



RUFFER  
INVESTMENT  
COMPANY LIMITED

**Annual Financial Report**  
**for the year ended 30 June 2016**



# RUFFER INVESTMENT COMPANY LIMITED

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# RUFFER INVESTMENT COMPANY LIMITED

## Financial Highlights

	30.06.16	
	Offer Price (per share) £	Net Asset Value (per share) £
Redeemable participating preference shares	2.11†	2.13*
† The price an investor would have paid at the close of trading in the market (London Stock Exchange ("LSE")).		
* This is the Net Asset Value ("NAV") per share using International Financial Reporting Standards as at 30 June 2016. The Fund is valued weekly and at month end. Refer to note 14 on page 45 for the NAV reconciliation.		

## Key Performance Indicators\*

	30.06.16	30.06.15
Share Price Total Return over 12 months	(3.50%)	11.90%
NAV Total Return per share over 12 months	(1.00%)	7.80%
(Discount)/premium of share price to NAV	(0.94%)	1.92%
Dividends per share	3.4p	3.4p
Dividend yield	1.60%	1.50%
Total expenses as a ratio of net assets	1.18%	1.18%
NAV Total Return per share since inception	160.70%	163.40%

\* Figures use NAV per share at mid-market prices as reported to the LSE.

## Company Information

Incorporation Date	01.06.04	
Launch Date	08.07.04 (C shares: 29.09.05)	
Initial Net Asset Value	98p per share (98p per 'C' share)**	
Launch Price	100p per share (100p per 'C' share)	
Accounting dates	Interim 31 December (Unaudited)	Final 30 June (Audited)

\*\* On 12 December 2005, the 'C' shares were converted into redeemable participating preference shares in the Company at a ratio of 0.8314 redeemable participating preference shares for each 'C' share, in accordance with the conversion method in the Placing and Offer for Subscription Document.

# RUFFER INVESTMENT COMPANY LIMITED

## Company Performance

	Price at 30.06.16		Change in Bid Price	
	Bid Price £	Offer Price £	From Launch %	From 30.06.15 %
Shares	2.090	2.110	+109.00	(6.28)

Prices are published in the Financial Times in the “Investment Companies” section, and in the Daily Telegraph’s “Share Prices & Market Capitalisations” section under “Investment Trusts”.

## Fund Size

Accounting Period to:	Net Asset Value £	Net Asset Value per Share £	Number of Shares In Issue
30.06.16	331,484,744	2.127*	155,838,416
30.06.15	337,222,401	2.184	154,413,416
30.06.14	318,040,568	2.065	154,013,416
30.06.13	319,114,093	2.139	149,188,416
30.06.12	270,884,661	1.915	141,488,416
30.06.11	248,248,134	1.953	127,138,416

\* Net Asset Value per share reported to the London Stock Exchange was £2.1301 using mid market values. Bid prices are presented as fair value in the Financial Statements.

## Share Price Range

Accounting Period to:	Highest Offer Price £	Lowest Bid Price £
30.06.16	2.250	1.950
30.06.15	2.260	1.943
30.06.14	2.290	2.005
30.06.13	2.310	1.915
30.06.12	2.070	1.900
30.06.11	2.110	1.850

## Net Asset Value Range

Accounting Period to:	Highest NAV £	Lowest NAV £
30.06.16	2.199	1.962
30.06.15	2.243	2.041
30.06.14	2.206	2.034
30.06.13	2.208	1.903
30.06.12	1.991	1.871
30.06.11	1.960	1.810

*Past performance is not a guide to the future. The value of the shares and the income from them can go down as well as up and you may not get back the amount originally invested.*

# RUFFER INVESTMENT COMPANY LIMITED

## Chairman's Review

### Performance\*

In the six months from the interim results on 31 December 2015, the Ruffer Investment Company's (the "Company") net asset value (NAV) per share rose from 206.98p to 213.01p. After allowing for dividends of 1.7p paid during the period this equates to a total return of +3.7%. The Company's share price was unchanged over the period as the shares moved from a premium of 1.9% to a discount of 0.9%. Looking at the full financial year the performance was less impressive as the NAV fell by 1% on a total return basis. The target return, being twice the Bank of England base rate, amounted to 1% over the financial year and by way of context the FTSE All-Share Total Return index rose by 2.2%. Since launch on 8 July 2004, the NAV of the company has risen by 160.7% including dividends, compared with a target return of 67.0% and a rise of 145.6% in the FTSE All-Share Total Return index.

After last year's total return of 7.8% it is disappointing to record a result which falls short of our target return and capital preservation objective. The Investment Manager will explain the reasons for this underperformance and the subsequent improvement as the NAV rebounded 9.5% from the February low point through to the year-end. As at close of business on 15 September 2016, the latest published NAV was 226.00p (as at 9 September 2016).

### Earnings and Dividends

Earnings for the year were 1.93p per share on the revenue account and a loss of 4.65p per share on the capital account. Over the course of the year dividends totalling 3.4p per share were paid. A third interim dividend of 1.70p per share in respect of the year to 30 June 2016 was approved on 14 September 2016 for payment on 14 October 2016.

As is clear from the numbers in the previous paragraph the investment portfolio is generating less income than we are distributing and we are having to call on our income reserves. The directors do not believe it to be in our shareholders' best interests to start making distributions from capital reserves and therefore the dividend is likely to be reduced within the next 12 months. In last year's report I outlined the directors' attitude towards the dividend. In summary the Company's primary objective is one of capital preservation and we are not prepared to ask the Investment Manager to put capital at excessive risk through the pursuit of income. This approach would compromise our strategy and leave this Company out of kilter with our claim that it represents 'a slice of Ruffer' in its adoption of a total return investment approach. Income reserves will stand at 1.28p per share after allowing for the next dividend payment, due on 14 October 2016. Going forward it is likely that distributions will fall into line with the net yield on the investments as was the case at the Company's inception. The board will retain the ability to accumulate income reserves as was previously the case. In a world of zero (and negative) interest rates where income returns have been forced ever lower, the directors feel that this approach gives the Company the best chance of meeting its capital preservation objective and by extension its ability to generate income returns in the future when interest rates normalise. It is also worth noting that approximately a quarter of the Company's income is inflation protected and, as a result, necessarily comes with a lower running yield, but the real value of this income stream should be maintained in times of rising inflation (ie it could rise sharply in nominal terms).

### Strategy

In pursuit of our objective of achieving a positive total annual return, after all expenses, of at least twice the Bank of England base rate your Investment Manager strives to construct a portfolio with a positive return bias in both bull and bear markets. I have heard Jonathan Ruffer and other senior portfolio managers describe this approach as being similar to building a child's mobile where a balance is required between 'fear' and 'greed' investments. The Investment Manager remains convinced that the greatest risk to capital preservation remains the onset of inflation coupled with low interest rates. The timing of such an event is impossible to call but there is no doubt that we have moved closer to this denouement in the last 12 months as loose monetary policy continues without an end in sight and the prospect of higher interest rates, by anything more than a token amount, remains elusive. This explains why 46% of the value of the portfolio at the year-end was invested in inflation-linked securities, which, along with a modest 2% holding in cash, a 7% weighting in gold and gold mining equities and a 7% weighting in illiquid strategies, provide the defensive or 'fear' element of the portfolio's carefully structured mobile. The 'greed' element, given our cautious outlook, amounts to just 38% of the whole, and is catered for by a selection of equities in a variety of global markets.

# RUFFER INVESTMENT COMPANY LIMITED

## Chairman's Review (continued)

### Strategy (continued)

The Investment Manager has long thought that the Japanese equity market offers the most attractive risk-reward profile with its increasingly shareholder-friendly corporate behaviour, a government and central bank determined to pull Japan out of deflation and relatively modest valuations. This explains our 14% exposure.

The US equity market, with its entrepreneurial ethos and adaptable economic model, runs a close second with an 11% weighting. The UK equity market exposure amounts to just 6% with the balance of the equity exposure made up by 3% in Europe and 2% in Asia ex-Japan. One of the great advantages of being structured as an authorised closed-ended investment company with investment trust type properties is that when short term dislocations hit markets your Investment Manager has the security of knowing that he will not be forced to sell his carefully built up investments at a moment when they are least likely to be beneficially priced. If shareholders wish to sell and buyers are reluctant to invest then your Company will fall to a discount, but the capital structure of the portfolio remains untouched. Your Company benefits from long-term investments in some less liquid assets, most notably the Ruffer Illiquid Strategy funds. The first of these is nearing maturity and has paid back virtually all the capital invested and so the remaining value in the portfolio statement is all profit. If only those managing physical property funds had placed them within investment trust structures rather than open ended funds then a great deal of anguish and reputational damage evident over the weeks following the Brexit decision would have been avoided. Whilst mentioning Brexit the Directors and Investment Manager claim no second sight and, whilst there remains a great deal of uncertainty as to how this momentous decision will affect markets and economies, they remain committed to achieving the Company's Investment Objective detailed on page 6.

The Directors believe the reasons that shareholders hold our shares are because the Company provides the sort of investment exposure which is not easily replicable elsewhere and particularly because they feel that it requires real skill to understand investments in index-linked securities and to be able to access interesting long term value propositions such as are found in the Ruffer Illiquid funds. The Company's Investment Manager is also able to identify investments which will be inversely correlated to the mainstream asset classes of equities and fixed-income. Ruffer are also regarded as being experts in Japanese equities and this is clear in the corporate access we get in Japan and Ruffer's reputation there. These seem to me to be entirely rational reasons. In an environment where a flood of easy money has lifted the value of almost all investments it is very hard to find undervalued assets, but the Directors believe that the Investment Manager remains well placed to unearth such value whilst protecting against the uncertain risks which may lie just over the horizon. With strong leadership at the top of the business we are satisfied that Ruffer retains the talent and strength in depth to continue to manage the Company's investments. All Directors visit the offices of Ruffer at least once each year to conduct due diligence, to meet the key personnel from various parts of the business and to interview the managers of the in-house funds in which the Company has investments.

In conclusion the Board remains confident in the ability of the Investment Manager to achieve the Company's objectives. For further information on strategy please look at the Business Model and Strategy section on page 6.

### Share Issuance

At the start of the year, the Company had the ability to issue 13,681,342 redeemable participating shares under a blocklisting facility. On 19 November 2015, at the Company's Annual General Meeting ("AGM"), a resolution to issue up to a further 10% of the Company's share capital by way of a block listing facility was passed. As at 15 September 2016, the date of this report, out of a possible total of 13,681,342 shares, 1,425,000 had been issued at a 2% or higher premium to the Company's prevailing NAV. All of these new shares were issued during the year ended 30 June 2016. The Board is content that the issuance of shares at a premium of more than 1.1% to the prevailing NAV is value enhancing to existing shareholders. Your Board is happy to continue to grow the Company organically, when the opportunity presents itself, as spreading the overheads over a larger number of shares has the effect of reducing the Total Expense Ratio (TER) thus benefitting all shareholders. This objective has been achieved in recent years as the TER has gradually declined. Equally, as is outlined further down this report, your Directors will consider shrinking the Company by buying back shares should the discount to NAV ever move to a large and persistent level.

As at the date of this report the Company had 155,838,416 redeemable participating preference shares of 0.01p each and 2 Management shares of £1.00 each in issue. Therefore, the total voting rights in the Company at the date of this report were 155,838,418.

# RUFFER INVESTMENT COMPANY LIMITED

## Chairman's Review (continued)

### Annual General Meeting

The AGM of the Company will be held at 12 noon on 30 November 2016 at the Company's registered office at Trafalgar Court, Les Banques, St Peter Port, Guernsey.

### Board Governance

As shareholders will be aware we have been taking steps to refresh the board, since a number of your Directors have been in post since the Company was floated in July 2004. These plans are now almost complete. I mentioned in last year's report that we were in the middle of an exercise to see whether moving our tax domicile from Guernsey to the UK would be in the best interests of shareholders. The Directors concluded in February 2016 that such a change would not be advantageous, although it would be kept under review, as the composition of the portfolio might change over time. Having settled this question we were then in a position to recruit new directors with a greater degree of certainty of where our domicile would be in the coming years.

Wayne Bulpitt, a Guernsey resident and an acknowledged expert on all matters pertaining to fund administration, retired from the Board on 20 July 2016. Following an extensive recruitment exercise involving a search consultant Mrs Sarah Evans, also a resident of Guernsey, was recruited and joined the Board on 20 July 2016. At this year's AGM we will bid farewell to Jan Etherden, who has, as a former fund manager, provided much sage advice since the inception of your Company. We are in the process of confirming her successor. Chris Spencer, the Chairman of our Audit Committee, has indicated his intention to retire as a director of the Company in February 2017 and further announcements on director succession planning will be made over the coming months. Please refer to the Corporate Governance Statement on page 19 for more detail. The intention behind these changes is to allow continuity of oversight whilst abiding by the recommended best practices of corporate governance.

### Share Buyback Authority

Your Company's shares have traded at either a small premium or a modest discount to NAV for most of the year to 30 June 2016, and that situation persists to the date of this report. The discount has touched 5% momentarily on a couple of occasions but has drawn in as those interested in buying 'a slice of Ruffer' are then more inclined to buy your Company's shares as opposed to the very similar but ten times larger OEIC alternative, the CF Ruffer Total Return Fund. The Board has resolved to seek, at the AGM on 30 November 2016, a renewal of its authority to buy back shares at a discount to NAV under terms to be stated in a Special Resolution. No shares have yet been bought back under authorisations granted at previous AGMs as the shares have not traded at a persistent and significant discount.

### Share Redemption Facility

The Company has a Redemption Facility operable in November each year. Given the fact that the Company has been trading close to its NAV for most of the previous year, and that, in the Board's opinion, the current discount remains manageable through share re-purchases the Board has resolved not to offer this Facility in November 2016.

### Related Party Share Purchases

Since 1 January 2016, several parties close to the Company added to their shareholdings. Jonathan Ruffer, Chairman of Ruffer LLP, bought 140,000 shares, Ashe Windham, Chairman of Ruffer Investment Company, bought 5,000 shares and Hamish Baillie, manager of the Company's investments, bought 31,000 shares.

### Ashe Windham

*Chairman*

15 September 2016

\* Figures use Net Asset Value per share at mid-market prices as reported to the London Stock Exchange. For the reconciliation of IFRS NAV and London Stock Exchange NAV please see note 14 on page 45. The calculation of the Total Return includes an amount of 42.46 pence per share, which represents the notional amount by which dividends paid to date (31p) would have grown if they had not been paid out as dividends but reinvested within the Company.

# **RUFFER INVESTMENT COMPANY LIMITED**

## **Business Model and Strategy**

Ruffer Investment Company Limited (the “Company”) carries on business as a closed-ended investment company. Its shares are traded on the Main Market of the London Stock Exchange (the “LSE”). The Company is externally managed by Ruffer AIFM Limited, a UK investment manager authorised and regulated in the conduct of Investment business in the United Kingdom by the Financial Conduct authority (“FCA”). Ruffer AIFM Limited is also the Alternative Investment Fund Manager (“AIFM”) of the Company.

### **Board**

The Board of Directors is responsible for the overall stewardship of the Company, including general management, structure, finance, corporate governance, marketing, risk management, compliance, asset allocation and gearing, contracts and performance. Biographical details of the Directors, all of whom are non-executive, are listed on page 12 and on the Management and Administration summary on page 63. The Company has no executive directors or employees.

The Board has contractually delegated to external parties various functions as disclosed in the Corporate Governance Statement on pages 17 to 21.

### **Investment Objective**

The principal objective of the Company is to achieve a positive total annual return, after all expenses, of at least twice the Bank of England base rate (0.5% for the year ended 30 June 2016).

The Company predominantly invests in internationally listed or quoted equities or equity related securities (including convertibles) and/or bonds which are issued by corporate issuers, supra-nationals or government organisations.

### **Investment Strategy**

The Company’s strategy is to create a balanced portfolio of offsetting assets which in aggregate are intended to provide positive performance in excess of twice the Bank of England base rate each year while protecting capital value.

### **Investment Policies**

In selecting investments the Company adopts a stock picking approach and does not adopt any investment weightings by reference to any benchmark. Both the Board and the Investment Manager believe that the adoption of any index related investment style would inhibit the ability of the Company to deliver its objectives.

The Company invests across a broad range of assets, geographies and sectors in order to achieve its objective. This allocation will change over time to reflect the risks and opportunities identified by the Investment Manager across global financial markets, with an underlying focus on capital preservation. The allocation of the portfolio between different asset classes will vary from time to time so as to enable the Company to achieve its objective. There are no restrictions on the geographical or sectoral exposure of the portfolio (except those restrictions noted below).

The universe of equity, equity related securities or bonds in which the Company may invest is wide and may include companies domiciled in, and bonds issued by entities based in, non-European countries, including countries that are classed as emerging or developing. This may result in a significant exposure to currencies other than Pound Sterling. Where appropriate the Manager will also use in-house funds to gain exposure to certain asset classes.

The Company may use derivatives, including (but not limited to) futures, options, swap agreements, structured products, warrants and forward currency contracts, for efficient portfolio management purposes only.

### **Investment Restrictions and Guidelines**

It is not intended for the Company to have any structural gearing. The Company has the ability to borrow up to 30 per cent. of the NAV at any time for short term or temporary purposes, as may be necessary for settlement of transactions, to facilitate share redemption or to meet ongoing expenses.

# RUFFER INVESTMENT COMPANY LIMITED

## Business Model and Strategy (continued)

### Investment Restrictions and Guidelines (continued)

The proportion of the portfolio invested into companies based in emerging or developing countries will be limited, at the time of any investment, to below 15 per cent. of the Company's gross assets.

The Directors have determined that the Company will not engage in currency hedging except where the Investment Manager considers such hedging to be in the interests of efficient portfolio management.

The Directors have determined that not more than 10 per cent., in aggregate, of the value of the gross assets of the Company at the time of the acquisition may be invested in other UK listed investment companies (including UK listed investment trusts) except that this restriction does not apply to investments in such entities which themselves have stated investment policies to invest no more than 15 per cent. of their gross assets in other UK listed investment companies (including listed investment trusts). Regardless of the above restriction, the Directors have further determined that no more than 15 per cent. in aggregate of the Company's gross assets will be invested in listed investment companies (including listed investment trusts).

