does not preclude a subsequent enquiry from being raised. The Company has received confirmation from HM Revenue & Customs of its status as an Approved Investment Trust for financial periods commencing after 1 April 2012, subject to it continuing to comply with the requirements of Sections 1158/1159. 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.

#### Going Concern

The Company's business activities, together with the factors likely to affect its future development, performance and position, including its financial position, are set out in the Chairman's Statement, Portfolio Manager's Review and Business Review. After due consideration of the balance sheet, activities of the Company, estimated liabilities for the next 12 months, and having made appropriate enquiries, the Directors have concluded that the Company has adequate resources to continue in operational existence for the foreseeable future as the assets of the Group consist of securities, the majority of which are traded on recognised stock exchanges. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

#### Social, Community, Human Rights, Employee Responsibilities and Environmental Policy

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

# Portfolio Manager's Report

As recently announced, Hansa Trust is evolving. Partly this is a reflection of changes in the global market place, but also it is to ensure the Company makes best use of the resource and people available to it at Hansa Capital Partners. The Company also wanted to reflect the feedback and comments it has been receiving from shareholders.

The Board has, therefore, asked Hansa Capital Partners to combine the current portfolio of UK equities with a select number of third party funds. We think this will provide greater investment opportunity and a more compelling investment journey for our shareholders.

## *Hansa Trust's values.....*

In considering the future for Hansa Trust, it has been vital to ensure that we remain true to the Company's investment philosophy. We believe the following factors are essential to delivering long-term investment performance and they lie at the heart of our investment process:

<i>Our DNA....</i>	<i>What Hansa Trust is not....</i>
A fund aspiring for excellent long-term returns	A short-term trading fund
A belief in fundamental research and analysis	Momentum investors chasing the latest fad
Conviction investing	An overly diverse list of holdings
Exclusivity, with our fund holdings not normally available to the man in the street	A portfolio consisting of funds readily available to the retail investor
Anti-benchmark investors – why tie oneself to a benchmark, especially if the outlook is poor?	A tracker
Shareholder alignment with significant personal investment by the Directors and Portfolio Managers	Part of a typical fund management operation biased towards asset gathering rather than investment performance

## *The investment process.....*

Rather than restrict ourselves to investing in a combination of special situation UK equities and a strategic stake in Ocean Wilsons, the Brazilian maritime services business, we believe it is right to introduce exposure to other asset classes and geographies through best-of-breed third party funds.

The process starts with our view on the optimal allocation of assets. In general, our natural bias is to equities, reflecting our long investment horizon and return-seeking mandate. From time to time though, as valuations in equity markets become extended and the business cycle matures, holding other asset classes that help to preserve capital will be increasingly valuable. Typically, this non-UK equity exposure will be through funds managed by third party managers with whom we have relationships via Hansa Capital Partners' activities. Importantly though, these funds will complement our UK equity exposure, as we seek to identify the best and most consistent managers who are long-term in nature. Further, through our well-developed network of contacts at Hansa Capital Partners, we are able to invest in funds run by many of these managers – funds which are not readily available to the man in the street.

Finally, reflecting our size and flexible structure we are also always on the lookout for unconventional investments, often those that cannot be accommodated by the more traditional, larger fund managers, who are typically less flexible in their approach. These more eclectic investments range from those sectors benefiting from structurally higher growth, such as biotechnology, to assets which we believe stand on unwarranted discounts to their true intrinsic value, including other investment trusts.

## *The 'four silos'.....*

The new portfolio will therefore be comprised of four distinct silos: a Core silo consisting of country funds, reflecting the current 'Hansa House view' and implemented through third party funds; a UK Silo incorporating a portfolio of direct, special situation UK equities; an Eclectic and Diversifying Silo consisting of uncorrelated investments which help to offset the risks elsewhere in the portfolio and other opportunistic special situations; and the Strategic Silo incorporating the indirect strategic stake in Wilson Sons, the maritime services business. We have also decided to place Ocean Wilson Investments

Limited, which represents the investment portfolio of Ocean Wilsons Holdings, into the Eclectic silo, as we believe this will provide investors with greater transparency, and more accurately present the exposures within the Trust. We expect the typical weights in the portfolio to be approximately as follows, albeit these will change as opportunities present themselves: Core funds (25%), UK equities (25%), Eclectic & Diversifying (25%) and Strategic (25%).

#### CORE – REGIONAL

- Regional exposure based on the output of the Hansa house view
- Holdings are comprised of the funds managed by the best and most consistent managers. Typically these managers are not available to the retail investor



#### UK EQUITIES

- Our UK equity exposure is primarily through directly selected special situations
- Mega cap companies are not our typical hunting ground – investors can get big cap exposure on their own or through dedicated UK equity funds
- As in our Core exposure, our UK equity selections are long-term in nature and we try to identify those companies which can grow over time



#### ECCLECTIC & DIVERSIFYING ASSETS

- A pot which both differentiates the portfolio from others in the market and assets which help diversify the equity exposure
- The Eclectic pot will include:
  - Sector funds – biotechnology, technology, environmental, etc.
  - Investment trusts on large discounts
  - Special situations
- The Diversifying pot will include:
  - Bonds
  - Non-correlated sectors – insurance, real assets etc.
  - Macro funds
- Ocean Wilsons Investments Limited



#### STRATEGIC STAKES

- Wilson Sons – Brazilian operating assets

#### Net Asset Value Performance

At the commencement of the financial year the NAV per share was 1,082.9p and closed at 1,197.5p, an increase of 114.6p or 10.6% against the Company benchmark's return of 3.3%. The investment portfolio contributed 143.0p or 13.2% towards that increase, with dividends and expense reducing it by 16.5p and 11.9p respectively.

The major contributors to the investment portfolio's contribution of 143.0p were as follows:

	Portfolio Weighting 31 March 2014 %	Performance Time Weighted %	Contribution Pence per share p
Ocean Wilsons	35.63	7.8	30.9
NCC	3.41	38.3	18.2
Andor Technology #	–	39.0	13.2
Kofax	2.13	56.7	12.8
Galliford Try	2.42	49.7	11.6
			<b>86.7</b>

# disposed of during the year

**OCEAN WILSONS HOLDINGS LTD** its Brazilian subsidiary, Wilson Sons, has been delivering consistent operating improvements quarter after quarter, demonstrating that the company's sizeable investment programme over the last six years is bearing fruit. This was borne out by a 40% increase in operating profit, on the back of an 8% rise in sales for the year ending 31 December 2013, with a particularly strong fourth quarter. These figures mark a turning point for Wilson Sons, heralding the end of a major capital investment programme totalling U\$1bn since flotation in 2007, with anticipated annual capital expenditure over the next three years of approximately U\$100m. Consequently there will be a big increase in free cash flow, against a backdrop of sizeable distributable reserves (2013 retained earnings total U\$506m) and no immediate requirement to pay down attractive FMM debt.

## Portfolio Manager's Report Continued

Its board declared a full year dividend of 60 cents per share (2012: 42 cents per share), a 43% increase over the 2012 full year dividend. This reflects a 50% increase in the dividend paid by Wilson Sons to Ocean Wilsons Holdings (U\$15.7m) plus a U\$6.5m distribution from the Ocean Wilsons' investment portfolio. The new dividend policy of circa 50% earnings pay out (previously 25%), shows Wilson Sons' confidence in delivering free cash flow this year after a long investment period in all business divisions, although this is subject to annual review and Wilson Sons' growth plans

As at 31 December 2013 the combined market value of Ocean Wilsons Holdings Ltd's interest in Wilson Sons (58.25% owned) and the investment portfolio (100%) totalled £13.53 per Ocean Wilsons Holdings Limited share, compared with the Ocean Wilsons Holdings Limited share price of £10.43 at 31 December 2013, representing an implied discount of 23%, a narrowing of the implied discount of 38% as at 31 December 2012.

**NCC GROUP**, the international, independent provider of Escrow, Assurance and Domain Services, announced one of the strongest first half performances for a number of years across the Group, with organic revenue growth of 11%, Escrow revenue +7%, Assurance revenue +15%, earnings per share +16%, interim dividend +16% and cash conversion ratio 104% of operating profit. Group orders and renewals were up 11% totalling £51.4m, providing earnings visibility going forwards. The latest IMS covering the first ten months of the financial year shows group revenues ahead by 12% (10% organic) year on year, with over 38% of the group's revenues outside the UK, mainly in North America. Escrow UK remains the cornerstone of the group's profitability and cash generation, with a high degree of recurring revenue due to the contract renewal rates, with the UK termination rate remaining unchanged at below 12%.

**ANDOR TECHNOLOGY**. In December 2013 Andor Technology and Oxford Instruments reached agreement on a raised 525p per share offer in cash to acquire Andor, representing a 25% premium to the indicative proposal of 420p on 9 July 2013 and a 77% premium to the price on 8 July 2013. We last increased our holding in Andor in June 2013 at 289p, taking the Trust's holding to 5.9% of Andor's share capital. Hansa Trust received £10.3m cash for this holding at the end of January 2014.

**KOFAX** is a leading provider of smart process applications for the business critical First Mile. Management has spent the last few years investing some of the profits generated in the legacy

capture business, in a number of key acquisitions to access new technologies, leaving Kofax well set to profit from the themes of big data, mobile and the Cloud. Kofax reported half year figures showing software licence revenue increasing 23.9%, with an accelerating trend in Q2, while legacy capture software licence revenue increased 13% and "mobile and new or acquired products" increased 100.8% over the six months.

**GALLIFORD TRY** was helped when George Osborne said the Government would extend the Help to Buy scheme until 2020, which was previously scheduled to end in 2016. Galliford Try announced record half year results to the end of December. Management has been very encouraged by the start to the second half of the year and by the level of future opportunities. Galliford Try Partnerships are now realigned within the house building division to refocus management to capture significant growth opportunities. The interim dividend was raised by 25%. Group return on net assets was 17.1% (2013 14.9%), with a 13.5% (2013 12.4%) operating margin at Linden Homes, and a record land bank of 13,500 plots, with 90% (2013 84%) of the land bank now secured at current market values. Construction produced a margin of 1.4%, but opportunity levels continue to rise. New targets have been set for the period to 2018, with Linden Homes targeting a 50% increase in revenues and margins rising to 18%, with a four year land bank, while the Construction side is aiming to increase revenues by 50% with margins rising to over 2%. Management is enhancing the quality of earnings and improving cash flow, thereby enabling the group to pursue a progressive and sustainable dividend distribution policy.

The major detractors to the investment portfolio's contribution were as follows:

	Portfolio Weighting 31 March 2014 %	Performance Time Weighted %	Contribution Pence per share pence
HSBC #	1.87	(9.7)	(2.4)
Cairn Energy	0.31	(39.0)	(2.4)
Centrica	1.97	(6.2)	(1.5)
Experian	3.38	(3.3)	(1.4)
			<b>(7.7)</b>

# Holding sold since year end

### Hansa Capital Partners 'House View'

Underlying this performance, equity markets were generally strong in 2013, reflecting the steadily improving macroeconomic



conditions and supportive monetary conditions. Similarly in 2014, despite a number of events conspiring to disrupt investors' confidence this year, global equity indices have so far registered small increases, and broad valuations remain at the same levels they started the year. Since the financial crisis, equity markets have benefited from unprecedented monetary interventions by central banks in the form of quantitative easing, and, more recently, the stated commitment to a low interest rate environment for an extended period of time, both of which have reassured investors and pushed money into higher return asset classes.

The rise in equity markets in recent years has been accompanied by higher valuations and, while comparisons with history suggest that Developed Market equities are not especially expensive, neither can it be claimed they are particularly cheap. It can therefore be expected that further market rises will be driven by earnings growth coming through at the company level and the portfolio is therefore focused on identifying such opportunities.

