HANSA TRUST PLC

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

**Annual Report**
For the year ended
31 March 2018

2018

# WELCOME

Welcome to the Hansa Trust PLC Annual Report for the year to 31 March 2018.

Your Company has had a good year with a further increase in the net asset value and significant investor relations activity during the year which have helped produce an increase in the two share prices and a welcome reduction in the two discounts.

I would also like to take this opportunity, on behalf of the Board, to invite you to the Company's Annual General Meeting at 11.00am on 27 July 2018 at The Washington Mayfair Hotel in London. We value the feedback we receive from all shareholders and look forward to meeting you at the AGM.

Yours sincerely

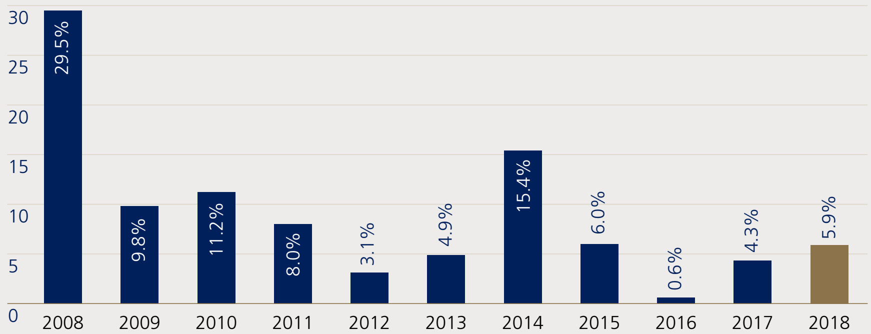
Raymond Chambers

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 under the Financial Services and Markets Act 2000 if in the UK, 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 00126107.

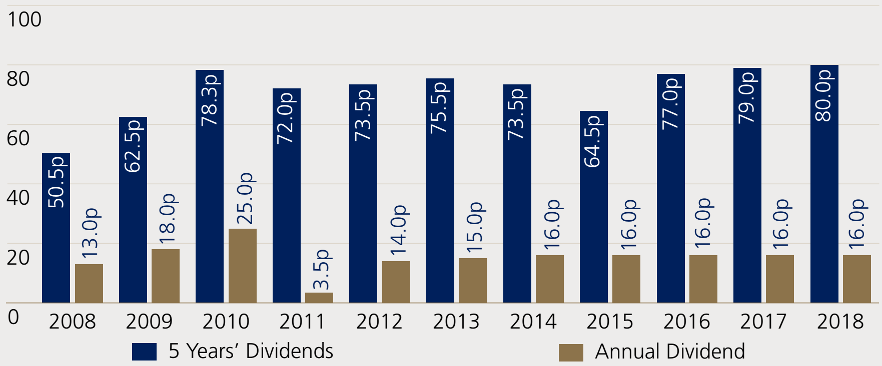
# Long-Term Highlights 2018

## ROLLING FIVE YEAR NAV RETURNS (per annum)




It is the goal of the Company to make money for shareholders on a long-term basis (five years). The Board monitors the five year NAV returns as the primary achievement of the Company's goal.

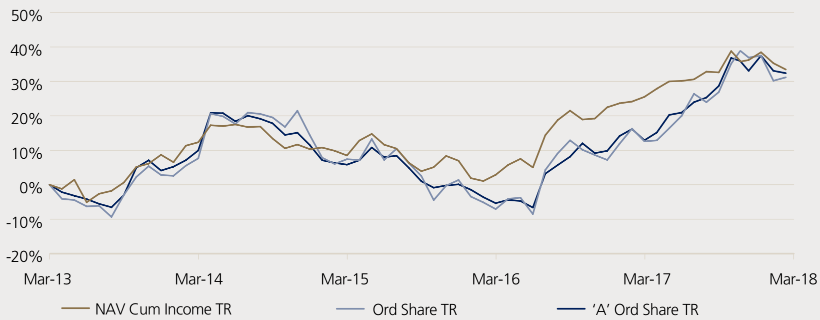
## DIVIDEND PAYMENTS (total payments over five years*)




The Dividend Policy can be found on page 15 of this Annual Report and on the Company's website. It can be summarised as the declaration at the beginning of the year of two equal dividends, one paid in November and the other in May.

* Based on dividends attributable to their respective financial years.

## FIVE YEAR NAV AND SHARE PRICE TOTAL RETURN



# Chairman's Report to the Shareholders

*The Strategic Report has been prepared in accordance with requirements of The 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.*

## THE LAST FIVE YEARS (2013 TO 2018):

**Global Markets:**

As shareholders know, I focus the attention of the Chairman's Report to the Shareholders on the activity and long-term achievements of the past five years – in recognition of the Company's long-term goals to achieve growth in shareholder value. Alec Letchfield's Portfolio Manager's Report (starting on page 18) addresses the activity and achievements of the past year in some detail and is, I believe, a good read.

In general terms the past five years have seen the continuation of the bull markets which started at the beginning of 2009. Equity markets are driven, primarily at least, by money (reflected in money supply statistics) and confidence (reflected in price earnings ratios). Courtesy of some very generous monetary policies around the world and a slow but steady recovery in confidence (confidence that the world's economy was not going to rack and ruin), equity markets have broken new ground and in most cases are trading at all-time highs.

The table overleaf (illustrating the equity market and currency performances (expressed in Sterling) from the ten largest economies in the world (source IMF)) shows, rather what we would expect, that the United States has done best. As a country, it was the quickest to address the issues arising from the financial crisis, particularly dealing with its banking problems and it has benefitted from the quite extraordinary progress being made by its large technology companies. Equity returns, relative to other countries, have also benefitted from a strong US Dollar.

UK equity returns, by contrast, have been disappointing, in part because of the Brexit effect on its currency and in part because its stock market index has been heavily weighted to commodity and banking companies. Whatever long-term effects may follow the UK leaving the European Union, the short-term effect on confidence is noticeable. It may be worth noting, however, the UK's FTSE AIM All Share Index rose by circa 39%, suggesting smaller companies fared rather better.

**Equity Performances of the World's Ten Largest Economies**

| | March 2013 to March 2018 | | |
|---|---|---|---|
| Country | Index (local Currency) | Currency (v. £) | Index (£) |
| United States | +68.3% | +8.2% | +82.1% |
| Japan | +65.9% | -4.4% | +58.6% |
| India | +75.0% | -9.9% | +57.8% |
| Germany | +55.2% | +1.0% | +56.7% |
| China | +41.7% | +6.8% | +51.4% |
| Italy | +46.1% | +1.0% | +47.5% |
| France | +38.5% | +1.0% | +39.8% |
| UK | +15.2% | +0.0% | +15.2% |
| Canada | +20.5% | -14.8% | +2.7% |
| Brazil | +51.5% | -34.4% | -0.6% |

*Source: IMF*

### Hansa Trust

The first chart in the Long-Term Highlights on page 1 showing the rolling five year NAV returns (per annum) illustrates that, in each of the last ten five year periods, a positive return has been made and, in the case of the most recent five year period, that return (total return including dividends) amounts to 5.9% per annum or c. 33% overall. That at least fulfils our goal of protecting capital and producing a positive long-term return.

These past five years have been quite eventful for your Company. During the year to March 2014, the first of our five year periods, we gave a lot of thought and discussion as to how best to position the Company for the years ahead. By the end of March 2014 Alec Letchfield, who had just joined Hansa Capital Partners, our Portfolio Manager, had drawn up and begun to implement a plan to change the nature of the international exposure from investment in large British blue chip companies to investment funds with a rather narrow and direct investment focus on those areas that seemed most attractive.

Since then the part of the portfolio that invested directly in smaller British companies has been switched to investment directly in global companies. Other than the 37.5% of the net asset value invested in Ocean Wilsons, the end 2013 portfolio consisted entirely of UK companies. The portfolio can now be considered to be truly international with only 3.4% invested directly in UK equities. In the March 2015 Chairman's Report to the Shareholders I wrote "it will take some time to reap the full benefits of these changes but we are confident the new strategy is on-track to do so". Three years on I would reiterate that.

The relevant statistics covering the past five years are contained in the table below.

| | March 2013 | March 2018 | Capital Return | Total Return |
|---|---|---|---|---|
| Net Asset Value p share | 1,082.90p | 1,346.30p | +24.3% | +33.4% |
| Ord Sh Price | 834.00p | 992.50p | +19.0% | +31.2% |
| 'A' Ord Sh Price | 815.00p | 977.50p | +19.9% | +32.4% |
| Discount: Ord Shs | -23.0% | -26.3% | | |
| 'A' Ord Shs | -24.7% | -27.4% | | |
| Dividend p share pa | 15.00p | 16.00p | +6.7% | |
| Ocean Wilsons' Share Price | 1,040.00 | 1,070.00 | +2.9% | +25.7% |
| Wilson Sons Share Price | BRL 28.79 | BRL 38.20 | +32.7% | +62.3% |
| | 936.95p | 823.99p | -12.1% | +5.4% |
| Brazilian Real (v £) | BRL 3.0727 | BRL 4.6360 | -33.7% | |
| FTSE UK Gilts All Stocks TR Index | 2,931.2 | 3,398.3 | | +22.8% |
| Inflation (CPI) | 98.1 | 105.0 | | +7.0% |
| MSCI ACWI NR GBP | 103.3 | 173.9 | | +68.1% |

Please note that, whilst the Board considers the MSCI index to be an appropriate Key Performance Indicator ("KPI") for the portfolio in its current and future form, the comparison in the table above is not appropriate over the five years given that, for the first four years, the portfolio had a significant commitment to UK rather than global equities.

The main focus of our endeavours has been to raise the returns we earn for shareholders, having had rather less than satisfactory results in the five year period up to March 2013. The difficulties being experienced in Brazil (affecting our large holding in Ocean Wilsons) have, amongst other things, led to a steep rise in the discount over that five year period, rising from c. 11% for both classes of shares to c. 23% (Ordinary) and c. 25% ('A' Ordinary) by March 2013. Better returns, we believe, will make the shares more appealing to investors and will, in time bring the discounts down.

However, the story needed, and indeed continues to be needed, to be told. We are getting in front of many new investors with an interesting story. Many of those we have met, but not all (we don't aim to appeal to all), have shown interest in the Company. Not all of those who will eventually become shareholders will invest after the first visit but they will follow the Company, hopefully gaining the confidence to come on board. So while we don't (as has been explained on

# Chairman's Report to the Shareholders
*Continued*

many, many occasions) have a discount control mechanism (being inappropriate for us), we do have a discount reduction programme designed to reduce the discount over the longer term. The discounts a year ago were 32.4% (Ordinary) and 33.8% ('A' Ordinary); at the end of the year they were 26.3% and 27.4% respectively – some progress but still a way to go.

Alec Letchfield brings us up to date with the position in Ocean Wilsons and Brazil. As is reflected in the improvement in the Wilsons Sons' share price over the five years (+32.7%), the company continues to make good progress in the development of its business. Your Board is planning a visit to the company in Brazil later in the year.

Reflecting the rather different nature of the portfolio, the Association of Investment Companies has switched the categorisation of Hansa Trust within its statistical data base from its "Global" section to its "Flexible Investment" section. In doing our rounds of meeting shareholders and would-be shareholders, it was a suggestion made to us by a number of people – one we thought most sensible; it was discussed at a Board meeting and subsequently adopted. It reflects the nature of the portfolio with its focus on interesting investments not readily available to the private investor.

**THE 2018 ANNUAL GENERAL MEETING**

To be held at 11:00am on Friday 27th July at The Washington Mayfair Hotel, 5 Curzon Street, London.

The agenda for Annual General Meeting consists of the normal proposals for shareholders. We always have an excellent turnout at our AGMs and I do encourage all shareholders who can attend to come and join us. We receive plenty of questions, comments and advice at the meetings, all of which are recorded and subsequently discussed by the Directors.

Shareholders may note there is no proposal for a final dividend, which is because the two equal interim dividend payments for the year (8p each, totalling 16p, the same as last year) have already been announced and paid.

In relation to last year's AGM, six of the questions raised, and the answers given, were reported in the Half-Year Report (30 September 2017).

While the Annual and Half-Year Report and the Annual General Meeting each year serve the purpose of providing information about the Company and its progress, I do encourage shareholders to visit the website (www.hansatrust.com). It contains a lot of information and updates which occured during the course of the year and helps, I believe, give shareholders an extra understanding of the progress of the Company.

**THANKS**

A lot of hard work goes into the management of the Company during the course of each year. The portfolio is managed with great commitment by William Salomon, Alec Letchfield and their team. They have had a lot to deal with in these last five years and have managed the portfolio with great care and wisdom. So on behalf of our shareholders, thank you.

There is an ever increasing burden of red tape, much of it not conducive to helping provide growing investment returns. New regulations roll out on a regular basis, much as one wave follows another onto the beach. Given that there are now huge resources committed to manufacturing regulation in Brussels, Paris and London, the burden of compliance will continue to grow and grow. Likewise, there is an ever growing compliance industry, the cost of which is ultimately borne by shareholders. While in most cases the purpose behind the regulation is quite sensible, the practice is often cumbersome, counterproductive and very occasionally, stupid. A particular thanks is due to Stephen Thomas and his secretarial and administrative team at Hansa Capital Partners for handling these burdens efficiently, timely and with good grace. Thank you.

**REGULATION**

Speaking of regulation, the European Union regulation concerning Packaged Retail Investment and Insurance-Based Products ("PRIIPs"), under which Hansa Trust is categorised, came into effect in January 2018. It requires us to produce two Key Information Documents ("KIDs") setting out, amongst other things, a measurement of the riskiness of each share class and their forecast returns (both based upon past performance and returns) projected forward under certain defined market conditions. KIDs have, quite rightly, received severe criticism from the investment community as being misleading and detrimental to consumer protection. Our two PRIIP KIDs, which produce quite different risk categorisations and future forecasts for each of our two share classes whilst being exposed to exactly the same underlying investments and investment risks, are hosted on our AIFM's website and there are also links to them from our own website.

## PROSPECTS

Reviewing the last five years' Chairman's Reports to the Shareholders, I find I have much the same to say each time – focusing (i) on the risks in equity markets – be they global economics, global debt, rebellion amongst electorates in democracies concerned about inequality, extended equity valuations, technological obsolescence, and so on; and (ii) on opportunities which abound given the quite extraordinary pace of change in how we live our lives. It can certainly be observed that the equity markets, flush with lots and lots of money, have enjoyed corporate success and negligible interest rates and returned great rewards to investors.

I suspect the most significant non-technological change to emerge for investors in the last five years has been that politics is back on the risk agenda for investors. It was a huge consideration 40 plus years ago at a time of ingrained socialism within economies and of high inflation and interest rates – it was reflected in single digit price earnings ratios. Following the elections of Thatcher and Reagan around 1980, supply side economics became the order of the day and indeed proved to be very effective. It helped create a 20 year bull market. Price earnings ratios didn't need to account for political risk.

I suspect that today they need to but don't. Most fund managers are focused on what's termed "bottom up" stock selection, treating each investment on its own merits and assuming external circumstances to be benign. Stretched price earnings ratios reflect considerable confidence in the future.

But rather strangely, on anything but a short/medium-term basis, the greatest uncertainty to equities must be technological change. It is not only exciting but at the same time frightening because it changes the way we live, creating terrific opportunities for those with initiative and courage to back their convictions. The corporate culture and the get-up-and-go attitude of business in America makes it likely much of that will emanate from the US, which the huge successes of Alphabet (Google), Apple, Amazon, Facebook and Microsoft demonstrate so well and possibly from China. However, it is now changing at such a pace that some technological changes become obsolete before they really take hold. For smart, wise and diligent investors there's a very exciting world out there, one we aim to capture by our backing of such investors within the funds we are invested in. For the not-so-wise there are a lot of booby traps lying in wait.

Alex Hammond-Chambers
Chairman
20 June 2018

I would draw shareholders' attention to the Glossary of Terms which can be found at the end of this annual report. I hope it is helpful in understanding a business ever more complicated by regulation and jargon.

# The Board of Directors

## The Directors who served during the year to 31 March 2018 are:

**ALEX HAMMOND-CHAMBERS**
**(Chairman)**
Alex joined the Board in 2002. He serves on a number of boards of a variety of companies, including other investment trusts and open-ended investment companies (including Findlay Park Funds).

His career has spanned two phases. The first phase working for Ivory and Sime (investment managers) for 27 years, from which he gained portfolio management skills and experience running investment trusts. The second phase, working for 26 years to date, has been involved in corporate governance, serving on the boards of many companies in a number of different industries and countries – investment trust company boards particularly. He has served as chairman of the Association of Investment Companies and as a governor of the NASD (NASDAQ).

| | Meetings attended | Total Yearly Meetings |
|---|---|---|
| Strategic | 1 | 1 |
| Board | 5 | 5 |
| Audit Committee | 2 | 2 |

**JONATHAN DAVIE**
**(Audit Committee Chairman)**
Jonathan joined the Board in January 2013. He is a non-executive director of Gabelli Value Plus+ Investment Trust and also 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. He focused on the development of Credit Suisse's Middle Eastern business. He retired from Credit Suisse in February 2007.

| | Meetings attended | Total Yearly Meetings |
|---|---|---|
| Strategic | 1 | 1 |
| Board | 5 | 5 |
| Audit Committee | 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.
In October 2014, Raymond was elected to the House of Lords, the upper chamber of the British Parliament.

| | Meetings attended | Total Yearly Meetings |
|---|---|---|
| Strategic | 1 | 1 |
| Board | 5 | 5 |
| Audit Committee | 2 | 2 |

### WILLIAM SALOMON

William has been a Director of Hansa Trust PLC since 1999 and has a significant, long standing, investment in the Company.

William's experience in investments and finance is important to the Board in developing and monitoring investments in special investment themes and in the Company's strategic investment through Ocean Wilsons Holdings Limited in Wilson Sons.