### General

In accordance with the requirements of the United Kingdom Financial Conduct Authority (the "FCA"), any material changes in the Investment Policy of the Company may only be made with the approval of shareholders.

### Investment of Assets

At each quarterly Board meeting, the Board receives a detailed presentation from the Company's Investment Manager which includes a review of investment performance, recent portfolio activity and a market outlook. It also considers compliance with the investment policy and other investment restrictions during the reporting period. The Company's Top Ten holdings and Portfolio Statement are on page 11 and pages 58 to 61, respectively.

### Environmental Policy

LSE listing rules require most companies to disclose their Environmental Policy. However, due to the nature of its operations, RICL is exempt from this obligation. Ruffer AIFM Limited's Environmental, Social and Governance Policy is available upon request from the Investment Manager.

### Shareholder Value

The Board reviews on an ongoing basis the performance of the Investment Manager and considers whether the investment strategy utilised is likely to achieve the Company's investment objective of realising a positive total annual portfolio return, after all expenses, of at least twice the return of the Bank of England base rate. Having considered the portfolio performance and investment strategy, the Board has unanimously agreed that the interests of the shareholders as a whole are best served by the continuing appointment of the Investment Manager on the terms agreed.

### Principal Risks and Uncertainties and their Management

The Board has undertaken a robust assessment of the principal risks facing the Company and has undertaken a detailed review of the effectiveness of the risk management and internal control systems. As stated within the Report of the Audit Committee on pages 23 to 26, the Board with the assistance of the Administrator and the Investment Manager has drawn up a risk assessment matrix, which identifies the key risks to the Company. The principal risks and uncertainties faced by the Company and the mitigating factors adopted by the Company are summarised below. Note 19 of the Financial Statements on pages 47 to 56 provides detailed explanations of the risks associated with the Company's financial instruments:

- **Investment Risks:** The Company is exposed to the risk that its portfolio fails to perform in line with the Company's objectives. The Board reviews reports from the Investment Manager at each quarterly Board meeting, paying particular attention to the diversification of the portfolio and to the performance and volatility of underlying investments;

# RUFFER INVESTMENT COMPANY LIMITED

## Business Model and Strategy (continued)

### Principal Risks and Uncertainties and their Management (continued)

- **Operational Risks:** The Company is exposed to the risks arising from any failure of systems and controls in the operations of the Investment Manager or the Administrator. The Board receives reports annually from the Investment Manager and Administrator on their internal controls and reviews pricing reports covering the valuations of underlying investments at each quarterly Board meeting;
- **Accounting, Legal and Regulatory Risks:** The Company is exposed to risk if it fails to comply with the regulations of the UK Listing Authority or the Guernsey Financial Services Commission or if it fails to maintain accurate accounting records. The Administrator provides the Board with regular reports on changes in regulations and accounting requirements; and
- **Financial Risks:** The financial risks faced by the Company include market, credit and liquidity risk. These risks and the controls in place to mitigate them are reviewed at each quarterly Board meeting. Further details on financial risks are discussed in note 19 of the Financial Statements on pages 47 to 56.

The Board seeks to mitigate and manage these risks through continual review, policy-setting and enforcement of contractual obligations. It also regularly monitors the investment environment and the management of the Company's portfolio.

### Long Term Viability Statement

In accordance with provision C.2.2 of the UK Corporate Governance Code, (the "Code"), the Directors have assessed the prospects of the Company over a longer period than the 12 months minimum required by the 'Going Concern' provision. For the purposes of this statement having regard to the economic planning cycle and the Company's strategy review period, the Board has adopted a three year viability period.

In its assessment of the Company's viability over the three year period the Board has considered each of the Company's principal risks detailed on pages 47 to 56 and in particular the impact of a significant fall in the value of the Company's investment portfolio.

The Directors consider that a 30% fall in the value in the Company's portfolio would be significant but would have little impact on the Company's ability to continue in operation over the next three years. In reaching this conclusion, the Directors considered the Company's expenditure projections, the fact that the Company currently has no borrowing, but has the ability to borrow up to 30% of its NAV and that the Company's investments comprise readily realisable securities which can be expected to be sold to meet funding requirements if necessary, assuming market liquidity continues.

Also the Board has assumed that the regulatory and fiscal regimes under which the Company operates will continue in broadly the same form during the viability period. The Board speaks with its broker and legal advisers on a regular basis to understand issues impacting on the Company's regulatory and fiscal structure. The Administrator also monitors changes to regulations and advises the Board as necessary. The Board also has access to the Administrator's compliance resources as well as visiting the compliance department of the AIFM regularly.

Based on the Company's processes for monitoring operating costs, share discount, internal controls, the Investment Manager's compliance with the investment objective, asset allocation, the portfolio risk profile, liquidity risk and the robust assessment of the principal risks and uncertainties facing the Company, the Board has concluded that there is a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the three year period.

### Key Performance Indicators

The Board uses a number of performance measures to assess the Company's success in meeting its objectives. The key performance indicators are disclosed in detail in page 1.

# RUFFER INVESTMENT COMPANY LIMITED

## Investment Manager's Report

The interim report at 31 December stated that the outlook was as challenging as we could remember, but this was not a prediction of the volatile market movements which followed a few weeks later. If we turn the clock back to last August/September, we were faced with a sharp decline in global equity markets brought about by the co-incidence of fears of an economic slowdown in China and tighter monetary policy in the US. Japan was caught in the crosshairs as the majority of the mainland Chinese stock market was suspended and Tokyo became the Asian destination of choice for short sellers. At best the Company's protective investments only stood still and thus failed to offset the losses in the equity book. This meant that in the first half of the financial year the Company's NAV fell by 4.6%. After this chastening experience the performance through the market sell-off in January/February was much more encouraging and in line with the sort of experience our investors have become accustomed to. There are two reasons for this. Firstly, we were running a lower equity weighting (36%) and secondly the traditional offsets, which failed to fire last summer, sprang back to life. The portfolio has subsequently been tested through the Brexit shock and once again it has held up well. Since the interim report positive contributions from index-linked bonds (5.9%) and gold (3.1%) have comfortably offset the losses in equities (-4.3%). For example the 2062 index-linked Gilt is up 33% over the period and the CF Ruffer Gold Fund has appreciated by 93% since we added to the position in January. This has resulted in a 3.8% rise in the net asset value during the second half of the financial year.

In the run up to the referendum our focus was on ensuring that the portfolio would be robust in the event of either outcome. Given that it is impossible to have an insight into the outcome of a political event like the referendum and with our principal objective being one of capital preservation, we prefer not to make binary bets. This meant running a high sterling weighting in the belief that the Company's base currency would strengthen sharply in the event of a Remain vote and this would hurt investors if they were caught with a lot of money outside sterling. The vote to leave resulted in sterling weakness and while this meant that our currency hedges were not needed (and indeed they had a negative impact of some £24m over the financial year) this was more than offset by the appreciation of the underlying assets in sterling terms. All in all this was a pleasing outcome; we protected against an uncertain event but still managed to generate a positive return through the short period around the referendum. Immediately after the referendum some UK equity positions were added where the extent of the sell-off looked unjustified (ITV Plc, BT Group Plc and Barratt Developments Plc after the year end).

In terms of portfolio changes, the equity weighting has remained in the 33-37% region, having been reduced from over 40% at the end of 2015. This included a reduction in the Japanese equity positions. Our belief in the longer term investment case remains intact, but the Japanese economy is heavily exposed to fluctuations in the global economic cycle and so, at a time when we were reducing equity exposure across the board, it was right that Japan should not be exempt. Reducing the outright equity weighting and increasing yen exposure had the effect of insulating the portfolio from a fall in equity markets. The Bank of Japan's experimentation with negative interest rates is coming to be accepted as a policy error by the outside world and our belief is that the authorities will move towards a more fiscally orientated form of stimulus. At a stock level in Japan there is still low hanging fruit available for investors. In the last year, there has been considerable progress on corporate governance, dividends and share buybacks. Share prices have generally responded well to this, but the Japanese market continues to be dominated by the macro picture and that has not been favourable in the last 12 months as the yen has strengthened and the ripple effects of China's slowdown have been felt far and wide. With the Japanese 30 year government bond yield hovering near zero, the equity index earnings yield of 8% should be very attractive to domestic investors. However, this requires a departure from the deep-rooted deflationary mind-set and this is not easily achieved.

Looking farther afield, the Central Bank put and miserly interest rates on cash is that savers have been herded out of cash and bonds into riskier investments. This has unintended consequences and in our view these chickens will come home to roost. The property fund promising daily liquidity has been revealed to be the contradiction in terms it was always bound to be and this phenomenon is likely to spread other similarly illiquid asset classes (eg corporate bonds). Of course there is a reason for their higher yield and that is a higher level of investment risk and a lower level of liquidity, but this has been merrily glossed over by the salesmen pushing such products. Part of the Company's portfolio is positioned to benefit from further stresses in this area.

# **RUFFER INVESTMENT COMPANY LIMITED**

## **Investment Manager's Report (continued)**

Investors have become accustomed to markets forcing change onto politicians, who have otherwise been complacent that the status quo is satisfactory. This seems to be changing as elections, as opposed to market events, are now the clear and present danger to politicians. Paradoxically, this brings us closer to the inflationary denouement that we anticipate. The reaction function of central banks and governments to keep the show on the road remains intact with one subtle difference; central banks have openly stated that monetary policy is running out of road and requires the support of government induced fiscal stimulus.

This is already in evidence with the Treasury kite flying the potential for a corporation tax cut, various housing-related policies, a lightening of the regulatory capital requirements placed on banks and the public debate on helicopter money overcoming its taboo status and hitting the mainstream. In the short term this may help steady the ship, but it sets a hare running that will be difficult to control. Markets recovered into the end of June after a nasty shock, but persistently low growth, deflationary pressures, rising inequality and an inability to deleverage is a Molotov cocktail of risks to be guarded against. As always, what will not be clear until after the event is exactly which spinning plate will be the first to fall and when. What seems more important is to identify that even the most skilful juggling act cannot go on forever.

Ruffer AIFM Limited  
15 September 2016

# RUFFER INVESTMENT COMPANY LIMITED

## Top Ten Holdings

Investments	Currency	Holding at 30.06.16	Fair Value £	% of Total Net Assets
UK Index-Linked Gilt 1.875% 22/11/2022	GBP	13,700,000	21,881,489	6.60
UK Index-Linked Gilt 0.375% 22/03/2062	GBP	8,000,000	19,276,040	5.82
UK Index-Linked Gilt 0.125% 22/03/2068	GBP	7,203,000	16,759,587	5.06
US Treasury Inflation Indexed Bond 0.625% 15/07/2021	USD	19,350,000	16,169,215	4.88
Ruffer Illiquid Multi Strategies Fund 2015 Ltd*	GBP	16,450,000	16,562,650	5.00
CF Ruffer Gold Fund**	GBP	9,044,304	14,973,749	4.52
US Treasury Inflation Indexed Bond 0.125% 15/01/2023	USD	17,500,000	13,747,312	4.15
US Treasury Inflation Indexed Bond 0.375% 15/07/2023	USD	17,000,000	13,516,117	4.08
US Treasury Inflation Indexed Bond 1.125% 15/01/2021	USD	13,500,000	11,811,957	3.56
US Treasury Inflation Indexed Bond 0.625% 15/02/2043	USD	13,001,000	9,849,362	2.97

\* Ruffer Illiquid Multi Strategies Fund 2015 Ltd is classed as a related party as it shares the same Investment Manager as the Company.

\*\* CF Ruffer Gold Fund is classed as a related party because its investment manager, Ruffer LLP, is the parent company of the Company's Investment Manager.

# RUFFER INVESTMENT COMPANY LIMITED

## Directors

During the year ended 30 June 2016 and at the date of this report, the Company has five non-executive Directors, all of whom are independent except for Wayne Bulpitt during his tenure. Details of whom are set out below.

*Ashe Windham*, CVO, aged 59 and a resident of the United Kingdom. He joined Barclays de Zoete Wedd (“BZW”) in 1987 as an institutional equities salesman and was appointed a Director of BZW’s Equities Division in 1991. He joined Credit Suisse First Boston in 1997 when they acquired BZW’s equities business. In 2004 he joined Man Investments as Head of Internal Communications and in 2007 became Man Group’s Global Head of Internal Communications. In June 2009 he resigned from Man Group plc to set up a private family office. He is a non-executive Director of EFG Asset Management (UK) Ltd and a non-executive Director of Miton UK MicroCap Trust Plc. Mr Windham was appointed to the Board on 24 February 2009.

*Wayne Bulpitt*, aged 54 and a resident of Guernsey. He is Managing Director and Principal of Active Group Limited and Chairman of BlueCrest BlueTrend Limited. He was formerly Head of Offshore Investment Services for Canadian Imperial Bank of Commerce, Global Private Banking & Trust division (1998-2001) and Managing Director of CIBC Fund Managers (Guernsey) Limited (1992-1998). He is also a Director of Ruffer Illiquid Strategies Fund of Funds 2009 Limited, Ruffer Illiquid Strategies Fund of Funds 2011 Limited, Ruffer Illiquid Multi Strategies Fund 2015 Limited and Ruffer Multi Strategies Fund Limited which are all Guernsey registered investment companies managed by the Company’s Investment Manager. Mr Bulpitt was appointed to the Board on 1 June 2004 and resigned from the Board on 20 July 2016.

*Jeannette Etherden (Jan)*, aged 56 and a resident of the United Kingdom. She started in 1983 as a research analyst at Confederation Life (acquired by Sun Life of Canada in 1994) and was Head of UK Equities from 1991. In 1996 she moved to Newton Investment Management as a multi-asset fund manager. She was appointed a Director for Newton in 1997 and additionally was Chief Operating Officer, Investments from 1999 until her resignation in 2001. From January 2004 to January 2006 she was Business Development Manager for the Candela Fund at Olympus Capital Management. Ms Etherden is also a non-executive Director of Miton UK MicroCap Trust Plc and of TwentyFour Income Fund Limited. Ms Etherden was appointed to the Board on 1 June 2004. Please refer to the Corporate Governance Statement on pages 18 to 19 for details on independence.

*Christopher Spencer*, aged 66 and a resident of Guernsey. He qualified as a chartered accountant in London in 1975. Following two years in Bermuda he moved to Guernsey. Mr Spencer, who specialized in audit and fiduciary work, was Managing Partner/Director of Pannell Kerr Forster (Guernsey) Limited from 1990 until his retirement in May 2000. Mr Spencer is a member of the AIC Offshore Committee, a past President of the Guernsey Society of Chartered and Certified Accountants, and a past Chairman of the Guernsey Branch of the Institute of Directors. He is a non-executive Director of a number of listed fund companies and other finance related companies. Mr Spencer was appointed to the Board on 1 June 2004 and has announced his intention to retire as a director in February 2017. Please refer to the Corporate Governance Statement on pages 18 to 19 for details on independence.

*John V Baldwin*, aged 66 and a resident of Italy. After taking a Master’s Degree in Asian Studies at Yale University, he joined Robert Fleming & Co. in 1983 as an investment analyst trainee. In 1984 he was seconded to the Tokyo Branch of Jardine Fleming as an investment analyst, where he continued in various roles for 16 years, the final five as a Director of Jardine Fleming Securities (Asia) and Tokyo Branch Manager. The first foreigner appointed Member Governor of the Tokyo Stock Exchange, he also served on various committees of the Japan Securities Dealers Association. In 2001 he retired from successor firm JPMorgan Chase after serving as Head of Japanese Cash Equities. Mr Baldwin was appointed to the Board on 24 February 2011.

*Sarah Evans*, aged 61 and a resident of Guernsey, is a Chartered Accountant and a non-executive director of several other listed investment funds. She is a director of the UK Investment Companies’ trade body, the AIC. She spent over six years with the Barclays Bank plc group from 1994 to 2001. During that time she was a treasury director and, from 1996 to 1998, she was Finance Director of Barclays Mercantile, where she was responsible for all aspects of financial control and operational risk management. Previously, Sarah ran her own consultancy business advising financial institutions on all aspects of securitisation. From 1982 to 1988 she was with Kleinwort Benson, latterly as head of group finance. Ms. Evans was appointed to the Board on 20 July 2016.

# **RUFFER INVESTMENT COMPANY LIMITED**

## **Report of the Directors**

The Directors of the Company present their Annual Financial Report (the “Financial Statements”) for the year ended 30 June 2016 which have been prepared in accordance with the Companies (Guernsey) Law, 2008 (the “Company Law”).

### **Registration**

The Company was incorporated with limited liability in Guernsey on 1 June 2004 as a company limited by shares and as an authorised closed-ended investment company. As an existing closed-ended fund the Company is deemed to be granted an authorised declaration in accordance with section 8 of the Protection of Investors (Bailiwick of Guernsey) Law, 1987, as amended and rule 6.02 of the Authorised Closed-ended Investment Schemes Rules 2008.

### **Principal Activity and Investment Objective**

The Company is a Guernsey authorised closed-ended investment company with a premium listing on the London Stock Exchange (“LSE”). The principal objective of the Company is detailed in the Business Model and Strategy on page 6 of the Financial Statements.

### **Going Concern**

The Directors believe that it is appropriate to continue to adopt the going concern basis in preparing the Financial Statements since the assets of the Company consist mainly of securities which are readily realisable and, accordingly, the Company has adequate financial resources to continue in operational existence for the foreseeable future. Factors regarding the going concern basis are also discussed in the Long Term Viability Statement on page 8 and note 2(c) on page 37.

### **Blocklisting Facility**

The blocklisting facility is set out in the note 13 on page 44.

### **Purchase of Own Shares by the Company**

The Company operates a Share Buyback Facility whereby it may purchase, subject to various terms as set out in its Articles and in accordance with the Companies (Guernsey) Law, 2008, up to 14.99 per cent. of the Company’s shares in issue following the admission of shares trading on the LSE’s market for listed securities. For additional information refer to note 20 on page 57.

The Company did not buyback any shares during the year (30 June 2015: Nil).

The Board also has the discretion to operate the Redemption Facility, offering shareholders the possibility of redeeming all or part of their shareholding for cash at the NAV, if it appears appropriate to do so.