Emerging Markets have tended to lag their Developed counterparts in recent years and are consequently sitting on lower market valuations today. While there are undoubtedly some opportunities in these markets and the long-term structural case for the development of these economies remains in place, there are serious issues that must be addressed relating to issues such as external imbalances, opaque banking systems and the need for political reform. These markets have been significantly affected by foreign investor flows and it is not yet known to what extent the withdrawal of quantitative easing in Developed Markets ("tapering") will affect Emerging Markets, but it can be expected there will be at least some repatriation of investors' capital that could hurt those markets.

Within fixed income, Developed Country Government Bonds continue to offer yields that are at historically low levels, with the ten year US Treasury currently yielding 2.7%. For a long-term investor these appear unattractive, especially given the potential for inflation as a result of current monetary policy. Certain other areas within fixed income, such as credit and distressed debt, appear to offer more attractive opportunities, although it remains necessary to be very selective. However, equities remain the favoured asset class and the preferred choice of the Trust.

### Portfolio Activity

After adding to our holding in **Andor Technology** in the first quarter and taking some profits in **Galliford Try** in

the second, activity picked up in final quarter of the year. Hansa Trust received £10.3m cash at the end of January following the cash bid for **Andor Technology** by **Oxford Instruments**. In February some profits were taken in **NCC Group, Hargreaves Services, Kofax, Great Portland Estates, Galliford Try** and **Hansteen Holdings** realising a further £15.8m, bringing cash balances to £26.6m by the end of the month. Since the year end the holdings in **HSBC, ENI, Royal Dutch Shell, GlaxoSmithKline** and **Lloyds Banking Group** have been sold raising £23.8m and the holdings in **The Weir Group** and **BHP Billiton** were reduced raising a further £3.6m.

The proceeds of these sales were used to initiate our first investments in third party funds within the Core Funds silo, a process which we will manage sensitively to market levels and pricing, rather than adopting a big-bang approach. Our first purchases included **Findlay Park American Fund** and **Adelphi European Select Fund**. The former invests in US equities and the latter in pan-European equities. Both share some very similar attributes, selecting stocks using a forensic bottom-up process with strict valuation disciplines. Long-term performance has been exceptional for both funds and the lead fund managers are highly experienced investors who have built excellent teams. We also purchased a holding in Prince Street Institutional Offshore (emerging and frontier markets), albeit this acquisition cleared on 1 April. After the end of March we also purchased holdings in Odey Absolute Return (global), **JO Hambro Japan Fund** (Japan long-only) and expect to add two new American funds, **Select Equity** and **Vulcan Value Partners**.

Overall, we would characterise the change of investment policy as one of evolution rather than revolution, but nonetheless the start of an important, new investment journey. The Trust will continue to invest in UK special situations but, with its wider remit will also be able to benefit from a select number of high quality third party funds. We believe this creates a unique investment proposition with a broad mandate both by asset class and region, which sits well in the current market environment. Importantly, this is an owner-manager model with a significant alignment of interest – we are not driven by asset gathering but, like our shareholders, focus on achieving compelling, long-term investment returns.

Hansa Capital Partners LLP  
Portfolio Manager  
April 2014

# Portfolio Statement

as at 31 March 2014

<b>Investments</b>	<b>Fair value £000</b>	<b>Percentage of Net Assets</b>
Ocean Wilsons Holdings Ltd	102,413	35.6
The Weir Group PLC	11,158	3.9
Findlay Park American Fund	11,041	3.8
NCC Group PLC	9,804	3.4
Experian PLC	9,729	3.4
Herald Investment Trust PLC	9,728	3.4
BG Group PLC	9,405	3.3
Hansteen Holdings PLC	7,780	2.7
DV4 Ltd #	7,636	2.7
Galliford Try PLC	6,945	2.4
<b>Top 10 Investments</b>	<b>185,639</b>	<b>64.6</b>
Adelphi European Select Equity Funds Class F	6,748	2.3
GlaxoSmithKline PLC	6,364	2.2
Great Portland Estates PLC	6,310	2.2
BHP Billiton PLC	6,177	2.1
UBM PLC	6,138	2.1
Kofax PLC	6,134	2.1
Centrica PLC	5,665	2.0
Hargreaves Services PLC	5,530	1.9
Cape PLC	5,469	1.9
HSBC Holdings PLC	5,378	1.9
<b>Top 20 Investments</b>	<b>245,552</b>	<b>85.3</b>
Goals Soccer Centres PLC	5,141	1.8
BP PLC	4,800	1.7
Wolseley PLC	4,545	1.6
Eni S.p.A	4,516	1.6
Lloyds Banking Group PLC	3,481	1.2
Royal Dutch Shell PLC B shares	3,363	1.2
Prince Street Institutional Offshore Ltd # ^	3,359	1.2
Brooks MacDonald Group PLC	3,263	1.1
Qinetiq Group PLC	2,256	0.8
Petroceltic International PLC	1,212	0.4
<b>Top 30 Investments</b>	<b>281,488</b>	<b>97.9</b>
<b>Other Investments (20)</b>	<b>4,960</b>	<b>1.7</b>
<b>Total Investments</b>	<b>286,448</b>	<b>99.7</b>
Net Current Assets	965	0.3
<b>Net Assets</b>	<b>287,413</b>	<b>100.0</b>
Listed	233,339	81.5
AIM and OFEX	41,774	14.6
Unquoted	11,335	3.9
	<b>286,448</b>	<b>100.0</b>

# Unquoted

^ On 31 March 2014, the Trust had committed to purchasing 5,600 shares in Prince Street Institutional Offshore Ltd. As a result, the cash in place to purchase PS Institutional Offshore is shown as a Current Asset as at 31 March 2014 in Note 13 to the Financial Statements. All other assets are shown as Investments in Note 11. The amounts shown in the statement above represent the total cost of the purchase of the stock.

# Shareholder Profile and Engagement

## Capital Structure

The Company has 8,000,000 Ordinary shares of 5p (33% of the total capital) and 16,000,000 'A' non-voting Ordinary shares of 5p (67% of the total capital) 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.

## Shareholder Profile

The Company's shares are owned at 31 March 2014 as follows:

	Ordinary share		'A' non-voting Ordinary share	
Institutional & Wealth Managers	3,399,017	42.4%	15,083,706	94.2%
Directors	2,123,719	26.5%	123,800	0.8%
Related Holdings	2,069,045	25.9%	–	–
Private Individuals	340,065	4.3%	624,392	3.9%
Other	68,154	0.9%	168,102	1.1%
	8,000,000		16,000,000	

## Substantial Shareholders

As at 31 March 2014 and 20 June 2014 the Directors were aware of the interests on page 25 in the Ordinary shares of the Company, which exceeded 3% of the voting issued share capital of that class.

The following information is disclosed in accordance with the Companies Act 2006 and DTR 7.2.6 of the FCA Disclosure and Transparency Rules.

The Company's capital structure and voting rights are summarised above and in note 16 on page 54.

- The giving of powers to issue or buy back the Company's shares requires an appropriate resolution to be passed by shareholders. Proposals for the renewal of the Board's powers to buy back shares are set out in the Notice of the Annual General Meeting on page 60.

- There are no restrictions concerning the transfer of securities in the Company; no special rights with regard to control attached to securities; no agreements between holders of securities regarding their transfer known to the Company; no agreements which the Company is party to that affect its control following a takeover bid; and no agreements between the Company and its directors concerning compensation for loss of office. Notwithstanding the foregoing, the Company may require any holder of shares to transfer some of all of its shares (or otherwise refuse to register any transfer of shares) to avoid the Company being regarded as a "close company" as defined in section 414 of the Income and Corporation Taxes Act 1988 (a "close company") to another person whose holding of such shares, in the sole and conclusive determination of the board, would not cause the Company to be a close company.

	No. of voting shares	% of voting shares
Peter Pearman & Codan Trust Company Limited	2,069,425	25.9%
Helen Cooper & Codan Trust Company Limited	2,069,425	25.9%

William Salomon is interested in 2,069,425 of the shares held by Helen Cooper & Codan Trust Company Limited, representing 25.9% of the voting share capital. Mrs C Townsend is interested in 2,069,425, held by Peter Pearman & Codan Trust Company Limited, representing 25.9% of the voting share capital. In addition, William Salomon has further interests in the Company's shares; the total interest is detailed in the Directors' Interests section below.

## BOARD AND MANAGEMENT SHAREHOLDINGS

### Directors and Directors' Interests

The present members of the Board are shown on page 8.

The Board's policy is that all Directors retire annually. All Directors being eligible, at the forthcoming Annual General Meeting will retire and seek re-election in accordance with the Board's policy. The Contracts of Employment between the Company and each of the Directors do not allow for any compensation payment in the event of loss of office.

## Shareholder Profile and Engagement *Continued*

The interests of Directors and their connected parties in the Company at 31 March 2014 are shown below:

	Ordinary shares of 5p each		'A' non-voting Ordinary shares of 5p each		Nature of interest
	2014	2013	2014	2013	
Alex Hammond-Chambers	500	500	10,600	10,600	Beneficial
Jonathan Davie	4,000	4,000	6,000	6,000	Beneficial
Raymond Oxford	–	–	–	–	–
William Salomon	2,113,219	2,113,219	98,700	98,700	Beneficial
Geoffrey Wood	6,000	6,000	8,500	8,500	Beneficial

William Salomon is the senior partner of Hansa Capital Partners LLP. Fees payable to Hansa Capital Partners LLP amounted to £1,827,216 (2013: £1,611,643). The fees outstanding at the year-end amounted to £165,601 (2013: £145,215). During the year, no rights to subscribe to the shares of the Company were granted to, or exercised by Directors, their spouses or infant children.

As at 20 June 2014, the date of signing of these Annual Accounts, Alex Hammond-Chambers had purchased an additional 1,900 Ordinary shares. His holdings are now 2,400 Ordinary and 10,600 'A' non-voting Ordinary shares. Raymond Oxford has purchased 1,850 Ordinary and 1,850 'A' non-voting Ordinary shares. These represent his entire holding in each share class. William Salomon, being a connected party with his wife Mrs EG Salomon, has purchased an additional 2,650 Ordinary shares. His holdings are now 2,115,869 Ordinary and 98,700 'A' non-voting Ordinary shares. Geoffrey Wood has sold 5,000 (0.0625%) Ordinary and 6,500 "A" Non-Voting Ordinary shares in the Company. His holdings following these sales has decreased in the Ordinary shares from 6,000 to 1,000 and in the "A" Non-Voting Ordinary shares from 8,500 to 2,000.

### PORTFOLIO MANAGERS INTERESTS

As at 20 June 2014, the date of signing of these annual accounts, the management and staff of the Portfolio Manager's group, and excluding the holding of William Salomon, shown above, were interested in circa 90,000 shares in the Company – a mixture of Ordinary and 'A' non-voting Ordinary shares.

### 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 could potentially benefit all equity shareholders of the Company and be a useful tool with which the Board could reduce the discount in the long-term. The re-purchase of 'A' non-voting Ordinary shares at a discount to the underlying NAV would enhance NAV per share of the remaining equity 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 Conduct 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 or, where a series of transactions have taken place the higher of the last independent trade and current highest independent bid on the trading venue where the purchase(s) will be carried out. 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 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. This 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.

**(b) Authority to amend the Articles of Association**

A resolution will be proposed at the forthcoming AGM, seeking shareholder approval for the Articles of Association of the Company to be altered, to allow distributions to be made from capital reserves and also to amend the limit on Director's Remuneration.