William is the senior partner of Hansa Capital Partners LLP ("Hansa Capital Partners", the Portfolio Manager and Company Secretary), deputy chairman of Ocean Wilsons Holdings Limited and its listed subsidiary Wilson Sons Limited. He is also a shareholder representative on the investment advisory committee for DV4 Ltd ("DV4") and Chairman of ScotGems PLC investment trust. William was formerly the vice chairman of Close Asset Management Limited and chairman of the merchant bank Rea Brothers Ltd.

| | Meetings attended | Total Yearly Meetings |
|---|---|---|
| Strategic | 1 | 1 |
| Board | 5 | 5 |
| Audit Committee | 2 | 2 |

### 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, at Bocconi University and at the National Bureau for Economic Research at Harvard. In addition he has been an advisor to a number of central banks and City of London financial firms and has been a specialist adviser to the Treasury Select Committee. Geoffrey has a deep knowledge of economics and, specifically, monetary and fiscal policy issues.

| | Meetings attended | Total Yearly Meetings |
|---|---|---|
| Strategic | 1 | 1 |
| Board | 5 | 5 |
| Audit Committee | 2 | 2 |

# The Board

Each Director brings certain individual and complementary skills and experience to the Board's workings, as summarised in the previous Board of Directors' pages and dedicates his time to the Company to ensure its success. All Directors resign at each AGM and offer themselves for consideration for re-election. The Board recommends 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 KEY PERFORMANCE INDICATORS

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, many of which may not normally be available to the general public, with the objective of achieving growth of shareholder value. By the very nature of special situation investments, the opportunity to invest in them will arise at any time but often not for long periods. Sometimes a number of opportunities may arise at the same time. Any single investment may, on occasion, constitute a significant proportion of the portfolio and/or that of the company concerned.

The investment strategy of the Company has evolved over time, but it has always been managed with a strong focus on seeking out undervalued investments. The Company has a strategic stake in Ocean Wilsons Holdings. The Company has broadened its (non-fund) equity exposure to include global equities. Equity exposure is also achieved through investment in funds managed by third party managers, with whom we have relationships through Hansa Capital Partners' activities. Many of the investments are not readily available to the general public. The final part of the Company's portfolio reflects its 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 well produce returns which are not replicated by movements in any market index.

The Board considers that the use of a single benchmark won't always offer shareholders relevance and the clarity needed with regard to the performance of their Company.

The Board of Directors monitors the returns made in absolute (firstly) and relative (secondly) terms against the KPIs established for that purpose and are set out on page 12 of this Report. The comparisons are made over 1, 3, 5 and 10 years. When reporting to shareholders, comment on returns is made with reference to those KPIs. There is no single benchmark that would be appropriate some of the time but not at other times.

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' future returns.

## POLICY ON BOARD DIVERSITY

Appointments to the Board are made on merit and against objective criteria in accordance with the AIC Corporate Governance Code. The Board considers 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.

# Long-Term Performance

## TEN YEAR COMPANY PERFORMANCE STATISTICS

### Ten Year Record

| Year ended 31 March | Shareholders' Funds | Net Asset Value Ordinary and 'A' Ordinary | Annual Dividends | Share Price (Bid) | | Discount/(Premium) | |
|---|---|---|---|---|---|---|---|
| | | | | Ordinary | 'A' Ordinary | Ordinary | 'A' Ordinary |
| 2018 | £323.1m | 1,346.3p | 16.0p | 992.5p | 977.5p | 26.3% | 27.4% |
| 2017 | £307.5m | 1,281.2p | 16.0p | 866.5p | 848.0p | 32.4% | 33.8% |
| 2016 | £255.6m | 1,064.9p | 16.0p | 729.8p | 725.5p | 31.5% | 31.9% |
| 2015 | £273.3m | 1,138.6p | 16.0p | 860.0p | 827.5p | 24.5% | 27.3% |
| 2014 | £287.4m | 1,197.5p | 16.0p | 879.3p | 877.5p | 26.6% | 26.7% |
| 2013 | £259.9m | 1,082.9p | 15.0p | 834.0p | 815.0p | 23.0% | 24.7% |
| 2012 | £268.2m | 1,117.5p | 14.0p | 905.0p | 891.5p | 19.0% | 20.2% |
| 2011 | £264.1m | 1,100.5p | 3.5p | 971.0p | 952.5p | 11.8% | 13.5% |
| 2010 | £215.0m | 895.9p | 25.0p | 755.0p | 735.0p | 15.7% | 18.0% |
| 2009 | £152.4m | 635.0p | 18.0p | 510.0p | 500.0p | 19.7% | 21.3% |
| 2008 | £221.9m | 924.5p | 13.0p | 820.0p | 815.0p | 11.3% | 11.8% |

| To 31 March 2018 | 1 year | 3 years | 5 years | 10 years |
|---|---|---|---|---|
| Share Price Total Return | | | | |
| Ordinary shares (%) | 16.5 | 22.1 | 31.2 | 47.3 |
| 'A' non-voting Ordinary shares (%) | 17.3 | 25.1 | 32.4 | 46.6 |

| To 31 March 2018 | 1 year | 3 years | 5 years | 10 years |
|---|---|---|---|---|
| Net Asset Value Total Return Performance | | | | |
| Net Asset Value (%) | 6.3 | 23.0 | 33.4 | 69.9 |

# Organisation and Objectives

This section explains how the Board has organised the Company and seeks to deliver its objectives.

## BOARD COMMITTEES

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

### Audit Committee

The Audit Committee, which meets at least twice a year, consists of all five Directors and Edwin Teideman, a former director, whose skills and experience of the Company strengthen the Committee. Jonathan Davie is the Chairman of the Audit Committee.

### 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 AIC Code. The Board considers 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. 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 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 Portfolio Manager are reviewed on a regular basis to ensure these remain competitive and in the best interests of shareholders. The Board also receives feedback from the Company's Alternative Investment Fund Manager ("AIFM"), Maitland Institutional Services Limited. The Board, after the annual recommendation of the Management Engagement Committee, considers the engagement of the AIFM and the Portfolio Manager to be in the best interests of the 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 upper limit on Directors' aggregate remuneration (£175,000) was approved by shareholders at the 2017 AGM.

In the absence of a separate Remuneration Committee, the Chairman is responsible for ensuring appropriate contact is kept with the principal shareholders during the year.

## 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 Retail Distribution Review ("RDR") a number of years ago has had the effect of making the various different investment products compete rather more directly with each other. The RDR assists the Board 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 outside demand for the Company's shares and thereby reduce any discount at which the shares sell in relation to the NAV.

The Company has the following promotional initiatives and activities:

- Recognising the growing number of DIY investors, we continue to develop the Annual Report, the monthly factsheet and the website to make them, we hope, more interesting and easier to use.
- The remit of Winterflood Securities, as the Company's corporate stockbroker, was broadened to assist in proactively promoting the Company and enhancing its market coverage.

- Edison Research produce written research on the Company, its investments and its progress and facilitate wider access to IFA and investor platforms. Such research is distributed to many thousands of investors.

- In addition to Edison and Winterflood Securities initiatives, our Portfolio Manager, Hansa Capital Partners, is increasing the numbers of presentations to investment trust investors.

- We are working with Link Asset Services, the Company's Registrars, to improve our understanding of our shareholder base and promote the dividend re-investment programme.

## 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 Portfolio Manager and the Administrator, which enables it to monitor the performance and costs of the third party suppliers to the Company. Following the implementation of the Alternative Investment Fund Managers' Directive ("AIFMD"), the Board has established a monitoring programme for the AIFM and Depositary. The Company Secretary meets each supplier regularly to monitor its processes and systems and, in addition, the AIFM and Depositary attend at least one Board Meeting per annum.

- Monitors investment risks and returns
  The Board reviews reports prepared by the Portfolio Manager at its regular meetings, which enables it to monitor the investment risks and returns.

- Determines investment strategy, guidelines and restrictions
  The Board determines the investment strategy in conjunction with the Portfolio 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 Portfolio Manager's compliance officer on a regular basis and is also monitored independently by the AIFM.

- Determines gearing levels and capital preservation through the use of hedging instruments
  The Board, taking account of advice from the Portfolio Manager, determines the maximum level of borrowings the Company will undertake at the time of borrowing. The Company has entered into a short-term loan facility with BNP Paribas; currently the extent of the facility is £30m. The Board has discussed the use of hedging instruments in order to provide the portfolio with a limited degree of protection from extreme market declines but note the difficulty with their successful deployment. Board approval is required before any investment into any derivative instrument.

## 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 Wilson Holdings Ltd ("OWHL") 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 OWHL.

The terms of the portfolio 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

# Organisation and Objectives
*Continued*

the Portfolio Manager, the Board concluded that, because of the skills and experience of the management team it is in the best interest of shareholders that the Portfolio 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 53.

**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.

Audit guidance limits the non-audit related work that can be carried out by the Company's Auditor, – in particular tax compliance work hence why BDO were appointed during the year to provide tax compliance services to the Company. Any new supplier is approved by the Board. If non-audit work were to be carried out by the Company's Auditor, the appointment would be approved by the Board, in advance, to ensure that the Auditor's objectivity and independence is safeguarded. (Details in Note 4 on page 53.)

**Company Secretary**

The Company engages Hansa Capital Partners LLP as its Company Secretary. During the year, the Board reviewed the fee level. After giving consideration to the greatly increased compliance work that the Company Secretary performs, it was decided that, effective 1 January 2018, the fee should increase from £100,000 per annum to £125,000 per annum. During the year to 31 March 2018, the Company Secretary has charged £106,250 excluding VAT (2017: £100,000).

**Alternative Investment Fund Managers' Directive ("AIFMD")**

The Company appointed Maitland Institutional Services Limited, with effect from 10 June 2014, to act as its AIFM with responsibilities for the Portfolio Management and Risk Management. The AIFM has sub-contracted to Hansa Capital Partners LLP the provision of Portfolio Management services. During the year to 31 March 2018, the AIFM has charged £127,287 (2017: £116,247) for its services.

**Administrator**

The Company engages Maitland Administration Services Limited as its Administrator, at an annual rate of £132,143, excluding VAT (2017: £125,179).

**Depositary**

BNP Paribas Securities Services is the Company's Depositary, an appointment that was ratified by the AIFM. During the year to 31 March 2018, BNP Paribas Securities Services charged £97,745 for the combined Depositary and Custodial service excluding VAT (2017: £93,145).

## KEY PERFORMANCE INDICATORS

The Board at its quarterly meeting reviews the returns and the performance of the Company, including an analysis using the KPIs listed below.

The Board considers that the use of a single benchmark won't always offer shareholders the relevance and the clarity needed with regard to the performance of their Company.

The returns are compared with the return of a government bond, using the 10 year UK Gilt Return (FTSE All Stocks Gilts Total Return Index). Our returns are also compared to the rate of inflation (real returns are important to shareholders) and with those of our peer group and an appropriate index.

Additionally, two further KPIs: costs of managing the Company are monitored against the NAV (that ratio is also known as the 'ongoing charges percentage per annum ratio') and the discount/premium the shares sell at in relation to the NAV are likewise monitored.

The Board of Directors monitors the returns made in absolute (firstly) and relative (secondly) terms against the KPIs established for that purpose noted above. The comparisons are made over 1, 3, 5 and 10 years. We comment on the returns when reporting to shareholders by reference to our KPIs and not to a single benchmark that would be appropriate some times and not at other times.

### i) Shareholders – Total Returns

| To 31 March 2018 | 1 year | 3 years | 5 years | 10 years |
|---|---|---|---|---|
| Share Price Total Return | | | | |
| Ordinary shares | 16.5% | 22.1% | 31.2% | 47.3% |
| 'A' non-voting Ordinary shares | 17.3% | 25.1% | 32.4% | 46.6% |

### ii) Company – Total Returns

These comparisons are used to determine the effectiveness of the Investment Strategy and of the Portfolio Management. The KPIs below should also be noted.

| To 31 March 2018 | 1 year | 3 years | 5 years | 10 years |
|---|---|---|---|---|
| NAV | 6.3% | 23.0% | 33.4% | 69.9% |
| Relative comparison | | | | |
| Peer group average | 4.6% | 23.9% | 45.9% | 101.9% |

* See website for peer group members

### iii) Discount/Premium

A comparison is made between the (discount)/premium of the Company's two classes of shares, those of the Company's peer group and of the AIC average.

| To 31 March 2018 | 1 year average | 3 years average | 5 years average | 10 years average |
|---|---|---|---|---|
| Ordinary shares (%) | (27.8) | (26.5) | (26.2) | (21.2) |
| 'A' non-voting Ordinary shares (%) | (29.3) | (28.4) | (27.9) | (22.8) |
| Peer group (%) | (7.0) | (7.6) | (7.5) | (7.2) |
| AIC (%) | (4.1) | | | |

Note: AIC only produces AIC average for 1 year.

### 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 2018 | 1 year | 3 years p.a. | 5 years p.a. | 10 years p.a. |
|---|---|---|---|---|
| Ongoing charges per annum (%) | 1.0 | 1.1 | 1.0 | 1.0 |
| NAV total return (%) | 6.3 | 7.1 | 5.9 | 5.4 |

In January 2018, to comply with the Packaged Retail and Insurance-based Investment Products Regulation, the Company issued a PRIIPs Key Information Document ("KID") for each of its two share classes. In the PRIIPs KID regulations are very prescriptive as to how costs are calculated and presented. In particular, as well as the costs of the Company itself noted above, the PRIIPs calculation also incorporates the costs of the directly held fund investment vehicles themselves but not those for directly held equities. Based upon the financial results for the year to 31 March 2017, the PRIIPs KID cost ratio is 1.86% per annum.

### v) Key Performance Indicators

The following are the KPIs the Board use to assess the returns of elements of the portfolio and of the Company as a whole.

| To 31 March 2018 | 1 year | 3 years | 5 years | 10 years |
|---|---|---|---|---|
| FTSE UK Gilts All Stocks TR Index | 0.5% | 10.6% | 22.8% | 72.9% |
| UK CPI Inflation | 2.5% | 5.3% | 7.0% | 25.9% |
| MSCI ACWI NR | 2.6% | 33.7% | 68.1% | 143.5% |

## 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. Whilst fully aware of the impact of geopolitical influences on the outcome of investment returns, the Board, in conjunction with the Portfolio Manager, reviews investments on their 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 usually has holdings in at least 30 investments. The following items require Board approval:

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

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

# Organisation and Objectives
*Continued*

(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. Global Equities | 0-40% |
| iii. Thematic & Diversifying Assets | 0-40% |

Note: the Investment Guidelines have been modified since the year end to allow greater clarity regarding Thematic assets and Diversifying assets. The new guidelines in operation at the time of signing of this report are therefore:

| | |
|---|---|
| i. Core & Thematic Funds | |
| a. Core | 0-40% |
| b. Thematic | 0-25% |
| ii. Global Equities | 0-40% |
| iii. Diversifying Assets | 0-40% |
| iv. Strategic (Wilson Sons & Ocean Wilsons Investments) | |

(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 that involves a potential conflict of interest for a Director of the Company, the Portfolio Manager or any connected party to either.

These investment guidelines remain in force as at the time of signing of this Report.

**Borrowing Limits**

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

## PRINCIPAL RISKS

The Board reviews the principal risks from the point of view of the long-term shareholders, the main risk being that over the long-term (which we determine to be five years) they do not make a return from their investment in the Company. The Board confirms it has carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future returns, solvency and liquidity.
The Board considers the risks the Company, and therefore 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. These risks include anti-business government policies, protracted economic recession, declining corporate profitability, taxation and rising inflation. The impact of such an environment could lead to sharp rises in interest rates and a decline in the stock market. Deflation is also a source of concern in some countries, but until deflation increases sharply it is not a significant impediment to growth. But, it may lead to negative interest rates which would surely damage the banking system and the levels of savings available for investments. At their Board meetings and at the annual strategy meeting, the Directors and the Management consider long-term risks that concern them, including:

- Economic, currency and equity declines.
- Risks, particularly political risks, associated with Brazil.
- The growth of global debt.
- Unquantifiable risks resulting from worldwide political 'hot-spots'.

It should be stressed these are the external risks which most concern the Directors and the Management, not forecasts of future events. The mitigation of these risks is achieved by sensible stock and sector diversification and adherence to the Board's investment 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 mismanagement. 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 monitored by the AIFM and the Portfolio Manager to ensure the Company is compliant with s.1158/1159 and monitoring reports are presented to the Board.

The mitigation of these risks is achieved by the Board performing reviews of all service providers and monthly reviews of s.1158/1159 compliance.

The Board considers the risks to the Company's two share prices, apart from those mentioned above, include the risk of higher discounts. 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 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 20 on pages 58 to 60.

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.

## DIVIDEND POLICY AND DIVIDEND PAYMENTS

**Dividend Policy**
The Board's dividend policy is to pay two similar interim dividends each year. The Board will declare the rate of the two dividends at the beginning of the financial year in question. Barring unforeseen circumstances, 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.

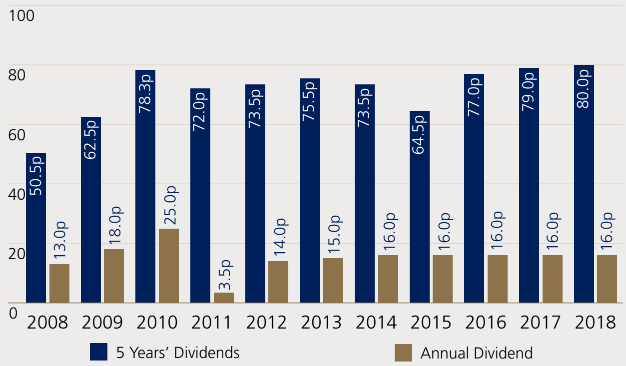
**Dividend Payments**
The dividends paid are as follows:

| | **2018 £000** | 2017 £000 |
|---|---|---|
| Ordinary and 'A' non-voting Ordinary shares | | |
| First interim paid 8.0p (November 2017) (2017: 8.0p) per share | **1,920** | 1,920 |
| Second interim paid 8.0p (May 2018) (2017: 8.0p) per share | **1,920** | 1,920 |
| Total dividends | **3,840** | 3,840 |

Due to the payment of two interim dividends relating to the year ended 31 March 2018, the Board is not proposing a final dividend per Ordinary and 'A' non-voting Ordinary share classes.

