Ruffer Investment Company Limited

Annual financial report
for the year ended
30 June 2017

Contents

Key Performance Indicators*

	30.06.17	30.06.16
Share price total return over 12 months**	12.90%	(3.50%)
Annualised NAV total return per share over 12 months	8.75%	(1.00%)
Premium/(discount) of share price to NAV	3.04%	(0.94%)
Dividends per share	2.6p	3.4p
Dividend yield	1.10%	1.60%
Annualised total return per share since launch	8.35%	8.32%
Ongoing charges ratio	1.18%	1.18%

Financial Highlights

	30.06.17	30.06.16
Share price at year end	236.00p	209.00p
NAV at year end***	£376,116,913	£331,954,470
Market capitalisation at year end	£387,543,662	£325,702,289
Number of shares in issue at year end	164,213,416	155,838,416
NAV per share at year end as reported to the LSE****	229.04p	213.01p
NAV per share at year end as calculated on an IFRS basis	228.73p	212.70p

Company Information

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

† The price an investor would have paid at the close of trading in the market (London Stock Exchange ("LSE")).

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

** Assumes reinvestment of dividends.

*** This is the NAV as released on the London Stock Exchange ("LSE") on 30 June each year.

**** This is the Net Asset Value ("NAV") per share using International Financial Reporting Standards. The NAV is calculated weekly and at month end. Refer to note 14 on page 72 for the NAV reconciliation.

Company Performance

	Price at 30.06.17		Change in bid price	
	Bid price	Offer price	From launch %	From 30.06.16 %
Redeemable participating preference shares	235.00p	237.00p	+ 135.00	+ 12.44

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
30.06.17	£375,601,706	228.73p*	164,213,416
30.06.16	£331,484,744	212.71p	155,838,416
30.06.15	£337,222,401	218.39p	154,413,416
30.06.14	£318,040,568	206.50p	154,013,416
30.06.13	£319,114,093	213.90p	149,188,416
30.06.12	£270,884,661	191.45p	141,488,416

* Net Asset Value per share reported to the London Stock Exchange was £2.290 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
30.06.17	241.00p	211.00p
30.06.16	225.00p	195.00p
30.06.15	226.00p	194.30p
30.06.14	229.00p	200.50p
30.06.13	231.00p	191.50p
30.06.12	207.00p	190.00p

Net Asset Value Range

Accounting period to	Highest NAV	Lowest NAV
30.06.17	233.40p	213.00p
30.06.16	219.90p	196.20p
30.06.15	224.30p	204.10p
30.06.14	220.60p	203.40p
30.06.13	220.80p	190.30p
30.06.12	199.10p	187.10p

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.

Chairman's Review

If you are experiencing a sense of deja vu it is because, for the first time in this Company's thirteen year history, we released an abbreviated, unaudited set of Accounts for the year to 30 June 2017 on 21 July 2017. The Directors wanted to do this so as to give the Company's shareholders a more timely look at the highlights for the year rather than waiting almost another eight weeks for the fully audited Accounts. As it happens there have been no material changes to the figures released on 21 July.

Performance

In the twelve months from 1 July 2016 to 30 June 2017, the net asset value (NAV) per share of the Company rose from 213.01p* to 229.04p*. Adding dividends of 2.6p paid during the period, this equates to a NAV total return of 8.75%. The target return being twice the Bank of England base rate, was 0.5% over the period and, by way of context, the FTSE All-Share Total Return Index rose by 18.1%. We regard this as a satisfactory result given the defensive positioning of the Company in the last 12 months and it is in line with the average annual rate of total return since launch on 8 July 2004 (8.4%).

The start of your Company's financial year came just 6 days after the unexpected Brexit referendum result. The performance over the first six months until 31 December 2016 was very impressive given the choppy state of post-Brexit markets, further agitated by the announcement of President Trump's election on 9 November 2016. The NAV rose from 213.01p to 228.98p and relatively little of this appreciation came from currency translation effects. From 1 January 2017 until 30 June 2017 progress was much more pedestrian with a NAV total return of 0.4%.

Since launch, the NAV of the Company has risen by 183.5% including dividends, compared with a rise of 68% in the target return and 190.1% in the FTSE All-Share Total Return index.

Earnings and Dividends

Earnings for the year were 2.23p per share on the revenue account and 15.91p per share on the capital account. Earnings from the revenue account remain depressed owing to the heavy weighting in index-linked securities, illiquid strategy funds, gold and gold equities, most of which yield next to nothing. As forewarned in the Chairman's Review of 30 June 2016, the Company's investment portfolio was generating less income than it had been distributing and the Directors had, until February 2017, called upon income reserves to help meet dividend payments. Given that the Company's primary objective is one of capital preservation, the Board decided on 28 February not to make a distribution from capital profit, but instead to reduce the dividend to a more sustainable level. This has allowed the Investment Manager to maintain full flexibility to pursue

* This is the NAV as released on the London Stock Exchange ("LSE") on 30 June each year.

our absolute return strategy without having to worry about the yields of the selected assets. The new policy re-emphasises that income is a by-product of Ruffer's total return investment philosophy, which does not put capital at excessive risk in the pursuit of income. The Directors consequently cut the interim dividend from 1.7p to 0.9p per share on 28 February 2017. It is hoped that a total annual dividend of 1.8p will be sustainable, but the Directors will not hesitate to reduce the dividend again should this prove necessary to preserve capital. As far as setting the dividend is concerned the directors consider their responsibility to be allowing the Investment Manager maximum flexibility to follow whichever course will lead to the best results for our shareholders.