The Company has always sought to enhance shareholder value by distributing most of its net income annually by way of dividends. As the portfolio profile changes and in light of the fact that some of the investments may not distribute any income, the level of cash income received by the Company may vary.

The Company expects the dividend to grow over time reflecting the longer-term returns of the portfolio. If circumstances are such that the level of cash income generated by the portfolio is insufficient to meet the desired dividend, the shortfall may be made up by the Company's reserves to maintain the level of dividends.

The limit on Director's Remuneration is currently £150,000 and the current cost of the Board is within those limits. However, the Company considers that the current limit does not allow sufficient headroom, should it become necessary to take on an additional director. Therefore, the Company is requesting permission to amend the Articles, increasing the limit by £25,000 to £175,000.

The Directors consider that the proposed amendment to the Articles of Association 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. This 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.

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

**(a) Approve the Directors' Remuneration Report and Policy**

A resolution will be proposed at the forthcoming AGM, seeking shareholder approval of the Directors' Remuneration Report and Policy and to manage non-executive Directors' remuneration within the increased limit of £175,000 for a period of three years from 1 July 2014 to 30 June 2017.

The Directors consider that the proposed Remuneration Policy 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. This 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.

**APPROVAL OF THE DIRECTORS**

The Directors consider the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable.

For and on behalf of the Board



Alex Hammond-Chambers  
Chairman  
20 June 2014

## Report of the Directors

The Companies Act 2006 requires the Directors to report on a number of items within the Annual Report. With the introduction of the Strategic Report, the Directors have chosen to report on some of those items within the body of the new Strategic Report, while others remain within the Report of the Directors.

### ITEMS INCLUDED WITHIN THE STRATEGIC REPORT

The following items are listed within the Strategic Report:

- Statement of existence of qualifying indemnity provisions for directors – see page 19.
- Names of Directors, at any time in the year – see pages 8 to 12 for the Directors details, emoluments and attendance at company meetings.
- Recommended dividend – see page 5.

### ITEMS REPORTED WITHIN THE DIRECTORS' REPORT

#### Greenhouse Gas Emissions

Hansa Trust PLC has no greenhouse gas emissions to report from the operations of its Company, nor does it have responsibility for any other emissions producing sources under Part 7 of Schedule 7 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, as amended.

#### Policy on Board Diversity

Appointments to the Board are made on merit and against objective criteria in accordance with the UK Corporate Governance Code. The Board consider it is of paramount importance to shareholders that, after consideration of the skills and experience needed by the Board, candidates are chosen on the basis of merit only and that there should be no discrimination in the choice of directors for any reason.

### Disclosure to the Auditor of Relevant 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 it to be able to prepare its 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.

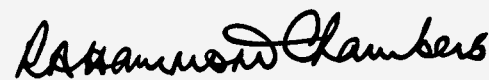
### Capital Structure

The Company's Capital Structure is described in the "Investor Information Section" on page 64.

### APPROVAL OF THE DIRECTORS

The Directors consider the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable. Further detail demonstrating the Company's performance, business model and strategy has been included within the Strategic Report on pages 2 to 27.

For and on behalf of the Board



Alex Hammond-Chambers  
Chairman  
20 June 2014

# Corporate Governance Report

## UK CORPORATE GOVERNANCE CODE

### Internal Controls

The UK Corporate Governance Code (issued September 2012) ("UK Code"), which can be found on the website of the Financial Reporting Council ([www.frc.org.uk](http://www.frc.org.uk)) 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 risk management and internal controls under review. The Board has identified risk management controls in the key areas of business objectives, accounting, compliance, operations and secretarial as areas for the extended review.

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

### Financial Reporting

The Board has a responsibility to present a fair, 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 this responsibility is fulfilled.

The Board confirms there have been no important events since 31 March 2014, of which the Board is aware, which would have a material impact on the Company.

### 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 it to be able to prepare

its 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.

## COMPLIANCE WITH THE PROVISIONS OF THE UK CORPORATE GOVERNANCE 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 the principles of the UK 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 UK Code, except for those areas which the AIC Guide identifies as being irrelevant in a non-self-managed investment company: namely the role of the chief executive, executive directors' remuneration and the need for an internal audit function.

The Board confirms, with the exception of the composition of the Audit Committee as detailed on page 13 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 UK Code. The AIC Code can be found on its website at [www.theaic.co.uk](http://www.theaic.co.uk).

## ASSOCIATION OF INVESTMENT COMPANY CODE

The AIC Code has 21 principles, the vast majority of which the Board has been following for many years. However, modern corporate governance requires that 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](#)  
Alex Hammond-Chambers has been assessed by the Board to be independent.

## Corporate Governance Reports *Continued*

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

All the Directors are subject to an annual independence review and with the exception of William Salomon, who is a partner of the Portfolio Manager, all are adjudged to be independent and to have performed their duties in an independent manner.

- **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 pages 8 and 9. The Company's 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 36.

- **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 written evaluation every three years. The other years the Board, at its strategy meeting, carries out an evaluation of the independence of each Director by means of a written response from each Director on his fellow Directors, the progress of the actions resulting from the previous reviews and of any new ideas

for improving the returns to shareholders, by enhancing the effectiveness of the Board. The Chairman is evaluated by an independent Director 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 monitored annually and formally reviewed every three years, in light of the Directors' duties and responsibilities and the value of the time committed to the interests of the Company; note is taken of fees paid by other comparable companies.

- **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, as the de facto senior independent Director, is charged with taking the lead in all of the processes with respect to the appointment of a new Director.

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

When a new Director is appointed, he/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 is primarily responsible for the running of the Company and maintains specific duties and responsibilities. Where the Board has delegated certain duties to the Portfolio Manager, the Board and the 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. A note of the Company meetings attended by each Director is included with their biographies on pages 8 and 9.



- **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 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 ISAE3402 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 its Portfolio Manager and Company Secretary, has regular contact with its shareholders. The Board supports the principle that the AGM should be used to communicate with all shareholders and promote its website to them. The Company Secretary and where appropriate the Chairman, regularly receive and handle 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 sheets, 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.

### UK STEWARDSHIP CODE

The aim of the Stewardship Code, which was published by the Financial Reporting Council in July 2010, is to enhance the quality of engagement between institutional investors and companies, to help improve long-term returns to shareholders and the efficient exercise of governance responsibilities.

## Corporate Governance Reports *Continued*

The seven principles of the Code are that institutional investors should:

- Publicly disclose their policy on how they will discharge their stewardship responsibilities.
- Have and publicly disclose a robust policy on managing conflicts of interest in relation to Stewardship.
- Monitor their investee companies.
- Establish clear guidelines on when and how they will escalate their activities as a method of protecting and enhancing shareholder value.
- Be willing to act collectively with other investors where appropriate.
- Have a clear policy on voting and disclosure of voting activity.
- Report periodically on their stewardship and voting activities.

### **Discharging stewardship responsibilities**

The Company has delegated to its Portfolio Manager, Hansa Capital Partners LLP, the day to day operation of the Company's policy which is as follows:

To operate a due diligence process when considering any investment. The process includes a number of key factors in the establishment of whether an investment is suitable for its portfolio and will include:

- Competent management.
- Likelihood of offering an acceptable return for the risk undertaken.
- Financial and structural soundness.
- Regular reporting.
- Sound business plans.
- Compliance with current governance and regulatory requirements.

Full details of these can be found on the Portfolio Manager's website [www.hansagr.com](http://www.hansagr.com)

The Portfolio Manager will engage the Board on controversial matters arising from the operations of the policy.

### **COMPLIANCE WITH COMPANIES ACT AND THE FINANCIAL CONDUCT AUTHORITY UKLA LISTING RULES**

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

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, where relevant, for the consideration and authorisation of these conflicts by the Board.

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

- Adequate accounting records are kept, that are sufficient to show and explain the Company's transactions and 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 Report of the Directors 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 Conduct Authority.
- The Company has effective internal control systems, designed to ensure that adequate accounting records are maintained and, that 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 misstatement or loss.
- The Group Financial Statements for each financial year are prepared in accordance with IFRS, as adopted by the EU, and we have elected to prepare Company financial statements on the same basis. Under Company Law directors must not approve the financial statements unless they are satisfied they give a true and fair view of the state of affairs and profit

or loss of the Company 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 Conduct Authority, UKLA Listing Rules and the UK Corporate Governance Code ("the Code"), the Board is responsible for:

- Disclosing how it has applied the principles and complied with the provisions of the Code, or where not to explain the reasons for divergence.
- Reviewing the effectiveness of the Company's systems of risk management and 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](http://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 Directors confirm that to the best of their 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 Company.
- The Strategic Report, including the Chairman's Report to Shareholders, and the Report of the Directors include a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties it faces.

The Directors consider the Annual Report and Accounts, taken as a whole, are fair, balanced and understandable. Further detail demonstrating the Company's performance, business model and strategy has been included within the Strategic Report on pages 2 to 27.

For and on behalf of the Board



Alex Hammond-Chambers  
Chairman  
20 June 2014

# Audit Committee Report

The Financial Reporting Council's guidance emphasises the need for Audit Committee arrangements to be proportionate to the task and proportionate to the size, complexity and risk profile of the Company and as such the Board does not consider the establishment of an internal audit function appropriate for the size and complexity of the organisation.

The Audit Committee which meets at least twice a year consists of all five Directors and includes Edwin Teideman, a former director, whose skills and experience strengthens the Committee. The Committee is chaired by Alex Hammond-Chambers; although the UK code and AIC code are opposed to the company chairman being the chair of the Audit Committee, the Board considers Alex Hammond-Chambers to be the best qualified for this role.

The Committee is authorised by the Board to investigate any activity within its terms of reference, to seek any information it requires from any officer or service provider to the Group, to obtain outside legal or other independent professional advice and to secure the attendance of third parties with relevant experience and expertise if it considers this necessary.

The Chairman of the Audit Committee formally reports to the Board following each Audit Committee meeting and on other occasions as requested by the Board.

The Terms of Reference are determined by the Board and approved by the Committee and include, but are not restricted to, the following:

- To consider and make a recommendation to the Board as to the appointment of the external auditor, tendering of the audit services, the audit fee and any questions relating to the resignation or dismissal of the Auditor.
- To determine with the external Auditor the nature and scope of the audit.
- To review and monitor the independence of the external Auditor and the provision of additional services to the Company.

- To review the Half Year and Annual Financial Reports before submission to the Board, focusing particularly on:
  - any changes in accounting policies and practices;
  - major judgemental areas;
  - significant adjustments resulting from the audit;
  - the going concern assumption;
  - compliance with Accounting Standards and Governance Codes;
  - compliance with FCA Listing Rules and legal requirements; and
  - valuation of unquoted investments.
- To discuss issues and reservations arising from the annual audit and any matters the Auditor may wish to discuss.
- To review the Auditor's management letter and responses to it.
- To review and monitor the effectiveness of the Company's Internal Control and Risk Systems prior to endorsement by the Board.
- To review the processes and procedures that monitor compliance with s.1158 CTA 2010.
- To review service providers' AAF 01/06 or SAS 70 reports.

In discharging its duties and in particular matters relating to the approval of the Annual Report, Half-Yearly Report and the review of the Company's Internal Controls the Committee considers reports and presentations made by the Company's Auditor, Administrators, Company Secretary and Legal Advisers.

In its review of the Annual Report the Committee pays particular attention to the valuations of the portfolio, recognition of income and outstanding liabilities which it considers to be of significant importance in establishing its opinion on it, all of which are covered by the Auditor in its report and fully discussed with the Auditor.