### **Results and Dividends**

The results for the year are set out in the Statement of Comprehensive Income on page 34. Details of dividends paid and proposed are set out in note 5 on page 41.

### **Subsequent Events**

Events occurring after the balance sheet date are disclosed in note 21 on page 57 in the Notes to the Financial Statements.

### **Shareholder Information**

The Company announces its unaudited NAV on a weekly basis and at the month end. A monthly report on investment performance is published by the Company’s Investment Manager, on the Investment Manager’s website, [www.ruffer.co.uk](http://www.ruffer.co.uk).

# RUFFER INVESTMENT COMPANY LIMITED

## Report of the Directors (continued)

### Investment Management

The key terms of the Investment Management Agreement and specifically the fee charged by the Investment Manager are set out in notes 8 and 16 of the Financial Statements. The Board believes that the investment management fee is competitive with other investment companies with similar investment mandates.

The Board reviews on an ongoing basis the performance of the Investment Manager and considers whether the investment strategy utilised is likely to achieve the Company's investment objective of realising a positive total annual portfolio return, after all expenses, of at least twice the return of the Bank of England base rate.

In accordance with Listing Rule 15.6.2 (2) R and having formally appraised the performance, investment strategy and resources of the Investment Manager, the Board has unanimously agreed that the interests of the shareholders as a whole are best served by the continuing appointment of the Investment Manager on the terms agreed.

The Investment Management Agreement will continue in force until terminated by the Investment Manager or the Company giving to the other party thereto not less than 12 months' notice in writing.

### Directors

The details of the Directors of the Company during the year and at the date of this Report are set out on page 12 and on the Management and Administration summary on page 63.

### Directors' Interests

The details of the number of redeemable participating preference shares held beneficially by the Directors who held office at 30 June 2016 and up to the date of this Report are set out on in note 16 on page 46.

### Substantial Share Interests

As at 30 June 2016, the Company has received notifications in accordance with the FCA's Disclosure and Transparency Rule 5.1.2 R of the following interests in 3% or more of the voting rights attaching to the Company's issued shares.

Investor	Shares held	% of issued share capital
Brewin Nominees Limited	14,377,021	9.23
State Street Nominees Limited	11,436,632	7.34
HSBC Global Custody Nominee (UK) Limited	10,209,165	6.55
Roy Nominees Limited	9,230,588	5.92
Alliance Trust Savings Nominees Limited	8,857,830	5.68
Pershing Nominees Limited	7,786,552	5.00
Luna Nominees Limited	5,875,972	3.77
Rathbone Nominees Limited	5,786,235	3.71
Rock Nominees Limited	5,602,827	3.60
Platform Securities Nominees Limited	5,224,571	3.35
Hargreaves Lansdown (Nominees) Limited	4,680,616	3.00

# **RUFFER INVESTMENT COMPANY LIMITED**

## **Report of the Directors (continued)**

### **International Tax Reporting**

For purposes of the US Foreign Accounts Tax Compliance Act, the Company registered with the US Internal Revenue Service (“IRS”) as a Guernsey reporting Foreign Financial Institution (“FFI”) in June 2014, received a Global Intermediary Identification Number (99DLPF.99999.SL.831), and can be found on the IRS FFI list.

The Common Reporting Standard (“CRS”) is a standard developed by the Organisation for Economic Co-operation and Development (“OECD”) and is a global approach to the automatic exchange of tax information. Guernsey has now adopted the CRS which came into effect on 1 January 2016. The CRS replaced the intergovernmental agreement between the UK and Guernsey to improve tax compliance that had previously applied in respect of 2014 and 2015.

The Board will take the necessary actions to ensure that the Company is compliant with Guernsey regulations and guidance in this regard.

### **Alternative Investment Fund Managers (“AIFM”) Directive**

Due to the changes introduced by the Alternative Investment Fund Managers Directive (“AIFMD”), the Company terminated the Investment Management Agreement with Ruffer LLP and appointed Ruffer AIFM Limited as the new Investment Manager with effect from 22 July 2014.

The Board resolved to amend and restate the Company’s Administration agreement with Northern Trust International Fund Administration Services (Guernsey) Limited (the “Administrator”) to the extent necessary to ensure that the relationship between the Company, the Investment Manager and the Administrator is compliant with the requirements of AIFMD.

The Board appointed of Northern Trust (Guernsey) Limited (the “Depository”) to act as the Company’s Depository on the terms and subject to the conditions of a Depository Agreement between the Company, the Investment Manager and the Depository with effect from 22 July 2014.

For additional information on the above changes refer to the General Information on page 62.

### **Disclosure of Information to the Independent Auditor**

Deloitte LLP have expressed their willingness to continue in office as auditor and a resolution to re-appoint them will be proposed at the next Annual General Meeting (“AGM”). Each of the persons who is a Director at the date of approval of the financial statements confirms that:

- (1) so far as each Director is aware, there is no relevant audit information of which the Company’s auditor is unaware; and
- (2) each Director has taken all steps he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company’s auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 249 of the Company Law.

### **Statement of Directors’ Responsibilities**

The Directors are responsible for preparing the Annual Report and Financial Statements in accordance with applicable Guernsey law and regulations.

Guernsey Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the Company’s financial statements in accordance with International Financial Reporting Standards (“IFRSs”) as adopted by the European Union and applicable law.

Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

# RUFFER INVESTMENT COMPANY LIMITED

## Report of the Directors (continued)

### Statement of Directors' Responsibilities (continued)

In preparing these financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping proper accounting records 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 Company Law. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the oversight of the maintenance and integrity of the corporate and financial information included on the Company's webpage. Legislation in Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

### Responsibility Statement

We confirm that to the best of our knowledge:

- the Financial Statements have been prepared in conformity with IFRS as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company as required by DTR 4.1.12;
- the Annual Financial Report, taken as a whole, is fair, balanced and understandable and provide the information necessary for the shareholders to assess the Company's performance, business model and strategy; and
- the Annual Financial Report including information detailed in the Chairman's Review, the Report of the Directors, the Investment Manager's Review, the Depositary Statement and the notes to the accounts, includes 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 that it faces, as required by:
  - (a) DTR 4.1.8 of the Disclosure and Transparency Rules, being a fair review of the Company business and a description of the principal risks and uncertainties facing the Company; and
  - (b) DTR 4.1.11 of the Disclosure and Transparency Rules, being an indication of important events that have occurred since the end of the financial year and the likely future development of the Company.

On behalf of the Board

**Ashe Windham**  
*Chairman*  
15 September 2016

**Christopher Spencer**  
*Director*

# **RUFFER INVESTMENT COMPANY LIMITED**

## **Corporate Governance Statement**

### **Corporate Governance**

On 1 January 2016, the Company became a member of the Association of Investment Companies (the “AIC”) and complies with the AIC Code of Corporate Governance (the “AIC Code”). By complying with the AIC Code, the Company is deemed to comply with both the UK and GFSC corporate governance codes.

To ensure ongoing compliance with these principles the Board receives a report from the Company Secretary, at each quarterly meeting, identifying how the Company is in compliance and identifying any changes that might be necessary.

The AIC Code is available in the AIC’s website, [www.theaic.co.uk](http://www.theaic.co.uk).

The Board, having reviewed the UK Code, considers that it has maintained procedures during the year ended 30 June 2016 and up to the date of this report to ensure that it complies with the AIC Code except as explained elsewhere in the Corporate Governance Statement.

### **Guernsey Regulatory Environment**

The Guernsey Financial Services Commission’s (the “Commission”) Finance Sector GFSC Code comprises Principles and Guidance, and provides a formal expression of good corporate practice against which Shareholders, boards and the Commission can better assess the governance exercised over companies in Guernsey’s finance sector. The Commission recognises that the different nature, scale and complexity of business will lead to differing approaches to meeting the GFSC Code.

### **Role of the Board**

The Board is the Company’s governing body and has overall responsibility for maximising the Company’s success by directing and supervising the affairs of the business and meeting the appropriate interests of Shareholders and relevant stakeholders, while enhancing the value of the Company and also ensuring protection of investors. A summary of the Board’s responsibilities is as follows:

- statutory obligations and public disclosure;
- strategic matters and financial reporting;
- risk assessment and management including reporting compliance, governance, monitoring and control; and
- other matters having a material effect on the Company.

The Board’s responsibilities for the Annual Report are set out in the Statement of Directors’ Responsibilities on pages 15 and 16.

The Board has contractually delegated responsibility for the management of its investment portfolio, the arrangement of custodial and depository services and the provision of accounting and company secretarial services.

The Board needs to ensure that the Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for Shareholders to assess the Company’s performance, business model and strategy.

In seeking to achieve this, the Directors have set out the Company’s investment objective and policy and have explained how the Board and its delegated Committees operate and how the Directors review the risk environment within which the Company operates and set appropriate risk controls. Furthermore, throughout the Financial Statements the Board has sought to provide further information to enable Shareholders to have a fair, balanced and understandable view.

# RUFFER INVESTMENT COMPANY LIMITED

## Corporate Governance Statement (continued)

### Composition and Independence of the Board

The Board currently comprises five non-executive Directors. Both Jeanette Etherden and Christopher Spencer have served on the Board for over nine years and under the AIC Code may not be considered to be independent of the Company. The Board however, takes the view that independence is not necessarily compromised by the length of tenure on the Board and experience can add significantly to the Board's strength. It has therefore determined that in performing their role as Directors, Jan Etherden and Christopher Spencer remain wholly independent and all the Directors are considered to be independent of the Company. The Directors of the Company are listed on page 12 and on the Management and Administration summary on page 63.

None of the Directors has a contract of service with the Company.

The Chairman is Ashe Windham. The Chairman of the Board must be independent for the purposes of Chapter 15 of the Listing Rules. Ashe Windham is considered independent because he:

- has no current or historical employment with the Investment Manager; and
- has no current directorships in any other investment funds managed by the Investment Manager.

The Board does not consider it appropriate to appoint a Senior Independent Director because the Board is deemed to be independent of the Company. The Company has no employees and therefore there is no requirement for a chief executive. The Board believes it has a good balance of skills and experience to ensure it operates effectively. The Chairman, Ashe Windham, is responsible for leadership of the Board and ensuring its effectiveness. On 20 July 2016, following an extensive recruitment exercise involving a search consultant and after due consideration by the Board Sarah Evans was appointed as a director.

The Board has engaged external companies to undertake the investment management, administrative and custodial activities of the Company. Documented contractual arrangements are in place with these companies which define the areas where the Board has delegated responsibility to them. For additional information refer to pages 20 to 21.

The Company holds a minimum of four Board meetings per year to discuss strategy, general management, structure, finance, corporate governance, marketing, risk management, compliance, asset allocation and gearing, contracts and performance. The quarterly Board meetings are the principal source of regular information for the Board enabling it to determine policy and to monitor performance, compliance and controls but these meetings are supplemented by communication and discussions throughout the year.

A representative of the Investment Manager, Administrator and Company Secretary attends each Board meeting either in person or by telephone thus enabling the Board to fully discuss and review the Company's operations and performance. In addition, representatives from the Company's Broker attend at least two Board meetings a year. Each Director has direct access to the Investment Manager and Company Secretary and may at the expense of the Company seek independent professional advice on any matter.

Attendance at the Board and other Committee meetings during the year was as follows:

	Number of Meetings held	Wayne Bulpitt (resigned 20.07.16)	Jeanette Etherden	Christopher Spencer	Ashe Windham	John V Baldwin
Board Meetings	4	4	4	4	4	4
Audit Committee Meetings	3	3	3	3	3	3
Management Engagement Committee Meetings	1	N/A	1	N/A	1	1
Annual General Meeting	1	1	1	1	1	1

### Directors' Indemnity

Directors' and Officers' liability insurance cover is maintained by the Company on behalf of the Directors.

# RUFFER INVESTMENT COMPANY LIMITED

## Corporate Governance Statement (continued)

### Re-election

At each AGM all of the Directors shall retire from office and may offer themselves for re-election. For additional information refer to the Chairman's Review on pages 3 to 5.

On 19 November 2015 at the 10th AGM of the Company, Ashe Windham, John V Baldwin, Jeannette Etherden, Wayne Bulpitt and Christopher Spencer retired as Directors of the Company and being eligible had offered themselves for re-election and were re-elected as Directors of the Company by the Shareholders. As Wayne Bulpitt is a Director of other companies managed by the Company's Investment Manager he is deemed to be non-independent Director and has therefore stood for re-election at each AGM until his resignation on 20 July 2016. Jeannette Etherden does not intend to offer herself for re-election at the next AGM. Sarah Evans who was appointed on 20 July 2016, will stand for election at the next AGM. Christopher Spencer has announced his intention to retire as a director in February 2017.

The Directors may at any time appoint any person to be a Director either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until, and shall be eligible for re-election at, the next general meeting following their appointment but shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at that meeting if it is an AGM.

### Board Evaluation and Succession Planning

The Directors consider how the Board functions as a whole taking balance of skills, experience and length of service into consideration and also reviews the individual performance of its members on an annual basis.

To enable this evaluation to take place, the Company Secretary circulates a detailed questionnaire plus a separate questionnaire for the evaluation of the Chairman. The questionnaires, once completed, are returned to the Company Secretary who collates responses, prepares a summary and discusses the Board evaluation with the Chairman prior to circulation to the remaining Board members. The performance of the Chairman is evaluated by the other Directors. On occasions, the Board may seek to employ an independent third party to conduct a review of the Board.

The Board considers it has a breadth of experience relevant to the Company, and the Directors believe that any changes to the Board's composition can be managed without undue disruption. An induction programme has been prepared for any future Director appointments.

On 20 July 2016, Wayne Bulpitt resigned as a director and following an extensive recruitment exercise involving a search consultant and after due consideration by the Board Sarah Evans was appointed on that date. For additional information refer to the Chairman's Review on pages 3 to 5.

The Board has also given careful consideration to the recommendations of the Davies Report on women on boards and as recommended in that report has reviewed its composition and believes that it has available an appropriate range of skills and experience. In order to extend its diversity, the Board is committed to implementing the recommendations of the Davies Report, if possible within the timescales proposed in the Davies Report, and to that end will ensure that women candidates are considered when appointments to the Board are under consideration – as indeed has always been its practice.

### Committees of the Board

The Board has established Audit and Management Engagement Committees and approved their terms of reference, copies of which can be obtained from the Company Secretary upon request.

#### Audit Committee

The Company has established an Audit Committee, with formally delegated duties and responsibilities within written terms of reference. The Company's Audit Committee is comprised of the entire Board. The Audit Committee is chaired by Christopher Spencer. The Audit Committee meets formally at least twice a year and each meeting is attended by the independent external auditor and Administrator.

# **RUFFER INVESTMENT COMPANY LIMITED**

## **Corporate Governance Statement (continued)**

### **Audit Committee (continued)**

The table on page 18 sets out the number of Audit Committee Meetings held during the year ended 30 June 2016 and the number of such meetings attended by each Audit Committee member.

A report of the Audit Committee detailing responsibilities and activities is presented on pages 23 to 26.

### **Management Engagement Committee**

The Company has established a Management Engagement Committee, with formally delegated duties and responsibilities within written terms of reference. The Management Engagement Committee is comprised of the independent non-executive Directors of the Company, with John V Baldwin appointed as Chairman. The Management Engagement Committee meets formally once a year.

The principal duties of the Management Engagement Committee are to review the performance of and contractual arrangements with the Investment Manager and all other service providers to the Company (other than the external auditors).

During the year the Management Engagement Committee has reviewed the services provided by the Investment Manager as well as the other service providers and have recommended to the Board that their continuing appointments is in the best interests of the Shareholders. The last meeting was held on 14 June 2016.

The table on page 18 sets out the number of Management Engagement Committee Meetings held during the year and the number of such meetings attended by each Management Engagement Committee member.

### **Nomination Committee**

The Board does not have a separate Nomination Committee. The Board as a whole fulfils the function of a Nomination Committee. Any proposal for a new Director will be discussed and approved by the Board. The Board will determine whether in future an external search consultancy or open advertising is used in the appointments of non-executive Directors.

### **Remuneration Committee**

In view of its non-executive and independent nature, the Board considers that it is not appropriate for there to be a Remuneration Committee as anticipated by the UK Code because this function is carried out as part of the regular Board business. A Remuneration Report prepared by the Board is on page 22.

### **Internal Control**

The Company's risk exposure and the effectiveness of its risk management and internal control systems are reviewed by the Audit Committee at its meetings and annually by the Board.

The Board is responsible for establishing and maintaining the Company's system of internal controls and for maintaining and reviewing its effectiveness. The system of internal controls is designed to manage rather than to eliminate the risk of failure to achieve business objectives and as such can only provide reasonable, but not absolute assurance against material misstatement or loss. These controls aim to ensure that assets of the Company are safeguarded, proper accounting records are maintained and the financial information for publication is reliable. The Board uses a formal risk assessment matrix to identify and monitor business risks.

The Board has contractually delegated to external parties various functions as listed below. The duties of investment management, administration and custody are segregated. Each of the contracts entered into with the parties was entered into after full and proper consideration by the Board of the quality and cost of services offered, including the control systems in operation as far as they relate to the affairs of the Company.

The Board considers on an ongoing basis the process for identifying, evaluating and managing any significant risks faced by the Company. The process includes reviewing reports from the Company Secretary on risk control and compliance, in conjunction with the Investment Manager's regular reports which cover investment performance.

# **RUFFER INVESTMENT COMPANY LIMITED**

## **Corporate Governance Statement (continued)**

### **Internal Control (continued)**

- Investment Management is provided by Ruffer AIFM Limited, a company authorised by the FCA.
- Administration, Accounting, Registrar, and Company Secretarial duties are performed by Northern Trust International Fund Administration Services (Guernsey) Limited, a company licensed and regulated by the Guernsey Financial Services Commission.
- CREST agency functions are performed by Computershare Investor Services (Jersey) Limited, a company licensed and regulated by the Jersey Financial Services Commission.
- Depositary services performed by Northern Trust (Guernsey) Limited, a company licensed and regulated by the Guernsey Financial Services Commission.
- Custody of assets is undertaken by Northern Trust (Guernsey) Limited, a company licensed and regulated by the Guernsey Financial Services Commission.