**Dividend History**
The Company's dividend history including annual payments and cumulative payments over the previous five years is as follows:

**DIVIDEND PAYMENTS (total payments over five years*)**




* Based on dividends attributable to their respective financial years.

# Organisation and Objectives
*Continued*

### Discount Policy
The discount policy of Hansa Trust is to encourage the demand for the shares, by ensuring it has an investment policy that is attractive to investors and which is likely to produce above average returns over the long-term and then to promote the Company and its prospects 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 having an active share buy-back 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 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 Wilson Holdings would represent an even greater percentage of the portfolio and buying back shares would raise the relative exposure to Brazil, 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 at a large enough discount, it can have a material and positive effect on the NAV per share. So, if there is an unusual opportunity to buy back shares such that it would make a reasonably material 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 s.833 of the Companies Act 2006 and s.1158/1159 of the Corporation Tax Act 2010 as amended. The Company has obtained approval from HM Revenue & Customs ("HMRC") of its status as an investment trust under s.1158 of the Corporation Tax Act 2010 for all accounting periods commencing on or after 1 April 2012; the Directors are of the opinion that the Company has conducted its affairs in compliance with the ongoing requirements of s.1158 since approval was granted and intends to continue to do so.

### 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 Report to the Shareholders, the Portfolio Manager's Report and other elements of the Strategic Report. 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 the Company has adequate resources to continue in operational existence for the foreseeable future as the assets of the Company consist of securities, the majority of which are traded on recognised stock exchanges, or open ended funds run by established managers. For this reason, they continue to adopt the going concern basis in preparing the Financial Statements.

### Longer-Term Viability Statement
in addition to the Statement of Going Concern, the Directors are also required to make a statement concerning the longer-term viability of the Company. As stated many times in the wider Strategic Report, the Directors consider 12 months to be a relatively short time frame and look to the longer-term for both the performance and risks associated with the Company. The Directors consider a period of five years as being a more representative period. This period is sufficiently long to cancel out short-term market volatility and allow longer-term performance to work through. The Board continually monitors the Investment Strategy and Investment Guidelines issued to the Portfolio Manager and AIFM and directs those entities to target long-term capital preservation. Further, whilst the Board has sanctioned the use of gearing, the facility available to the

Portfolio Manager is relatively small compared to the NAV of the Company. Finally, a number of the more significant costs in each financial year are contracted to be calculated, on the basis of the underlying NAV of the Company. As such, in a period of negative portfolio performance, the cost base should also fall.

Barring unforeseen circumstances and taking account of the Company's current position and principal risks, the Directors consider the Company fully satisfies the formal requirement that there be "a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over this assessed period".

**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.

**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

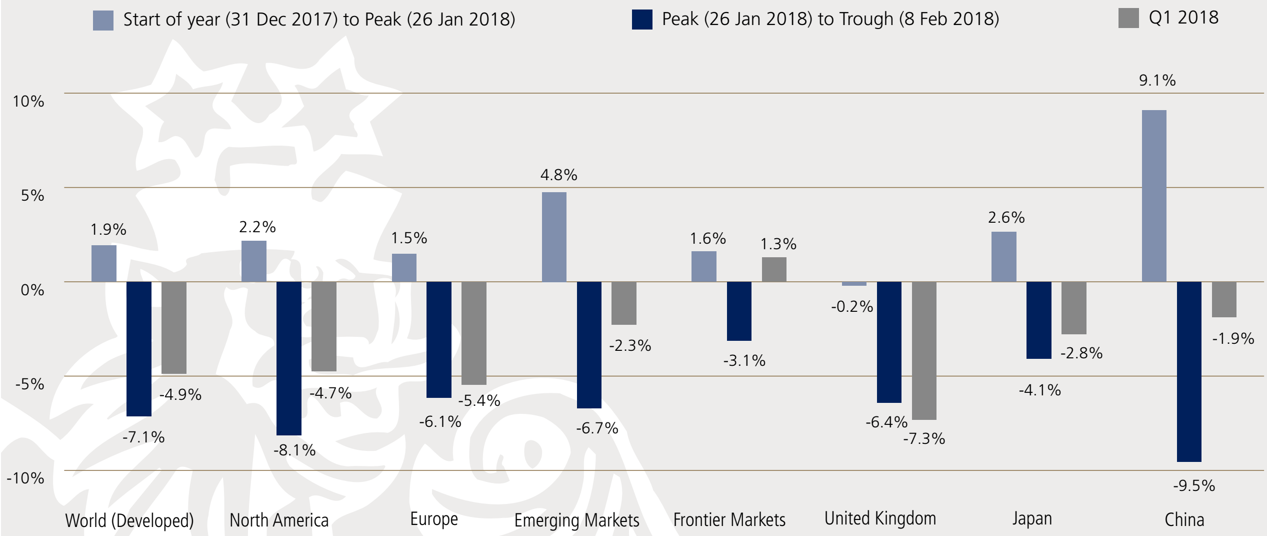
## A return to normality or something more sinister?

**Market backdrop**

Stock markets over the past year (to end March 2018) were characterised by two very distinct periods. Whilst the first nine months saw extraordinary low volatility, the final quarter saw something of a sea change. Volatility, which had been practically non-existent for most of 2017, suddenly reared its ugly head again. Highlighting this change, the market rose by some 1.9% initially in 2018 before collapsing in the latter part of January with emerging markets falling some 6.7% from their peak, the US market 8.1% and Japan 4.1%.

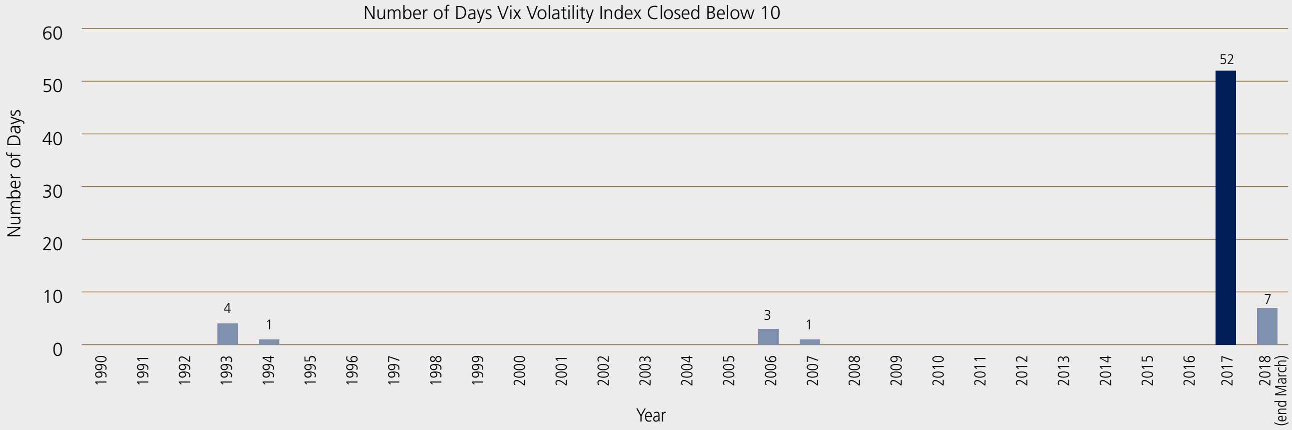
In many ways this apparent change in market sentiment was in fact a return to normality. The combination of strong market performance and extremely low volatility, as seen in 2017, was an aberration and it would have been even more unusual had such a holy grail persisted into 2018. Even so, the factors underlying this change in sentiment are important and potentially significant for the future direction of stock markets.

**CHART 1: MARKET PERFORMANCE TO PEAK IN JANUARY, PERFORMANCE FROM PEAK TO TROUGH, OVERALL PERFORMANCE FOR THE QUARTER (GBP)**




*Source: Bloomberg*

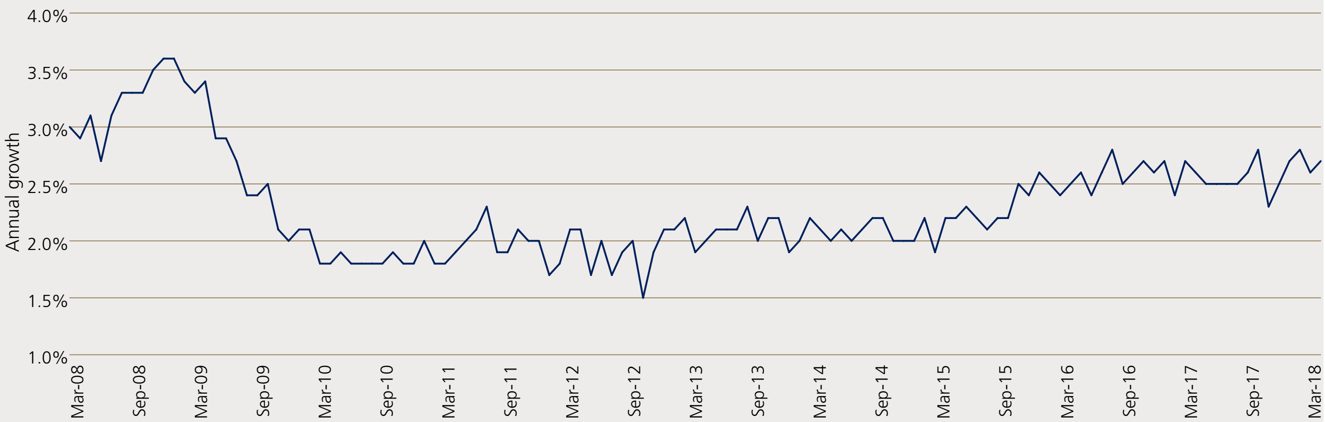
## CHART 2: MARKETS EXPERIENCED ABNORMALLY LOW LEVELS OF VOLATILITY IN 2017




*Source: Bloomberg*

First and foremost, inflation ticked up in the US. The actual rise was in fact de minimis being some one tenth above market expectations at 1.8% year-on-year, but there were further indications such as annual wage growth of 2.8% in January, being the strongest it had been for almost a decade. This was important because it reminded investors that inflation is not dead. Having seen inflation surprise markets on the downside for many years – through a cocktail of cheap imported goods from the emerging economies, online retailing creating price transparency and cyclical factors generating excess capacity – the economic backdrop is now tightening to a point where inflation may well re-enter the system. Low levels of unemployment fuelling wage-price inflation, cyclical economic indicators again being at levels normally associated with rising prices and, as discussed below, global trade wars may signal the end of globalisation and US hegemony as we know it. Importantly, with central bankers prone to extrapolating past dominant trends into the future any change in such trends can have disproportionally large effects. Indeed, many commentators fear central bankers are already behind the curve and may be forced into a period of higher interest rates to bring inflation back under control, laying the seeds of the next recession and bear market.

## CHART 3: US AVERAGE HOURLY WAGE GROWTH AT LEVELS NOT SEEN FOR ALMOST A DECADE



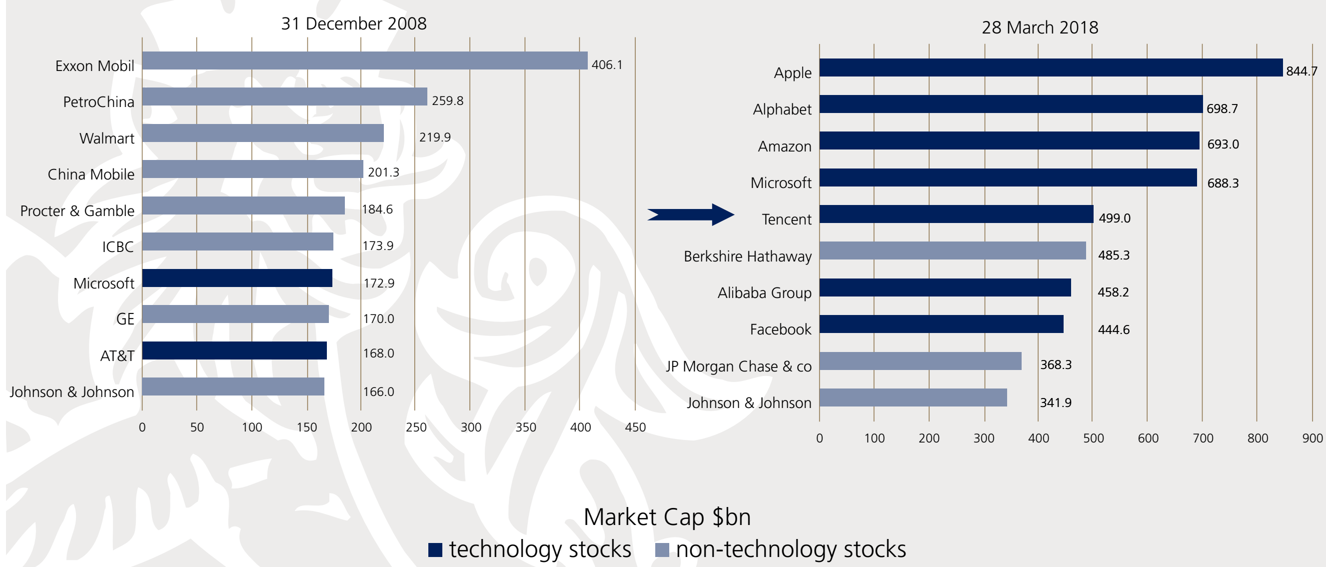

*Source: Bloomberg, US Bureau of Labor Statistics*

# Portfolio Manager's Report
*Continued*

As intimated above, following many years of stability the prospect of a global trade war has reared its ugly head. Donald Trump, having boosted markets at the end of 2017 with a sizeable fiscal stimulus, proceeded to knock investors off kilter by announcing tariffs on c. $60bn worth of Chinese imports. At this stage the impact looks fairly limited in view of the industries targeted and, so far, the muted response from China. It is, though, likely to be a concern that hangs over markets for some time. Trump had placed the Chinese trade surplus at the centre of his election campaign and it is still unclear as to how far he wishes to convert the rhetoric into action. Equally, whilst the Chinese have todate been measured in their response, further escalation on the part of Trump will likely result in increasingly robust responses by those worst affected. Ultimately all parties tend to be losers from trade wars, which have a nasty habit of spiralling out of control.

At the sector level we also saw change. Most bull markets are characterised by one or two dominant sectors which drive overall market performance initially, but ultimately play a central role in its subsequent collapse. The technology sector has clearly been pivotal in the current cycle with the rise of the FAANGs (Facebook, Amazon, Apple, Netflix and Google/Alphabet) in the US and Alibaba, Tencent, JD.com and Baidu in Asia. Again they started the year robustly but, as with the broader market, came under pressure as the quarter progressed. Underlying this fall was not excessive valuations, as rising profitability matched strong share price performance in many cases, but fears over increasing regulation. Clearly the well-publicised mismanagement of data at Facebook was at the epicentre of the current storm, but the real problems run much deeper than this. Many of these companies have come to dominate their marketplaces in ways which are different from conventional bricks and mortar monopolies. Regulators have struggled to control the new business models of these firms and have even encouraged them in some instances, to a point where they increasingly have the ability to abuse their market power. Ultimately though as instances of market abuse become more prevalent they either attract the attention of the regulator or the taxman with potentially disastrous results.

**CHART 4: TECHNOLOGY HAS BECOME THE DOMINANT MARKET SECTOR**



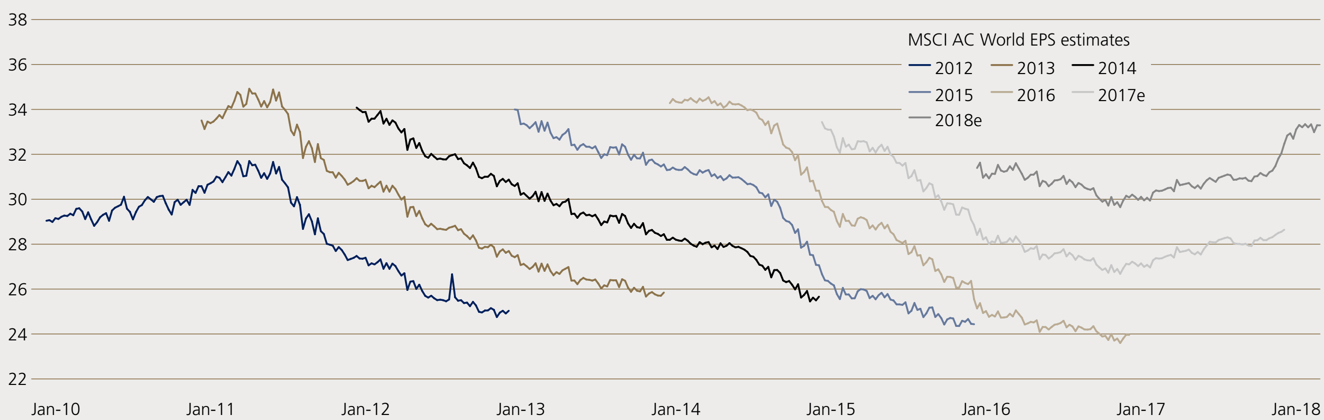

*Source: Bloomberg*

It is worth pausing at this point. Often volatility late in a cycle can be just normal late cycle choppiness reflecting higher valuations and a lower margin of safety. Occasionally though it represents something more sinister and begs the question as to whether or not we are in the early stages of a regime change.