The Audit Committee, having considered its responsibilities and its reporting to the Board, confirms it is not aware of any matter which it should bring to the attention of either the Board or the Auditor and considers the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

Following careful consideration of the independence, experience and value for money of the current Auditor, the Audit Committee has recommended that the Board propose the re-appointment of Grant Thornton UK LLP as Auditor to the Company. To demonstrate value for money and best service levels for the Company, the Audit Committee has requested that the audit is put out to competitive tender for the year ended 31 March 2016.

For and on behalf of the Audit Committee



Alex Hammond- Chambers  
Chairman  
20 June 2014

# Directors' Remuneration Report

Despite the inclusion of the new Strategic Report, the Companies Act continues to require the Company produces a separate report on the Directors' Remuneration and that the Board approve the report and sign to confirm its accuracy. There are elements of the Directors' Remuneration Report that are audited, by law, by the Company's Auditor. The Auditor's opinion is included in its report on page 41.

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.420-422 of the Companies Act 2006. An ordinary resolution for the approval of this report will be put to the shareholders at the forthcoming AGM.

### ANNUAL STATEMENT

The Company has five non-executive Directors. The Board as a whole fulfils the function of a Remuneration Committee. The Chairman has prepared this statement on behalf of the Board.

There have been no changes to remuneration during the year to 31 March 2014, either on an individual basis or for the Board as a whole. The most recent update to Director's remuneration were made in the year to 31 March 2013. All Directors have served for the full year, although all retired at the AGM on 31 July 2013 as is the Company policy and were subsequently re-elected on the same terms.

At the coming AGM in July 2014, the Board will present its proposed Remuneration Policy for shareholder approval as is now required.

### POLICY ON DIRECTORS' REMUNERATION

The Board's policy is that the remuneration of non-executive Directors should include a basic pay level and should reflect the experience of the Board as a whole, be appropriate for the work carried out and the responsibilities undertaken, including additional remuneration for any roles in addition to the responsibilities of the non-executive director role, for example, Chairman. The remuneration does not include a performance related element and Directors do not receive bonuses, share options, pensions or long-term incentive schemes. The total remuneration of the Board will be kept within the limits set out in the Company's Articles of Association as amended from time to time.

The fees for the non-executive Directors are within the limits during the financial year to 31 March 2014. The Board will seek permission at the AGM to increase the limit for Directors' remuneration to £175,000 from £150,000 per annum and manage non-executive Director remuneration within the increased limit for a period of three years from 1 July 2014 to 30 June 2017. The increase requested give the Board capacity to hire an additional non-executive director if it was considered necessary. The Policy on Directors' Remuneration will be presented to shareholders at the AGM for their consideration and approval.

### DIRECTORS' SERVICE CONTRACTS

It is the Board's policy that every Director has a service contract. None of the service contracts is for a fixed term. The terms of appointment provide that a Director shall retire and be subject to re-election at the first AGM after appointment. 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. There are no agreements between the Company and its Directors concerning compensation for loss of office. The Chairman is employed through his service company. However, the key terms as noted above are the same for this appointment as for the other Directors.

### REMUNERATION COMMITTEE

The Board 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 such as Hansa Trust. The level of Directors' fees is monitored annually and formally reviewed every three years in the light of their duties and also relative to other comparable companies. The Policy on Directors' Remuneration will be presented to shareholders at the AGM for their consideration and approval.

### FUTURE POLICY TABLE

As the Company only has non-executive Directors, they only receive fees. The implementation of the above policy could give rise to the following increase in fees, assuming the suggested change to the Articles of Association:

	Current total Fee £000	Potential future total Fee £000
Non-executive Director fees	136	175

The Board has appointed the Company Secretary to provide relevant information when the Directors consider the level of Directors' fees.

### POLICY FOR RECRUITMENT REMUNERATION

If, in the future, recruitment of another non-executive director is deemed necessary by the Board, the remuneration would be managed within the overall limit of £175,000. If this were not possible, it would be necessary to return a revised remuneration policy to shareholders for their consideration. As above, the Board has appointed the Company Secretary to provide relevant information when the Directors consider the level of Directors' fees. The criteria for agreeing the fees of any incoming non-executive director would be the same criteria used to assess the remuneration of existing Directors.

### POLICY FOR NOTICE PERIODS

The current Directors' service contracts stipulate three months written notice to be given by either the Director or the Company to terminate the services of a Director. The Board consider that this is sufficient notice to ensure an orderly hand over between the parties.

### SHAREHOLDERS' VIEWS ON REMUNERATION POLICY

The formal views of unconnected shareholders have not been sought in the preparation of this policy.

### EMPLOYEES

The Company does not have any employees and, therefore, no Chief Executive Officer. Accordingly, the disclosures required under paragraphs 18(2), 19, 38 and 39 of Schedule 8 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 are not required.

### ANNUAL REPORT ON REMUNERATION

#### Directors' Emoluments (Audited)

The company does not have any employees, only non-executive Directors who receive only a basic fee plus expenses. Therefore, the use of the detailed remuneration table as prescribed in the legislation is not appropriate here. A condensed table showing the information relevant to the Directors' remuneration has been shown in its place.

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

	2014 Fee £000	2014 Expenses £000	2014 Total £000	2013 Fee £000	2013 Expenses £000	2013 Total £000
Alex Hammond-Chambers (Chairman)*	38	4	42	30	6	36
Jonathan Davie**	25	–	25	5	–	5
Raymond Oxford**	25	–	25	5	–	5
William Salomon	23	–	23	18	–	18
Geoffrey Wood	25	–	25	20	–	20
	136	4	140	78	6	84

\* The amounts due in respect of Alex Hammond-Chambers' fees are paid to his service company.

\*\* Jonathan Davie and Raymond Oxford both joined the Board in January 2013.

The Company pays National Insurance contributions on the Directors' emoluments where applicable.

## Director's Remuneration Report Continued

### DIRECTORS' INTERESTS (AUDITED)

The interests of Directors and their connected parties in the Company at 31 March 2014 are shown below.

	Ordinary shares of 5p each		'A' non-voting Ordinary shares of 5p each		Nature of interest
	2014	2013	2014	2013	
Alex Hammond-Chambers	500	500	10,600	10,600	Beneficial
Jonathan Davie	4,000	4,000	6,000	6,000	Beneficial
Raymond Oxford	–	–	–	–	–
William Salomon	2,113,219	2,113,219	98,700	98,700	Beneficial
Geoffrey Wood	6,000	6,000	8,500	8,500	Beneficial

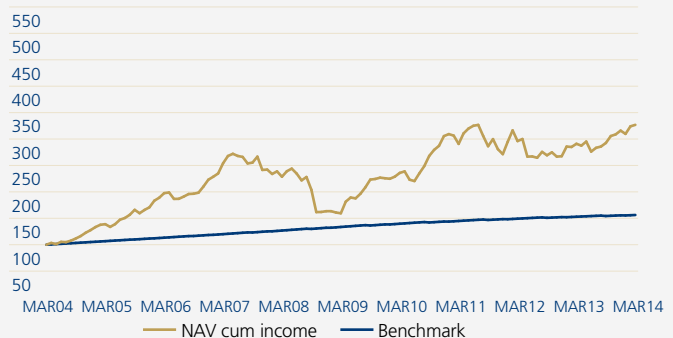
William Salomon is the senior partner of Hansa Capital Partners LLP. Fees payable to Hansa Capital Partners LLP amounted to £1,827,216 (2013: £1,611,643). The fees outstanding at the year-end amounted to £165,601 (2013: £145,215). During the year, no rights to subscribe to the shares of the Company, were granted to, or exercised by Directors, their spouses or infant children.

As at 20 June 2014, the date of signing of the Annual Accounts, Alex Hammond-Chambers had purchased an additional 1,900 Ordinary shares. His holdings are now 2,400 Ordinary and 10,600 'A' non-voting Ordinary shares. Raymond Oxford has purchased 1,850 Ordinary and 1,850 'A' non-voting Ordinary shares. These represent his entire holding in each share class. William Salomon, being a connected party with his wife Mrs EG Salomon, has purchased an additional 2,650 Ordinary shares. His holdings are now 2,115,869 Ordinary and 98,700 'A' non-voting Ordinary shares. Geoffrey Wood has sold 5,000 (0.0625%) Ordinary and 6,500 "A" Non-Voting Ordinary shares in the Company. His holdings following these sales has decreased in the Ordinary shares from 6,000 to 1,000 and in the "A" Non-Voting Ordinary shares from 8,500 to 2,000. Directors are not required to hold shares in the company.

### 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:

#### NAV performance for the last 10 years versus Company benchmark



Note also the table of ten year performance for the Company shown within the Strategic Report on page 12.

### 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 at them by each Director.

	Strategic	Board	Audit Committee
Number of meetings held	1	5	2
<b>Number of meetings attended:</b>			
Alex Hammond-Chambers	1	5	2
Jonathan Davie	1	5	2
Raymond Oxford	1	4	1
William Salomon	1	5	2
Geoffrey Wood	1	5	2



### STATEMENT OF VOTING AT THE AGM

The Directors' Remuneration Report for the year ended 31 March 2013 was presented at the AGM held on 31 July 2013. At that meeting, the Directors' Remuneration Report was approved by 100% of the votes cast.

The Directors' Remuneration Report for the year ended 31 March 2014 will be presented to the AGM on 21 July 2014.

On behalf of the Board, and in accordance with Part 2 of Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended), I confirm that the above Report on Director's Remuneration summarises, as applicable, for the year ended 31 March 2014:

- (a) the major decisions on Directors' remuneration;
- (b) any substantial changes relating to Directors' remuneration made during the year; and
- (c) the context in which those changes occurred and decisions have been taken.

For, and on behalf of the Board,



Alex Hammond-Chambers  
Chairman  
Hansa Trust PLC

20 June 2014

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

We have audited the financial statements of Hansa Trust PLC for the year ended 31 March 2014 which comprise the group and parent company Balance Sheet, the group Income Statement, the group and parent company Cash Flow statements, the group and parent company Statements of Changes in Equity 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 auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 33, 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 and express an opinion on 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 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 Financial Reporting Council's website at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm).

### **Auditor commentary**

#### **An overview of the scope of our audit**

The Group is comprised of the parent company, Hansa Trust PLC, and the subsidiary, Consolidated Investment Funds Limited. In establishing the overall approach to the Group audit, we determined the work that needed to be performed based on the size or risk characteristics of the individual entities. Hansa Trust PLC, required an audit of their complete financial information whereas for the subsidiary Consolidated Investment Funds Limited, an analytical approach was required.

Our audit approach was based on a thorough understanding of the Group's business and is risk-based. The day-to-day management of the Group's investment portfolio, the custody of its investments and the maintenance of the Group's accounting records is outsourced to third-party service providers. Accordingly, our audit work is focussed on obtaining an understanding of, and evaluating, internal controls at the Group and relevant third-party service providers. This included a review of reports on the description, design and operating effectiveness of internal controls at the relevant third-party service providers. We undertook substantive testing on significant transactions, balances and disclosures, the extent of which was based on various factors such as our overall assessment of the control environment, the effectiveness of controls over individual systems and the management of specific risks.

#### **Our application of materiality**

We apply the concept of materiality in planning and performing our audit, in evaluating the effect of any identified misstatements and in forming our opinion. For the purpose of determining whether the financial statements are free from material misstatement we define materiality as the magnitude of a misstatement or an omission from the financial statements or related disclosures that would make it probable that the judgement of a reasonable person, relying on the information would have been changed or influenced by the misstatement or omission. We also determine a level of performance materiality which we use to determine the extent of testing needed to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.