The Board reviews regularly the performance of the services provided by these companies. The Board reviews the performance of the Investment Manager annually by assessing the performance of the investments, and the Investment Manager's position against its peers. The Board also conducts an annual visit to the offices of the Investment Manager to review its internal control procedures. The Board also receives and reviews quarterly reports from the Investment Manager, Alternative Investment Manager and Administrator. The Board also receives confirmation from the Administrator of its accreditation under its Service Organisation Controls 1 report.

In common with most investment companies, the Company does not have an internal audit function. All of the Company's management functions are delegated to the Investment Manager and Administrator which has their own internal audit and risk assessment functions. As such, an internal audit function specific to the Company is therefore considered unnecessary, as explained on pages 25 and 26.

### **Principal Risks and Uncertainties**

Principal risks and uncertainties are disclosed on pages 7 and 8.

### **Relations with Shareholders**

The Board welcomes shareholders' views and places great importance on communication with its shareholders. The Board receives regular reports on the views of its shareholders from the Company's Corporate Broker and Investment Manager.

The Chairman and other Directors are available to meet shareholders if required and the AGM of the Company provides a forum for shareholders to meet and discuss issues with the Directors of the Company.

In addition, the Investment Manager maintains a website which contains comprehensive information, including financial reports, prospectus and monthly reports on investment performance which contains share price information, investment objectives, investment reports and investor contacts.

### **Going Concern**

The going concern assumption is disclosed in the Report of Directors on page 13.

### **Subsequent Events**

The subsequent events since the year end that the Directors consider require adjustment to or disclosure in this Annual Financial Report or the Financial Statements are disclosed in note 21 on page 57.

# RUFFER INVESTMENT COMPANY LIMITED

## Directors' Remuneration Report

### Introduction

An ordinary resolution for the approval of the annual remuneration report was put to the shareholders at the AGM held on 19 November 2015.

### Remuneration Policy

All Directors are non-executive and a Remuneration Committee has not been established. The Board as a whole considers matters relating to the Directors' remuneration. No advice or services were provided by any external person in respect of its consideration of the Directors' remuneration.

The Company's policy is that the fees payable to the Directors should reflect the time spent by the Directors on the Company's affairs and the responsibilities borne by the Directors and be sufficient to attract, retain and motivate directors of a quality required to run the Company successfully. The Chairs of the Board and the Audit Committee are paid a higher fee in recognition of their additional responsibilities. The policy is to review fee rates periodically, although such a review will not necessarily result in any changes to the rates, and account is taken of fees paid to directors of comparable companies.

There are no long term incentive schemes provided by the Company and no performance fees are paid to Directors.

No Director has a service contract with the Company but each of the Directors is appointed by a letter of appointment which sets out the main terms of their appointment. Directors hold office until they retire by rotation or cease to be a director in accordance with the Articles of Incorporation, by operation of law or until they resign.

### Remuneration

The Directors of the Company are remunerated for their services at such a rate as the Directors determine provided that the aggregate amount of such fees does not exceed £200,000 (30 June 2015: £200,000) per annum.

Directors are remunerated in the form of fees, payable quarterly in arrears, to the Director personally. No Directors have been paid additional remuneration outside their normal Directors' fees and expenses. Christopher Spencer's fee has increased during the year in recognition of his role as Chairman of the Audit Committee, there were no changes to other Directors' remuneration (30 June 2015: no increase during the year).

	30.06.16 £	30.06.15 £
Ashe Windham	35,000	35,000
Christopher Spencer	28,000	25,000
Jeannette Etherden	25,000	25,000
Wayne Bulpitt	25,000	25,000
John Baldwin	25,000	25,000
	<hr/> 138,000	<hr/> 135,000

During the year ended 30 June 2016, Directors' fees of £146,925 (30 June 2015: £160,000) were charged to the Company of which £34,500 (30 June 2015: £40,000) remained payable at the year end.

# RUFFER INVESTMENT COMPANY LIMITED

## Audit Committee Report

On the following pages, we present the Audit Committee's Report for the year ended 30 June 2016, setting out the responsibilities of the Audit Committee and its key activities for the year from 1 July 2015 to 30 June 2016. As in previous years, the Committee has reviewed the Company's financial reporting, the independence and effectiveness of the external auditor and the internal control and risk management systems of service providers. In order to assist the Audit Committee in discharging these responsibilities, regular reports are received from the Investment Manager, Administrator and external auditor.

Members of the Audit Committee will continue to be available at each AGM to respond to any shareholder questions on the activities of the Audit Committee.

### Responsibilities

The Audit Committee reviews and recommends to the Board the Financial Statements of the Company and is the forum through which the external auditor reports to the Board of Directors.

The role of the Audit Committee includes:

- Monitoring and reporting to the Board on such matters as the integrity of the Financial Statements of the Company and any formal announcements relating to the Company's financial performance, and any significant financial reporting judgements;
- considering the appropriateness of accounting policies and practices including critical judgement areas;
- reviewing and considering the UK Code and FRC Guidance on Audit Committees;
- monitoring and reviewing the quality, effectiveness and independence of the external auditors and the effectiveness of the audit process considering and making recommendations to the Board on the appointment, reappointment, replacement and remuneration to the Company's external auditor;
- reviewing the Company's procedures for prevention, detection and reporting of fraud, bribery and corruption; and
- monitoring and reviewing the internal control and risk management systems of the service providers together with the need for an Internal Audit function.

The Audit Committee's full terms of reference are available in the Investment Manager's website, [www.ruffer.co.uk](http://www.ruffer.co.uk).

### Key Activities of the Audit Committee

The following sections discuss the assessments made by the Audit Committee during the year:

#### Financial Reporting

The Audit Committee's review of the Half Yearly Financial Report and Audited Annual Financial Report focused on the following significant risks; valuation and ownership of investments. The investments comprise the majority of the Company's NAV and hence form part of the Key Performance Indicator ("KPI") NAV per share. Hence any significant error in valuation or overstatement of holdings could significantly impact the NAV and hence the reported NAV per share of the Company.

#### Valuation of Investments

The Company's investments had a fair value of £325,496,896 as at 30 June 2016 (30 June 2015: 314,296,168) and represented the majority of the net assets of the Company. The investments are predominantly all listed except for investments in investment funds and the valuation of the investments is in accordance with the requirements of IFRS. The Audit Committee considered the fair value of the investments held by the Company as at 30 June 2016 to be reasonable based on information provided by the Investment Manager and Administrator. All prices are confirmed to independent pricing sources as at 30 June 2016 by the Administrator and are subject to review process at the Administrator and oversight at the Investment Manager.

# **RUFFER INVESTMENT COMPANY LIMITED**

## **Audit Committee Report (continued)**

### **Key Activities of the Audit Committee (continued)**

#### **Ownership of Investments**

The Company's investment holdings are reconciled to independent reports from the Custodian by the Administrator with any discrepancies being fully investigated and reconciled by the Administrator. The Audit Committee therefore consider the ownership of the investments held by the Company as at 30 June 2016 to be reasonable based on a review of information provided by the Investment Manager, Custodian, Depositary and Administrator.

#### **Risk Management**

The Audit Committee considered the process for managing the risk of the Company and its service providers. Risk management procedures for the Company, as detailed in the Company's risk assessment matrix, were reviewed and approved by the Audit Committee. Regular reports are received from the Investment Manager and Administrator on the Company's risk evaluation process and reviews. Refer to the Business Model and Strategy on pages 7 and 8 for details on principal risks and uncertainties and their management. Financial risks faced by the Company are discussed in note 19 of the Financial Statements on pages 47 to 56.

The Company's AIFM, Ruffer AIFM Limited has responsibilities in law in relation to risk management under the AIFMD.

#### **Fraud, Bribery and Corruption**

The Audit Committee continues to monitor the fraud, bribery and corruption policies of the Company. The Board receives a confirmation from all service providers that there have been no instances of fraud, bribery or corruption.

#### **The External Auditor**

In the prior year the Board entered into a competitive audit tender process and on 9 March 2015, Deloitte LLP was appointed as the Company's new auditor, replacing Moore Stephens, who had been the external auditor from the date of the initial listing on the LSE.

#### **Independence, Objectivity and Fees**

The independence and objectivity of the external auditor is reviewed by the Audit Committee which also reviews the terms under which the external auditor is appointed to perform non-audit services. The Audit Committee has established pre-approval policies and procedures for the engagement of Deloitte LLP to provide audit, assurance and tax services. These are that the external auditors may not provide a service which:

- places them in a position to audit their own work;
- creates a mutuality of interest;
- results in the external auditor developing close relationships with service providers of the Company;
- results in the external auditor functioning as a manager or employee of the Company; or
- puts the external auditor in the role of advocate of the Company.

As a general rule, the Company does not utilise external auditors for internal audit purposes, secondments or valuation advice. Services which are in the nature of audit, such as tax compliance, tax structuring, private letter rulings, accounting advice, quarterly reviews and disclosure advice are normally permitted but must be pre-approved where individual fees are likely to be above the audit fees.

# RUFFER INVESTMENT COMPANY LIMITED

## Audit Committee Report (continued)

### Key Activities of the Audit Committee (continued)

#### Independence, Objectivity and Fees (continued)

The following table summarises the remuneration paid to the previous and current auditors for audit and non-audit services during the years ended 30 June 2016 and 2015:

	30.06.16 £	30.06.15 £
Statutory Audit	27,500	25,000
<b>Total Audit fees</b>	<b>27,500</b>	<b>25,000</b>
Interim Review	8,000	7,790
Controls Review	–	2,500
<b>Total non-audit related fees</b>	<b>8,000</b>	<b>10,290</b>

No tax services were provided during the year.

In line with the policies and procedures above, the Audit Committee does not consider that the provision of these non-audit services to be a threat to the objectivity and independence of the independent auditor.

Deloitte LLP also has safeguards in place to ensure objectivity and independence.

When considering the effectiveness and independence of the external auditors, and the effectiveness of the audit process, the Audit Committee meets regularly with the external auditors to discuss the audit plan and the scope of the audit. The Audit Committee also takes account of factors such as:

- The audit plan presented to them before each audit;
- The post audit report including variations from the original plan;
- Changes in audit personnel;
- The external auditors own internal procedures to identify threats to independence; and
- Feedback from both the Investment Manager and Administrator evaluating the performance of the team.

The Audit Committee has examined the scope and results of the audit, its cost effectiveness and the independence and objectivity of the external auditor, with particular regard to non-audit fees, and is satisfied that an effective audit has been completed with diligence and professional scepticism, that the scope of the audit was appropriate and significant judgements have been challenged robustly. It also considers Deloitte LLP, as external auditor, to be independent of the Company.

#### Reappointment of external auditors

At the AGM held on 19 November 2015, Deloitte LLP was re-appointed as the Company's external auditor.

### Internal Control and Risk Management Systems

The Audit Committee, after consultation with the Investment Manager and external auditor, considers the key risk of misstatement in its Financial Statements to be the override of controls by its service providers, the Investment Manager and Administrator.

At each quarterly Board meeting, compliance reports are provided by the Administrator, Company Secretary and Investment Manager. The Board also receives confirmation from the Administrator of its accreditation under its Service Organisation Controls 1 report. No significant failings or weaknesses were identified in these reports.

# **RUFFER INVESTMENT COMPANY LIMITED**

## **Audit Committee Report (continued)**

### **Internal Control and Risk Management Systems (continued)**

The Audit Committee has also reviewed the need for an internal audit function. The Audit Committee has decided that the systems and procedures employed by the Investment Manager and the Administrator, including their internal audit functions, provide sufficient assurance that a sound system of internal control, which safeguards the Company's assets, is maintained. An internal audit function specific to the Company is therefore considered unnecessary.

For any questions on the activities of the Audit Committee not addressed in the foregoing, a member of the Audit Committee remains available to attend each AGM to respond to such questions.

In finalising the Financial Statements for recommendation to the Board for approval, the Audit Committee has satisfied itself that the Financial Statements taken as a whole are fair, balanced and understandable, and provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

**Christopher Spencer**

*Chairman, Audit Committee*

15 September 2016

# **RUFFER INVESTMENT COMPANY LIMITED**

## **Report of the Depositary to the Shareholders of Ruffer Investment Company Limited**

Northern Trust (Guernsey) Limited has been appointed as Depositary to Ruffer Investment Company Limited (the “Company”) in accordance with the requirements of Article 36 and Articles 21(7), (8) and (9) of the Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on Alternative Investment Fund Managers and amending Directives 2003/41/EC and 2009/65/EC and Regulations (EC) No 1060/2009 and (EU) No 1095/2010 (the “AIFM Directive”).

We have enquired into the conduct of Ruffer AIFM Limited (the “AIFM”) and the Company for the year ended 30 June 2016, in our capacity as Depositary to the Company.

This report including the review provided below has been prepared for and solely for the Shareholders in the Company. We do not, in giving this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown.

Our obligations as Depositary are stipulated in the relevant provisions of the AIFM Directive and the relevant sections of Commission Delegated Regulation (EU) No 231/2013 (collectively the “AIFMD legislation”) and The Authorised Closed Ended Investment Scheme Rules 2008.

Amongst these obligations is the requirement to enquire into the conduct of the AIFM and the Company and their delegates in each annual accounting period.

Our report shall state whether, in our view, the Company has been managed in that period in accordance with the AIFMD legislation. It is the overall responsibility of the AIFM and the Company to comply with these provisions. If the AIFM, the Company or their delegates have not so complied, we as the Depositary will state why this is the case and outline the steps which we have taken to rectify the situation.

The Depositary and its affiliates is or may be involved in other financial and professional activities which may on occasion cause a conflict of interest with its roles with respect to the Company. The Depositary will take reasonable care to ensure that the performance of its duties will not be impaired by any such involvement and that any conflicts which may arise will be resolved fairly and any transactions between the Depositary and its affiliates and the Company shall be carried out as if effected on normal commercial terms negotiated at arm’s length and in the best interests of Shareholders.

### **Basis of Depositary Review**

The Depositary conducts such reviews as it, in its reasonable discretion, considers necessary in order to comply with its obligations and to ensure that, in all material respects, the Company has been managed (i) in accordance with the limitations imposed on its investment and borrowing powers by the provisions of its constitutional documentation and the appropriate regulations and (ii) otherwise in accordance with the constitutional documentation and the appropriate regulations. Such reviews vary based on the type of Fund, the assets in which a Fund invests and the processes used, or experts required, in order to value such assets.

### **Review**

In our view, the Company has been managed during the period, in all material respects:

- (i) in accordance with the limitations imposed on the investment and borrowing powers of the Company by the constitutional document; and by the AIFMD legislation; and
- (ii) otherwise in accordance with the provisions of the constitutional document; and the AIFMD legislation.

For and on behalf of  
**Northern Trust (Guernsey) Limited**  
15 September 2016

# **RUFFER INVESTMENT COMPANY LIMITED**

## **Independent Auditor's Report**

### **To the Shareholders of Ruffer Investment Company Limited**

#### **Opinion on financial statements of Ruffer Investment Company Limited**

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 June 2016 and of its loss 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 (Guernsey) Law, 2008.

The financial statements comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Equity and the related notes 1 to 21. The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union.

#### **Going concern and the Directors' assessment of the principal risks that would threaten the solvency or liquidity of the Company**

We have reviewed the Directors' statement regarding the appropriateness of the going concern basis of accounting contained within note 2 to the financial statements and the Directors' statement on the longer-term viability of the Company contained within the Report of the Directors.

We have nothing material to add or draw attention to in relation to:

- the Directors' confirmation on page 8 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 disclosures on pages 7 to 8 that describe those risks and explain how they are being managed or mitigated;
- the Directors' statement on page 13 to the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their 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;
- the Director's explanation on page 8 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.

We agreed with the Directors' adoption of the going concern basis of accounting and we did not identify any such material uncertainties. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

#### **Independence**

We are required to comply with the Financial Reporting Council's Ethical Standards for Auditors and we confirm that we are independent of the Company and we have fulfilled our other ethical responsibilities in accordance with those standards. We also confirm we have not provided any of the prohibited non-audit services referred to in those standards.

#### **Our assessment of risks of material misstatement**

The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.

# RUFFER INVESTMENT COMPANY LIMITED

## Independent Auditor's Report

### To the Shareholders of Ruffer Investment Company Limited (continued)

The Audit Committee has requested that while not required under International Standards on Auditing (UK and Ireland), we include in our report any significant key observations in respect of these assessed risks of material misstatement.

#### Risk

##### *Valuation and ownership of investments*

The investments balance of £325 million on the Company's statement of financial position as at 30 June 2016 is the most quantitatively significant balance and is an area of focus because it is the main driver of the Company's performance and net asset value (NAV). Errors or deliberate manipulation of valuations or failure to maintain proper legal title of the assets held by the Company could result in material misstatement of the financial statements.

Further details of the accounting policy are in note 2 and details of the investments are disclosed in notes 10 and 19.

#### How the scope of our audit responded to the risk

We assessed the design and implementation of controls around valuation and ownership of investments.

To test the valuation of investments as at 30 June 2016, we performed the following:

- for all the investments we agreed the prices to an independent pricing source; and
- verified the trading activity and volume of all the investments held as at year end to assess the liquidity of the investments and thus classification on the fair value hierarchy.

To test the ownership of investments balance held within the portfolio as at 30 June 2016, we performed the following:

- reviewed the internal controls report of the custodian to understand the controls in place at the custodian over the ownership of the investments;
- assessed the ownership of the investments at year end by obtaining a direct confirmation from the custodian and agreeing holdings to the schedule of investments as at year end; and
- performed detailed testing on purchases and sales made around year end period to assess whether transactions had been recorded in the correct period.

#### Findings

We identified three differences that exceeded our clearly trivial threshold between the prices used by the Company and the independent pricing sources used in our testing. These differences were corrected by management.

We concur with management's assessment of the investments classification on the fair value hierarchy.

All investments were appropriately agreed to custodian confirmations and purchases and sales of investments were recorded in the correct period.