On the face of it this would appear not to be the case. As highlighted in the past, recessions and bear markets go hand-in-hand with declining economies, one of the main causes of stock market weakness. For the year ahead we do not foresee a recession. Growth if anything is expected to be a little higher in 2018 versus 2017 and has received a helpful boost from the Trump tax cuts. What perhaps have changed, however, are market expectations. Unlike in 2017 when economies surprised on the upside, expectations are now high and economic lead indicators are at the upper end of their ranges. This makes significant upside surprises unlikely and indeed makes the economy more vulnerable to disappointment.

Company profitability is following a similar path to economic growth. Having disappointed for much of the current cycle, 2017 was notable in that we started to see positive surprises coming through in earnings numbers. 2018 is expected to follow this trend with analyst profit expectations for the year actually seeing upgrades, a very rare event! Whilst this is optically positive for stock markets, when profit expectations are very high the potential for disappointment rises and, indeed, the market reaction to any such disappointments is amplified.

**CHART 5: THIS YEAR IS UNUSUAL WITH ANALYSTS UPGRADING THEIR PROFIT FORECASTS**




*Source: Credit Suisse*

The policy backdrop is equally conflicting. Global monetary policy is still incredibly accommodative. Europe and Japan are still engaged in substantial bond purchase programmes and interest rates everywhere in the developed markets are anchored at historically low levels. However, stock markets are concerned with change and with the US tentatively raising rates investors will view this as the thin end of the wedge, which likely signals further tightening of monetary policy. As ever the picture is a little more nuanced on closer inspection. Typically the first interest rate rises are seen positively, reflecting the fact that growth is starting to come through, propelling stock prices higher. There is a point, however, when interest rates start to bite, dampening growth and often catalysing the next recession. The challenge this time round is that investors are not clear as to the level of this tipping point. It is likely that it is lower than in past cycles due to the severity of the global credit crunch, but we're just not sure how low. Ultimately this is why investors were so unnerved by the recent uptick in inflation and its potential ramifications for future interest rates.

So, how do we pull this tangled web together within portfolios? From a timing and valuation perspective it is tempting to be rather cautious. The current cycle, which is

# Portfolio Manager's Report
*Continued*

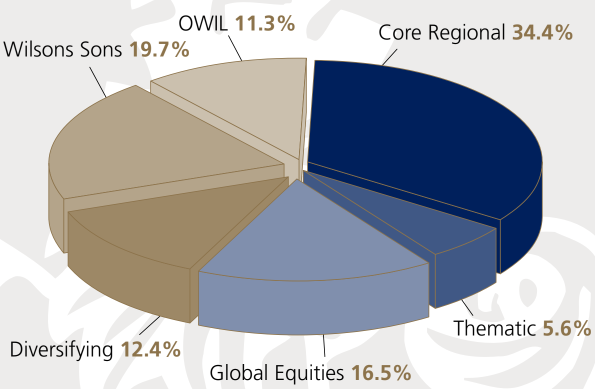
nearing ten years, is undoubtedly longer than most historic cycles and valuations are above their historic averages. These though tend to be rather weak indicators of future performance. The longevity of the current cycle likely reflects the depth of the last downturn and stock markets generally do not die of old age. Equally, whilst valuations are higher than average, which reduces the long-term returns one would expect to see if buying at current levels, valuations are not particularly reliable indicators of near-term market returns. Our view is that if the stock market were to fall from current levels the weakness would be modest and relatively short-lived. It is more normal for market valuations to become increasingly stretched, often seeing melt-ups at the end, before the subsequent collapse.

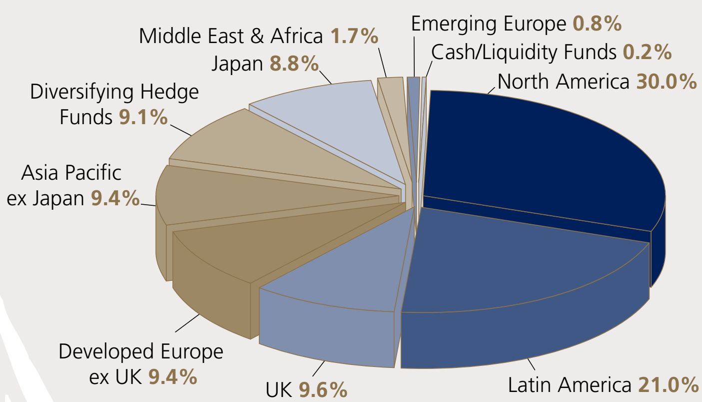
The challenge here is to determine at what point should one jump off the roller-coaster? We watch a variety of indicators which have successfully called past market turning points, for example: inverting bond yield curves, signs of excess and exuberance and rising M&A. In reality, though, calling turning points is fraught with difficulty and a much more reliable means of preserving capital is to progressively reduce one's risk exposure into strength. This is our plan for the year ahead.

**Portfolio review and activity**

Your Company's net asset value has returned 6.3% over the financial year – including the payment of 16p per share of dividends with the Company's net asset value rising from 1,281.2 p to 1,346.3p per share over the course of the year to 31 March 2018. Over the year the returns of the KPIs were 2.6% for MSCI ACWI NR Index, 0.5% for FTSE UK Gilts All Stocks TR Index and 2.5% for UK CPI. While the final quarter saw a negative return against a backdrop of significant market volatility, the performance over the year has been strong. This has been driven by good performance from both Ocean Wilsons Holdings and the investment portfolio, as discussed below.

**CHART 6: PORTFOLIO DIVERSIFICATION: GEOGRAPHIC AND SECTOR ALLOCATIONS**




**Core regional funds**

There was positive performance produced across most of the holdings in the regional silo over the financial year, as equity markets enjoyed a sustained period of growth, punctuated only by the period of volatility at the beginning of 2018. Throughout the year emerging and frontier markets outperformed their developed market peers and consequently holdings in these areas contributed strongly to performance.

The portfolio's two frontier market holdings were particularly strong, with the values of **SR Global Fund Inc – Frontier Markets** ("SR Global Frontier Fund") and the **BlackRock**

**Frontiers Investment Trust** rising by 9.0% and 10.3%, respectively, over the period. The SR Global Frontier Fund has bene-fitted from its two biggest positions in Vietnam; Vietnam Prosperity Bank and Phu Nhuan Jewellery, performing very strongly despite the country's market being particularly volatile in the fourth quarter. Daily traded volume has surged on the index in recent months and, although valuations look stretched at the market level, the Manager sees no sign of excess in the stocks the fund owns. However, towards the end of the quarter the fund took a short position on a US listed Vietnam ETF to partially hedge its exposure to the country. Another strong performer in the fund over the quarter was Eastern Tobacco, as the Egyptian company benefitted from being included in the MSCI Frontier Index, which resulted in index buying of close to $100m, or 20x the daily average volume.

The two Japanese funds also contributed positively to performance over the course of the year, with the net asset values of **Goodhart Partners: Hanjo Fund** rising 33.4% and the **Indus Japan Long Only Fund** increasing by 11.5%. The Hanjo Fund focuses on under-researched small and mid-cap companies, which is an area of the Japanese market that did particularly well. The manager believes that while the external environment remains uncertain, the earnings outlook of many Japanese companies is healthy and there are many interesting investment opportunities, especially amongst companies that are focused on the domestic market. During the quarter the Portfolio switched part of its holdings in both funds, such that it now holds both the hedged and unhedged share classes in roughly equal proportions.

**Thematic and Diversifying**

One of the biggest contributors to performance over both the quarter and the year was our holding in the **GAM Star Technology Fund**, as the technology sector enjoyed an extremely strong year as the best performing global equity sector. The fund has had relatively small positions in technology giants such as Alphabet, Apple and Facebook compared to the sector benchmark, but, while this hampered relative performance during 2017, it was a positive for the fund in the fourth quarter as these stocks led the market downwards on fears of the impact of regulatory pressures on the companies. The fund delivered a return of 6.2% over the quarter to bring its return for the year to 16.2%.

A number of the more defensive holdings in the portfolio contributed positively to performance during the year, although as expected they lagged the strong equity markets. **CZ Absolute Alpha Fund**, which invests long-short in UK equities to try to produce a positive return regardless of the market conditions, returned 5.4% over the period since its purchase in June 2017. The **Keynes Dynamic Beta Strategy Fund** also had good performance, rising 3.3% in the fourth quarter to give it a return for the year of 10.3%. The fund has benefited from long positions in the US equity market during the year, as well as in Europe and Japan, while its currency losses were mainly associated with being too bearish on Sterling, the Swiss Franc and the Australian Dollar. The portfolio has positions in two trend-following CTA strategies, which have been through a more difficult period in recent years. The **GAM Systematic Core Macro Fund** was able to deliver a positive return of 6.2% over the year (when combined with its sister fund **Cantab Core Macro** from which the Portfolio switched in August 2017) but the **Schroder GAIA BlueTrend Fund** found the markets more difficult to navigate and declined over the year by 2.2%.

**Global Equities**

The past quarter saw the return of stock market volatility, as the complacency we have seen over the past couple of years came to an end. As long-term investors, we welcome its return because it should create excellent opportunities as stock prices dislocate from intrinsic values.

Over the quarter we sold our remaining positions in **Brooks Macdonald** and **NCC Group** and used the volatility in the market to increase our positions in **White Mountains Insurance** and **TripAdvisor**. We also initiated two new positions, one in a beverage company, **Coca-Cola Bottlers Japan** (CCBJ) and the other in a French Telecom, **Orange**.

The former is a particularly interesting situation. 20 years ago there were 16 different Coca-Cola bottlers located in Japan, each operating in its own region. Over time they have been consolidated and last year Coca-Cola East Japan

# Portfolio Manager's Report
*Continued*

and Coca-Cola West agreed to merge to form CCBJ, which now controls 90% of the volume in Japan. With a merger on this scale there will be obvious cost synergies in supply chain management, marketing, procurement and general administration costs. We believe margins should double over the next three to five years, from 4% to 8%. Whilst this may sound aggressive, at 8% margins would still be below the other large Coca-Cola bottlers in the rest of the world.

As is the case with many public companies in Japan, prior to the transaction both businesses had been very conservatively run, with no leverage on the balance sheet and excess levels of cash. Subsequent to buying the stock, management struck an agreement in February to buy back 8.3% of their shares from the photocopier manufacturer Ricoh. The most impressive thing about this was that they managed to do it at a 14% discount to the market price. The board indicated that the dividend would increase this year; however, there is still more to be done with the balance sheet. This is a relatively steady business so if they were to increase the debt to 2x EBITDA and buy back even more shares the return on equity would be over 13%, which would put them in the top quartile of companies in Japan. There is also the option of pursuing more M&A, by consolidating one or more of the poorly run Coca-Cola bottlers elsewhere in Asia.

Once we have found a good or improving business such as CCBJ, we look to buy it with a margin of safety to protect us on the downside. At a 7.5% normalised free cash flow yield with optionality from the balance sheet, we believe we have achieved this with CCBJ.

If a good company is available for an attractive price we must ask ourselves "Why does this opportunity exist?" and "Why is our view different?" With regards to CCBJ, we believe there is an indifference towards the story from the market and, whilst it may understand the cost synergies, the company is getting no credit for the balance sheet optionality. Additionally, just five analysts cover the stock, which is a low number considering the ¥940bn (£6.2bn) market cap. It also has very low foreign ownership, with only 5% of the shares in US ownership (ex-Coca-Cola stake), whereas its peer Suntory has 2.5x that despite 60% of it being controlled by a holding company.

**Ocean Wilsons Holdings**

The Company's holding in Wilson Sons continues to face a challenging economic environment in Brazil, but during the quarter it reported robust results for 2017. The business has put itself in a position to reap the rewards of its $1bn investment plan over the last ten years. While its rate of capital expenditure is now declining, the company's management remains committed to the Tecon Salvador container terminal expansion project. This is viewed as crucial in preserving the terminal's competitive positioning. The project has been agreed with the granting authority and is currently awaiting environmental licensing before civil works can begin. Phase one will see the quay length more than doubled to 800 metres between the end of 2017 and 2019 and will be followed by further investments to increase the terminal's capacity.

The Wilson Sons fourth quarter earnings were up compared to the same quarter the year before and the annual EBITDA for 2017 of $172.4m represented an increase of 11.8% year-on-year. Annual volumes in container terminals reached record levels as Brazilian trade flow demonstrated some early indications of recovery. Both terminals deployed new equipment and upgraded their operating systems. Rio Grande posted a 39% increase in productivity and, after year end, Tecon Salvador achieved a record of 102 movements per hour following recent investments.

The towage division reported higher harbour manoeuvres during the quarter, despite increased competition and revenues from these improved 1.4% year-on-year. However, revenues from special operations and shipping agency declined, reflecting lower demand from the oil and gas industry. The towage division signed $62m in financing arrangements with the Brazilian Development Bank ("BNDES") for the construction and maintenance of tugboats in the coming years. The offshore support vessels joint venture was awarded three new long-term contracts, despite continued stress throughout the oil industry. There have been some recent successes in Brazil's pre-salt oilfield auctions which reinforce a more favourable long-term outlook, but the short-term view remains challenging.

The Ocean Wilsons Investment subsidiary was valued at $274.7m at the end of December 2017, which was an increase of $35.8m (15.0%) from the valuation at the end of December 2016 ($238.9m), after dividends of $3.5m were paid from the portfolio. The portfolio continues to be biased towards equities, both public and private, reflecting its long-term nature, but also includes some assets which display lower correlation to equity markets.

The **Ocean Wilsons Holdings** share price has increased over the last year, having started on a strong upward trajectory in June 2016, although it has declined from the peak it reached in November 2017. The share price was a little choppy during the last three months as wider markets experienced volatility, but its return for the quarter to March was -0.9%. It has risen by 6.9% over the last 12 months, and by 11.7% on a total return basis, taking account of the 48.9p dividend that was paid to the Trust in June. The share price represents a discount to the look-through NAV of 28.7%, based on the market value of the Wilson Sons shares, together with the latest valuation of the investment portfolio.

**Alec Letchfield**
April 2018

# Portfolio Statement

as at 31 March 2018

| Investments | Fair value £000 | Percentage of Net Assets |
|---|---|---|
| **Core Funds** | | |
| Findlay Park American Fund | 15,777 | 4.9 |
| Vulcan Value Equity Fund | 11,959 | 3.7 |
| Goodhart Partners: Hanjo Fund | 11,320 | 3.5 |
| Select Equity Offshore Ltd | 10,961 | 3.4 |
| Indus Japan Long-Only Fund | 9,025 | 2.8 |
| Adelphi European Select Equity Fund | 8,748 | 2.7 |
| Schroder ISF Asian Total Return Fund | 7,218 | 2.2 |
| BlackRock European Hedge Fund | 5,251 | 1.6 |
| iShares Euro Stoxx Mid UCITS ETF | 5,185 | 1.6 |
| Prince Street Institutional Offshore Ltd | 5,007 | 1.6 |
| Blackrock Frontiers Investment Trust | 4,306 | 1.3 |
| LF Odey Absolute Return Fund | 3,830 | 1.2 |
| Vanguard FTSE Developed Europe ex UK Equity Index Fund | 3,427 | 1.1 |
| NT Asian Discovery Fund | 2,995 | 0.9 |
| Pershing Square Holdings Ltd | 2,861 | 0.9 |
| SR Global Fund Inc. Frontier Markets | 2,834 | 0.9 |
| **Total Core Funds** | **110,704** | **34.3** |
| **Strategic** | | |
| Wilson Sons (through our holding in Ocean Wilsons Holdings) * | 63,648 | 19.7 |
| **Total Strategic** | **63,648** | **19.7** |
| **Thematic & Diversifying Assets** | | |
| Ocean Wilsons Investments Limited (through our holding in Ocean Wilsons Holdings) * | 36,427 | 11.3 |
| GAM Star Technology Fund | 13,340 | 4.1 |
| DV4 Ltd ** | 11,772 | 3.6 |
| Global Event Partners Ltd | 7,703 | 2.4 |
| Field Street Offshore Fund Ltd | 3,679 | 1.1 |
| SPDR MSCI World Financials UCITS ETF | 3,150 | 1.0 |
| MKP Opportunity Offshore Ltd | 2,749 | 0.9 |
| Hudson Bay International Fund Ltd | 2,662 | 0.9 |
| BNY Mellon Abs Ret Bond Fund | 2,310 | 0.7 |
| Keynes Dynamic Beta Strategy Fund | 2,033 | 0.6 |
| JLP Credit Opportunity Fund | 1,890 | 0.6 |
| Pareturn Gladwyne Absolute Credit UCITS | 1,629 | 0.5 |
| Worldwide Healthcare Trust PLC | 1,533 | 0.5 |
| GAM Systematic Core Macro Fund | 1,353 | 0.4 |
| CZ Absolute Alpha UCITS Fund | 1,317 | 0.4 |
| Schroder GAIA BlueTrend | 1,126 | 0.3 |
| **Total Thematic & Diversifying Assets** | **94,673** | **29.3** |

| Investments | Fair value £000 | Percentage of Net Assets |
|---|---|---|
| **Global Equities** | | |
| Hansteen Holdings PLC | 4,554 | 1.4 |
| Interactive Brokers Group Inc | 3,593 | 1.1 |
| UBM PLC | 3,570 | 1.1 |
| Hilton Food Group PLC | 2,993 | 0.9 |
| Exor NV | 2,888 | 0.9 |
| Berkshire Hathaway Inc | 2,843 | 0.9 |
| Samsung Electronics Co Ltd | 2,740 | 0.8 |
| White Mountains Insurance Group Ltd | 2,618 | 0.8 |
| Alphabet Inc | 2,585 | 0.8 |
| CK Hutchison Holdings Ltd | 2,556 | 0.8 |
| Orange SA | 2,541 | 0.8 |
| Coca-Cola Bottlers Japan Holdings Inc | 2,282 | 0.7 |
| Softbank Group Corp | 2,238 | 0.7 |
| Orion Engineered Carbons SA | 2,027 | 0.6 |
| CBRE Group Inc | 2,017 | 0.6 |
| Howard Hughes Corp | 1,983 | 0.6 |
| Bayer AG | 1,814 | 0.6 |
| Liberty Global PLC | 1,785 | 0.6 |
| Nutrien Ltd | 1,614 | 0.5 |
| CVS Health Corp | 1,507 | 0.5 |
| TripAdvisor Inc | 1,340 | 0.4 |
| Iridium Communications Inc | 1,197 | 0.4 |
| Three other investments | 12 | 0.0 |
| **Total Global Equities** | **53,297** | **16.5** |
| **Total Investments** | **322,322** | **99.8** |
| **Net Current Assets** | **779** | **0.2** |
| **Net Assets** | **323,101** | **100.0** |

Note:
*Hansa Trust owns 9,352,770 shares in Ocean Wilsons Holdings Limited ("OWHL"). In order to better reflect Hansa Trust's exposure to different market silos, the two subsidiaries of OWHL, Wilson Sons and Ocean Wilsons (Investments) Ltd ("OWIL"), are shown separately above. The fair value of Hansa Trust's holding in OWHL has been apportioned across the two subsidiaries in the ratio of the latest reported NAV of OWIL, that being the NAV of OWIL shown per the 31 December 2017 OWHL accounts, to the market value of OWHL's holding in Wilson Sons, that being the bid share price of Wilson Sons multiplied by the number of shares held by OWHL at 31 March 2018.
**DV4 Ltd is an unlisted Private Equity holding. As such, its value is estimated as a Level 3 Asset in Note 21. All other valuations are either derived from information supplied by listed sources or from pricing information supplied by third party fund managers.