We established materiality for the group financial statements as a whole to be £2,850,000, which is 1% of the group's net assets. For the group income statement we determined that misstatements for a lesser amount than materiality for the financial statements as a whole would make it probable that the judgement of a reasonable person, relying on the information, would have been changed or influenced by the misstatement or omission. Accordingly, we established materiality for the income statement to be £715,000. For the financial information of the individual subsidiary undertaking, we set our materiality based on a proportion of group materiality appropriate to the relative scale of the business.

#### **Our assessment of risk**

Without modifying our opinion, we highlight the following matters that are, in our judgement, likely to be most important to users' understanding of our audit. Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole, and not to express an opinion on individual transactions, balances or disclosures.

## Investments

The Group's business is investing in financial assets with the aim of achieving long-term capital growth. Accordingly, the investment portfolio is a significant, material item in the financial statements. The recognition and measurement of the investment portfolio is therefore a risk that requires particular audit attention.

Our audit work included, but was not restricted to, understanding management's process to recognise and measure investments including ownership of those investments, obtaining a confirmation of investments held at the year end directly from the independent custodian or relevant private equity fund. We tested the reconciliation of the custodian records to the records maintained by the Group's administrator. A selection of investment additions and disposals, shown in the Group's records, were tested to supporting documentation. We agreed the valuation of quoted investments to an independent source of market prices. In addition, we agreed the valuation of the two unquoted investments to the supporting evidence, for example the most recent audited financial statements of the investee entities.

The Group's accounting policy on the valuation of investments is included in note 1(d), and its disclosures about investments held at the year end are included in note 11.

## Recognition of revenue from investments

Investment income is the Group's major source of revenue. According to the Statement of Recommended Practice, "Financial Statements of Investment Trust Companies and Venture Capital Trusts", revenue should be recognised when the Group's right to the income is established, in line with the Group's stated accounting policy. We therefore identified the recognition of revenue from investments as a significant risk requiring special audit consideration.

Our audit work included, but was not restricted to, assessing whether the Group's accounting policy conforms with International Financial Reporting Standards and testing the income recognised in accordance with that policy, and selecting a sample of investments held in the period to determine whether the income that should have been recognised and comparing it with the income that was recognised on them. We assessed whether any of the dividends should have been treated as capital receipts.

The Group's accounting policy on the recognition of revenue from investments and the components of that revenue are included in notes 1(f) and 2.

## 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 2014 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions 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.

## Other reporting responsibilities

### 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;
- the information given in the Strategic Report and Report of the Directors 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 ISAs (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the group and parent company acquired in the course of performing our audit; or
- otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the annual report is fair, balanced and understandable, and whether the annual report appropriately discloses those matters that were communicated to the audit committee which we consider should have been disclosed.

# Report of the Independent Auditor to the Members of Hansa Trust PLC *Continued*

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

- adequate accounting records have not been kept, 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; or
- 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 19, 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 UK Corporate Governance Code specified for our review.

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

20 June 2014

# Group Income Statement

For the year ended 31 March 2014

	Notes	Revenue 2014 £000	Capital 2014 £000	Total 2014 £000	Revenue 2013 £000	Capital 2013 £000	Total 2013 £000
Gains/(losses) on investments held at fair value	11	–	27,406	27,406	–	(8,809)	(8,809)
Exchange losses on currency balances		–	(23)	(23)	–	–	–
Investment income	2	6,739	–	6,739	6,193	–	6,193
		6,739	27,383	34,122	6,193	(8,809)	(2,616)
Investment management fees	3	(1,727)	–	(1,727)	(1,512)	–	(1,512)
Other expenses	4	(905)	–	(905)	(753)	–	(753)
		(2,632)	–	(2,632)	(2,265)	–	(2,265)
<b>Profit/(loss) before finance costs and taxation</b>		<b>4,107</b>	<b>27,383</b>	<b>31,490</b>	<b>3,928</b>	<b>(8,809)</b>	<b>(4,881)</b>
Finance costs	5	(31)	–	(31)	(42)	–	(42)
Profit/(loss) before taxation		4,076	27,383	31,459	3,886	(8,809)	(4,923)
Taxation	6	(4)	–	(4)	(16)	–	(16)
Profit/(loss) for the year		4,072	27,383	31,455	3,870	(8,809)	(4,939)
Return per Ordinary and 'A' non-voting Ordinary share	8	17.0p	114.1p	131.1p	16.1p	(36.7)p	(20.6)p

The Company does not have any income or expense that is not included in the Profit/(loss) for the year. Accordingly the "Profit/(loss) 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.

## FINANCIAL STATEMENTS

# Statement of Changes in Equity – Group

For the year ended 31 March 2014

	Notes	Share capital 2014 £000	Capital redemption reserve 2014 £000	Retained earnings 2014 £000	Total 2014 £000	Share capital 2013 £000	Capital redemption reserve 2013 £000	Retained earnings 2013 £000	Total 2013 £000
Net assets at 1 April		<b>1,200</b>	<b>300</b>	<b>258,408</b>	<b>259,908</b>	1,200	300	266,707	268,207
Gains/(losses) for the year		–	–	<b>31,455</b>	<b>31,455</b>	–	–	(4,939)	(4,939)
Dividends	7	–	–	<b>(3,950)</b>	<b>(3,950)</b>	–	–	(3,360)	(3,360)
Net assets at 31 March		<b>1,200</b>	<b>300</b>	<b>285,913</b>	<b>287,413</b>	1,200	300	258,408	259,908

# Statement of Changes in Equity – Company

For the year ended 31 March 2014

	Notes	Share capital 2014 £000	Capital redemption reserve 2014 £000	Retained earnings 2014 £000	Total 2014 £000	Share capital 2013 £000	Capital redemption reserve 2013 £000	Retained earnings 2013 £000	Total 2013 £000
Net assets at 1 April		<b>1,200</b>	<b>300</b>	<b>258,408</b>	<b>259,908</b>	1,200	300	266,707	268,207
Gains/(losses) for the year		–	–	<b>31,455</b>	<b>31,455</b>	–	–	(4,939)	(4,939)
Dividends	7	–	–	<b>(3,950)</b>	<b>(3,950)</b>	–	–	(3,360)	(3,360)
Net assets at 31 March		<b>1,200</b>	<b>300</b>	<b>285,913</b>	<b>287,413</b>	1,200	300	258,408	259,908

The accompanying notes are an integral part of this statement

# Balance Sheet of the Group and Company

as at 31 March 2014

	Notes	Group 2014 £000	Group 2013 £000	Company 2014 £000	Company 2013 £000
<b>Non-current assets</b>					
Investment in subsidiary at fair value through profit or loss	10	–	–	630	631
Investments held at fair value through profit or loss	11	283,089	262,403	283,089	262,403
		<b>283,089</b>	262,403	<b>283,719</b>	263,034
<b>Current assets</b>					
Trade and other receivables	13	3,673	439	3,673	439
Cash and cash equivalents	14	13,250	126	13,250	126
		<b>16,923</b>	565	<b>16,923</b>	565
<b>Current liabilities</b>					
Trade and other payables	15	(12,599)	(3,060)	(13,229)	(3,691)
<b>Net current assets/(liabilities)</b>		<b>4,324</b>	(2,495)	<b>3,694</b>	(3,126)
<b>Net assets</b>		<b>287,413</b>	259,908	<b>287,413</b>	259,908
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	285,913	258,408	285,913	258,408
<b>Total equity shareholders' funds</b>		<b>287,413</b>	259,908	<b>287,413</b>	259,908
<b>Net asset value per Ordinary and 'A' non-voting Ordinary share</b>					
	19	<b>1,197.5p</b>	1,082.9p	<b>1,197.5p</b>	1,082.9p

The Financial Statements of Hansa Trust PLC, registered number: 126107, set out on pages 43 to 59 were approved by the Board of Directors on 20 June 2014 and were signed on its behalf by:



Alex Hammond-Chambers  
Chairman

The accompanying notes are an integral part of this statement

# FINANCIAL STATEMENTS

## Cash Flow Statement

For the year ended 31 March 2014

	Notes	Group 2014 £000	Group 2013 £000	Company 2014 £000	Company 2013 £000
<b>Cash flows from operating activities</b>					
Gain/(loss) before finance costs and taxation		31,490	(4,881)	31,490	(4,881)
Adjustments for:					
Realised (gains)/losses on investments	11	(131)	2,121	(131)	2,121
Unrealised (gains)/losses on investments	11	(27,275)	6,688	(27,274)	6,689
Effect of foreign exchange rate changes		23	–	23	–
(Increase) in trade and other receivables	13	(3,234)	(145)	(3,234)	(145)
Increase in trade and other payables	15	21	22	20	21
Taxes paid		(4)	(16)	(4)	(16)
Purchase of non-current investments		(8,273)	(1,319)	(8,273)	(1,319)
Sale of non-current investments		27,311	1,051	27,311	1,051
<b>Net cash inflow from operating activities</b>		<b>19,928</b>	<b>3,521</b>	<b>19,928</b>	<b>3,521</b>
<b>Cash flows from financing activities</b>					
Interest paid on bank loans		(31)	(42)	(31)	(42)
Dividends paid		(3,950)	(3,360)	(3,950)	(3,360)
Repayment of loans		(2,800)	(130)	(2,800)	(130)
<b>Net cash outflow from financing activities</b>		<b>(6,781)</b>	<b>(3,532)</b>	<b>(6,781)</b>	<b>(3,532)</b>
<b>Increase/(decrease) in cash and cash equivalents</b>		<b>13,147</b>	<b>(11)</b>	<b>13,147</b>	<b>(11)</b>
Cash and cash equivalents at 1 April		126	137	126	137
Effect of foreign exchange rate changes		(23)	–	(23)	–
<b>Cash and cash equivalents at end of period</b>	14	<b>13,250</b>	126	<b>13,250</b>	126

The accompanying notes are an integral part of this statement



# Notes to the Financial Statements

## 1. ACCOUNTING POLICIES

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

These financial statements are presented in 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.

### (a) Basis of preparation

The Financial Statements have been prepared on an historical cost and going concern basis, except for the valuation of investments and in accordance with the Statement of Recommended Practice ("SORP") for investment trusts, issued by the Association of Investment Companies ("AIC") in January 2009, to the extent that the SORP does not conflict with IFRS. The principal accounting policies adopted are set out below.

### (b) Basis of consolidation

The Financial Statements comprise the accounts of the Company and its subsidiary undertaking made up to 31 March 2014. 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 Articles of Association, net capital returns may not currently 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 at 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's 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 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) 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.

## Notes to the Financial Statements

### **(f) Investment Income and return of capital**

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 are stated gross.

When an investee company returns capital to the Company, the amount received is treated as a reduction in the book cost of that investment and is classified as sale proceeds.

### **(g) 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.

### **(h) 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 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. 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.

Approved Investment Trusts 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, 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 or other comprehensive income.

### **(i) 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.

**(j) 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.

**(k) Adoption of new and revised standards**

The Group has adopted IFRS 13 Fair Value Measurement, effective for annual periods beginning on or after 1 January 2013. IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. It also replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7 'Financial Instruments: Disclosures'. It does not introduce any new requirements to measure an asset or a liability at fair value, change what is measured at fair value in IFRS, or address how to present changes in fair value. The adoption of this standard has therefore had no impact on the Financial Statements.

The revised IFRS 10 came into effect from this year. This provides an exemption in respect of consolidation for investment trusts when certain criteria are met. However, the one subsidiary does not meet these criteria and hence the accounting policy for consolidation has not been affected.

The revised IFRS 12 came into effect for this year. This introduced disclosure requirements to enable users of Financial Statements to evaluate the nature of, and risks associated with, its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows. Hansa Trust PLC's only subsidiary, Consolidated Investment Funds Limited, is immaterial to the Group and has been 100% owned by the Company since inception, and hence the Financial Statements provide sufficient transparency to comply with this standard.