# RUFFER INVESTMENT COMPANY LIMITED

## Independent Auditor's Report

### To the Shareholders of Ruffer Investment Company Limited (continued)

Risk	How the scope of our audit responded to the risk	Findings
<b>Revenue recognition</b> The significant portion of the Company's income emanates from fair value adjustments (£21 million) on investments held at fair value due to the materiality of the investments balance (see note 6 and note 7). Inaccurate calculation of the fair value gain/(loss) adjustment would have a material impact on income recognition and thus the Company's performance.	<p>We assessed the design and implementation of controls around income recognition. The gains/losses on investments held at fair value comprise realised and unrealised gains/losses:</p> <ul style="list-style-type: none"><li>• for unrealised gains/losses, we obtained an understanding of, and then tested the valuation process as set out in the "Valuation and ownership of investments" risk above, to ascertain whether these gains/losses were appropriately calculated.</li><li>• for realised gains/losses, we tested a sample of disposals made during the year by agreeing the proceeds to bank statements and contract notes and we re-performed the calculation of the realised gains/losses.</li></ul>	No misstatements were identified by our testing which required reporting to those charged with governance.

The description of risks above should be read in conjunction with the significant issues considered by the Audit Committee discussed on pages 25 to 26.

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.

### Our application of 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 both in planning the scope of our audit work and in evaluating the results of our work.

We determined materiality for the Company to be £6,639,000 (2015: £6,744,000) which is approximately 2% (2015: 2%) of net asset value. Our materiality for both 2016 and 2015 was based on the net asset value of the Company as we consider it to be the most important balance on which the shareholders would judge the performance of the Company.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £133,000 (2015: £135,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

### An overview of the scope of our audit

Our audit was scoped by obtaining an understanding of the Company and its environment, including internal control, and assessing the risks of material misstatement. Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.

The Company is administered by a third party Guernsey regulated service provider and as part of our audit we assessed the adequacy of the control environment at the service provider for the purposes of our audit.

# **RUFFER INVESTMENT COMPANY LIMITED**

## **Independent Auditor's Report**

### **To the Shareholders of Ruffer Investment Company Limited (continued)**

#### **Matters on which we are required to report by exception**

##### *Adequacy of explanations received and accounting records*

Under the Companies (Guernsey) Law, 2008 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records.

We have nothing to report in respect of these matters.

##### *Corporate Governance Statement*

Under the Listing Rules we are also required to review the part of the Corporate Governance Statement relating to the company's compliance with certain provisions of the UK Corporate Governance Code. We have nothing to report arising from our review.

##### *Our duty to read other information in the Annual Report*

Under International Standards on Auditing (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

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

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the Directors' statement that they consider the annual report is fair, balanced, and understandable and whether the annual report appropriately discloses those matters that we communicated to the audit committee which we consider should have been disclosed. We confirm that we have not identified any such inconsistencies or misleading statements.

#### **Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). We also comply with International Standard on Quality Control 1 (UK and Ireland). Our audit methodology and tools aim to ensure that our quality control procedures are effective, understood, and applied. Our quality controls and systems include our dedicated professional standards review team and independent partner reviews.

This report is made solely to the company's members, as a body, in accordance with Section 262 of the Companies (Guernsey) Law, 2008. 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/or those further matters we have expressly agreed to report to them on in our engagement letter 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.

# **RUFFER INVESTMENT COMPANY LIMITED**

## **Independent Auditor's Report**

### **To the Shareholders of Ruffer Investment Company Limited (continued)**

#### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

John Clacy FCA (Senior statutory auditor)  
for and on behalf of Deloitte LLP  
Chartered Accountants and Recognised Auditor  
St Peter Port, Guernsey  
15 September 2016

# RUFFER INVESTMENT COMPANY LIMITED

## Statement of Financial Position

	<i>Notes</i>	<b>30.06.16</b> £	<b>30.06.15</b> £
<b>ASSETS</b>			
Cash and cash equivalents		14,513,399	16,441,960
Derivative financial assets	18,19	4,071,490	6,770,940
Receivables	11	537,094	472,757
Investment assets at fair value through profit or loss	10	325,496,896	314,296,168
<b>Total assets</b>		<u>344,618,879</u>	<u>337,981,825</u>
<b>EQUITY</b>			
<b>Capital and reserves attributable to the Company's shareholders</b>			
Management share capital	13	2	2
Net assets attributable to holders of redeemable participating preference shares		331,484,744	337,222,401
<b>Total equity</b>		<u>331,484,746</u>	<u>337,222,403</u>
<b>LIABILITIES</b>			
Payables	12	400,730	714,545
Derivative financial liabilities	18,19	12,733,403	44,877
<b>Total liabilities</b>		<u>13,134,133</u>	<u>759,422</u>
<b>Total equity and liabilities</b>		<u><b>344,618,879</b></u>	<u><b>337,981,825</b></u>
Net assets attributable to holders of redeemable participating preference shares (per share)	13,14	<u><b>2.127</b></u>	<u><b>2.184</b></u>

The Financial Statements on pages 33 to 57 were approved on 15 September 2016 and signed on behalf of the Board of Directors by:

**Ashe Windham**  
*Chairman*

**Christopher Spencer**  
*Director*

The notes on pages 37 to 57 form an integral part of these accounts.

# RUFFER INVESTMENT COMPANY LIMITED

## Statement of Comprehensive Income

				01.07.15 to 30.06.16 Total £	01.07.14 to 30.06.15 Total £
	Notes	Revenue £	Capital £		
Fixed interest income		925,088	–	925,088	953,913
Dividend income	2	3,339,639	–	3,339,639	3,668,247
Net changes in fair value on financial assets at fair value through profit or loss	6	–	21,005,348	21,005,348	20,030,558
Other (losses)/gains	7	–	(24,242,110)	(24,242,110)	3,406,833
<b>Total income</b>		<u>4,264,727</u>	<u>(3,236,762)</u>	<u>1,027,965</u>	<u>28,059,551</u>
Management fees		–	(3,030,471)	(3,030,471)	(3,109,109)
Expenses		(771,258)	(223,131)	(994,389)	(1,011,678)
<b>Total expenses</b>		<u>(771,258)</u>	<u>(3,253,602)</u>	<u>(4,024,860)</u>	<u>(4,120,787)</u>
<b>(Loss)/profit for the year before tax</b>		<u>3,493,469</u>	<u>(6,490,364)</u>	<u>(2,996,895)</u>	<u>23,938,764</u>
Withholding tax		(496,837)	–	(496,837)	(401,806)
<b>(Loss)/profit for the year after tax</b>		<u>2,996,632</u>	<u>(6,490,364)</u>	<u>(3,493,732)</u>	<u>23,536,958</u>
<b>Total comprehensive (loss)/income for the year</b>		<u>2,996,632</u>	<u>(6,490,364)</u>	<u>(3,493,732)</u>	<u>23,536,958</u>
Basic and diluted (loss)/earnings per share*		1.93p	(4.18p)	(2.25p)	15.28p

\* Basic and diluted (loss)/earnings per share are calculated by dividing the profit after taxation by the weighted average number of redeemable participating preference shares. The weighted average number of shares for the year was 155,483,415 (30 June 2015: 154,065,196).

The notes on pages 37 to 57 form an integral part of these accounts.

# RUFFER INVESTMENT COMPANY LIMITED

## Statement of Changes in Equity

	Share capital £	Other reserves £	Total 01.07.15 to 30.06.16 £
Balance at 30 June 2015	125,770,151	211,452,250	337,222,401
Total comprehensive loss for the year	–	(3,493,732)	(3,493,732)
Transactions with Shareholders:			
Share capital issued	3,076,850	–	3,076,850
Share issue costs	(30,769)	–	(30,769)
Distribution for the year	–	(5,290,006)	(5,290,006)
Balance at 30 June 2016	<u>128,816,232</u>	<u>202,668,512</u>	<u>331,484,744</u>
Net Assets attributable to holders of redeemable participating preference shares at the end of the year			<u>331,484,744</u>

	Share capital £	Other reserves £	Total 01.07.14 to 30.06.15 £
Balance at 30 June 2014	124,887,120	193,153,448	318,040,568
Total comprehensive income for the year	–	23,536,958	23,536,958
Transactions with Shareholders:			
Share capital issued	891,950	–	891,950
Share issue costs	(8,919)	–	(8,919)
Distribution for the year	–	(5,238,156)	(5,238,156)
Balance at 30 June 2015	<u>125,770,151</u>	<u>211,452,250</u>	<u>337,222,401</u>
Net Assets attributable to holders of redeemable participating preference shares at the end of the year			<u>337,222,401</u>

Under The Companies (Guernsey) Law, 2008, the Company can distribute dividends from capital and revenue reserves, subject to satisfying a net asset and solvency test.

The notes on pages 37 to 57 form an integral part of these accounts.

# RUFFER INVESTMENT COMPANY LIMITED

## Statement of Cash Flows

	01.07.15 to 30.06.16 £	01.07.14 to 30.06.15 £
<b>Cash flows from operating activities</b>		
Purchase of financial assets at fair value through profit or loss	(125,958,145)	(176,257,940)
Proceeds from sale of financial assets at fair value through profit or loss (including realised gains)	135,708,770	184,125,575
Increase in other receivables	(69)	(5,179)
Transaction costs paid to brokers	(223,131)	(212,245)
Fixed interest income received	889,129	1,011,568
Dividends received	2,839,933	3,269,448
Operating expenses paid	(4,086,989)	(3,859,045)
Effect of foreign exchange rate fluctuations	(8,854,134)	(2,468,362)
<b>Cash generated from operating activities</b>	<b>315,364</b>	<b>5,603,820</b>
<b>Cash flows from financing activities</b>		
Dividends paid	(5,290,006)	(5,238,156)
Proceeds from issue of redeemable participating preference shares	3,076,850	891,950
Share issue costs	(30,769)	(8,919)
<b>Net cash used in financing activities</b>	<b>(2,243,925)</b>	<b>(4,355,125)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(1,928,561)</b>	<b>1,248,695</b>
Cash and cash equivalents at beginning of the year	16,441,960	15,193,265
<b>Cash and cash equivalents at end of the year</b>	<b>14,513,399</b>	<b>16,441,960</b>

The notes on pages 37 to 57 form an integral part of these accounts.

# RUFFER INVESTMENT COMPANY LIMITED

## Notes to the Financial Statements

### 1. The Company

The Company was incorporated with limited liability in Guernsey on 1 June 2004 as a company limited by shares and as an authorised closed-ended investment company. As an existing closed-ended fund the Company is deemed to be granted an authorised declaration in accordance with section 8 of the Protection of Investors (Bailiwick of Guernsey) Law, 1987, as amended and rule 6.02 of the Authorised Closed-ended Investment Schemes Rules 2008. The Company is listed on the Main Market of the London Stock Exchange ("LSE").

### 2. Significant accounting policies

#### a) Statement of Compliance

The Financial Statements of the Company for the year ended 30 June 2016 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and the Listing Rules of the London Stock Exchange in compliance with the Companies (Guernsey) Law, 2008.

#### b) Basis of preparation

The Financial Statements are prepared in Pound Sterling (£), which is the Company's functional and presentation currency. The Financial Statements have been prepared on a going concern basis under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss.

This Annual Financial Report and Financial Statements, covering the year from 1 July 2015 to 30 June 2016, has been audited.

#### c) Going concern

The Directors believe that, having considered the Company's investment objective (see Business Model and Strategy on page 6), financial risk management and associated risks (see note 19 to the Financial Statements on pages 47 to 56) and in view of the liquidity of investments, the income deriving from those investments and its holding in cash and cash equivalents, the Company has adequate financial resources and suitable management arrangements in place to continue as a going concern for at least twelve months from the date of approval of the Annual Financial Statements.

#### d) Standards, amendments and interpretations that are not yet effective

The following standards and interpretations, which have not been applied in these financial statements, were in issue at the reporting date but not yet effective:

IFRS 9 – Financial instruments: Classification and measurement (effective date – 1 January 2018)

IFRS 15 – Revenue from Contracts with Customers (effective date – 1 January 2018)

IFRS 16 – Leases (effective date – 1 January 2019)

The Board anticipate that the adoption of these standards and interpretations in a future period will not have a material impact on the Financial Statements of the Company, other than IFRS 9. The Company is currently evaluating the potential effect of this standard.

#### e) Financial instruments

##### i) Classification

Financial assets are classified into the following categories: financial assets at fair value through profit or loss and loans and receivables.

The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

# RUFFER INVESTMENT COMPANY LIMITED

## Notes to the Financial Statements (continued)

### 2. Significant accounting policies (continued)

#### e) Financial instruments (continued)

##### ii) Recognition

*Investment assets at fair value through profit or loss ("investments")*

Financial assets and derivatives are recognised in the Company's Statement of Financial Position when the Company becomes a party to the contractual provisions of the instrument.

Purchases and sales of investments are recognised on the trade date (the date on which the Company commits to purchase or sell the investment). Investments purchased are initially recorded at fair value, being the consideration given and excluding transaction or other dealing costs associated with the investment.

Subsequent to initial recognition, investments are measured at fair value. Gains and losses arising from changes in the fair value of investments and gains and losses on investments that are sold are recognised through profit or loss in the Statement of Comprehensive Income within net changes in fair value of financial assets at fair value through profit or loss.

##### *Derivatives*

Forward foreign currency contracts are treated as derivative contracts and as such are recognised at fair value on the date on which they are entered into and subsequently re-measured at their fair value. Fair value is determined by rates in active currency markets. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. The gain or loss on re-measurement to fair value is recognised immediately through profit or loss in the Statement of Comprehensive Income within other gains in the period in which they arise.

##### *Offsetting of financial instruments*

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise assets and settle the liabilities simultaneously.

##### iii) Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Investments traded in active markets are valued at the latest available bid prices ruling at midnight on the reporting date. The Directors are of the opinion that the bid-market prices are the best estimate of fair value. Gains and losses arising from changes in the fair value of financial assets/(liabilities) are shown as net gains or losses on financial assets through profit or loss in note 10 and recognised in the Statement of Comprehensive Income in the period in which they arise.

##### *Derecognition of financial instruments*

A financial asset is derecognised when: (a) the rights to receive cash flows from the asset have expired, (b) the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass through arrangement"; or (c) the Company has transferred substantially all the risks and rewards of the asset, or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired.

##### *Realised and unrealised gains and losses*

Realised gains and losses arising on disposal of investments are calculated by reference to the proceeds received on disposal and the average cost attributable to those investments, and are recognised in the Statement of Comprehensive Income. Unrealised gains and losses on investments are recognised in the Statement of Comprehensive Income.

# RUFFER INVESTMENT COMPANY LIMITED

## Notes to the Financial Statements (continued)

### 2. Significant accounting policies (continued)

#### e) Financial instruments (continued)

##### iii) Measurement (continued)

###### *Fair value*

Investments consist of listed or quoted equities or equity related securities, options and bonds which are issued by corporate issuers, supra-nationals or government organisations and investment in funds.

Investments traded in active markets are valued at the latest available bid prices ruling at midnight on the reporting date.

Shares in investment funds are not listed on an actively traded exchange and these are valued at the latest estimate of NAV from the administrator of the respective investment funds as the most recent price is the best estimate of the amount for which holdings could have been disposed of at the reporting date.

#### f) Income

Dividend income from equity investments is recognised through profit or loss in the Statement of Comprehensive Income when the relevant investment is quoted ex-dividend. Investment income is included gross of withholding tax. Interest income is recognised through profit or loss in the Statement of Comprehensive Income for all debt instruments using the effective interest rate method.

#### g) Expenses

Expenses are accounted for on an accruals basis. Expenses incurred on the acquisition of financial assets at fair value through profit or loss and management fees are charged to the Statement of Comprehensive Income in capital. All other expenses are recognised through profit or loss in the Statement of Comprehensive Income in revenue.

#### h) Cash and cash equivalents

Cash comprises cash in hand and deemed deposits. Cash equivalents are short-term, highly liquid investments with original maturities of three months or less and bank overdrafts.

#### i) Translation of foreign currency

##### *Functional and presentation currency*

The Financial Statements of the Company are presented in the currency of the primary economic environment in which the Company operates (its 'functional currency'). The Directors have considered the currency in which the original capital was raised, distributions will be made and ultimately the currency in which capital would be returned in a liquidation. On balance, the Directors believe that Pound Sterling best represents the functional currency of the Company. For the purpose of the Financial Statements, the results and financial position of the Company are expressed in Pound Sterling, which is the presentation currency of the Company.

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the transaction date. Foreign exchange gains and losses resulting from the settlement of such transactions and those from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income.

Translation differences on non-monetary items such as financial assets held at fair value through profit or loss are reported as part of net changes in fair value on financial assets through profit or loss in the Statement of Comprehensive Income.

#### j) Share issue costs

Share issue costs are fully written off against the share capital account in the period of the share issue.

# RUFFER INVESTMENT COMPANY LIMITED

## Notes to the Financial Statements (continued)

### 2. Significant accounting policies (continued)

#### k) Redeemable participating preference shares

As the Company's redeemable participating preference shares are redeemable at the sole option of the Directors they are required to be classified as equity instruments.

#### l) Receivables

Receivables are amounts due in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets. Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

#### m) Payables

Payables are obligations to pay for services that have been acquired in the ordinary course of business. Payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Payables are recognised initially at fair value plus any directly attributable incremental costs of acquisition or issue.

### 3. Significant accounting judgements, estimates and assumptions

The preparation of the Financial Statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expense and the accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

#### Judgements

In the process of applying the Company's accounting policies, management has made the following judgement, which has the most significant effect on the amounts recognised in the Financial Statements:

##### *Functional currency*

As disclosed in note 2(i), the Company's functional currency is Pound Sterling. Pound Sterling is the currency in which the original capital was raised, distributions are made and ultimately the currency in which capital would be returned in a liquidation.

### 4. Taxation

The Company has been granted Exempt Status under the terms of The Income Tax (Exempt Bodies) (Guernsey) Ordinance, 1989 to income tax in Guernsey. Its liability is an annual fee of £1,200 (30 June 2015: £1,200).

The amounts disclosed as taxation in the Statement of Comprehensive Income relates solely to withholding tax suffered at source on income. Foreign capital gains tax charges are deducted from realised investment gains.