# Shareholder Profile and Engagement

## Capital Structure

The Company has 8,000,000 Ordinary shares of 5p (1/3 of the total capital) and 16,000,000 'A' non-voting Ordinary shares of 5p (2/3 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 owned at 31 March 2018 are as follows:

| | Ordinary shares | | 'A' non-voting Ordinary shares | |
|---|---|---|---|---|
| Institutional & Wealth Managers | 3,469,467 | 43.4% | 15,382,823 | 96.1% |
| Directors | 2,127,619 | 26.6% | 139,150 | 0.9% |
| Private Individuals | 2,341,285 | 29.3% | 420,165 | 2.6% |
| Other | 61,629 | 0.7% | 57,862 | 0.4% |
| | 8,000,000 | | 16,000,000 | |

## Substantial Shareholders

As at 31 March 2018 the Directors were aware of the interests on page 28 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 Guidance and Transparency Rules.

The Company's capital structure and voting rights are summarised above and in Note 15 on page 57.

- 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 62.
- 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 or 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 s.414 of the Income and Corporation Taxes Act 1988, 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 |
|---|---|---|
| Nomolas Ltd | 2,069,425 | 25.9% |
| Victualia Limited Partnership | 2,069,425 | 25.9% |

William Salomon is interested in 2,069,425 of the shares held by Victualia Limited Partnership, 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.

As at 20 June 2018, the date of signing of the Annual Accounts, there have been no disclosures to the Company of changes of interests under DTR 5.

## BOARD AND MANAGEMENT SHAREHOLDINGS

### Directors and Directors' Interests

The present members of the Board are shown on pages 6 and 7.

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.

The interests of Directors and their connected parties in the Company at 31 March 2018 are shown below:

| | Ordinary shares of 5p each | | 'A' non-voting Ordinary shares of 5p each | | Nature of interest |
|---|---|---|---|---|---|
| | **2018** | **2017** | **2018** | **2017** | |
| Alex Hammond-Chambers | **4,900** | 4,900 | **10,600** | 10,600 | Beneficial |
| Jonathan Davie | **4,000** | 4,000 | **26,000** | 26,000 | Beneficial |
| Raymond Oxford | **1,850** | 1,850 | **1,850** | 1,850 | Beneficial |
| William Salomon | **2,115,869** | 2,115,869 | **98,700** | 98,700 | Beneficial |
| Geoffrey Wood | **1,000** | 1,000 | **2,000** | 2,000 | Beneficial |

As at 20 June 2018, the date of signing the Annual Accounts, there were no changes to report to the Directors' holdings.

William Salomon is the senior partner of Hansa Capital Partners LLP. Fees payable to Hansa Capital Partners LLP amounted to £2,238,104 (2017: £2,009,794). The fees outstanding at the year-end amounted to £189,575 (2017: £181,091). During the year, no rights to subscribe for the shares of the Company were granted to, or exercised by Directors, their spouses or infant children.

## PORTFOLIO MANAGER'S INTERESTS

As at 20 June 2018, the date of signing of this Annual Report, the management and staff of the Portfolio Manager's group, excluding the holding of William Salomon, shown above, were interested in c. 2.1m shares in the Company – a mixture of Ordinary and 'A' non-voting Ordinary shares.

## ANNUAL GENERAL MEETING

A special resolution relating to the following items will be proposed at the forthcoming AGM

**Authority to repurchase 'A' non-voting Ordinary shares**

A resolution (Special Resolution 9) will be proposed at the forthcoming AGM, seeking shareholder approval for the renewal of the authority for the Company to repurchase its own 'A' non-voting Ordinary shares. The Board believes the ability of the Company to repurchase its own 'A' non-voting Ordinary shares in the market could potentially benefit all equity shareholders of the Company in the long-term. The repurchase of 'A' non-voting Ordinary shares at a discount to the underlying NAV would enhance the 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 repurchase 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 FCA Listing Rules), 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 Special Resolution 9 in the Notice of Meeting, will last until the date of the next AGM.

The Company is seeking authority to use its realised capital reserve to allow repurchase of shares in the market. The decision as to whether the Company repurchases any shares will be at the absolute discretion of the Board. Any shares purchased will be cancelled.

# Shareholder Profile and Engagement
*Continued*

**Notice Period for General Meetings**
The EU Shareholder Rights Directive increased the notice period for general meetings of companies to 21 days unless certain conditions are met, in which case it may be 14 days' notice. A shareholders' resolution is required to permit that the Company's general meetings (other than AGMs) may be held on 14 days' notice. Accordingly, Special Resolution 10 will propose that the period of notice for general meetings of the Company (other than AGMs) shall not be less than 14 days' notice.

**Amendment to the Company's Articles of Association**
The Company has taken the decision to propose an amendment to the Articles of Association of the Company to tighten the mechanisms already built into the Articles to prevent the Company becoming a close company under section 439 of the Corporation Tax Act 2010. It is a condition of the Company being an investment trust that it is not a close company, and the Directors want to be sure that condition cannot be breached.

The Articles currently contain provisions which permit the Board to issue a compulsory transfer notice to a shareholder it if becomes aware that a particular shareholder causes or might cause a breach of the close company condition, and to suspend its voting rights. However these provisions are by definition reactive ie may not prevent a breach arising in the first instance although they may mitigate the consequences of such a breach.

The Board has resolved to propose an amendment to the Articles which builds on the existing provisions by automatically re-allocating voting rights of such a shareholder at the time that a breach of the close company condition may arise, thereby avoiding it. The re-allocation will enhance the voting rights of the smallest registered shareholdings in the Company, on a temporary basis pending the operation of the compulsory transfer provisions already built into the Articles.

While the Board keeps a close eye on the Company's shareholder register in order to monitor its compliance with the close company condition on an ongoing basis, such that the new mechanism is unlikely to ever require to be used, the Board thinks the amendments to the Articles are prudent and recommends them to the Company's shareholders with Special Resolution 11.

The Directors consider that the above highlighted resolutions, and all the resolutions to be proposed at the forthcoming AGM as set out in the Notice of Meeting, are in the best 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.

If the Board considers a significant proportion of votes have been cast against a resolution at the AGM, the Company will explain, when announcing the results of voting, what action it intends to take to understand the reasons behind the results of the vote.

**Approval of the Directors**
The Directors consider the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

For and on behalf of the Board

Alex Hammond-Chambers
Chairman
20 June 2018

# 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 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 the existence of qualifying indemnity provisions for Directors – see page 16.
- Dividend policy and payments made during the year are summarised in the Organisation & Objectives section – see page 15.
- Names of Directors, at any time in the year – see pages 6 to 8 for the Directors' details and attendance at Company meetings.
- Greenhouse Gas Emissions – see page 17.
- Policy on Diversity – see page 8 within "The Board".

## ITEMS REPORTED WITHIN THE DIRECTORS' REPORT

**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 66.

**Corporate Governance Report**

The Corporate Governance Report, including the Financial Risk Management Review of the Company, is included in this document starting on page 32.

**Future Developments and Post Balance Sheet Events**

The Company does not have any imminent future developments or post balance sheet events to report.

## APPROVAL OF THE DIRECTORS

The Directors consider the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy. Further details demonstrating the Company's performance, business model and strategy have been included within the Strategic Report on pages 2 to 30.

For and on behalf of the Board

Alex Hammond-Chambers
Chairman
20 June 2018

# Corporate Governance Report

## UK CORPORATE GOVERNANCE CODE

### Internal Controls

The UK Corporate Governance Code ("UK Code") (issued April 2016 Code for accounting periods beginning on or after 17 June 2016), which can be found on the website of the Financial Reporting Council (www.frc.org.uk), requires the Directors to review the effectiveness of the Company's risk management and 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 to be included in the extended review.

The Board recognises its ultimate responsibility for the Company's system of risk management and internal controls and for monitoring their effectiveness. In order to perform this responsibility the Board receives regular reports on all aspects of risk management and 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 this system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

### Financial Reporting

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

The Board confirms there have been no important events since 31 March 2018, of which the Board is aware, which would have a material impact on the Company.

## 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 all the relevant principles of the UK Code, as well as setting out additional principles and recommendations on issues of specific relevance to investment companies such as Hansa Trust PLC.

The Board considers that reporting against the principles and recommendations of the AIC Code, and by reference to the AIC Guide (which incorporates the UK Code), will provide more appropriate information to shareholders.

The Company has complied with the recommendations of the AIC Code, thereby the UK Code.

The Board confirms, with the exception of the position of a senior independent Director and the need to involve the Chairman early in the process for structuring a new share launch (as it is not relevant for this Company), 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.

## ASSOCIATION OF INVESTMENT COMPANIES 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.

- 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 submitted for re-election at regular intervals. Nomination for re-election should not be assumed, but be based on disclosed procedures and continued satisfactory performance
All Directors resign at each AGM and where appropriate offer themselves for re-election.

- 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 service contracts, details of which are contained in the Directors' Remuneration Report on page 39.

- There should be full disclosure of information about the Board
A brief biography of each member of the Board can be found on pages 6 and 7. The Company's Chairman chaired the Board and Remuneration Committee during the year. Jonathan Davie was Chairman of the Audit Committee for the full year.

- The Board should aim to have a balance of skills, experience, length of service and knowledge of the company
The Board regularly reviews its requirements to direct the affairs of the Company. When and where appropriate, individuals are identified who would strengthen the Board and are 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. In the other years the Board carries out an evaluation of the independence and suitability 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 any new ideas for improving the returns to shareholders, by enhancing the effectiveness of the Board. The Chairman is evaluated by another Director on behalf of the Board. As part of the evaluation process, suitability for each of the Director's roles on other committees as relevant – notably the Audit Committee – is also considered.

- 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 their duties, responsibilities and their time committed to the interests of the Company; note is taken of fees paid by other comparable companies. A note of the Company meetings attended by each Director is included with their biographies on pages 6 and 7.

- 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 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. In addition, the Company maintains a membership of its trade body, the AIC, to ensure it has reliable access to technical resources and good practice.

**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 AIFM and Portfolio Manager, the Board, the AIFM and the Portfolio Manager operate in an environment of mutual trust and

# Corporate Governance Report
*Continued*

respect, both at formal Board meetings and during the year when ad-hoc communications are instigated by any party.

- The primary focus at regular Board Meetings should be the review of the investment performance and associated matters such as gearing, asset allocation, marketing/investor relations, peer group information and industry issues
  At the regular Board meetings, discussions are held and reports and papers 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 Portfolio Manager, specifically to discuss the Company's future investment and corporate strategies. However, macro trends, the drivers for the wider economy and their potential for impact on the portfolio are discussed at every Board Meeting.
- The Board should regularly review both the performance of and contractual arrangements with the Portfolio Manager
  The Board formally reviews the performance of the Portfolio Manager each quarter, at which Board Meeting the Portfolio Manager presents a written report. At the annual review of the Portfolio 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. This review is conducted by the independent Directors only.
- The Board should agree policies with the Manager covering key operational issues
  Within the agreement, service levels are defined between the AIFM, Portfolio Manager and the Company. In addition the Board determines certain investment restrictions and guidelines for the Portfolio Manager, on which the Portfolio Manager reports monthly and the AIFM also monitors.
- Boards should monitor the level of share price discount or premium (if any) and, if desirable, take action to reduce it
  The Board 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, through the Chairman, ensures that shareholders are fully aware of the Company's policy with regard to share buybacks and, additionally, states its discount policy in the Annual Report.
- The Board should monitor and evaluate 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 promotes its website to them. The Company Secretary and/or the Chairman 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-Year Reports, and monthly factsheets, aims to ensure both shareholders and prospective shareholders are made fully aware of the investment aims and KPIs of the Company, the types of investments the Company is likely to enter into, the disposition of those investments in the portfolio, the risks shareholders are exposed to, including the gearing of the Company and the period over which its performance should be judged.

## UK STEWARDSHIP CODE

The aim of the Stewardship Code 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.

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

- Publicly disclose their policy on how they will discharge their stewardship responsibilities.
- Have a robust policy on managing conflicts of interest in relation to stewardship which should be publicly disclosed.
- Monitor their investee companies.
- Establish clear guidelines on when and how they will escalate their stewardship activities.
- 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, in conjunction with the AIFM, has delegated to its Portfolio Manager, Hansa Capital Partners LLP, the day to day operation of the Company's policy, which is 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.

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

The Portfolio Manager has publically stated that it pursues a global macro investment strategy on behalf of Hansa Trust, involving a significant proportion of the Company's assets being invested in open ended managed funds with a minority being invested in global equities. Consequently, while the Portfolio Manager supports the objectives that underlie the Code, the provisions of the Code are not relevant to many of the elements of investment undertaken by the Company.

## COMPLIANCE WITH THE COMPANIES ACT AND 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 FCA.

# Corporate Governance Report
*Continued*

- 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, which is 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 Company Financial Statements for each financial year are prepared in accordance with IFRS, as adopted by the EU. 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 will continue in business.

Under the FCA UKLA Listing Rules and the UK Code, the Board is responsible for:

- Disclosing how it has applied the principles and complied with the provisions of the AIC Code and, thereby, the UK 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. 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 the 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 30.

For and on behalf of the Board

A R Hammond-Chambers

Alex Hammond-Chambers
20 June 2018

# 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 our 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 Edwin Teideman, a former director, whose skills and experience of the Company strengthen the Committee. The Audit Committee must have at least one member with relevant and recent financial experience. Whilst all the Directors have experience in various guises of the financial industry, more specifically, Jonathan Davie is a qualified Chartered Accountant and Edwin Teideman has previously been a finance director. During the Company's year to 31 March 2018, and to date, the Committee was chaired by Jonathan Davie.

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 Company, 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.

A separate evaluation of Committee members is not conducted. Rather, their suitability is considered as part of the annual evaluation process which is described within the Corporate Governance Report on page 33.

The terms of reference of the Committee are determined by the Committee and approved by the Board 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 audit findings 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 ISAE 3402 reports.

In discharging its duties and, in particular, matters relating to the approval of the Annual Report, Half-Year 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 ownership of assets, the valuations of the portfolio, recognition of income and outstanding liabilities, if applicable, 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.

With regard to the ownership of assets, the Company's Depositary and Administrator have confirmed the ownership of all assets to the Audit Committee's satisfaction. With regard to the valuations, the Audit Committee notes that 53% of the portfolio by value is held in assets that are listed and traded on

# Audit Committee Report
*Continued*

an exchange, hence forming the basis of the valuation. Further, of the remaining 47% unquoted, the majority relate to unquoted fund investments where valuations are supplied by third party managers. The Committee is satisfied with the valuation process. With regard to revenue recognition, the Audit Committee reviewed the external Auditor's approach to the audit prior to the commencement of the audit. The results of the audit in this area were discussed with the external Auditor and there were no significant issues arising in relation to the recognition of revenue.

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 position and performance, business model and strategy.

The Audit Committee considers the external Auditor's independence, objectivity and the cost effectiveness of the audit process through a process of feedback from the Company advisors, including the Company Secretary and Portfolio Manager. The Committee also meet with the Auditor directly to discuss the Annual Report, the work the Auditor has carried out as part of its review and any matters raised. The current audit partner is Andrew Heffron who has overseen the audit and non-audit work relating to the Company on behalf of Grant Thornton since October 2016.

The level of non-audit services provided to the Company by the Auditor is monitored, as is the Auditor's objectivity in providing such services, to ensure that the independence of the audit team from the Company is not compromised. Non-audit services provided by Grant Thornton UK LLP were, historically, in relation to taxation services and also the review of the Company's Half-Year Report. A change of regulation in the accounting industry following the new rules on Auditor Independence in 2017 has meant Grant Thornton UK LLP is no longer able to provide tax compliance services to the Company and continue to act as Auditor. Therefore, the Company has appointed BDO LLP as a replacement tax adviser to provide tax compliance services for the year ended 31 March 2017 onwards. Grant Thornton continue to act as the Company's Auditor as well as reviewing the Half-Year Report. For the year ended 31 March 2018, fees for non-audit services comprised 10% (2017: 11%) of the total fees charged by Grant Thornton during the year. The Committee considers that non-audit fees are sufficiently small to not compromise Auditor objectivity and also that the familiarity with the Company make Grant Thornton the best choice to review the Half-Year Report. Further information on fees paid to Grant Thornton UK LLP is contained in "Other Expenses" within Note 4 of the Financial Statements.