The revised IAS 27 came into effect this year and prescribed the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. The requirements of the standard are met as these Financial Statements clearly differentiate between the Company and the Group, and disclose how the subsidiary is accounted for in the Company's Financial Statements (i.e. at fair value through profit or loss).

***Accounting standards issued but not yet effective***

Standards issued but not yet effective up to the date of issuance of the Group's Financial Statements are listed below. This listing of standards and interpretations issued are those the Group reasonably expects will have an impact on disclosure, financial position and/or financial performance, when applied at a future date. The Group intends to adopt those standards (where applicable) when they become effective.

***IFRS 9 Financial Instruments: Classification and Measurement***

IFRS 9 as issued reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard is currently effective for annual periods beginning on or after 1 January 2015. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will potentially have no impact on classification and measurement of financial liabilities. The Group will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

# FINANCIAL STATEMENTS

## Notes to the Financial Statements

### 2 INCOME

	Revenue 2014 £000	Revenue 2013 £000
<b>Income from quoted investments</b>		
UK dividends	3,442	3,436
Overseas and other dividends	3,121	2,686
Property income distributions	175	71
	<b>6,738</b>	6,193
<b>Other income</b>		
Interest receivable on AAA rated money market funds	1	–
	<b>1</b>	–
<b>Total income</b>	<b>6,739</b>	6,193

### 3 INVESTMENT MANAGEMENT FEE

	Revenue 2014 £000	Revenue 2013 £000
<b>Investment management fee</b>	<b>1,727</b>	1,512
Total management fee	<b>1,727</b>	1,512

Note: Details of the management agreement are disclosed in the Strategic Report – Service Providers on page 14.

### 4 OTHER EXPENSES

	Revenue 2014 £000	Revenue 2013 £000
Administration fees	117	100
Directors' remuneration	136	85
Auditor's remuneration for:		
– audit of the Company's Annual Accounts	29	28
Fees payable to the Auditor for other services:		
– audit of the subsidiary	1	1
– review of the Half Yearly Report	3	3
– all taxation advisory services	8	6
Irrecoverable VAT on audit fees	8	–
Printing fees	29	33
Marketing	80	26
Registrar's fees	42	58
Banking charges	139	139
Secretarial services	120	120
Other	193	154
	<b>905</b>	753

### 5. FINANCE COSTS

	Revenue 2014 £000	Revenue 2013 £000
Interest payable	31	42
	<b>31</b>	42

## 6 TAXATION

	Revenue 2014 £000	Revenue 2013 £000
<b>(a) Taxation on Ordinary Activities</b>		
UK corporation tax at 23% (2013: 24%)	–	–
Irrecoverable foreign tax	4	16
	<b>4</b>	<b>16</b>

### (b) Factors affecting tax charge for the 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 23% (2013: 24%). The differences are explained below:

	2014 £000	2013 £000
Total gain/(loss) before taxation	<b>31,459</b>	(4,923)
Gain/(loss) multiplied by standard rate of corporation tax	<b>7,236</b>	(1,182)
Effects of:		
– Non-taxable capital (gains)/losses	<b>(6,298)</b>	2,114
– Non-taxable investment income	<b>(1,510)</b>	(1,486)
– Excess administration expenses unused	<b>572</b>	554
– Irrecoverable foreign tax	<b>4</b>	16
Current tax charge	<b>4</b>	<b>16</b>

### (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

As at 31 March 2014 the Company had unutilised management expenses and loan relationship deficits of £16,786,000 (2013: £14,372,000). 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 of £135,000 (2013: £134,000) which will only be recoverable to the extent that there are sufficient future taxable profits.

## 7 DIVIDENDS PAID

	Revenue 2014 £000	Revenue 2013 £000
Amounts recognised as distributed to shareholders in the year are as follows:		
Final dividend for 2013: 11.5p (2012: 10.5p)	<b>2,760</b>	2,520
Interim dividend for 2014: 5.0p (2013: 3.5p)	<b>1,200</b>	840
Unclaimed dividends refunded	<b>(10)</b>	–
	<b>3,950</b>	<b>3,360</b>

Set out below are 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 £4,073,000 (2013: £3,870,000).

	Revenue 2014 £000	Revenue 2013 £000
Interim dividend for 2014: 5.0p (2013: 3.5p)	<b>1,200</b>	840
Proposed final dividend for 2014: 11.0p (2013: 11.5p)	<b>2,640</b>	2,760
	<b>3,840</b>	<b>3,600</b>

The Board is proposing a final dividend of 11p per Ordinary and 'A' non-voting Ordinary share.

# FINANCIAL STATEMENTS

## Notes to the Financial Statements

### 8 RETURN ON ORDINARY SHARES (EQUITY)

	Revenue 2014	Capital 2014	Total 2014	Revenue 2013	Capital 2013	Total 2013
Returns per share	<b>17.0p</b>	<b>114.1p</b>	<b>131.1p</b>	16.1p	(36.7)p	(20.6)p

#### Returns

Revenue return per share is based on the revenue attributable to equity shareholders of £4,072,000 (2013: £3,870,000).

Capital return per share is based on the capital gain attributable to equity shareholders of £27,383,000 (2013: loss £8,809,000).

Total return per share is based on the combination of revenue and capital returns attributable to equity shareholders, amounting to a net gain of £31,455,000 (2013: loss £4,939,000).

Both revenue and capital return are based on: 8,000,000 Ordinary shares (2013: 8,000,000) and 16,000,000 'A' non-voting Ordinary shares (2013: 16,000,000), in issue throughout the year.

### 9 PROFIT OF THE COMPANY ATTRIBUTABLE TO SHAREHOLDERS

The profit for the year after taxation dealt with in the accounts of the Company is £31,455,000 (2013: loss £4,939,000).

### 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 2014 Total £000	Group and Company 2013 Total £000
Cost at 1 April 2013	103,228	60,469	6,811	<b>170,508</b>	172,361
Investment holding gains/(losses) at 1 April 2013	105,177	(13,363)	81	<b>91,895</b>	98,583
Valuation at 1 April 2013	208,405	47,106	6,892	<b>262,403</b>	270,944
Movements in the year:					
Purchases at cost	17,800	2,479	312	<b>20,591</b>	1,319
Sales – proceeds	(7,472)	(19,723)	(116)	<b>(27,311)</b>	(1,051)
(Losses)/gains on sales	(3,793)	3,808	116	<b>131</b>	(2,121)
Movement in investment holding gains/(losses)	18,399	8,104	772	<b>27,275</b>	(6,688)
<b>Valuation as at 31 March 2014</b>	<b>233,339</b>	<b>41,774</b>	<b>7,976</b>	<b>283,089</b>	262,403
Cost	109,763	47,033	7,123	<b>163,919</b>	170,508
Investment holding gains	123,576	(5,259)	853	<b>119,170</b>	91,895
	233,339	41,774	7,976	<b>283,089</b>	262,403

	Group and Company 2014 £000	Group and Company 2013 £000
Gains/(losses) on sales	<b>131</b>	(2,121)
Movement in investment holding gains/(losses)	<b>27,275</b>	(6,688)
Gains/(losses) on investments held at fair value	<b>27,406</b>	(8,809)

### 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 2014 £000	Group and Company 2013 £000
Purchases	38	–
Sales	23	–
	61	–

## 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:

					Exc. Minority Interest	
	Country of incorporation or registration	Class of capital	% of class held	Latest available audited accounts	Total capital and reserves US\$000	Profit after tax for the year US\$000
Ocean Wilsons Holdings Limited	Bermuda	Ordinary	26.5	31.12.13	552,200	37,873

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	9.0
Altitude Group Plc	Ordinary	6.4
Work Group Plc	Ordinary	4.9
Leadcom Integrated Solutions	Ordinary	4.6
Goals Soccer Centres Plc	Ordinary	3.9
Helesi Plc	Ordinary	3.8
All Leisure Group Plc	Ordinary	3.6

# FINANCIAL STATEMENTS

## Notes to the Financial Statements

### 13 TRADE AND OTHER RECEIVABLES

	Group 2014 £000	Group 2013 £000	Company 2014 £000	Company 2013 £000
Prepayments and accrued income	314	439	314	439
Cash committed to purchase PS Institutional Offshore Ltd	3,359	–	3,359	–
	<b>3,673</b>	439	<b>3,673</b>	439

### 14 CASH AND CASH EQUIVALENTS

	Group 2014 £000	Group 2013 £000	Company 2014 £000	Company 2013 £000
Cash at bank	13,250	126	13,250	126
	<b>13,250</b>	126	<b>13,250</b>	126

### 15 TRADE AND OTHER PAYABLES

	Group 2014 £000	Group 2013 £000	Company 2014 £000	Company 2013 £000
Cash with brokers for settlement	12,318	–	12,318	–
Bank loans and overdrafts	–	2,800	–	2,800
Due to subsidiary undertaking	–	–	630	631
Other creditors and accruals	281	260	281	260
	<b>12,599</b>	3,060	<b>13,229</b>	3,691

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

### 16 CALLED UP SHARE CAPITAL

	Company 2014 £000	Company 2013 £000
8,000,000 Ordinary shares of 5p	400	400
16,000,000 'A' non-voting Ordinary shares of 5p	800	800
	<b>1,200</b>	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 Company 2014 £000	Group Company 2013 £000
Balance at 31 March	300	300



## 18 RETAINED EARNINGS

Group	Capital Reserves				Capital Reserves			
	Revenue 2014 £000	Other 2014 £000	Investment holding profits 2014 £000	Total retained earnings 2014 £000	Revenue 2013 £000	Other 2013 £000	Investment holding Losses 2013 £000	Total Retained Earnings 2013 £000
Opening balance at 1 April	6,271	160,242	91,895	258,408	5,761	162,363	98,583	266,707
Profit/(loss) for the year	4,072	108	27,275	31,455	3,870	(2,121)	(6,688)	(4,939)
Dividend paid	(3,950)	–	–	(3,950)	(3,360)	–	–	(3,360)
Closing balance at 31 March	6,393	160,350	119,170	285,913	6,271	160,242	91,895	258,408

Company	Capital Reserves				Capital Reserves			
	Revenue 2014 £000	Other 2014 £000	Investment holding profits 2014 £000	Total retained earnings 2014 £000	Revenue 2013 £000	Other 2013 £000	Investment holding Losses 2013 £000	Total Retained Earnings 2013 £000
Opening balance at 1 April	5,643	160,242	92,523	258,408	5,132	162,363	99,212	266,707
Profit/(loss) for the year	4,073	108	27,274	31,455	3,871	(2,121)	(6,689)	(4,939)
Dividend paid	(3,950)	–	–	(3,950)	(3,360)	–	–	(3,360)
Closing balance at 31 March	5,766	160,350	119,797	285,913	5,643	160,242	92,523	258,408

Note: Only revenue reserves are distributable, by way of dividends. However, note that the vote to amend the Articles of Association to be taken at the Company's AGM may amend this to allow all reserves to be distributable in future years.

## 19 NET ASSET VALUE

	2014	2013
NAV per Ordinary and 'A' non-voting Ordinary share	1,197.5p	1,082.9p

The NAV per Ordinary and 'A' non-voting Ordinary share is based on the net assets attributable to equity shareholders of £287,413,000 (2013: £259,908,000) and on 8,000,000 Ordinary shares (2013: 8,000,000) and 16,000,000 'A' non-voting Ordinary shares (2013: 16,000,000) in issue at 31 March 2014.

## 20 COMMITMENTS AND CONTINGENCIES

The Company has entered into a commitment agreement with DV3 Limited, an unquoted property investment company. DV3 Ltd is in solvent liquidation and whilst it is not expected that the liquidator will call upon the outstanding commitment of £327,438 it is expected to remain in place until the completion of the orderly winding up of the company. The value of the Company's interest in the fund at 31 March 2014 was £339,753 (31 March 2013: £455,818).