# RUFFER INVESTMENT COMPANY LIMITED

## Notes to the Financial Statements (continued)

### 5. Dividends to shareholders

Dividends, if any, are declared semi-annually, usually in September and March each year. The Company paid and declared the following dividends during the year:

	<b>30.06.16</b>	<b>30.06.15</b>
	<b>£</b>	<b>£</b>
2015 Second interim dividend of £1.7p (2015: 1.7p)	2,640,753	2,618,228
2016 First interim dividend of £1.7p (2015: 1.7p)	2,649,253	2,619,928
	<u>5,290,006</u>	<u>5,238,156</u>

### 6. Net changes on financial assets at fair value through profit or loss

	<b>30.06.16</b>	<b>30.06.15</b>
	<b>£</b>	<b>£</b>
Net changes on financial assets at fair value through profit or loss during the year comprise:		
Gains realised on investments sold during the year	22,334,266	25,992,478
Losses realised on investments sold during the year	(13,898,697)	(11,885,266)
Movement in unrealised gains arising from changes in fair value	49,126,905	13,234,311
Movement in unrealised losses arising from changes in fair value	(36,557,126)	(7,310,965)
Net changes in fair value on financial assets at fair value through profit or loss	<u>21,005,348</u>	<u>20,030,558</u>

### 7. Other (losses)/gains

	<b>30.06.16</b>	<b>30.06.15</b>
	<b>£</b>	<b>£</b>
Movement in unrealised (losses)/gains on spot and forward foreign currency contracts	(15,387,976)	5,875,195
Realised losses on spot and forward foreign currency contracts	(8,251,130)	(836,339)
Net (losses)/gains on spot and forward foreign currency contracts	(23,639,106)	5,038,856
Other realised and unrealised foreign exchange losses	(603,004)	(1,632,023)
	<u>(24,242,110)</u>	<u>3,406,833</u>

### 8. Management fees

Due to the changes introduced by the Alternative Investment Fund Managers Directive ("AIFMD"), the Company terminated the Investment Management Agreement with Ruffer LLP and appointed Ruffer AIFM Limited as the new Investment Manager with effect from 22 July 2014. For additional information refer to the General Information on page 62.

The management fees were charged to the capital reserves of the Company.

# RUFFER INVESTMENT COMPANY LIMITED

## Notes to the Financial Statements (continued)

### 8. Management fees (continued)

The management fees for the year, including outstanding balances at end of the year, are detailed below.

	<b>30.06.16</b>	<b>30.06.15</b>
	<b>£</b>	<b>£</b>
Management fees for the year	3,030,471	3,109,109
Payable at end of the year	247,113	541,101

The basis for calculating the management fees is set out in the General Information on page 62.

### 9. Expenses

	<b>30.06.16</b>	<b>30.06.15</b>
	<b>£</b>	<b>£</b>
Administration fee*	374,180	376,447
Transaction costs	223,131	212,245
Directors' fees	146,925	160,000
General expenses	153,497	169,492
Custodian and Depositary fees*	61,156	60,704
Audit fee	27,500	25,000
Auditors' remuneration for interim review**	8,000	7,790
	<u>994,389</u>	<u>1,011,678</u>

\* The basis for calculating the Administration fees as well as the Custodian and Depositary fees are set out in the General Information on page 62.

\*\* Fees of £8,000 were paid to Deloitte LLP for the year ended 30 June 2016. In the prior year ended 30 June 2015, fees of £7,790 were paid to Moore Stephens.

All expenses were charged to revenue apart from transaction costs of £223,131 (30 June 2015: £212,245) which were charged to the capital reserves of the Company.

### 10. Investment assets at fair value through profit or loss

	<b>30.06.16</b>	<b>30.06.15</b>
	<b>£</b>	<b>£</b>
Cost of investments held at start of the year	288,437,122	280,355,440
Acquisitions at cost during the year	125,958,145	175,097,659
Disposals at cost during the year	(127,327,196)	(167,015,977)
Cost of investments held at end of the year	287,068,071	288,437,122
Fair value above cost	38,428,825	25,859,046
Investments designated at fair value through profit or loss	<u>325,496,896</u>	<u>314,296,168</u>

# RUFFER INVESTMENT COMPANY LIMITED

## Notes to the Financial Statements (continued)

### 11. Receivables

	30.06.16 £	30.06.15 £
<b>Amounts receivable within one year:</b>		
Investment income receivable	225,257	250,943
Fixed interest income receivable	248,097	212,138
Securities sold receivable	53,995	–
Other receivables	9,745	9,676
	<u>537,094</u>	<u>472,757</u>

The Directors consider that the carrying amount of receivables approximate to their fair value.

### 12. Payables

	30.06.16 £	30.06.15 £
<b>Amounts falling due within one year:</b>		
Management fees payable	247,113	541,101
Withholding taxes payable	4,276	32,831
Directors' fees payable	34,500	40,000
Other payables	114,841	100,613
	<u>400,730</u>	<u>714,545</u>

The Directors consider that the carrying amount of payables approximate to their fair value.

### 13. Share capital account

	30.06.16 £	30.06.15 £
<b>Authorised Share Capital</b>		
100 Management Shares of £1.00 each	100	100
200,000,000 Unclassified Shares of 0.01p each	20,000	20,000
75,000,000 C Shares of 0.10p each	75,000	75,000
	<u>95,100</u>	<u>95,100</u>

	Number of shares		Share Capital	
	30.06.16	30.06.15	30.06.16 £	30.06.15 £
<b>Issued Share Capital</b>				
<b>Management Shares</b>				
Management Shares of £1.00 each	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>
<b>Equity Shares</b>				
Redeemable Participating Preference Shares of 0.01p each:				
Balance at start of year	154,413,416	154,013,416	125,770,151	124,887,120
Issued during the year	1,425,000	400,000	3,076,850	891,950
Share issue costs	–	–	(30,769)	(8,919)
Balance as at end of year	<u>155,838,416</u>	<u>154,413,416</u>	<u>128,816,232</u>	<u>125,770,151</u>

# RUFFER INVESTMENT COMPANY LIMITED

## Notes to the Financial Statements (continued)

### 13. Share capital account (continued)

#### *Management shares*

The Management shares, of which there are 2 in issue, were created to comply with the Company Memorandum and Amended and Restated Articles of Association. The management shares carry one vote each on a poll, do not carry any right to dividends and, in a winding-up, rank only for a return of the amount of the paid-up capital on such shares after return of capital on all other shares in the Company. The management shares are not redeemable.

#### *Unclassified shares*

Unclassified shares can be issued as nominal shares or redeemable participating preference shares. Nominal shares can only be issued at par to the Administrator. The Administrator is obliged to subscribe for nominal shares for cash at par when redeemable participating preference shares are redeemed to ensure that funds are available to redeem the nominal amount paid up on redeemable participating preference shares.

The holder or holders of nominal shares shall have the right to receive notice of and to attend general meetings of the Company but shall not be entitled to vote thereat. Nominal shares shall carry no right to dividends. In a winding-up, holders of nominal shares shall be entitled to be repaid an amount equal to their nominal value out of the assets of the Company.

The holders of fully paid redeemable participating preference shares carry a preferential right to a return of capital in priority to the management shares but have no pre-emptive right and are entitled to one vote at all meetings of the relevant class of shareholders.

#### *C Shares*

There were no C Shares in issue at year end (30 June 2015: Nil).

#### *Blocklisting and additional shares issued*

At the start of the year, the Company had the ability to issue 13,681,342 redeemable participating shares under a blocklisting facility. During the year the Company made no further application (30 June 2015: none) to the Financial Conduct Authority and to the London Stock Exchange for redeemable participating preference shares of 0.01 pence each to be admitted to the Official List under a general corporate purposes blocklisting facility. Under the blocklisting facility, 1,425,000 (30 June 2015: 400,000) new redeemable participating preference shares of 0.01 pence each were allotted and issued during the year for a total consideration of £3,076,850 (30 June 2015: £891,950). These new redeemable participating preference shares rank *pari passu* with the existing shares in issue.

As at 30 June 2016, the Company had the ability to issue a further 12,256,342 (30 June 2015: 13,681,342) redeemable participating preference shares under the blocklisting facility.

#### *Redeemable participating preference shares in issue*

As at 30 June 2016, the Company had 155,838,416 (30 June 2015: 154,413,416) redeemable participating preference shares of 0.01 (30 June 2015: 0.01) pence each and 2 (30 June 2015: 2) Management shares of £1.00 (30 June 2015: £1.00) each in issue. Therefore, the total voting rights in the Company at 30 June 2016 were 155,838,418 (30 June 2015: 154,413,418).

#### *Purchase of Own Shares by the Company*

The Company operates a Share Buyback Facility whereby it may purchase, subject to various terms as set out in its Articles and in accordance with the Companies (Guernsey) Law, 2008, up to 14.99 per cent. of the Company's shares in issue following the admission of shares trading on the LSE's market for listed securities.

During the year the Company did not purchase any of its own shares (30 June 2015: Nil). For additional information refer to note 20 on page 57.

# RUFFER INVESTMENT COMPANY LIMITED

## Notes to the Financial Statements (continued)

### 14. NAV reconciliation

The Company announces its NAV, based on mid-market value, to the LSE after each weekly and month end valuation point. The following is a reconciliation of the NAV per share attributable to redeemable participating preference shareholders as presented in these Financial Statements, using International Financial Reporting Standards to the NAV per share reported to the LSE:

	30.06.16 £	30.06.15 £
NAV per share for valuation purposes	2.130	2.188
IAS 39 valuations (MID to BID)	(0.008)	(0.004)
Adjustment to valuation	0.005	–
Net assets attributable to holders of redeemable participating preference shares (per share)	2.127	2.184

### 15. Contingent liabilities

There were no contingent liabilities as at 30 June 2016 (30 June 2015: £Nil).

### 16. Related party transactions

The Directors are responsible for the determination of the investment policy of the Company and have overall responsibility for the Company's activities.

#### *Investment Management Agreement*

Due to the changes introduced by the AIFMD, the Company terminated the Investment Management Agreement with Ruffer LLP and appointed Ruffer AIFM Limited as the new Investment Manager with effect from 22 July 2014. For further details refer to the General Information on page 62.

The Company is managed by Ruffer AIFM Ltd, a subsidiary of Ruffer LLP, a privately owned business registered in England and Wales as a limited liability partnership. The Company and the Investment Manager have entered into an Investment Management Agreement under which the Investment Manager has been given responsibility for the day-to-day discretionary management of the Company's assets (including uninvested cash) in accordance with the Company's investment objective and policy, subject to the overall supervision of the Directors and in accordance with the investment restrictions in the Investment Management Agreement and the Company's Articles of Association.

The market value of CF Ruffer Japanese Fund, CF Ruffer Gold Fund and Ruffer Illiquid Strategies Fund of Funds 2009 Limited are deducted from the NAV of the Company before the calculation of management fees on a monthly basis. For additional information refer to the Portfolio Statement on pages 58 to 61. Management fees for the year and payable at end of the year are disclosed in note 8.

#### *Shares held in the managing member of Ruffer LLP*

As at 30 June 2016, an immediate family member of the Chairman Ashe Windham owned 100 (30 June 2015: 100) shares in the Managing Member of the Ruffer LLP. This amounts to less than 5% (30 June 2015: less than 5%) of the company's issued share capital.

#### *Directors remuneration*

Directors' remuneration is set out in the Directors' Remuneration Report on page 22 of the Financial Statements.

# RUFFER INVESTMENT COMPANY LIMITED

## Notes to the Financial Statements (continued)

### 16. Related party transactions (continued)

#### *Shares held by related parties*

As at 30 June 2016, Directors of the Company held the following numbers of shares beneficially:

Directors	30.06.16 Shares	30.06.15 Shares
Ashe Windham*	90,000	85,000
Christopher Spencer	14,157	14,157
Jeannette Etherden	36,627	36,627
Wayne Bulpitt	20,000	20,000

\* Ashe Windham holds 70,000 shares whilst his wife holds 20,000.

As at 30 June 2016, Hamish Baillie, Investment Director of the Investment Manager owned 174,000 (30 June 2015: 143,000) shares in the Company. Hamish Baillie acquired a further 31,000 shares on 14 April 2016.

As at 30 June 2016, Steve Russell, Investment Director of the Investment Manager owned 6,450 (30 June 2015: 6,450) shares in the Company.

As at 30 June 2016, the Ruffer LLP (the parent company of the Company's Investment Manager) and other entities within the Ruffer Group held 9,609,728 (30 June 2015: 10,198,775) shares in the Company on behalf of its discretionary clients.

#### *Investments in related funds*

As at 30 June 2016, the Company held investments in seven (30 June 2015: seven) related investment funds valued at £50,338,249 (30 June 2015: £49,095,612). Refer to the Portfolio Statement on pages 58 to 61 for details.

### 17. Operating segment reporting

The Board of Directors makes the strategic resource allocations on behalf of the Company. The Company has determined the operating segments based on the reports reviewed by the Board, which are used to make strategic decisions.

The Board is responsible for the Company's entire portfolio and considers the business to have a single operating segment. The Board's asset allocation decisions are based on a single, integrated investment strategy, and the Company's performance is evaluated on an overall basis.

There were no changes in the reportable segments during the year.

Revenue earned is reported separately on the face of the Condensed Statement of Comprehensive Income as dividend income received from equities, and interest income received from fixed interest securities and bank deposits.

The Statement of Cash Flows separately reports cash flows from operating, investing and financing activities.

### 18. Financial instruments

In accordance with its investment objectives and policies, the Company holds financial instruments which at any one time may comprise the following:

- securities held in accordance with the investment objectives and policies;
- cash and short-term receivables and payables arising directly from operations;
- derivative transactions including investment in forward foreign currency contracts; and
- borrowing used to finance investment activity up to a maximum of 30% of the NAV of the Company.

# RUFFER INVESTMENT COMPANY LIMITED

## Notes to the Financial Statements (continued)

### 18. Financial instruments (continued)

#### Terms, conditions and accounting policies

The financial instruments held by the Company comprise principally internationally listed or quoted equities or equity related securities (including convertibles), and/or bonds which are issued by corporate issuers, supranationals or government organisations.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of its financial assets and liabilities are disclosed in note 2. The following table analyses the carrying amounts of the financial assets and liabilities by category as defined in IAS 39.

The following are the categories of financial instruments held by the Company at the reporting date:

	<b>30.06.16</b>	<b>30.06.15</b>
	<b>Fair Value</b>	<b>Fair Value</b>
	<b>£</b>	<b>£</b>
<b>Financial assets</b>		
Listed securities	293,079,441	291,449,609
UCITS funds	32,417,455	22,846,559
Derivative financial assets	4,071,490	6,770,940
Total financial assets at fair value through profit and loss	<u>329,568,386</u>	<u>321,067,108</u>
Other financial assets*	<u>15,050,493</u>	<u>16,914,717</u>

\* Other financial assets include cash and cash equivalents and receivables.

	<b>30.06.16</b>	<b>30.06.15</b>
	<b>Fair Value</b>	<b>Fair Value</b>
	<b>£</b>	<b>£</b>
<b>Financial liabilities</b>		
Payables	400,730	714,545
Derivative financial liabilities	12,733,403	44,877
	<u>13,134,133</u>	<u>759,422</u>

### 19. Financial risk management and associated risks

The Company is exposed to a variety of financial risks as a result of its activities. These risks include market risk (including price risk, foreign currency risk and interest rate risk), credit risk and liquidity risk. These risks, which have applied throughout the year and the Investment Manager's policies for managing them are summarised as follows:

#### Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Company's activities expose it primarily to the market risks of changes in market prices, interest rates and foreign currency exchange rates.

#### Market price risk

Market price risk arises mainly from the uncertainty about future prices of the financial instruments held by the Company. It represents the potential loss the Company may suffer through holding market positions in the face of price movements.

The Company's investment portfolio is exposed to market price fluctuations which are monitored by the Investment Manager in pursuance of the investment objectives and policies. Adherence to investment guidelines and to investment and borrowing powers set out in the Placing and Offer for Subscription document mitigates the risk of excessive exposure to any particular type of security or issuer.

# RUFFER INVESTMENT COMPANY LIMITED

## Notes to the Financial Statements (continued)

### 19. Financial risk management and associated risks (continued)

#### Market price sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity, investment funds and bond price risks at the reporting date. The 10% reasonably possible price movement for equity related securities and investment funds and a 100 basis point increase or a 25 basis point reduction for the interest rate used by the Company is based on the Investment Manager's best estimates.

A 10% (30 June 2015: 10%) increase in the market prices of equity related investments as at 30 June 2016 would have increased the net assets attributable to holders of redeemable participating preference shares by £17,347,176 (30 June 2015: £19,646,011) and an equal change in the opposite direction would have decreased the net assets attributable to holders of redeemable participating preference shares by an equal opposite amount.

A sensitivity analysis based on the interest rates of bond related investments as at 30 June 2016 has been considered under Interest rate risk on page 52.

Actual trading results may differ from the above sensitivity analysis and these differences could be material.

#### Foreign currency risk

Foreign currency risk arises from fluctuations in the value of a foreign currency. It represents the potential loss the Company may suffer though holding foreign currency assets in the face of foreign exchange movements.

As a portion of the Company's investment portfolio is invested in securities denominated in currencies other than Pound Sterling (the functional and presentation currency of the Company) the Statement of Financial Position may be significantly affected by movements in the exchange rates of such currencies against Pound Sterling. The Investment Manager has the power to manage exposure to currency movements by using options, warrants and/or forward foreign currency contracts and details of the holdings of such instruments at the date of these Financial Statements is set out below and on the following page. In the event of a weak base currency these contracts will expire at a loss that will be offset by a corresponding gain in the underlying assets. The opposite would be true when the base currency is strong.

As at 30 June 2016, the Company had ten (30 June 2015: seven) open forward foreign currency contracts.