Grant Thornton UK LLP has been the Company's Auditor for nine years. Prior to that, and before its merger with Grant Thornton, RSM Robson Rhodes LLP was the Company's auditor since 1989. The Committee previously indicated that the statutory audit and associated non-audit services would be tendered for the year ended 31 March 2016. However, the Company now intends to delay the tender until 2019, as permitted under the UK Government's implementation of the new EU Directive at which point a change of audit firm will be required.

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.

For and on behalf of the Audit Committee

JRDavie

Jonathan Davie
Audit Committee Chairman
20 June 2018

# Directors' Remuneration Report

Despite the inclusion of the Strategic Report, the Companies Act continues to require the Company to produce a separate report on the Directors' Remuneration and that the Board approves the Report and signs it 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 42.

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. Ordinary resolutions for the approval of this Report will be put to 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 2018, either on an individual basis or for the Board as a whole. The most recent update to Directors' remuneration was made in the year to 31 March 2016 when Jonathan Davie became Chairman of the Audit Committee. All Directors have served for the full year, although all retired at the AGM on 28 July 2017 as is the Company policy and were subsequently re-elected.

## 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, financial and reputational risks undertaken, including additional remuneration for any roles in addition to the responsibilities of the non-executive director role – for example, the 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 (maximum total fee of £175,000) set. This policy was approved at the AGM held on 28 July 2017 with 99.99% of the votes cast being In Favour of the policy and the remaining 0.01% being Against. The policy was approved for a period of three years from 1 July 2017.

## 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. In certain circumstances a Director may be removed without notice and compensation will not be due on leaving office. There are no agreements between the Company and its Directors concerning compensation for loss of office.

## 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 the level of their responsibilities, duties and other circumstances including the level of fees in other comparable companies. The Company Secretary provides relevant information when the Directors consider the level of Directors' fees. The Directors' Remuneration Policy was approved by shareholders at the AGM on 28 July 2017 such that the previous overall cap of £175,000 was maintained on annual Directors' fees.

## FUTURE POLICY TABLE

All of the Directors are non-executive, whose only remuneration is a fee. The implementation of the above policy could give rise to the following increase in fees:

| | Current total fee £000 | Potential future total fee £000 |
|---|---|---|
| Non-executive Director fees | 141 | 175 |

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

# Directors' Remuneration Report
*Continued*

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 Company Secretary provides 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 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 repayment of expenses incurred in the course of performing their duties. 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 is shown in its place.

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

| | 2018 Fee £000 | 2018 Total £000 | 2017 Fee £000 | 2017 Total £000 |
|---|---|---|---|---|
| Alex Hammond-Chambers (Chairman)* | **38** | **38** | 38 | 38 |
| Jonathan Davie | **30** | **30** | 30 | 30 |
| Raymond Oxford | **25** | **25** | 25 | 25 |
| William Salomon | **23** | **23** | 23 | 23 |
| Geoffrey Wood | **25** | **25** | 25 | 25 |
| | **141** | **141** | 141 | 141 |

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

The Company pays National Insurance contributions on the Directors' emoluments where applicable. This amounted to £6,707 (2017: £6,736). The Company also pays the expenses of the Directors to attend the Board Meetings.

## DIRECTORS' INTERESTS (AUDITED)

Directors must seek permission from the Chairman before trading in shares, taking note of any Closed Periods. Other than that, there are no specific rules on Directors' shareholdings.

The interests of Directors and their connected parties in the Company at 31 March 2018 are shown below.

| | Ordinary shares of 5p each | | 'A' non-voting Ordinary shares of 5p each | | Nature of interest |
|---|---|---|---|---|---|
| | 2018 | 2018 | 2017 | 2017 | |
| Alex Hammond-Chambers | **4,900** | 4,900 | **10,600** | 10,600 | Beneficial |
| Jonathan Davie | **4,000** | 4,000 | **26,000** | 26,000 | Beneficial |
| Raymond Oxford | **1,850** | 1,850 | **1,850** | 1,850 | Beneficial |
| William Salomon | **2,115,869** | 2,115,869 | **98,700** | 98,700 | Beneficial |
| Geoffrey Wood | **1,000** | 1,000 | **2,000** | 2,000 | Beneficial |

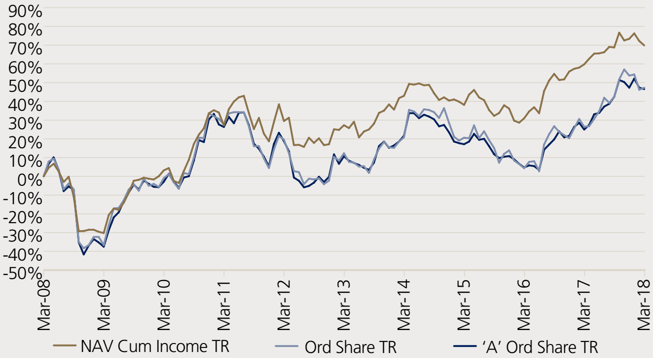
As at 20 June 2018, the date of signing of these Annual Accounts, there were no changes to report to the Directors' holdings.

William Salomon is the senior partner of Hansa Capital Partners LLP. Fees payable to Hansa Capital Partners LLP amounted to £2,238,104 (2017: £2,009,794). The fees outstanding at the year-end amounted to £189,575 (2017: £181,091). 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.

### YOUR COMPANY'S PERFORMANCE

The graph below shows the ten year cumulative total return to shareholders:

### TEN YEAR NET ASSET VALUE AND SHARE PRICE TOTAL RETURN




### 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 |
| **Number of meetings attended:** | | | |
| Alex Hammond-Chambers | 1 | 5 | 2 |
| Jonathan Davie | 1 | 5 | 2 |
| Raymond Oxford | 1 | 5 | 2 |
| 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 2017 was presented at the AGM held on 28 July 2017. At that meeting, the Directors' Remuneration Report was approved by 99.99% of the votes cast.

The Directors' Remuneration Report for the year ended 31 March 2018 will be presented to the AGM on 27 July 2018.

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 Directors' Remuneration summarises, as applicable, for the year ended 31 March 2018:

(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

20 June 2018

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

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HANSA TRUST PLC

**Our opinion on the financial statements is unmodified**

We have audited the financial statements of Hansa Trust plc (the 'company') for the year ended 31 March 2018 which comprise the income statement, the balance sheet, the statement of changes in equity, the cash flow statement and notes to the financial statements, including a summary of significant accounting policies. 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.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Who we are reporting to**

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.

**Conclusions relating to principal risks, going concern and viability statement**

We have nothing to report in respect of the following information in the annual report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- the disclosures in the annual report set out on page 14-15 and 58-60 that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation, set out on page 14 of the annual report that they have carried out a robust assessment of the principal risks facing the company, including those that would threaten its business model, future performance, solvency or liquidity;
- the directors' statement, set out on page 16 of the annual report about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- whether the directors' statement relating to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the directors' explanation, set out on page 16 of the annual report as to how they have assessed the prospects of the company, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

**Overview of our audit approach**

- Overall materiality: £3,231,000 which represents 1% of the Company's net assets; and
- Key audit matters were identified as existence and valuation of quoted and unquoted investments.

**Key audit matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those that had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| KEY AUDIT MATTER | HOW THE MATTER WAS ADDRESSED IN THE AUDIT |
|---|---|
| **Existence and valuation of quoted and unquoted investments**<br>The Company's business is to achieve a growth of shareholder value, from a concentrated, long-term, non-index correlated investment portfolio. The investment portfolio is a significant, material item in the financial statements and the main driver of the company's performance. We therefore identified the existence and valuation of quoted and unquoted investments as a significant risk, which was one of the most significant assessed risks of material misstatement. | For unquoted investments, our audit work included, but was not restricted to:<br>• assessing whether the Company's accounting policy for unquoted investments is in accordance with IFRSs and the AIC SORP and testing whether the Company has accounted for unquoted investments in accordance with the policy;<br>• assessing whether the valuations were performed in accordance with the International Private Equity and Venture Capital Valuation guideliens;<br>• obtaining an understanding of the investment valuation process for unquoted funds by review of the fund's latest available audited financial statements, review of the fund's latest quarterly reports;<br>• obtaining a direct confirmation of the investments held by the Company at the year-end from the respective fund administrators.<br>• Tested the additions and disposals on a sample basis to ensure the additions and disposals were accurately recorded and occurred. |
| | The Company's accounting policy on non-current investments is shown in note 1(d) and related disclosures are included in note 10. The Audit Committee identified the ownership of assets and the valuations of the portfolio as significant issues in its report on page 37, where the Committee also described the action that it has taken to address these issues.<br>For quoted investments, our audit work included, but was not restricted to:<br>• assessing whether the Company's accounting policy for quoted investments is in accordance with the requirements of IFRS and the AIC SORP and testing whether the Company has accounted for such investments in accordance with the policy;<br>• comparing the investments holdings to the confirmation from the Company's custodian; and<br>• comparing the valuation to an independent source of market prices.<br>**Key observations**<br>Our audit work did not identify any material misstatements concerning the valuation and existence of quoted and unquoted investments. |

# Independent Auditor's Report to the Members of Hansa Trust PLC, *continued*

**Our application of materiality and an overview of the scope of our audit**

**Materiality**

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality in determining the nature, timing and extent of our work and in evaluating the results of that work.

We determined materiality for the audit of the financial statements as a whole to be £3,231,000 which is 1% of the Company's net assets. This benchmark is considered the most appropriate because net assets, which is primarily composed of the Company's investment portfolio, is considered to be the key driver of the Company's total return performance.

Materiality for the current year is higher than the level that we determined for the year ended 31 March 2017 to reflect the increase in net asset value this year.

We use a different level of materiality, performance materiality, to drive the extent of our testing and this was set at 75% of financial statement materiality.

We determined the threshold at which we will communicate misstatements to the audit committee to be £161,550. In addition we will communicate misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

**Overview of the scope of our audit**

Our audit approach was based on a thorough understanding of the Company's business and is risk based. The day-to-day management of the Company's investment portfolio, the custody of its investments and the maintenance of the Company's accounting records is outsourced to third-party service providers. Accordingly, our audit work included:

- Obtaining an understanding of, and evaluating, internal controls at the Company and relevant third-party service providers. This included obtaining and reading controls reports prepared by third-party auditors on the description, design and operating effectiveness of internal controls at the custodian and administrator.
- Undertaking substantive testing on significant transactions, account balances and disclosures, the extent of which was based on various factors such as our overall assessment of the control environment, the design effectiveness of controls over individual systems and the management of specific risks.

**Other information**

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- Fair, balanced and understandable set out on page 30 – the statement given by the directors that they consider the annual report and financial statements 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, is materially inconsistent with our knowledge obtained in the audit; or
- Audit committee reporting set out on page 37-38 – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or
- Directors' statement of compliance with the UK Corporate Governance Code set out on page 36 – the parts of the directors' statement required under the Listing Rules relating to the company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

**Our opinions on other matters prescribed by the Companies Act 2006 are unmodified**
In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements and those reports have been prepared in accordance with applicable legal requirements;
- the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 in the Disclosure Rules and Transparency Rules sourcebook made by the Financial Conduct Authority (the FCA Rules), is consistent with the financial statements and has been prepared in accordance with applicable legal requirements; and
- information about the company's corporate governance code and practices and about its administrative, management and supervisory bodies and their committees complies with rules 7.2.2, 7.2.3 and 7.2.7 of the FCA Rules.

**Matter on which we are required to report under the Companies Act 2006**
In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in:

- the strategic report or the directors' report; or
- the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 of the FCA Rules.

**Matters on which we are required to report by exception**
We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us 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 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; or
- a Corporate Governance Statement has not been prepared by the company.

**Responsibilities of directors for the financial statements**
As explained more fully in the directors' responsibilities statement set out on page 32, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

**Auditor's responsibilities for the audit of the financial statements**
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

We are responsible for obtaining reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements of the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK). Our audit approach is a risk-based approach and is explained more fully in the 'An overview of the scope of our audit' section of our audit report.

# Independent Auditor's Report to the Members of Hansa Trust PLC, *continued*

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

**Other matters which we are required to address**
Grant Thornton UK LLP has been the Company's auditor for nine years. Prior to that, and before its merger with Grant Thornton, RSM Robson Rhodes LLP was the Company's auditor. RSM Robson Rhodes were first appointed by the members in 1990 for the year ended 31 March 1989. The period of total uninterrupted engagement including the preceding RSM Robson Rhodes tenure, previous renewals and reappointments of the firm is 30 years.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the company and we remain independent of the company in conducting our audit.

Our audit opinion is consistent with the additional report to the audit committee.

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

21 June 2018

# Income Statement

For the year ended 31 March 2018

| | Notes | Revenue 2018 £000 | Capital 2018 £000 | Total 2018 £000 | Revenue 2017 £000 | Capital 2017 £000 | Total 2017 £000 |
|---|---|---|---|---|---|---|---|
| Gains on investments held at fair value through profit or loss | 10 | **–** | **16,825** | **16,825** | – | 52,575 | 52,575 |
| Exchange gains on currency balances | | **–** | **92** | **92** | – | 111 | 111 |
| Investment income | 2 | **6,062** | **–** | **6,062** | 6,194 | – | 6,194 |
| | | **6,062** | **16,917** | **22,979** | 6,194 | 52,686 | 58,880 |
| Investment management fees | 3 | **(2,238)** | **–** | **(2,238)** | (2,010) | – | (2,010) |
| Other expenses | 4 | **(1,253)** | **–** | **(1,253)** | (1,123) | – | (1,123) |
| | | **(3,491)** | **–** | **(3,491)** | (3,133) | – | (3,133) |
| **Profit before finance costs and taxation** | | **2,571** | **16,917** | **19,488** | 3,061 | 52,686 | 55,747 |
| Finance costs | 5 | **–** | **–** | **–** | (2) | – | (2) |
| Profit before taxation | | **2,571** | **16,917** | **19,488** | 3,059 | 52,686 | 55,745 |
| Taxation | 6 | **(38)** | **–** | **(38)** | – | – | – |
| Profit for the year | | **2,533** | **16,917** | **19,450** | 3,059 | 52,686 | 55,745 |
| Return per Ordinary and 'A' non-voting Ordinary share | 8 | **10.6p** | **70.5p** | **81.1p** | 12.8p | 219.5p | 232.3p |

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

The total column of this statement represents the Company's Income Statement, prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union. The supplementary revenue and capital return columns are both prepared under guidance published by the AIC.

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

The accompanying notes on pages 50 to 61 are an integral part of this Statement.

# Balance Sheet

As at 31 March 2018

| | Notes | 2018<br>£000 | 2017<br>£000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Investment in subsidiary at fair value through profit or loss | 9 | **629** | 629 |
| Investments held at fair value through profit or loss | | **322,322** | 299,671 |
| | 10 | **322,951** | 300,300 |
| **Current assets** | | | |
| Trade and other receivables | 12 | **55** | 4,106 |
| Cash and cash equivalents | 13 | **1,102** | 4,059 |
| | | **1,157** | 8,165 |
| **Current liabilities** | | | |
| Trade and other payables | 14 | **(1,007)** | (985) |
| **Net current assets** | | **150** | 7,180 |
| **Net assets** | | **323,101** | 307,480 |
| **Capital and reserves** | | | |
| Called up share capital | 15 | **1,200** | 1,200 |
| Capital redemption reserve | 16 | **300** | 300 |
| Retained earnings | 17 | **321,601** | 305,980 |
| **Total equity shareholders' funds** | | **323,101** | 307,480 |
| **Net asset value per Ordinary and 'A' non-voting Ordinary share** | 18 | **1,346.3p** | 1,281.2p |

The Financial Statements of Hansa Trust PLC, registered number 00126107, set out on pages 47 to 61 were approved by the Board of Directors on 20 June 2018 and were signed on its behalf by

Alex Hammond–Chambers
Chairman

The accompanying notes on pages 50 to 61 are an integral part of this Statement.

# Statement of Changes in Equity

For the year ended 31 March 2018

| | Notes | Share capital 2018 £000 | Capital redemption reserve 2018 £000 | Retained earnings 2018 £000 | Total 2018 £000 | Share capital 2017 £ 000 | Capital redemption reserve 2017 £000 | Retained earnings 2017 £000 | Total 2017 £000 |
|---|---|---|---|---|---|---|---|---|---|
| Net assets at 1 April | | **1,200** | **300** | **305,980** | **307,480** | 1,200 | 300 | 254,075 | 255,575 |
| Profits for the year | | **–** | **–** | **19,450** | **19,450** | – | – | 55,745 | 55,745 |
| Dividends | 7 | **–** | **–** | **(3,829)** | **(3,829)** | – | – | (3,840) | (3,840) |
| Net assets at 31 March | | **1,200** | **300** | **321,601** | **323,101** | 1,200 | 300 | 305,980 | 307,480 |

# Cash Flow Statement

For the year ended 31 March 2018

| | Notes | 2018 £000 | 2017 £000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Gain before finance costs and taxation* | | **19,488** | 55,747 |
| Adjustments for: | | | |
| Realised (gains) on investments | 10 | **(12,670)** | (4,234) |
| Unrealised (gains) on investments | 10 | **(4,155)** | (48,341) |
| Effect of foreign exchange rate changes | | **(92)** | (111) |
| Decrease/(Increase) in trade and other receivables | 12 | **4,051** | (1,456) |
| Increase in trade and other payables | 14 | **22** | 25 |
| Taxes paid | 6 | **(38)** | – |
| Purchase of non-current investments | | **(59,284)** | (49,307) |
| Sale of non-current investments | | **53,458** | 50,439 |
| **Net cash inflow from operating activities** | | **780** | 2,762 |
| **Cash flows from financing activities** | | | |
| Interest paid on bank loans | | **–** | (2) |
| Dividends paid | 7 | **(3,829)** | (3,840) |
| **Net cash outflow from financing activities** | | **(3,829)** | (3,842) |
| **Decrease in cash and cash equivalents** | | **(3,049)** | (1,080) |
| Cash and cash equivalents at 1 April | | **4,059** | 5,028 |
| Effect of foreign exchange rate changes | | **92** | 111 |
| **Cash and cash equivalents at end of year** | 13 | **1,102** | 4,059 |

*Includes dividends received of £6,080,000 (2017: £6,216,000) and interest received of £5,000 (2017: £5,000).