The Company entered into a further commitment agreement with DV4 Limited, also an unquoted property investment company. The commitment was for £10m for a period of five years from 7 March 2008 and the amount outstanding at 31 March 2014 was £3,161,680 (31 March 2013: £3,474,000). On 6 March 2013, DV4 agreed with investors to extend the investment period of their fund by a further two years. In order to ensure that there were no issues with this amendment, DV4 agreed with the Company, and other investors, to draw down an element of the outstanding committed capital at that time but then to immediately return these monies to investors by way of an interest free loan. In this way, DV4 felt that it had secured future use of these funds, whilst not holding the cash in its account, tying up investors' cash and impacting the overall investment performance of DV4. As a result, as at 31 March 2014, £1,998,800 of committed capital remains undrawn (31 March 2013, £1,999,000) with the remaining £1,162,880 (31 March 2013, £1,475,000) being noted as called capital, but loaned back to Hansa Trust. The Company has disclosed this transaction in its Financial Statements as the net investment in DV4 at 31 March 2014 (current valuation £7,636,000; 31 March 2013, £6,432,000) reflecting the substance of the investment.

## Notes to the Financial Statements

### 21 FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS

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 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 Portfolio 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 IFRS 7, being market risk (comprising currency risk, interest rate risk and other price risk), liquidity risk and credit risk. The Directors' approach to the management of these are set out below. The Board, in conjunction with the Portfolio Manager and Company Secretary, oversees 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 Portfolio 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 2014 is 9.0% of the portfolio (2013: 1.7%) and therefore the portfolio valuation is not materially sensitive to direct foreign currency fluctuations.

	Direct foreign currency risk 2014 £000	No direct foreign currency risk 2014 £000	Total 2014 £000	Direct foreign currency risk 2013 £000	No direct foreign currency risk 2013 £000	Total 2013 £000
Investments	25,716	257,373	283,089	4,444	257,959	262,403
Other receivables including prepayments	101	3,572	3,673	231	208	439
Cash at bank	–	13,250	13,250	–	126	126
Current liabilities	–	(12,599)	(12,599)	–	(260)	(260)
Bank loan	–	–	–	–	(2,800)	(2,800)
	<b>25,817</b>	<b>261,596</b>	<b>287,413</b>	<b>4,675</b>	<b>255,233</b>	<b>259,908</b>

##### 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 (2013: £30m) which are available for the Portfolio Manager to use in purchasing investments, the costs of which are based on the prevailing LIBOR rate, plus an agreed 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 Portfolio Manager on a regular basis. The impact on the returns and net assets of the Company for every 1% change in interest rates based on the amount drawn down at the year end under the facility would be £nil (2013: £28,000). The level of banking facilities utilised at 31 March 2014 was £nil (2013: £2.8m).

Interest rate changes usually 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 0.1% on cash funds.

	Cash flow interest rate risk 2014 £000	No interest rate risk 2014 £000	Total 2014 £000	Cash flow interest rate risk 2013 £000	No interest rate risk 2013 £000	Total 2013 £000
Investments	–	283,089	283,089	–	262,403	262,403
Other receivables including prepayments	–	3,673	3,673	–	439	439
Cash at bank	13,250	–	13,250	126	–	126
Current liabilities	–	(12,599)	(12,599)	–	(260)	(260)
Bank loan	–	–	–	(2,800)	–	(2,800)
	13,250	274,163	287,413	(2,674)	262,582	259,908

### Other price risk

By the nature of its activities, the Company's investments are exposed to market price fluctuations. NAV is calculated and reported daily to the London Stock Exchange. The Portfolio 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, £102.4m as valued at 31 March 2014 (2013: £97.3m) and as a proportion of the NAV, 35.6% (2013: 37.4%). 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 impact on 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 regularly undertakes a thorough review of its business and prospects and has 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 24, 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 £28.6m (2013: £26.2m). The Company gearing, which is currently at 0% (2013: 1.1%), would increase to 0% (2013: 1.2%) should the Company's portfolio fall in value by 10%.

### 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 Portfolio 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 2014 are shown in Note 13 and Note 15.

The Company's maximum exposure to credit risk on cash is £13.2m (2013: £126,000) and on cash funds is £nil (2013: £nil). Surplus cash was placed in AAA-rated cash funds during the year.

### Liquidity Risk

The liquidity risk to the Company is that it is unable to meet its obligations as they fall due, as a result of 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 of 35.6% (2013: 37.4%) and other holdings in AIM and unquoted investments of 24.7% (2013: 20.6%).

The Portfolio 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

## Notes to the Financial Statements

represent more than 5% of the investee company. A detailed list of the top 30 investments held at 31 March 2014, representing 97.9% of NAV, is shown on page 24, 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 2014 consist of a short-term bank loan amounting to £nil (2013: £2.8m) that would bear interest based on the prevailing LIBOR rate, plus an agreed margin. This loan is part of a total revolving credit facility with BNP of £30m (2013: BNP £30m). The facility is a committed facility repayable on or before 4 February 2017 and subject to a covenant requirement of a minimum adjusted NAV of £69m. The Company has undrawn loans from this facility of £30m (2013: £27.2m). The Company holds this facility for use at short notice for its investment activities. If fully drawn the loan would form 10.5% (2013: 11.7%) of the current value of the investment portfolio.

### Capital Management

The Company considers its capital to be its issued share capital and reserves and whilst the Company has access to loan facilities it is not considered or used as core capital, but primarily to meet the cash timing requirements of opportunistic investment strategies and thereby enhance shareholder returns. 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 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 NAV, would enhance the NAV per share of the remaining equity shares and 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 OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

### Fair Value Hierarchy

IFRS 13 'Fair Value Measurement' requires 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 has 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 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, valued in accordance with the accounting policies in Note 1, are detailed below:

31 March 2014	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
<b>Financial assets at fair value through profit or loss</b>				
Quoted equities	275,113	–	–	275,113
Unquoted equities	–	–	7,976	7,976
<b>Net fair value</b>	<b>275,113</b>	<b>–</b>	<b>7,976</b>	<b>283,089</b>
<b>31 March 2013</b>	<b>Level 1 £000</b>	<b>Level 2 £000</b>	<b>Level 3 £000</b>	<b>Total £000</b>
<b>Financial assets at fair value through profit or loss</b>				
Quoted equities	255,511	–	–	255,511
Unquoted equities	–	–	6,892	6,892
<b>Net fair value</b>	<b>255,511</b>	<b>–</b>	<b>6,892</b>	<b>262,403</b>

There have been no transfers during the year between levels 1 and 2.

The Group's policy is to recognise transfers into and out of the different fair value hierarchy levels at the date the event or change in circumstances that caused the transfer occurred.

A reconciliation of fair value measurements in Level 3 is set out in the following table.

	2014 Equity investments £000	2013 Equity investments £000
Opening Balance	6,892	6,135
Purchases	312	519
Sales	(116)	–
Total gains or losses included in gains on investments in the income statement:		
– on assets sold	116	–
– on assets held at year end	772	238
<b>Closing Balance</b>	<b>7,976</b>	6,892

As at 31 March 2014, the investment in DV3 Ltd has been classified as Level 3. The investment has been valued at the estimated NAV, as at 31 December 2012, adjusted for any further drawdowns, distributions or redemptions between the valuation date and 31 March 2014. There was a distribution during May 2013 and the value of the asset was reduced by £116,065 of the distribution to the current reported value of £339,752 accordingly. The investment is in solvent liquidation and issues valuation statements periodically. It is believed the value of DV3 as at 31 March 2014 will not be materially different from the adjusted reported value. If the value of the investment was to increase or decrease by 10%, while all other variables remained constant, the return and net assets attributable to shareholders for the year ended 31 March 2014 would have increased/decreased by £33,975.

As at 31 March 2014, the investment in DV4 Ltd has been classified as Level 3. The investment has been valued using the most recent estimated NAV as advised to the Company by DV4, adjusted for any further drawdowns, distributions or redemptions between the valuation date and 31 March 2014. The most recent valuation statement was received on 12 March 2014. It is believed the value of DV4 as at 31 March 2014 will not be materially different. If the value of the investment was to increase or decrease by 10%, while all other variables had remained constant, the return and net assets attributable to shareholders for the year ended 31 March 2014 would have increased/decreased by £763,600.

### 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 2014, are disclosed in the Strategic Report – Shareholder Profile and Engagement on page 26 and in Note 3 on page 50.

### 24 CONTROLLING PARTIES

At 31 March 2014 Peter Pearman & Codan Trust Company Limited and Helen Cooper & Codan Trust Company Limited each held 25.9% of the issued Ordinary shares. Additional information is disclosed in the Strategic Report – Substantial Shareholders on page 25.

# 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 21 July 2014 at 11:30am, for the following purposes:

### Ordinary Business

- 1 To receive and consider the audited Financial Statements and the Reports of the Directors and Auditor for the year ended 31 March 2014.
- 2 To approve the payment of a final dividend of 11.0p per share for the year ended 31 March 2014.
- 3 To re-elect Alex Hammond-Chambers (a biography and Board endorsement can be found on page 8) as a Director of the Company.
- 4 To re-elect Jonathan Davie (a biography and Board endorsement can be found on page 8) as a Director of the Company.
- 5 To re-elect Raymond Oxford (a biography and Board endorsement can be found on page 9) as a Director of the Company.
- 6 To re-elect William Salomon (a biography and Board endorsement can be found on page 9) as a Director of the Company.
- 7 To re-elect Geoffrey Wood (a biography and Board endorsement can be found on page 9) as a Director of the Company.
- 8 To approve the Directors' Remuneration Report.
- 9 To approve the Directors' Remuneration Policy and authorise the Board to determine the remuneration of the Directors.
- 10 To re-appoint Grant Thornton LLP as Auditor of the Company and to authorise the Directors to determine the remuneration of the Auditor.

### 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 of 5p each in the issued shares capital of the Company (the "Shares").

- 11 THAT the Company be and hereby is unconditionally authorised, in accordance with section 701 of the Companies Act 2006, to make market purchases of up to an aggregate of 2,398,400 shares at a price (exclusive of expenses) which is:
  - a) not less than 5p per share; and
  - b) not more than the higher of: i) 5% above the average of the middle-market quotations (as derived from and calculated by reference to 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 the day on which the share is purchased; and ii) the higher of the last independent trade and the then current highest independent bid.

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) unless the authority is renewed or revoked at any other general meeting prior to such time.

- 12 THAT the Articles of Association produced to the meeting and initialled for the purposes of identification by the Chairman be adopted as the Articles of Association of the Company in substitution for, and to the exclusion of, the existing Articles of Association.

By order of the Board  
Hansa Capital Partners LLP  
Company Secretary  
20 June 2014



## 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 17 July 2014 ('the specified time') pursuant to Regulation 41 of the Uncertified Securities Regulations 2001. 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 entitled to attend and vote and present in person or by proxy, shall have one vote on a show of hands. On a vote by poll every member entitled to vote 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), or by hand at Capita Registrars, PXS 1, 34 Beckenham Road, Beckenham, Kent BR3 4ZF, or a proxy can be lodged electronically at [www.capitashareportal.com](http://www.capitashareportal.com), in each case no later than 11:30am on 17 July 2014.
- 7 The return of a completed Proxy Form, other such instrument or any CREST Proxy Instruction (as described overleaf) 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.