#### Forward contracts

Expiry date	Underlying	Notional amount of contracts outstanding	30.06.16 Fair value (liabilities)/ assets £
19 August 2016	Foreign currency (Purchase of EUR)	€5,837,950	(278,575)
15 July 2016	Foreign currency (Purchase of USD)	US\$134,268,700	(6,142,103)
15 July 2016	Foreign currency (Purchase of JPY)	¥5,436,300,000	(4,000,672)
15 July 2016	Foreign currency (Purchase of JPY)	¥496,780,000	(408,718)
15 July 2016	Foreign currency (Purchase of JPY)	¥2,260,114,000	(1,726,908)
15 July 2016	Foreign currency (Purchase of JPY)	¥906,114,000	(176,341)
			<hr/> (12,733,317)
15 July 2016	Foreign currency (Sale of JPY)	¥1,323,080,000	1,211,062
15 July 2016	Foreign currency (Sale of JPY)	¥501,000,000	481,199
15 July 2016	Foreign currency (Sale of JPY)	¥511,000,000	551,650
15 July 2016	Foreign currency (Sale of JPY)	¥1,857,000,000	1,827,565
			<hr/> 4,071,476

# RUFFER INVESTMENT COMPANY LIMITED

## Notes to the Financial Statements (continued)

### 19. Financial risk management and associated risks (continued)

#### Foreign currency risk (continued)

#### Forward contracts (continued)

<i>Expiry date</i>	<i>Underlying</i>	<i>Notional amount of contracts outstanding</i>	<i>30.06.15 Fair value assets/ (liabilities) £</i>
17 July 2015	Foreign currency (Purchase of USD)	US\$106,091,000	4,616,671
17 July 2015	Foreign currency (Purchase of USD)	US\$14,033,000	121,227
17 July 2015	Foreign currency (Purchase of JPY)	¥2,810,016,000	1,360,983
17 July 2015	Foreign currency (Purchase of JPY)	¥3,725,600,000	438,199
14 August 2015	Foreign currency (Purchase of EUR)	€19,842,000	233,860
			<u>6,770,940</u>
14 August 2015	Foreign currency (Sale of EUR)	€942,000	(18,951)
14 August 2015	Foreign currency (Sale of EUR)	€2,814,000	(25,926)
			<u>(44,877)</u>

#### Spot Contracts

As at 30 June 2016, the Company had two (30 June 2015: nil) open spot foreign currency contracts.

<i>Expiry date</i>	<i>Underlying</i>	<i>Notional amount of contracts outstanding</i>	<i>30.06.16 Fair value assets (liabilities) £</i>
1 July 2016	Foreign currency (Sale of EUR)	€9,997	(86)
4 July 2016	Foreign currency (Sale of EUR)	€2,999	14
			<u>(72)</u>

The Investment Manager's treatment of currency transactions other than in Pound Sterling is set out in note 2 to the Financial Statements under "Translation of foreign currency."

As at 30 June 2016 and 2015, the Company held the following assets and liabilities in currencies other than the functional currency:

	<i>30.06.16 Assets £</i>	<i>30.06.16 Liabilities £</i>	<i>30.06.15 Assets £</i>	<i>30.06.15 Liabilities £</i>
Canadian Dollar	3,956,460	—	—	—
Euro	5,511,179	278,575	12,006,750	54,568
Hong Kong Dollar	1,476,613	4,276	6,574,321	10,068
Japanese Yen	44,334,467	6,312,639	50,636,118	3,677
Norwegian Krone	1,614,702	—	—	—
Swiss Franc	2,810,827	—	1,494,382	—
United States Dollar	119,069,985	6,142,103	99,471,282	—

# RUFFER INVESTMENT COMPANY LIMITED

## Notes to the Financial Statements (continued)

### 19. Financial risk management and associated risks (continued)

#### Foreign currency sensitivity

As at 30 June 2016, if the foreign exchange rates had weakened 10% (30 June 2015: 10%) against Pound Sterling with all other variables held constant, net assets attributable to holders of redeemable participating preference shares would be £3,796,693 (30 June 2015: £5,159,293) lower net of open forward foreign currency contracts and due mainly as a result of foreign currency losses on translation of these financial assets and liabilities to Pound Sterling. As at 30 June 2016, a 10% (30 June 2015: 10%) strengthening of the foreign exchange rates against Pound Sterling would have resulted in an equal but opposite effect on the net assets attributable to holders of redeemable participating preference shares. Any changes in the foreign exchange rate will directly affect the profit and loss, allocated to the capital column of the Statement of Comprehensive Income.

Actual trading results may differ from the above sensitivity analysis and these differences could be material.

As has been seen in the 12 months to 30 June 2016 currencies can fluctuate by more than this indicative amount. The Investment Manager will incorporate this variable into risk analysis when managing the investments.

#### Interest rate risk

Interest rate risk represents the uncertainty of investment return due to changes in the market rates of interest.

The Company invests in fixed and floating rate securities. The income of the Company may be affected by changes to interest rates relevant to particular securities or as a result of the Investment Manager being unable to secure similar returns on the expiry of contracts or sale of securities. Interest receivable on bank deposits or payable on the bank overdraft positions will be affected by fluctuations in interest rates.

The Investment Manager actively manages the Company's exposure to interest rate risk, paying heed to prevailing interest rates and economic conditions, market expectations and their own opinions of likely movements in interest rates. Currently the entire exposure of the Company to fixed interest securities is in the form of index-linked bonds. The value of these investments is determined by current and expected inflation and interest rates.

The value of fixed interest securities will be affected by general changes in interest rates that will in turn result in increases or decreases in the market value of those instruments. When interest rates decline, the value of the Company's investments in fixed rate debt obligations can be expected to rise, and when interest rates rise, the value of those investments may decline.

The investment portfolio details the security type, issuer, interest rate, and maturity date of all of the Company's fixed and floating rate securities as at 30 June 2016 and 2015.

# RUFFER INVESTMENT COMPANY LIMITED

## Notes to the Financial Statements (continued)

### 19. Financial risk management and associated risks (continued)

#### Interest rate risk (continued)

The tables below summarises the Company's exposure to interest rate risks. It includes the Company's financial assets and liabilities at fair values, categorised by the earlier of contractual re-pricing or maturity dates.

#### As at 30 June 2016

	<b>Floating rate £</b>	<b>Fixed rate £</b>	<b>Non-Interest bearing £</b>	<b>Total 30.06.16 £</b>
<b>Financial Assets</b>				
Cash and cash equivalents	14,513,399	—	—	14,513,399
Investments designated at fair value through profit or loss	—	152,025,136	173,471,760	325,496,896
Unrealised gain on open spot and forward foreign currency contracts	—	—	4,071,490	4,071,490
Receivables	—	—	537,094	537,094
	<u>14,513,399</u>	<u>152,025,136</u>	<u>178,080,344</u>	<u>344,618,879</u>
<b>Financial Liabilities</b>				
Payables	—	—	400,730	400,730
Unrealised loss on open spot and forward foreign currency contracts	—	—	12,733,403	12,733,403
	<u>—</u>	<u>—</u>	<u>13,134,133</u>	<u>13,134,133</u>

#### As at 30 June 2015

	<b>Floating rate £</b>	<b>Fixed rate £</b>	<b>Non-Interest bearing £</b>	<b>Total 30.06.15 £</b>
<b>Financial Assets</b>				
Cash and cash equivalents	16,441,960	—	—	16,441,960
Investments designated at fair value through profit or loss	—	117,836,056	196,460,112	314,296,168
Unrealised gain on open forward foreign currency contracts	—	—	6,770,940	6,770,940
Receivables	—	—	472,757	472,757
	<u>16,441,960</u>	<u>117,836,056</u>	<u>203,703,809</u>	<u>337,981,825</u>
<b>Financial Liabilities</b>				
Payables	—	—	714,545	714,545
Unrealised loss on open forward foreign currency contracts	—	—	44,877	44,877
	<u>—</u>	<u>—</u>	<u>759,422</u>	<u>759,422</u>

# RUFFER INVESTMENT COMPANY LIMITED

## Notes to the Financial Statements (continued)

### 19. Financial risk management and associated risks (continued)

#### Interest rate risk (continued)

The table below summarises weighted average effective interest rates for financial instruments.

	<b>30.06.16</b>	<b>Weighted average period for which rate/ yield is fixed</b>	<b>30.06.15</b>	<b>Weighted average period for which rate/ yield is fixed</b>
	<b>% p.a.</b>		<b>% p.a.</b>	
Canada Government Bonds	0.2950%	25.44 years	–	–
United Kingdom Government Bonds	-1.6131%	30.78 years	-0.8478%	27.05 years
United States Government Bonds	-0.0257%	11.24 years	0.2619%	8.02 years

#### Interest rate sensitivity analysis

An increase of 100 basis points (30 June 2015: 100 basis points) in interest rates as at the reporting date would have decreased the net assets attributable to holders of redeemable participating preference shares by £29,826,334 (30 June 2015: £19,373,301) and a decrease of 25 basis points (30 June 2015: 25 basis points) in interest rates would have increased the net assets attributable to holders of redeemable participating preference shares by £7,456,584 (30 June 2015: £4,843,325).

Key determinants of interest rates include economic growth prospects, inflation, governments' fiscal positions and rates on nominal bonds of similar maturities. This sensitivity analysis assumes only a 100 basis point increase and a 25 basis point decrease in interest rates, with all other variables unchanged. This would be the equivalent of a 100 basis point increase and 25 basis point decreases in 'real' interest rates and as such is likely to overstate the actual impact of such a move in nominal rates.

As all the Company's fixed rate securities are index-linked bonds, their yields, and as a consequence their prices, are determined by market perception as to the appropriate level of yields given the economic background.

#### Credit risk

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to meet a commitment that it has entered into with the Company. Failure of any relevant counterparty to perform its obligations in respect of these items may lead to a financial loss.

The Company is exposed to credit risk in respect of cash and cash equivalents and receivables. The credit risk associated with debtors is limited to the unrealised gains on open derivative contracts such as forward foreign currency contracts, as detailed above and receivables. It is the opinion of the Board of Directors that the carrying amounts of these financial assets represent the maximum credit risk exposure as at the reporting date.

The Company will not invest in the securities of any company that is not quoted or does not have a listing on a market specified in the Financial Services and Markets Act 2000 (Financial Promotions) Order 2001 except for investments in investment funds and such other financial markets as may be specifically agreed from time to time between the Board and the Investment Manager.

All transactions in listed securities are settled/paid upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet their obligation.

The Placing and Offer for Subscription document allows investment in a wide universe of equity related securities and bonds, including countries that may be classed as emerging or developing. In adhering to investment restrictions set out within the document, the Company mitigates the risk of any significant concentration of credit risk.

# RUFFER INVESTMENT COMPANY LIMITED

## Notes to the Financial Statements (continued)

### 19. Financial risk management and associated risks (continued)

#### Credit risk (continued)

##### *Credit risk analysis*

The Company's maximum credit exposure is limited to the carrying amount of financial assets recognised at the reporting date, as summarised below:

	<b>30.06.16</b>	<b>30.06.15</b>
	<b>£</b>	<b>£</b>
Cash and cash equivalents	14,513,399	16,441,960
Unrealised gain on open spot and forward foreign currency contracts	4,071,490	6,770,940
Receivables	537,094	472,757
Financial assets at fair value through profit or loss	325,496,896	314,296,168
	<u>344,618,879</u>	<u>337,981,825</u>

The Company is exposed to material credit risk in respect of cash and cash equivalents. All cash is placed with Northern Trust (Guernsey) Limited ("NTGL").

NTGL is a wholly owned subsidiary of The Northern Trust Corporation ("TNTC"). TNTC is publicly traded and a constituent of the S&P 500. TNTC has a credit rating of A+ (30 June 2015: A+) from Standard & Poor's and A2 (30 June 2015: A2) from Moody's.

The Moody's and/or Standard and Poor (S&P) credit ratings of the issuers of Bonds held by the Company as at 30 June 2016 were as follows:

	<b>30.06.16</b>	<b>30.06.16</b>
	<b>S&amp;P</b>	<b>Moody's</b>
Canada Government Bond Ltd 2.00% 01/12/2041	AAA	Aaa
UK Index-Linked Gilt 1.875% 22/11/2022	AA	Aa1
UK Index-Linked Gilt 0.125% 22/03/2024	AA	Aa1
UK Index-Linked Gilt 1.250% 22/11/2055	AA	Aa1
UK Index-Linked Gilt 0.375% 22/03/2062	AA	Aa1
UK Index-Linked Gilt 0.125% 22/03/2068	AA	Aa1
US Treasury Inflation Indexed Bond 1.125% 15/01/2021	AA+	Aaa
US Treasury Inflation Indexed Bond 0.625% 15/07/2021	AA+	Aaa
US Treasury Inflation Indexed Bond 0.125% 15/01/2023	AA+	Aaa
US Treasury Inflation Indexed Bond 0.375% 15/07/2023	AA+	Aaa
US Treasury Inflation Indexed Bond 2.125% 15/02/2041	AA+	Aaa
US Treasury Inflation Indexed Bond 0.625% 15/02/2043	AA+	Aaa
US Treasury Inflation Indexed Bond 0.750% 15/02/2045	AA+	Aaa

None of the Company's financial assets are secured by collateral or other credit enhancements.

#### Derivatives

The Company has gained exposure to derivative contracts (predominantly options and forward currency contracts) as a risk management tool. The intention of using such derivative contracts has been primarily to minimise the exposure of the Company to negative consequences arising from changes to foreign exchange rates, interest rates, market volatility and to protect the portfolio from a correlated fall in bonds and equities. At the Statement of Financial Position date all such instruments (except forward foreign exchange contracts) were held within the Ruffer Protection Strategies vehicle as detailed in the Portfolio Statement.

# RUFFER INVESTMENT COMPANY LIMITED

## Notes to the Financial Statements (continued)

### 19. Financial risk management and associated risks (continued)

#### Fair value

IFRS 7 requires the Company to classify fair value hierarchy that reflects the significance of the inputs used in making the measurements. IFRS 7 establishes a fair value hierarchy that prioritises the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under IFRS 7 are as follows:

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 asset or liability either directly (that is, as prices) or indirectly (that is, derived from prices); and

Level 3 Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset or liability.

The determination of what constitutes 'observable' requires significant judgment by the Company. The Company considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The following table presents the Company's financial assets and liabilities by level within the valuation hierarchy as of 30 June 2016.

	Level 1 £	Level 2 £	Level 3 £	30.06.16 Total £
Financial assets at fair value through profit or loss:				
Government Index-Linked Bonds	152,025,136	–	–	152,025,136
Preference Shares	559,769	–	–	559,769
Options	–	1,128,548	–	1,128,548
Equities	142,006,909	–	893,512	142,900,421
Investment Funds	–	26,026,221	2,856,801	28,883,022
Derivative financial assets	–	4,071,490	–	4,071,490
Total assets	294,591,814	31,226,259	3,750,313	329,568,386
Financial liabilities at fair value through profit or loss:				
Derivative financial liabilities	–	12,733,403	–	12,733,403
Total liabilities	–	12,733,403	–	12,733,403

# RUFFER INVESTMENT COMPANY LIMITED

## Notes to the Financial Statements (continued)

### 19. Financial risk management and associated risks (continued)

#### Fair value (continued)

The following table presents the Company's financial assets and liabilities by level within the valuation hierarchy as of 30 June 2015.

	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>30.06.15</i>
	<i>£</i>	<i>£</i>	<i>£</i>	<i>Total</i>
				<i>£</i>
<i>Financial assets at fair value</i>				
<i>through profit or loss:</i>				
<i>Government Index-Linked Bonds</i>	117,836,056	–	–	117,836,056
<i>Preference Shares</i>	4,495,206	–	–	4,495,206
<i>Options</i>	–	6,635,373	–	6,635,373
<i>Equities</i>	150,945,921	–	1,409,625	152,355,546
<i>Investment Funds</i>	–	32,973,987	–	32,973,987
<i>Derivative financial assets</i>	–	6,770,940	–	6,770,940
<i>Total assets</i>	<u>273,277,183</u>	<u>46,380,300</u>	<u>1,409,625</u>	<u>321,067,108</u>
<i>Financial liabilities at fair value</i>				
<i>through profit or loss:</i>				
<i>Derivative financial liabilities</i>	–	44,877	–	44,877
<i>Total liabilities</i>	<u>–</u>	<u>44,877</u>	<u>–</u>	<u>44,877</u>

The Company recognises transfers between levels of fair value hierarchy as of the end of the reporting period during which the transfer has occurred. During the year ended 30 June 2016, Ruffer Illiquid Strategies Fund of Funds 2009 Ltd was transferred from Level 2 to Level 3 as a result of voluntary liquidation.

In the prior year ended 30 June 2015, the following transfers were made:

- the investment in Renn Universal Growth Trust Ltd (“Renn”) was transferred from Level 1 to Level 3 as a result of delisting Renn's shares from the stock exchange in early 2015; and
- the investment in Ruffer Protection Strategies International (“RPSI”) was transferred from Level 1 to Level 2 as RPSI's investments are mostly in over-the-counter options.

#### Movements in Level 3 investments

	<i>30.06.16</i>	<i>30.06.15</i>
	<i>£</i>	<i>£</i>
Opening valuation	1,409,625	–
Transfer from Level 1	–	1,409,625
Transfer from Level 2	2,856,801	–
Disposals during the year	(516,113)	–
Closing valuation	<u>3,750,313</u>	<u>1,409,625</u>

Assets classified in Level 1 consist of listed or quoted equities or equity related securities, options and bonds which are issued by corporate issuers, supra-nationals or government organisations.

Assets classified in Level 2 are investment in funds fair-valued using the official NAV of each fund as reported by each fund's independent administrator at the reporting date.

Assets classified in Level 3 consist of illiquid funds and are reported at its last available fair value using the official NAV less dividends declared to date of each fund as reported by each fund's independent administrator at the last reporting date.

# RUFFER INVESTMENT COMPANY LIMITED

## Notes to the Financial Statements (continued)

### 19. Financial risk management and associated risks (continued)

#### Liquidity risk

Liquidity risk is the risk that the Company will find it difficult or impossible to realise assets or otherwise raising funds to meet financial commitments.

The Company's liquidity risk is managed by the Investment Manager who monitors the cash positions on a regular basis. The Company's overall liquidity risks are monitored on a regular basis by the Board of Directors and a formal report is made by the Investment Manager to the Directors at each Board Meeting.

As at 30 June 2016 and 2015, the Company had no significant financial liabilities other than short-term payables arising directly from investing activity.

### 20. Capital risk management

The fair value of the Company's financial assets and liabilities approximate to their carrying amounts at the reporting date. For the purposes of this disclosure, redeemable participating preference shares are considered to be capital.