The accompanying notes on pages 50 to 61 are an integral part of this Statement.

# Notes to the Financial Statements

## 1 ACCOUNTING POLICIES

### (a) Basis of preparation

The Financial Statements of the 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 Company operates.

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 AIC Statement of Recommended Practice ("SORP") for investment trusts, issued by the AIC in November 2014, as updated in February 2018, to the extent that the SORP does not conflict with IFRS. The principal accounting policies adopted are set out below.

### (b) Basis of non-consolidation

IFRS10 stipulates that subsidiaries and associates of Investment Entities are not consolidated but, rather, stated at fair value unless the conditions for certain exemptions from this treatment are met. Hansa Trust meets all three characteristics of an Investment Entity as described by IFRS10. More details regarding its subsidiary Consolidated Investment Funds Limited ("CIFL"), are included in Note 9 of the Financial Statements.

### (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. The Company's Articles of Association allow net capital returns to be distributed by way of dividend, in addition to revenue returns. 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.1158/1159 CTA 2010, adjusted for details of Reporting and Non-Reporting Funds where appropriate.

### (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.

Fund investments are stated at fair value through profit or loss as determined by using the most recent available valuation. In some cases, this will be by reference to the most recent valuation statement supplied by the fund's manager. In other cases, values may be available through the fund being listed on an exchange or via pricing sources such as Bloomberg.

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. The investment in the Company's subsidiary undertaking is stated at fair value.

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.

**(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, overseas dividends and Real Estate Investment Trusts' ("REIT") income are all 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 Company's liability for current tax is calculated using tax rates that have been enacted or substantially enacted by the balance sheet date.

Deferred taxation is 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.

# Notes to the Financial Statements

**(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/(Losses)**

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) Significant Judgements and Estimates**

The key significant estimate to report, concerns the Company's valuation of its holding in DV4 Ltd. DV4 is 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 2018. The most recent valuation statement was received on 12 February 2018 stating the value of the Company's holding as at 31 December 2017. It is believed the value of DV4 as at 31 March 2018 will not be materially different but this valuation is based on historic valuations by DV4, does not have a readily available third party comparator and, as such, is an estimate. There are no significant judgements.

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

The following amendments to standards effective this year, being relevant and applicable to the Company, have been adopted, although they have no impact on the financial statements:

- Amendments to IAS 7 – Disclosure initiative – Statement of Cash Flows
- Amendments to IAS 12 – Recognition of deferred tax assets for unrealised losses

The following accounting standards and their amendments were in issue at the period end but will not be in effect until after this financial year end. The Directors are considering the impact these accounting standards will have on the financial statements.

| International Financial Reporting Standards | Financial Year starting on or after |
|---|---|
| • IFRS 7 Financial Instruments (IFRS 9 Disclosures) | 1 January 2018 |
| • IFRS 9 Financial Instruments | 1 January 2018 |

The revised IFRS 9 Financial Instruments replaces IAS 39. It applies to the classification, measurement, impairment of financial assets and liabilities and hedge accounting. The adoption of IFRS 9 will have an effect on the classification but not the measurement of the Company's financial assets, but will potentially have no impact on the classification and measurement of financial liabilities. It will also introduce a new expected loss impairment model requiring more timely recognition of expected credit losses and a reformed model for hedge accounting with enhanced disclosure of risk management activity. The Standard is effective for annual periods beginning on or after 1 January 2018.

## 2 INCOME

| | Revenue 2018 £000 | Revenue 2017 £000 |
|---|---|---|
| **Income from quoted investments** | | |
| UK dividends | **653** | 1,701 |
| Overseas and other dividends | **5,105** | 4,254 |
| Property income distributions | **300** | 232 |
| | **6,058** | 6,187 |
| **Other income** | | |
| Interest receivable on AAA rated money market funds | **4** | 7 |
| **Total income** | **6,062** | 6,194 |

## 3 PORTFOLIO MANAGEMENT FEE

| | Revenue 2018 £000 | Revenue 2017 £000 |
|---|---|---|
| Portfolio management fee | **2,238** | 2,010 |
| **Total management fee** | **2,238** | 2,010 |

Note: Details of the Portfolio Management Agreement are disclosed in the Strategic Report – Service Providers on page 11.

## 4 OTHER EXPENSES

| | Revenue 2018 £000 | Revenue 2017 £000 |
|---|---|---|
| Administration fees* | **132** | 125 |
| AIFM fees* | **127** | 116 |
| Directors' remuneration* | **141** | 141 |
| Auditor's remuneration for: | | |
| – audit of the Company's Annual Report | **36** | 33 |
| Fees payable to the Auditor for other services: | | |
| – Audit Related Assurance Services: review of the Half-Year Report | **4** | 4 |
| Irrecoverable VAT on audit fees | **8** | 7 |
| Printing fees | **29** | 38 |
| Marketing | **102** | 57 |
| Registrar's fees | **61** | 53 |
| Banking charges* | **145** | 146 |
| Secretarial services | **128** | 120 |
| Other | **340** | 283 |
| | **1,253** | 1,123 |

*Denotes services that do not incur VAT. VAT on other costs, where incurred, forms part of the irrecoverable VAT cost.

## 5 FINANCE COSTS

| | Revenue 2018 £000 | Revenue 2017 £000 |
|---|---|---|
| Interest payable | **–** | 2 |
| | **–** | 2 |

# Notes to the Financial Statements

## 6 TAXATION

| | Revenue 2018 £000 | Revenue 2017 £000 |
|---|---|---|
| **(a) Taxation on Ordinary Activities** | | |
| UK Corporation Tax at 19% (2017: 20%) | – | – |
| Irrecoverable foreign tax | 38 | – |
| | **38** | – |

**(b) Factors affecting tax charge for the year**

Approved investment trusts are exempt from tax on capital gains. The tax charge for the year is lower than the standard rate of Corporation Tax in the UK of 19% (2017: 20%). The differences are explained below:

| | 2018 £000 | 2017 £000 |
|---|---|---|
| Total profit before taxation | **19,488** | 55,745 |
| Profit multiplied by standard rate of Corporation Tax | **3,703** | 11,149 |
| Effects of: | | |
| – Non-taxable capital | **(3,214)** | (10,537) |
| – Non-taxable investment income | **(1,094)** | (1,190) |
| – Excess administration expenses unused | **605** | 578 |
| – Irrecoverable foreign tax | **38** | – |
| Current tax charge | **38** | – |

**(c) Provision for deferred taxation**

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

**(d) Factors that may affect future tax charges**

As at 31 March 2018 the Company had unutilised management expenses and loan relationship deficits of £28,610,000 (2017: £25,442,000). 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.

## 7 DIVIDENDS PAID

| | 2018 £000 | 2017 £000 |
|---|---|---|
| Amounts recognised as distributed to shareholders in the year are as follows: | | |
| Second interim dividend for 2017 (paid May 2017): 8.0p (2016: 8.0p) | **1,920** | 1,920 |
| First interim dividend for 2018 (paid November 2017): 8.0p (2017: 8.0p) | **1,920** | 1,920 |
| Unclaimed dividends refunded | **(11)** | – |
| | **3,829** | 3,840 |

Set out below are the total dividends paid and proposed in respect of the current 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 £2,533,000 (2017: £3,059,000).

| | Revenue 2018 £000 | Revenue 2017 £000 |
|---|---|---|
| First interim dividend for 2018 (paid November 2017): 8.0p (2017: 8.0p) | **1,920** | 1,920 |
| Second interim dividend for 2018 (payable May 2018): 8.0p (2017: 8.0p) | **1,920** | 1,920 |
| | **3,840** | 3,840 |

The Board has announced two interim dividends, each of 8.0p per Ordinary and 'A' non-voting Ordinary share, relating to the year ended 31 March 2019. No final dividend is proposed for the year ended 31 March 2018.

## 8 RETURN ON ORDINARY SHARES (EQUITY)

| | Revenue 2018 | Capital 2018 | Total 2018 | Revenue 2017 | Capital 2017 | Total 2017 |
|---|---|---|---|---|---|---|
| Returns per share | **10.6p** | **70.5p** | **81.1p** | 12.8p | 219.5p | 232.3p |

**Returns**
Revenue return per share is based on the revenue attributable to equity shareholders of £2,533,000 (2017: £3,059,000).

Capital return per share is based on the capital profit attributable to equity shareholders of £16,917,000 (2017: Profit of £52,686,000).

Total return per share is based on the combination of revenue and capital returns attributable to equity shareholders, amounting to a net profit of £19,450,000 (2017: net profit of £55,745,000).

Both revenue and capital return are based on 8,000,000 Ordinary shares (2017: 8,000,000) and 16,000,000 'A' non-voting Ordinary shares (2017: 16,000,000), in issue throughout the year.

## 9 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. The fair value at 31 March 2018 was £629,000 (2017: £629,000).
During the year to 31 March 2018, Consolidated Investment Funds Limited was dormant and held no investments except for an intercompany loan.

## 10 INVESTMENTS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS

| | Listed £000 | AIM & OFEX £000 | Unquoted £000 | 2018 Total £000 | 2017 Total £000 |
|---|---|---|---|---|---|
| Cost at 1 April 2017 | 80,606 | 15,928 | 80,422 | **176,956** | 176,250 |
| Investment holding gains/(losses) at 1 April 2017 | 113,160 | (4,771) | 14,955 | **123,344** | 75,004 |
| Valuation at 1 April 2017 | 193,766 | 11,157 | 95,377 | **300,300** | 251,254 |
| Movements in the year: | | | | | |
| Purchases at cost | 53,584 | – | 5,700 | **59,284** | 49,307 |
| Sales – proceeds | (37,073) | (9,390) | (6,995) | **(53,458)** | (52,836) |
| Gains/(losses) on sales | 14,003 | (1,606) | 273 | **12,670** | 4,234 |
| Transferred from AIM&OFEX to Listed | 1,539 | (1,539) | – | **–** | – |
| Transferred from AIM&OFEX to Unquoted | – | (3,393) | 3,393 | **–** | – |
| Transferred from Listed to Unquoted | (23,195) | – | 23,195 | **–** | – |
| Movement in investment holding (losses)/gains | (6,477) | 4,771 | 5,861 | **4,155** | 48,341 |
| **Valuation as at 31 March 2018** | 196,147 | – | 126,804 | **322,951** | 300,300 |
| Cost | 89,464 | – | 105,988 | **195,452** | 176,956 |
| Investment holding gains | 106,683 | – | 20,816 | **127,499** | 123,344 |
| | 196,147 | – | 126,804 | **322,951** | 300,300 |

| | 2018 £000 | 2017 £000 |
|---|---|---|
| Gains on sales | **12,670** | 4,234 |
| Movement in investment holding gains | **4,155** | 48,341 |
| Gains on investments held at fair value through profit or loss | **16,825** | 52,575 |

# Notes to the Financial Statements

## 10 INVESTMENTS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

**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:

| | 2018 £000 | 2017 £000 |
|---|---|---|
| Purchases | **77** | 13 |
| Sales | **45** | 35 |
| | **122** | 48 |

## 11 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 | Profit after tax for the year |
| Ocean Wilsons Holdings Limited | Bermuda | Ordinary | 26.5 | 31.12.17 | $588,161,000 | $78,315,000 |
| Consolidated Investment Funds Limited | UK | Ordinary | 100.0 | 31.03.15 | £628,887 | – |

Ocean Wilsons Holdings Limited 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 particular class of equity share capital:

| Company | Class of Capital | % of class held |
|---|---|---|
| Ocean Wilson Holdings Limited | Ordinary | 26.5 |
| Helesi Plc | Ordinary | 3.8 |
| All Leisure Group Plc | Ordinary | 3.6 |

## 12 TRADE AND OTHER RECEIVABLES

| | 2018 £000 | 2017 £000 |
|---|---|---|
| Amounts due from brokers | **–** | 2,397 |
| Overseas withholding tax recoverable | **6** | – |
| Prepayments and accrued income | **49** | 207 |
| Cash committed to purchase SR Global Fund Inc. Frontier Markets Class M | **–** | 1,502 |
| | **55** | 4,106 |

## 13 CASH AND CASH EQUIVALENTS

| | 2018 £000 | 2017 £000 |
|---|---|---|
| Cash at bank | **1,102** | 295 |
| Cash funds | **–** | 3,764 |
| | **1,102** | 4,059 |

## 14 TRADE AND OTHER PAYABLES

| | 2018 £000 | 2017 £000 |
|---|---|---|
| Due to subsidiary undertaking | **629** | 629 |
| Other creditors and accruals | **378** | 356 |
| | **1,007** | 985 |

## 15 CALLED UP SHARE CAPITAL

| | 2018 £000 | 2017 £000 |
|---|---|---|
| 8,000,000 Ordinary shares of 5p | **400** | 400 |
| 16,000,000 ‘A’ non-voting Ordinary shares of 5p | **800** | 800 |
| | **1,200** | 1,200 |

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

## 16 CAPITAL REDEMPTION RESERVE

| | 2018 £000 | 2017 £000 |
|---|---|---|
| Balance at 31 March | **300** | 300 |

## 17 RETAINED EARNINGS

| | Reserves | | | | Reserves | | | |
|---|---|---|---|---|---|---|---|---|
| | Revenue* 2018 £000 | Capital – Other* 2018 £000 | Capital – Investment holding profits** 2018 £000 | Total retained earnings 2018 £000 | Revenue* 2017 £000 | Capital – Other* 2017 £000 | Capital – Investment holding profits** 2017 £000 | Total retained earnings 2017 £000 |
| Opening balance at 1 April | **2,861** | **179,775** | **123,344** | **305,980** | 3,642 | 175,430 | 75,003 | 254,075 |
| Profit for the year | **2,533** | **12,762** | **4,155** | **19,450** | 3,059 | 4,345 | 48,341 | 55,745 |
| Dividend paid | **(3,829)** | **–** | **–** | **(3,829)** | (3,840) | – | – | (3,840) |
| Closing balance at 31 March | **1,565** | **192,537** | **127,499** | **321,601** | 2,861 | 179,775 | 123,344 | 305,980 |

*These reserves are able to be distributed by way of dividends.
**Where holding gains relate to liquid investments that can be realised at their fair value, such gains are also distributable.

## 18 NET ASSET VALUE

| | 2018 | 2017 |
|---|---|---|
| NAV per Ordinary and ‘A’ non-voting Ordinary share | **1,346.3p** | 1,281.2p |

The NAV per Ordinary and ‘A’ non-voting Ordinary share is based on the net assets attributable to equity shareholders of £323,101,000 (2017: £307,480,000) and on 8,000,000 Ordinary shares (2017: 8,000,000) and 16,000,000 ‘A’ non-voting Ordinary shares (2017: 16,000,000) in issue at 31 March 2018.

## 19 COMMITMENTS AND CONTINGENCIES

The Company has no outstanding commitments as at 31 March 2018 (2017: £nil).

# Notes to the Financial Statements

## 20 FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS

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

**Risk Objectives and Policies**

The objective of the Company is to achieve growth of shareholder value commensurate with the risks taken, bearing in mind that the protection of long-term shareholder value is paramount. The policy of the Board is to provide a framework within which the 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) the direct exposure where an investment is denominated and paid for in a currency other than Sterling; and 2) the indirect exposure where an investment has substantial non-Sterling underlying investment and/or 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. Some of the fund investments into which the Company invests will, in part or in whole, hedge some of their underlying currency risk, but this will be known at the time of investment and will form part of the investment decision. In those cases, the hedging will not remove the exposure to the underlying country or market sector. The Portfolio Manager monitors the effect of foreign currency fluctuations through the pricing of the investments by the various markets.

| | Direct foreign currency risk 2018 £000 | No direct foreign currency risk 2018 £000 | Total 2018 £000 | Direct foreign currency risk 2017 £000 | No direct foreign currency risk 2017 £000 | Total 2017 £000 |
|---|---|---|---|---|---|---|
| Investments | **95,982** | **226,340** | **322,322** | 55,018 | 244,653 | 299,671 |
| Investment in subsidiary | **–** | **629** | **629** | – | 629 | 629 |
| Other receivables including prepayments | **–** | **55** | **55** | – | 4,106 | 4,106 |
| Cash at bank | **–** | **1,102** | **1,102** | – | 4,059 | 4,059 |
| Current liabilities | **–** | **(1,007)** | **(1,007)** | – | (985) | (985) |
| | **95,982** | **227,119** | **323,101** | 55,018 | 252,462 | 307,480 |

Note: Direct foreign currency risk includes direct exposure to USD and Euro currencies.

***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 (2017: £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 (2017: £nil). The level of banking facilities utilised at 31 March 2018 was £nil (2017: £nil).