# NOTICE OF THE ANNUAL GENERAL MEETING

## Notice of the Annual General Meeting *Continued*

- 9 As at 25 June 2014 (being the last practicable date prior to the publication of this Notice) the Company's issued share capital consists of 8,000,000 Ordinary shares of 5p each, carrying one vote each. Therefore, the total voting rights in the Company as at 25 June 2014 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](http://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 17 July 2014. 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 entitled to attend, vote or their duly appointed representative attending the meeting, has the right to ask questions. In accordance with section 319A of the Companies Act 2006, 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 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](http://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 business day (except 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 copy of the current Articles of Association; and
  - a copy of all Directors' Service Contracts.
- 17 A person to whom this notice is sent who is a person nominated under Section 146 of the Companies Act 2006 to enjoy information rights (a 'Nominated Person') may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the AGM. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she



may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights. The statements of the rights of members in relation to the appointment of proxies in Notes 1 and 2 overleaf do not apply to a Nominated Person. The rights described in those Notes can only be exercised by registered members of the Company entitled to attend and vote at the meeting.

A person authorised by a corporation is entitled to exercise (on behalf of the corporation) the same powers as the corporation could exercise if it were an individual member of the Company (provided, in the case of multiple corporate representatives of the same corporate shareholder, they are appointed in respect of different shares owned by the corporate shareholder or, if they are appointed in respect of those same shares, they vote those shares in the same way). To be able to attend and vote at the meeting, corporate representatives will be required to produce, prior to their entry to the meeting, evidence satisfactory to the Company of their appointment.

On a vote on a resolution on a show of hands, each authorised person has the same voting rights to which the corporation would be entitled. On a vote on a resolution on a poll, if more than one authorised person purports to exercise a power in respect of the same shares:

- a) if they purport to exercise the power in the same way as each other, the power is treated as exercised in that way;
- b) if they do not purport to exercise the power in the same way as each other, the power is treated as not exercised.

- 18 Members should note it is possible, pursuant to requests made by members of the Company under Section 527 of the Companies Act 2006 (the 'Act'), the Company may be required to publish on a website a statement setting out any matter relating to:

- a) the audit of the Company's accounts (including the Auditor's report and the conduct of the audit) that are to be laid before the AGM; or
- b) any circumstances connected with an auditor of the Company ceasing to hold office since the previous

meeting at which Annual Accounts and Reports were laid in accordance with Section 437 of the Act. The Company may not require the members requesting any such website publication to pay its expenses in complying with Sections 527 or 528 of the Act. Where the Company is required to place a statement on a website under Section 527 of the Act, it must forward the statement to the Company's Auditor no later than the time when it makes the statement available on the website. The business which may be dealt with at the AGM includes any statement the Company has been required under Section 527 of the Act to publish on a website.

#### APPENDIX I

Explanatory Notes to the Notice of Annual General Meeting of the principal change to the Company's Articles of Association.

A special resolution will be proposed at the Annual General Meeting to adopt new Articles of Association (the "New Articles") of the Company to reflect certain recent changes to UK company law.

Copies of the proposed New Articles detailing changes to the existing Articles of Association are available from the Company Secretary and will be on display at the registered office of the Company during normal business hours on any business day (English public holidays excepted). They will also be available for inspection by any person attending the Annual General Meeting.

The principal proposed changes to the existing Articles of Association will be as follows:

Capital Reserves (Article 153).

The Companies Act 2006 (Amendment of Part 23) (Investment Companies) Regulations 2012 removed the requirement that the articles of association of an investment company must prohibit the distribution of capital profits. The New Articles reflect this change and no longer prohibit the distribution of capital profits by way of dividend.

The increase to the limit of Director's Remuneration within the new Articles from £150,000 to £175,000.

# Investor Information

The Company currently manages its affairs so as to be a qualifying investment trust for ISA purposes, for both the Ordinary and 'A' non voting Ordinary shares. It is the present intention that the Company will conduct its affairs so as to continue to qualify for ISA products. In addition, the Company currently conducts its affairs so that the shares issued by Hansa Trust PLC can be recommended by Independent Financial Advisers to ordinary retail investors, in accordance with the Financial Conduct Authority's (FCA's) rules in relation to non-mainstream investment products and intends to continue to do so for the foreseeable future. The shares are excluded from the FCA's restrictions which apply to non-mainstream investment products, because they are shares in an investment trust.

### 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

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Telephone: +44 (0) 207 647 5750  
Fax: +44 (0) 207 647 5770  
Email: [hansatrustenquiry@hansacap.com](mailto:hansatrustenquiry@hansacap.com)  
Website: [www.hansatrust.com](http://www.hansatrust.com)

The Company's website includes the following:

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

Please contact the Portfolio 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: +44 (0) 207 647 5750  
Email: [hansatrustenquiry@hansacap.com](mailto:hansatrustenquiry@hansacap.com)  
Website: [www.hansagr.com](http://www.hansagr.com)

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

Capita Asset Services  
The Registry  
34 Beckenham Road  
Beckenham  
Kent BR3 4TU  
Telephone: 0871 664 0300  
(Calls cost 10p per minute plus network charges)  
Email: [ssd@capitaregistrars.com](mailto:ssd@capitaregistrars.com)  
[www.capitaregistrars.com](http://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:

<i>ISIN No</i>	<i>Code</i>
Ordinary shares	GB0007879728
'A' non-voting Ordinary shares	GB0007879835

<i>Sedol no</i>	
Ordinary shares	787972
'A' non-voting Ordinary shares	787983

<i>Reuters</i>	
Ordinary shares	HAN.L
'A' non-voting Ordinary shares	HANA.L

<i>Bloomberg</i>	
Ordinary shares	HAN LN
'A' non-voting Ordinary shares	HANA LN

<i>SEAO</i>	
Ordinary shares	HAN
'A' non-voting Ordinary shares	HANA

**Useful Internet Addresses**

Association of Investment Companies	<a href="http://www.theaic.co.uk">www.theaic.co.uk</a>
London Stock Exchange	<a href="http://www.londonstockexchange.com">www.londonstockexchange.com</a>
TrustNet	<a href="http://www.trustnet.com">www.trustnet.com</a>
Interactive	<a href="http://www.iii.co.uk">www.iii.co.uk</a>
Morningstar	<a href="http://www.morningstar.com">www.morningstar.com</a>
Edison	<a href="http://www.edisongroup.com">www.edisongroup.com</a>

**Financial Calendar**

Company year end	31 March
Preliminary full year results announced	10 June
Annual Report sent to shareholders	23 June
Annual General Meeting	21 July
Final dividend payment	August
Announcement of Half Yearly results	November
Half Yearly Report sent to shareholders	December
Interim dividend payments	November & May
Interim Management Statements	January & July

# Company Information

Registered in England & Wales number: 126107

### SECRETARY AND REGISTERED OFFICE

Hansa Capital Partners LLP  
50 Curzon Street  
London W1J 7UW

### PORTFOLIO MANAGER

Hansa Capital Partners LLP  
50 Curzon Street  
London W1J 7UW

### AUDITOR

Grant Thornton UK LLP  
30 Finsbury Square  
London EC2P 2YU

### SOLICITORS

Maclay Murray & Spens LLP  
One London Wall  
London EC2Y 5AB

### REGISTRAR

Capita Asset Services  
The Registry  
34 Beckenham Road  
Beckenham  
Kent BR3 4TU

### CUSTODIAN AND DEPOSITORY

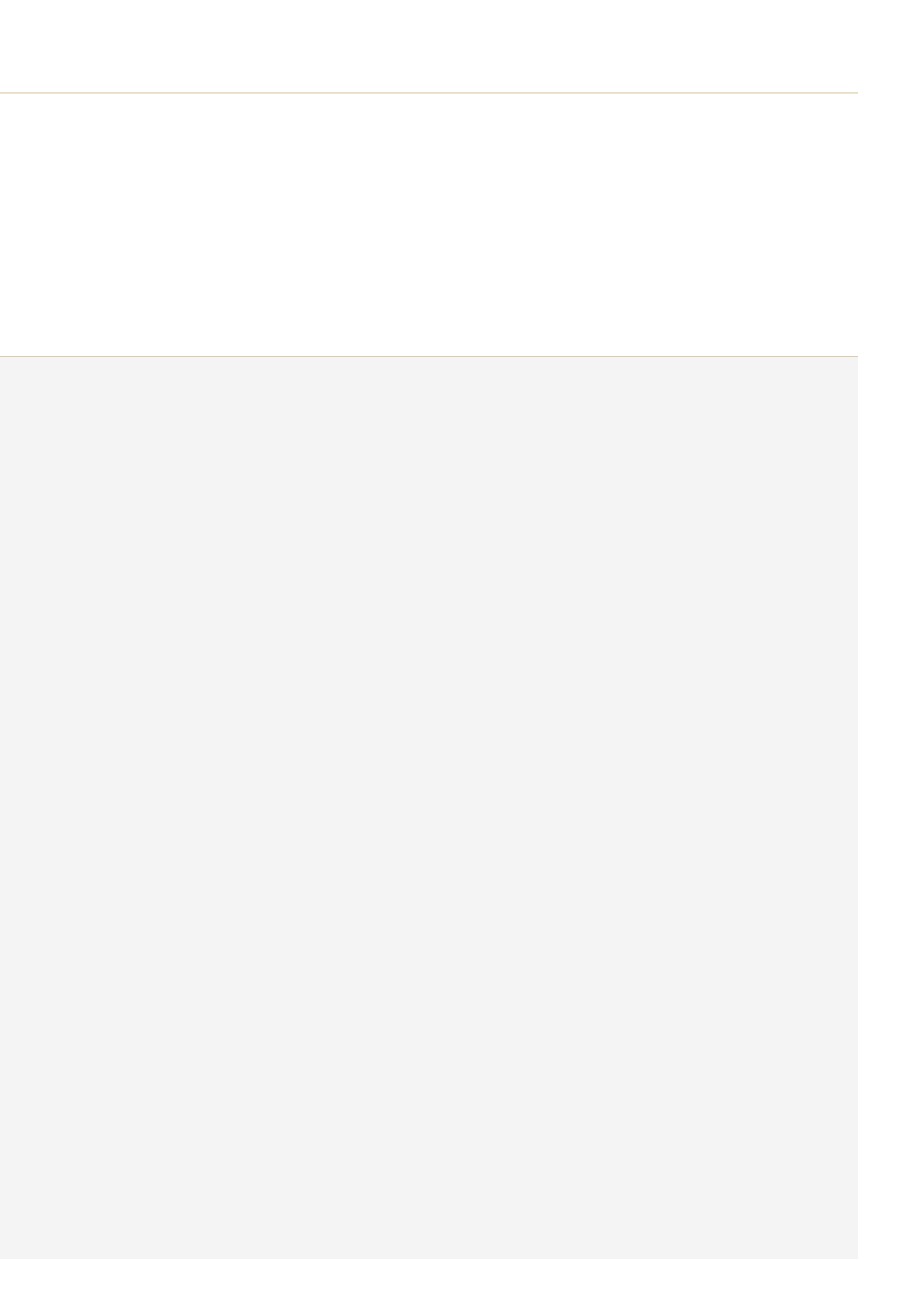
BNP Paribas Securities Services  
10 Harewood Avenue  
London NW1 6AA

### STOCKBROKER

Winterflood Investment Trusts  
The Atrium Building  
Cannon Bridge  
25 Dowgate Hill  
London EC4R 2GA

### ADMINISTRATOR AND ALTERNATIVE INVESTMENT FUND MANAGER

Phoenix Administration Services Limited  
Springfield Lodge  
Colchester Road  
Chelmsford  
Essex CM2 5PW





HANSA TRUST PLC

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**Hansa Trust plc**

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London  
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**Visit us at**

[www.hansatrust.com](http://www.hansatrust.com)