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. There are no externally-imposed capital requirements on the Company.

The Company has the ability to borrow up to 30% of its NAV at any time for short-term or temporary purposes as is necessary for the settlement of transactions, to facilitate redemption (where applicable) or to meet ongoing expenses. The Company does not have, nor does it intend to adopt, any structural gearing. The gearing ratio below is calculated as total liabilities divided by total equity.

	30.06.16 £	30.06.15 £
Total assets	344,618,879	337,981,825
Less: total liabilities	(13,134,133)	(759,422)
Total equity	331,484,746	337,222,403
Gearing ratio	3.96%	0.23%

The Board considers this gearing ratio to be adequate since total borrowings above refer only to other payables and unrealised losses on open spot and forward foreign currency contracts.

#### Redemption Facility

The Company has a Redemption Facility (which takes the form of a tender offer to all holders of redeemable participating preference shares) which was made available after 8 July 2007. This facility may operate annually, in November each year, at the discretion of the Directors. Redemptions on any Redemption Date may be restricted to a maximum of 25% in aggregate of the Shares then in issue, with any tender requests from shareholders in excess of this being scaled back pro rata.

The facility is intended to address any imbalance in the supply and demand for the shares and to assist in maintaining a narrow discount to the NAV per Share at which the shares may be trading. The Company, will at the sole discretion of the Directors:

- (i) purchase shares when deemed appropriate; and
- (ii) allow an annual redemption of up to 25% of the issued shares at the prevailing NAV per Share and may operate annually in November of each year.

# RUFFER INVESTMENT COMPANY LIMITED

## Notes to the Financial Statements (continued)

### 20. Capital risk management (continued)

#### Purchase of Own Shares by the Company

An ordinary resolution was granted on 19 November 2015 which authorised the Company in accordance with The Companies (Guernsey) Law, 2008 to make purchases of its own shares as defined in that Ordinance of its redeemable participating preference shares of 0.01p each, provided that:

- (i) the maximum number of Shares the Company can purchase is no more than 14.99% of the Company's issued share capital;
- (ii) the minimum price (exclusive of expenses) which may be paid for a Share is 0.01 pence, being the nominal value per share;
- (iii) the maximum price (exclusive of expenses) which may be paid for the Share is an amount equal to the higher of (i) 105% of the average of the middle market quotations for a Share taken from the London Stock Exchange Daily Official List for the 5 business days immediately preceding the day on which the Share is purchased and (ii) the price stipulated in Article 5(i) of the Buyback and Stabilisation Regulation (No 2237 of 2003);
- (iv) acquisitions may only be made pursuant to this authority if the Shares are (at the date of the proposed purchase) trading on the London Stock Exchange at a discount to the lower of the undiluted or diluted NAV;
- (v) the authority conferred shall expire at the conclusion of the AGM of the Company in 2016 or, if earlier, on the expiry of 15 months from the passing of this resolution, unless such authority is renewed prior to such time; and
- (vi) the Company may make a contract to purchase Shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiration of such authority and may make a purchase of Shares pursuant to any such contract.

### 21. Subsequent events

These Financial Statements were approved for issuance by the Board on 15 September 2016. Subsequent events have been evaluated until this date.

On 20 July 2016, Wayne Bulpitt resigned as a director and after due consideration by the Board Sarah Evans was appointed on that date.

On 2 August 2016, Jonathan Ruffer, Chairman of Ruffer LLP, bought 100,000 shares at a price of 214.25p.

As at the date of this report the Company had 155,838,416 redeemable participating preference shares of 0.01p each and 2 Management shares of £1.00 each in issue. Therefore, the total voting rights in the Company at the date of this report were 155,838,418.

The Bank of England base rate as the performance benchmark was reduced to 0.25% post year after the Brexit.

# RUFFER INVESTMENT COMPANY LIMITED

Portfolio Statement as at 30 June 2016

	Currency	Holding at 30.06.16	Fair Value £	% of Total Net Assets*
<b>Government Index-Linked Bonds 45.86%</b>				
<i>(30.06.15 – 34.95%)</i>				
<b>Canada</b>				
Canada Real Return Bond 2.00% 01/12/2041	CAD	4,200,000	3,951,893	1.19
			3,951,893	1.19
<b>United Kingdom</b>				
UK Index-Linked Gilt 1.875% 22/11/2022	GBP	13,700,000	21,881,489	6.60
UK Index-Linked Gilt 0.125% 22/03/2024	GBP	6,190,000	7,657,859	2.30
UK Index-Linked Gilt 1.250% 22/11/2055	GBP	2,500,000	8,070,137	2.44
UK Index-Linked Gilt 0.375% 22/03/2062	GBP	8,000,000	19,276,040	5.82
UK Index-Linked Gilt 0.125% 22/03/2068	GBP	7,203,000	16,759,587	5.06
			73,645,112	22.22
<b>United States</b>				
US Treasury Inflation Indexed Bond 1.125% 15/01/2021	USD	13,500,000	11,811,957	3.56
US Treasury Inflation Indexed Bond 0.625% 15/07/2021	USD	19,350,000	16,169,215	4.88
US Treasury Inflation Indexed Bond 0.125% 15/01/2023	USD	17,500,000	13,747,312	4.15
US Treasury Inflation Indexed Bond 0.375% 15/07/2023	USD	17,000,000	13,516,117	4.08
US Treasury Inflation Indexed Bond 2.125% 15/02/2041	USD	3,147,000	3,392,373	1.02
US Treasury Inflation Indexed Bond 0.625% 15/02/2043	USD	13,001,000	9,849,362	2.97
US Treasury Inflation Indexed Bond 0.750% 15/02/2045	USD	7,785,600	5,941,795	1.79
			74,428,131	22.45
<b>Total Government Index-Linked Bonds</b>			<b>152,025,136</b>	<b>45.86</b>
<b>Preference Shares 0.17%</b>				
<i>(30.06.15 – 1.33%)</i>				
<b>United Kingdom</b>				
Raven Russia Preference Shares	GBP	466,474	559,769	0.17
			559,769	0.17
<b>Total Preference Shares</b>			<b>559,769</b>	<b>0.17</b>
<b>Equities 36.11%</b>				
<i>(30.06.15 – 41.77%)</i>				
<b>Europe</b>				
<b>Germany</b>				
Deutsche Post AG	EUR	115,000	2,407,432	0.72
Heliocentris Energy Solutions AG	EUR	385,558	308,884	0.09
TAG Immobilien AG	EUR	283,782	2,784,062	0.85
			5,500,378	1.66

# RUFFER INVESTMENT COMPANY LIMITED

Portfolio Statement as at 30 June 2016 (continued)

## Equities (continued)

	Currency	Holding at 30.06.16	Fair Value £	% of Total Net Assets*
<b>Norway</b>				
Aker	NOK	85,000	1,614,702	0.49
			1,614,702	0.49
<b>Switzerland</b>				
Novartis AG	CHF	45,700	2,810,827	0.85
			2,810,827	0.85
<b>United Kingdom</b>				
Better Capital Ltd (2009)	GBP	1,727,800	1,563,659	0.47
Better Capital Ltd (2012)	GBP	3,088,700	957,497	0.29
BT Group Plc	GBP	725,000	2,972,500	0.90
Cape Plc	GBP	850,000	1,629,875	0.49
Conviviality Plc	GBP	308,720	567,273	0.17
Countryside Properties Plc	GBP	216,670	482,741	0.15
Crawshaw Group	GBP	320,455	246,750	0.07
Games Workshop Group Plc	GBP	250,000	1,127,500	0.34
IP Group Plc	GBP	574,216	813,090	0.24
ITV Plc	GBP	1,460,000	2,623,620	0.79
Oakley Capital Investments Ltd	GBP	2,825,794	3,503,985	1.06
Ocado Group Plc	GBP	307,000	708,249	0.21
Raven Russia Ltd	GBP	1,658,953	617,960	0.19
Renn Universal Growth Trust Ltd	GBP	937,500	893,512	0.27
Ruffer SICAV UK Mid & Smaller Companies Fund**	GBP	13,235	2,341,536	0.71
Secure Trust Bank Plc	GBP	58,345	1,187,321	0.36
Sophos Group Plc	USD	510,280	1,070,567	0.32
Vodafone Group Plc	GBP	1,109,727	2,524,629	0.76
			25,832,264	7.79
<b>Total European Equities</b>			<b>35,758,171</b>	<b>10.79</b>
<b>United States</b>				
Apple Inc	USD	46,000	3,289,647	1.00
Check Point Software Technologies Ltd	USD	60,000	3,576,302	1.08
Emerson Electric Com	USD	82,856	3,231,682	0.96
Exxon Mobil Corp	USD	62,000	4,347,143	1.31
Ingevity Corp Com	USD	57,381	1,461,138	0.44
Leucadia National Corp	USD	120,000	1,554,758	0.47
Lockheed Martin Corp	USD	24,400	4,531,742	1.37
Microsoft Corp	USD	66,309	2,538,174	0.77
Oracle Corp	USD	60,000	1,836,176	0.55
Qualcomm Inc	USD	44,650	1,788,939	0.54
The Boeing Company	USD	36,200	3,515,473	1.07
Westrock Company	USD	119,900	3,484,527	1.05
<b>Total United States Equities</b>			<b>35,155,701</b>	<b>10.61</b>

# RUFFER INVESTMENT COMPANY LIMITED

Portfolio Statement as at 30 June 2016 (continued)

## Equities (continued)

	Currency	Holding at 30.06.16	Fair Value £	% of Total Net Assets*
<b>Asia</b>				
<b>China</b>				
China Life Insurance Co Ltd	HKD	459,000	733,810	0.22
PICC Property & Casualty Co Ltd	HKD	600,000	700,041	0.20
			1,433,851	0.42
<b>Japan</b>				
CF Ruffer Japanese Fund**	GBP	4,090,101	7,090,599	2.14
East Japan Railway Co	JPY	25,800	1,774,214	0.53
Fujifilm Holdings Corp	JPY	119,200	3,427,138	1.03
Fujitsu NPV	JPY	900,000	2,453,729	0.74
Mitsubishi UFJ Financial Group Inc	JPY	1,664,000	5,531,609	1.67
Mitsui Fudosan Co NPV	JPY	104,000	1,767,682	0.53
Mizuho Financial Group Inc	JPY	1,228,500	1,327,553	0.40
NTT Data Corp	JPY	43,700	1,537,472	0.46
NTT Urban Development Corp	JPY	419,000	3,333,246	1.01
Rakuten Inc	JPY	283,100	2,273,803	0.69
Seven & I Holdings	JPY	110,000	3,432,930	1.04
Sony Corp	JPY	105,900	2,307,306	0.70
Sumitomo Mitsui Financial Group Inc	JPY	255,900	5,459,755	1.65
T&D Holdings Inc	JPY	900,000	5,636,554	1.70
			47,353,590	14.29
<b>Total Asian Equities</b>			<b>48,787,441</b>	<b>14.71</b>
<b>Total Equities</b>			<b>119,701,313</b>	<b>36.11</b>

## Global Investment Funds 8.71%

(30.06.15 – 9.05%)

### United Kingdom

Herald Worldwide Fund	GBP	64,341	1,885,823	0.56
Ruffer Illiquid Strategies Fund of Funds 2009 Ltd**	GBP	44,335	2,856,801	0.86
Ruffer Illiquid Multi Strategies Fund 2015 Ltd**	GBP	16,450,000	16,562,650	5.00
Ruffer SICAV Global Smaller Companies Fund**	GBP	45,129	6,125,748	1.85
Weiss Korea Opportunity Fund Ltd	GBP	1,100,000	1,452,000	0.44
			28,883,022	8.71
<b>Total Global Investment Funds</b>			<b>28,883,022</b>	<b>8.71</b>

# RUFFER INVESTMENT COMPANY LIMITED

Portfolio Statement as at 30 June 2016 (continued)

	Currency	Holding at 30.06.16	Fair Value £	% of Total Net Assets*
<b>Gold &amp; Gold Mining Equities 7.00%</b>				
<i>(30.06.15 – 4.13%)</i>				
<b>United Kingdom</b>				
CF Ruffer Gold Fund**	GBP	9,044,304	14,973,749	4.52
Gold Bullion Securities Ltd	USD	87,559	8,225,359	2.48
			23,199,108	7.00
<b>Total Gold &amp; Gold Mining Equities</b>			<b>23,199,108</b>	<b>7.00</b>
<b>Options 0.34%</b>				
<i>(30.06.15 – 1.97%)</i>				
<b>United Kingdom</b>				
Ruffer Protection Strategies International**	GBP	210,162	1,128,548	0.34
			<b>1,128,548</b>	<b>0.34</b>
<b>Total financial assets at fair value through profit or loss</b>			<b>325,496,896</b>	<b>98.19</b>
Other net current assets			5,987,850	1.81
Management share capital			(2)	–
<b>Total Value of Company</b>				
<b>(attributable to redeemable participating preference shares)</b>			<b>331,484,744</b>	<b>100.00</b>

\* All percentages relate to net assets attributable to holders of redeemable participating preference shares.

\*\* Ruffer Protection Strategies International and Ruffer Illiquid Multi Strategies Fund 2015 Ltd are classed as related parties as they share the same Investment Manager (Ruffer AIFM Limited) as the Company. CF Ruffer Gold Fund, CF Ruffer Japanese Fund, Ruffer SICAV Global Smaller Companies Fund, Ruffer SICAV UK Mid & Smaller Companies Fund and Ruffer Illiquid Strategies Fund of Funds 2009 are also classed as related parties as their investment manager (Ruffer LLP) is the parent of the Company's Investment Manager.

# Ruffer Illiquid Strategies Fund of Funds 2009 Ltd went into voluntary liquidation on 7 July 2016 due to it coming to the end of its expected life.

# RUFFER INVESTMENT COMPANY LIMITED

## General Information

Ruffer Investment Company Limited was incorporated with limited liability in Guernsey as a company limited by shares and as an authorised closed-ended investment company on 1 June 2004. The principal objective of the Company is to achieve a positive total annual return, after all expenses, of at least twice the Bank of England base rate. The Company predominantly invests in internationally listed or quoted equities or equity related securities (including convertibles) and/or bonds which are issued by corporate issuers, supra-nationals or government organisations.

The Company's redeemable participating preference shares are listed on the London Stock Exchange.

The accounting date of the Company is 30 June in each year. These Annual Financial Statements were authorised for issue on 15 September 2016 by the Directors.

The prices of the shares in the Company are published in The Financial Times in the "Investment Companies" section, and in the Daily Telegraph's "Share Prices & Market Capitalisations" section under "Investment Trusts".

The Company terminated the Investment Management Agreement with Ruffer LLP due to changes introduced by the AIFMD, and appointed Ruffer AIFM Limited as the new Investment Manager with effect from 21 July 2014. The Investment Manager is entitled to an investment management fee payable to the AIFM monthly in arrears at a rate of 1% of the Net Asset Value per annum. The Investment Manager is authorised and regulated by the United Kingdom Financial Conduct Authority as a full-scope alternative investment fund manager.

The Investment Manager intends to conduct the affairs of the Company so as to ensure that it will not become resident in the United Kingdom. Accordingly, and provided that the Company does not carry on a trade in the United Kingdom through a branch or agency situated therein, the Company will not be subject to United Kingdom Corporation Tax or Income Tax.

The Administrator is entitled to receive an annual fee equal to 0.15 per cent. per annum on the first £100 million and 0.10 per cent. per annum thereafter on the NAV of the Company on a mid market basis, subject to a minimum fee of £60,000 per annum.

Northern Trust (Guernsey) Limited (the "Custodian") is entitled to receive from the Company a fee of £2,000 per annum. The Custodian is also entitled to charge for certain expenses incurred by it in connection with its duties.

The Depositary (Northern Trust (Guernsey) Limited) is entitled to an annual Depositary fee payable to Northern Trust (Guernsey) Limited monthly in arrears at a rate of 0.01% of the Net Asset Value of the Company below £100 million, 0.008% on Net Assets between £100 million and £200 million and 0.006% in excess of £200 million as at the last business day of the month subject to a minimum fee of £20,000 per annum.

# RUFFER INVESTMENT COMPANY LIMITED

## Management and Administration

### Directors

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Ashe Windham  
John V Baldwin  
Wayne Bulpitt  
(*resigned 20 July 2016*)  
Jeannette Etherden  
Sarah Evans  
(*appointed 20 July 2016*)  
Christopher Spencer

### Registered Office

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PO Box 255  
Trafalgar Court,  
Les Banques,  
St. Peter Port,  
Guernsey,  
Channel Islands, GY1 3QL

### Auditor

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Deloitte LLP  
Regency Court,  
Glatigny Esplanade,  
St. Peter Port,  
Guernsey,  
Channel Islands, GY1 3HW

### Investment Manager and Alternative Investment Fund Manager

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Ruffer AIFM Limited,  
80 Victoria Street,  
London, SW1E 5JL

### Sponsor and Broker

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Cenkos Securities Plc,  
6.7.8 Tokenhouse Yard,  
London, EC2R 7AS

### Solicitors to the Company as to UK law

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Lawrence Graham LLP,  
4 More London Riverside,  
London, SE1 2AU

### Company Secretary, Administrator and Registrar

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Northern Trust International  
Fund Administration Services  
(Guernsey) Limited,  
Trafalgar Court,  
Les Banques,  
St. Peter Port,  
Guernsey,  
Channel Islands, GY1 3QL

### CREST Agent

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Computershare Investor  
Services (Jersey)  
Limited,  
Queensway House,  
Hilgrove Street,  
St. Helier,  
Jersey, JE1 1ES

### Advocates to the Company as to Guernsey law

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Mourant Ozannes,  
1 Le Marchant Street,  
St. Peter Port,  
Guernsey,  
Channel Islands, GY1 4HP

### Custodian

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Northern Trust (Guernsey)  
Limited,  
Trafalgar Court,  
Les Banques,  
St. Peter Port,  
Guernsey,  
Channel Islands, GY1 3QL

### Depository

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Northern Trust (Guernsey)  
Limited  
Trafalgar Court,  
Les Banques,  
St. Peter Port,  
Guernsey,  
Channel Islands, GY1 3QL