### 20 FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (CONTINUED)

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.

| | Cash flow interest rate risk 2018 £000 | No interest rate risk 2018 £000 | Total 2018 £000 | Cash flow interest rate risk 2017 £000 | No interest rate risk 2017 £000 | Total 2017 £000 |
|---|---|---|---|---|---|---|
| Investments | **–** | **322,322** | **322,322** | – | 299,671 | 299,671 |
| Investment in subsidiary | **–** | **629** | **629** | – | 629 | 629 |
| Other receivables including prepayments | **–** | **55** | **55** | – | 4,106 | 4,106 |
| Cash at bank | **1,102** | **–** | **1,102** | 4,059 | – | 4,059 |
| Current liabilities | **–** | **(1,007)** | **(1,007)** | – | (985) | (985) |
| | **1,102** | **321,999** | **323,101** | 4,059 | 303,421 | 307,480 |

***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, £100.1m as valued at 31 March 2018 (2017: £94.5m) and as a proportion of the NAV, 31.0% (2017: 30.7%). 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 should also be noted that the exposure of Hansa Trust to the currency, country and market based risk exposure of Ocean Wilsons is, to an extent, mitigated by the diverse nature of the two investments within Ocean Wilsons. Wilson Sons, corresponding to 63.5% of Ocean Wilsons' NAV, has a direct exposure to the Brazilian economy, whereas Ocean Wilsons Investments is not exposed to Brazil and corresponds to the other 36.5%. 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 pages 26 and 27, rise or fall in value by 10% from the year end valuation, the effect on the Company's profit and equity would be an equal rise or fall of £32.2m (2017: £30.1m).

***Credit Risk***

The Company only transacts with regulated institutions on normal market terms, which are trade date plus one to three days in the case of equities. Fund investment settlement periods will vary from fund to fund and are defined by the individual managers. The levels of amounts outstanding from brokers and fund managers 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 were 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 2018 are shown in Note 12 and Note 14.

The Company's maximum exposure to credit risk on cash is £1.1m (2017: £0.3m) and on cash funds is £nil (2017: £3.8m). Surplus cash is on deposit with the Depositary/Custodian.

***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 31.0% (2017: 30.7%); there are holdings in AIM (prior year only), unquoted equity investments of 3.6% (2017: 7.6%) and there are investments into open-ended investment funds with varying liquidity terms of 43.4% (2017: 43.8%).

# Notes to the Financial Statements

## 20 FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (CONTINUED)

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 representing more than 5% of the investee company. A detailed list of the investments, split by silo, held at 31 March 2018 is shown on pages 26 and 27. This can be used broadly to ascertain the levels of liquidity within the portfolio, although liquidity will vary with each investment – particularly the funds.

The Company has no financial liabilities at 31 March 2018 arising from its bank loan facility (2017: £nil). This loan is part of a total revolving credit facility with BNP of £30m (2017: £30m) that would bear interest based on the prevailing LIBOR rate, plus an agreed margin. The facility is a committed facility repayable on or before 30 March 2020 and subject to a covenant requirement of a minimum adjusted NAV of £80m. The Company has undrawn loans from this facility of £30m (2017: £30m). The Company holds this facility for use at short notice for its investment activities. If fully drawn the loan would form 10.0% (2017: 10.0%) 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 repurchase 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 repurchase its own ‘A’ non-voting Ordinary shares in the market may potentially enable it to benefit all equity shareholders of the Company. The repurchase 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.

## 21 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 (i.e. as prices) or indirectly (i.e. 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, grouped into the fair value hierarchy and valued in accordance with the accounting policies in Note 1, are detailed below

| 31 March 2018 | Level 1 £000 | Level 2 £000 | Level 3 £000 | Total £000 |
|---|---|---|---|---|
| **Financial assets at fair value through profit or loss** | | | | |
| Quoted equities | 162,060 | – | – | 162,060 |
| Unquoted equities | – | – | 11,783 | 11,783 |
| Fund investments | 8,335 | 140,144 | – | 148,479 |
| Investment in subsidiary | – | – | 629 | 629 |
| Net fair value | 170,395 | 140,144 | 12,412 | 322,951 |

## 21 FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

| 31 March 2017 | Level 1 £000 | Level 2 £000 | Level 3 £000 | Total £000 |
|---|---|---|---|---|
| **Financial assets at fair value through profit or loss** | | | | |
| Quoted equities | 147,035 | – | – | 147,035 |
| Unquoted equities | – | – | 11,860 | 11,860 |
| Fund investments | 5,167 | 135,609 | – | 140,776 |
| Investment in subsidiary | – | – | 629 | 629 |
| Net fair value | 152,202 | 135,609 | 12,489 | 300,300 |

The Company'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:

| | 2018 Equity investments £000 | 2017 Equity investments £000 |
|---|---|---|
| Opening Balance | **12,489** | 12,614 |
| Transferred from Level 1 | **–** | 3,129 |
| Purchases | **–** | 702 |
| Sales | **–** | (700) |
| Total gains or losses included in gains on investments in the Income Statement: | | |
| – on assets sold | **–** | 700 |
| – on assets held at year end | **(77)** | (3,956) |
| **Closing Balance** | **12,412** | 12,489 |

All Leisure Group has been transferred from Level 1 to Level 3 but it has been valued at a market value of £nil since the previous year end.

As at 31 March 2018, the investment in DV4 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 2018. The most recent valuation statement was received on 12 February 2018. It is believed the value of DV4 as at 31 March 2018 will not be materially different. 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 2018 would have increased or decreased by £1,177,200.

## 22 RELATED PARTIES

Details of the relationship between the Company and Hansa Capital Partners LLP, including amounts paid during the year and owing at 31 March 2018, are disclosed in the Strategic Report – Shareholder Profile and Engagement on page 28 and in Note 3 on page 53. Details of the relationship between the Company and the Directors, including amounts paid during the year to 31 March 2018, are disclosed in the Strategic Report – The Board on page 8 and also in the Directors' Remuneration Report on page 39.

The Company has one subsidiary, Consolidated Investment Funds Limited, which is dormant. Alex Hammond-Chambers and William Salomon are directors of CIFL as well as Hansa Trust. There is an interest-free intercompany loan from CIFL to its parent of £629,000. The Board considers that the par value and fair value of the loan to be £629,000 as it is repayable on demand and does not have a fixed term. CIFL does not maintain a bank account and so, in previous years, the Company has paid any costs incurred by CIFL adjusting the intercompany loan accordingly. During the current year, CIFL has not incurred any costs and so no changes to the intercompany loan have occurred.

## 23 CONTROLLING PARTIES

At 31 March 2018 Victualia Limited Partnership and Nomolas Ltd each held 25.9% of the issued Ordinary shares. Additional information is disclosed in the Strategic Report – Substantial Shareholders on page 28.

# 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 Mayfair Hotel, 5 Curzon Street, London W1J 5HE on 27 July 2018 at 11.00am, 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 2018.

2 To re-elect Alex Hammond-Chambers (a biography and Board endorsement can be found on page 6) as a Director of the Company.

3 To re-elect Jonathan Davie (a biography and Board endorsement can be found on page 6) as a Director of the Company.

4 To re-elect Raymond Oxford (a biography and Board endorsement can be found on page 7) as a Director of the Company.

5 To re-elect William Salomon (a biography and Board endorsement can be found on page 7) as a Director of the Company.

6 To re-elect Geoffrey Wood (a biography and Board endorsement can be found on page 7) as a Director of the Company.

7 To approve the Directors' Remuneration Report.

8 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:.

9 Authority to repurchase up to 14.99% of the 'A' non-voting Ordinary shares of 5p each in the issued shares capital of the Company (the "Shares").

THAT the Company be and hereby is unconditionally authorised, in accordance with s.701 of the Companies Act 2006, to make market purchases 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.

10 THAT the period of notice required for general meetings of the Company (other than AGMs) shall be not less than 14 days.

11 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 2018

**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 close of business on 25 July 2018 ('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 Link Asset Services, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU, or a proxy can be lodged electronically at www.signalshares.com, in each case no later than 11.00am on 25 July 2018.

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 they do not do so in relation to the same shares.

9 As at 20 June 2018 (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 20 June 2018 are 8,000,000.

10 CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members and those CREST members who have appointed a service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

11 In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instruction, as described

in the CREST Manual (available via www.euroclear.com/CREST). The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent ID RA10 by 11.00am on 25 July 2018. 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 s.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 the meeting or involve the disclosure of confidential information; (b) the answer has already been given on a website in the form of an answer to a question; or (c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

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

16 The following documents will be available for inspection at the registered office of the Company during usual business hours on any 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) a copy of the current Articles of Association; and

b) a copy of all Directors' Service Contracts.

17 A person to whom this notice is sent who is a person nominated under s.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 on page 63 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; and

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 s.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 s.437 of the Act. The Company may not require the members requesting any such website publication to pay its expenses in complying with s.527 or 528 of the Act. Where the Company is required to place a statement on a website under s.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 s.527 of the Act to publish on a website.

# 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 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. Finally, Hansa Trust is registered as a Reporting Financial Institution with the US IRS for FATCA purposes and complies with its reporting requirements under FATCA, C-DOT and CRS regimes.

**Investor Disclosure**

**AIFMD**

The Company's AIFM, Maitland Institutional Services Limited, hosts a Hansa Trust Investor Disclosure document on their website. The document is a regulatory requirement and summarises key features of the Company for investors. It can be viewed at:
https://www.maitlandgroup.com/wp-content/uploads/2017/08/Hansa-Investor-Disclosure-Document-2017-updated-30.10.17.pdf

**Packaged Retail and Insurance-based Investment Products ("PRIIPs")**

The Company's AIFM, Maitland Institutional Services Limited, is responsible for applying the product governance rules defined under the MiFID II legislation on behalf of Hansa Trust PLC. Therefore, the AIFM is deemed to be the 'Manufacturer' of Hansa Trust's two share classes. Under MiFID II, the Manufacturer must make available Key Information Documents ("KIDs") for investors to review if they so wish ahead of any purchase of the Company's shares. Maitland have done this as required. The PRIIPs KIDs can be found on their website: https://www.maitlandgroup.com/investment-data/hansa-trust-plc/ and links to these documents can also be found on the Company's website for good measure:
http://www.hansatrust.com/shareholder-information/regulatory-information.aspx

**Capital Structure**

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

**Contact Details**

Hansa Trust PLC
50 Curzon Street, London W1J 7UW
Telephone: +44 (0) 207 647 5750
Fax: +44 (0) 207 647 5770
Email: hansatrustenquiry@hansacap.com
Website: www.hansatrust.com

The Company's website includes the following:

– Monthly factsheets
– Stock Exchange announcements
– Details of the board statements
– Annual and Half-Year Reports
– Share price data reports
– Peer group listing

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
Website: www.hansagrp.com

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

Link Asset Services
34 Beckenham Road
Beckenham
Kent BR3 4TU
Telephone: 0871 664 0300

(Calls cost 12p per minute plus your phone company's access charge. If you are outside the United Kingdom, please call +44 371 664 0300. Calls outside the United Kingdom will be charged at the applicable international rate. We are open between 9.00am – 5.30pm, Monday to Friday excluding public holidays in England and Wales.
Email: enquiries@linkgroup.co.uk
www.linkassetservices.com

**Share Price Listings**

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

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

| *ISIN* | *Code* |
|---|---|
| Ordinary shares | GB0007879728 |
| 'A' non-voting Ordinary shares | GB0007879835 |
| *SEDOL* | |
| Ordinary shares | 787972 |
| 'A' non-voting Ordinary shares | 787983 |
| *Reuters* | |
| Ordinary shares | HAN.L |
| 'A' non-voting Ordinary shares | HANA.L |
| *Bloomberg* | |
| Ordinary shares | HAN LN |
| 'A' non-voting Ordinary shares | HANA LN |
| *SEAQ* | |
| Ordinary shares | HAN |
| 'A' non-voting Ordinary shares | HANA |

Legal Entity Identifier: 213800AIF87JWGLA1L74

**Useful Internet Addresses**

| | |
|---|---|
| Association of Investment Companies | www.theaic.co.uk |
| London Stock Exchange | www.londonstockexchange.com |
| TrustNet | www.trustnet.com |
| Interactive | www.iii.co.uk |
| Morningstar | www.morningstar.com |
| Edison | www.edisongroup.com |

**Financial Calendar**

| | |
|---|---|
| Company year end | 31 March |
| Annual Report sent to shareholders | 29 June |
| Annual General Meeting | 27 July |
| Half-Year Report sent to shareholders | December |
| Interim dividend payments | November & May |

# Company Information

Registered in England & Wales number: 00126107

### BOARD OF DIRECTORS
Alex Hammond-Chambers
Jonathan Davie
Raymond Oxford
William Salomon
Geoffrey Wood

### COMPANY 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
Dentons LLP
1 Fleet Place
London EC4M 7WS

### REGISTRAR
Link Asset Services
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

### TAX ADVISOR
BDO LLP
55 Baker Street
London W1U 7EU

### DEPOSITARY
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
Maitland Administration Services Limited
Springfield Lodge
Colchester Road
Chelmsford
Essex CM2 5PW

### ALTERNATIVE INVESTMENT FUND MANAGER
Maitland Institutional Services Limited
Springfield Lodge
Colchester Road
Chelmsford
Essex CM2 5PW

# Glossary of Terms

**AIC**
The Association of Investment Companies ("AIC") is the UK trade association for closed-ended investment companies.

**Annual Dividend**
The amount paid by the Company to shareholders in dividends (cash or otherwise) relating to a specific financial year of the Company. UK Investment Trusts are required to distribute a minimum amount each year based upon a minimum allowed level of retention of revenue income. The Company's dividend policy is to announce its expected level of dividend payment at the start of each financial year. Barring unforeseen circumstances, the Company then expects to make two interim dividend payments each year – the first at the end of November during that financial year and the second at the end of May following the end of the financial year.

**Bid Price**
The price at which you can sell shares determined by supply and demand.

**Capital Structure**
The stocks and shares that make up a trust's capital i.e. the amount of ordinary and preference shares, debentures and unsecured loan stock etc. which are in issue.

**Closed-ended**
A company with a fixed number of shares in issue.

**Depositary/Custodian**
A financial institution acting as a holder of securities for safekeeping.

**Discount**
When the share price is lower than the Net Asset Value, it is referred to as trading at a discount. The discount is expressed as a percentage of the Net Asset Value.

**Dividend**
The amount of income paid to shareholders. UK Investment Trusts are required to distribute a minimum amount each year based upon a minimum allowed level of retention of revenue income.

**Expense Ratio**
An expense ratio is determined through an annual calculation, where the operating expenses are divided by the average NAV. Note there is also a description of an additional PRIIPs KID Ongoing Changes Ratio explained on page 13.

**Gearing**
Gearing refers to the level of borrowing related to equity capital.

**Five Year Rolling NAV Return (per annum)**
The rate at which, compounded for five years, will equal the five year NAV total return to end March, assuming dividends are always reinvested at pay date.

**Five Year NAV and Share Price Total Return**
Rebased from 0% at the start of the five year period, this is the rate at which the Company's NAV and share prices would have returned at any period from that starting point assuming dividends are always reinvested at pay date.

**Hedging**
Strategy used to reduce risk of loss from movements in interest rates, equity markets, share prices or currency rates.

**Investment Trust**
An Investment Trust is company that is a form of collective investment vehicle. The company is a closed-end fund and is constituted as a public limited company that is listed on a Stock Exchange. In the UK, Investment Trusts benefit from certain beneficial tax allowances – most notably not paying tax on Capital Gains. Their taxation status is governed by s 1158 of the Corporate Tax Act 2010.

**Issued Share Capital**
Issued share capital is the total number of shares subscribed to by the shareholders.

**Key Performance Indicators ("KPIs")**
A set of quantifiable measures that a company uses to gauge its performance over time. These metrics are used to determine a company's progress in achieving its strategic and operational goals and also to compare a company's finances and performance against other businesses within its industry.

# Glossary of Terms
*Continued*

**Market Capitalisation**
The market value of a company's shares in issue. This figure is found by taking the stock price and multiplying it by the total number of shares outstanding.

**Mid Price**
The average of the Bid and Offer Prices of a particular traded share.

**Net Asset Value / NAV**
The value of the total assets minus liabilities of the company.

**Net Asset Value Total Return**
See Total Return.

**Offer Price**
The price at which you can buy shares determined by supply and demand.

**Ordinary Shares**
Shares representing equity ownership in a company allowing investors to vote and receive dividends. Ordinary shareholders have the pro-rata right to a company's residual profits. In other words, they are entitled to receive dividends if any are available after payments to financial lenders and dividends on any preferred shares are paid. They are also entitled to their share of the residual economic value of the company should the business unwind.

**Premium**
When the share price is higher than the Net Asset Value it is referred to as trading at a premium. The premium is expressed as a percentage of the Net Asset Value.

**Packaged Retail and Insurance-based Investment Product ("PRIIP")**
Packaged retail investment and insurance-based products (PRIIPs) make up a broad category of financial assets that are regularly provided to consumers in the European Union. The term PRIIPs, created by the European Commission to regulate the underlying market, is defined as any product that is manufactured by the financial services industry, to provide investment opportunities to retail investors, where the amount repayable is subject to fluctuation because of exposure to reference values or the performance of underlying assets not directly purchased by the retail investor.

**Public Limited Company ("PLC")**
A Public Limited Company in the UK is a company limited by shares with an authorised share capital of over £50,000.

**Shareholders' Funds / Equity Shareholders' Funds**
This equates to the Net Asset Value of the Company.

**Spread**
The difference between the Bid and Ask price.

**Total Return**
When measuring performance, the actual rate of return of an investment or a pool of investments over a given evaluation period. Total return includes interest, capital gains, dividends and distributions realised over a given period of time.

**Total Return – Shareholder**
The Total Return to a shareholder is a measure of the performance of the company's share price over time.
It combines share price appreciation/depreciation and dividends paid to show the total return to the shareholder expressed as an annualised percentage.

**VIX Index**
The VIX, or the CBOE Volatility Index, is a widely used measure of the implied volatility of the stock market, based on S&P 500 index options. It is calculated and published by the Chicago Board Options Exchange.

# Notes

# Notes

HANSA TRUST PLC

**Hansa Trust PLC**
50 Curzon Street
London
W1J 7UW

T : +44 (0) 207 647 5750
F : +44 (0) 207 647 5770
E : hansatrustenquiry@hansacap.com

**Visit us at**
www.hansatrust.com