Strategy

The Company's objective remains primarily one of capital preservation and, in terms of a benchmark, we remain committed to achieving a positive total annual return, after all expenses, of at least twice the Bank of England base rate. Naturally, given that the base rate stands at a multi-century low of 0.25%, your Directors have debated adjusting the benchmark. Given that this company presents itself to investors as 'a slice of Ruffer' that would necessarily mean Ruffer changing its benchmark. Although your directors are wholly independent, they are realistic enough to acknowledge that this tail will not wag the Ruffer dog, not that the tail necessarily sees any great benefit to adjusting its target! Ruffer's primary objective has always been one of capital preservation and this remains the case.

The Directors accept that, as Jonathan Ruffer has regularly pointed out in his excellent quarterly reports, the next crisis will be very difficult to navigate and losses may have to be borne before the protective assets, primarily in the form of our heavy weightings in index-linked securities, steady the ship and move it in a positive direction. In addressing the options a government has for reducing a debt burden Messrs Reinhart and Sbrancia elegantly outlined in their 2011 publication '*The Liquidation of Government Debt*' five paths: 1) Real Growth – in spite of countless stimulative efforts this has proved elusive at best 2) Fiscal adjustment or austerity – we believe that the recent UK election result has ruled this out as an option (and arguably it was off the agenda even before the election) 3) Restructuring or default – why risk alienating your country for a generation from prime credit markets when the printing press provides an alternative way to service your debt 4) A sudden burst of inflation – quite possible and 5) A long period of financial repression, with interest rates held persistently below inflation – already evident in the UK and other developed markets.

History argues strongly in favour of the latter two options – in the study it was concluded that 30 out of 36 post-war episodes of debt crisis were 'resolved' through one of these scenarios. The Company remains firmly in the defensive camp with 60% of its assets in what we hope will prove to be protective investments, whilst the other 40% are in the risk basket with almost half of these assets in Japanese equities. The Japanese equity market remains the stand out market globally in terms of value and also offers an attractive way to benefit from global economic growth should our fears not come to pass. The Directors believe that long dated index-linked Gilts are the real treasure in the portfolio and have yet to be properly tested. They were initially issued in March 1981, long after the inflation horse had bolted the stable and were a way for the UK to regain credibility in controlling inflation. However, they are a volatile asset; over the final two months, to 30 June 2017, of the Company's financial year the long linkers took a 20% pounding, but the effect on the portfolio was offset by our option positions. In short, your Directors retain faith in the Investment Manager's ability to weather what will be very difficult times ahead and to come through the coming crisis, whenever that may strike, with credit.

Premium and discount management

At the start of our financial year, the Company had the ability to issue 11,556,342 shares under a block listing facility. A buy recommendation for the Company in the Daily Telegraph's Questor column on 26 October 2016 struck a chord with investors and the Company's share price returned, once again, to a premium to its NAV. Your Directors will not issue shares in a 'tap' issue unless it is accretive to existing shareholders. On 1 November we announced that we had issued 700,000 shares at 233.2p, the first such tap issue since 5 January 2016 and from then until 30 June a further 7,675,000 shares were issued. In spite of flat performance in the first six calendar months of this year the shares broadly retained a low single digit premium to NAV which enabled share issuance to continue unabated. By 30 June a total of 8,375,000 shares had been tapped out. Cenkos, our brokers, calculate that the total accretion to the NAV from the issue of these shares was £252,719 (or 0.16p per share based on the number of shares in issue at the start of the financial year). Share issuance continues and, as at 15 September, a further 3,200,000 shares have been issued. As well as being NAV accretive, the advantage to existing shareholders of this issuance is that it improves liquidity and our fixed costs are spread over a greater number of shares which helps reduce the Ongoing Charges Ratio (OCR). Your Directors are rightly proud that this Company has an OCR of 1.18% broadly similar to the Ruffer Total Return Fund, a veritable behemoth rather over eight times our size in terms of market capitalisation. We have worked hard to improve efficiencies and reduce fixed costs.

It is our intention to increase the market capitalisation of the Company to over £500m over the coming years, at which point liquidity should be good enough that even the largest wealth managers should continue to be able to acquire our shares. We do of course retain the ability, granted to us at successive AGMs, to buy back shares. It must be said that since 2006 they have never stood at a discount of more than 5% for long enough for us to enact this particular power. In that year the Company exercised its redemption facility allowing shareholders to exit at NAV which immediately cleared the discount with some 13% of shares being tendered. It is of note that only seven years ago Ruffer LLP was the largest holder of the Company's stock, owning some 15% – their holding is now exactly 5%* and they have been relegated to third position*. I take great comfort from this knowing that Ruffer ought to be a natural buyer of the Company's shares should they move to a discount.

Board composition

There has been a good deal of activity in your Company's boardroom since my report last year. On 20 July 2016 we bade farewell to Wayne Bulpitt, a Guernsey based financial services expert and an inaugural non-executive director of this Company who incidentally was appointed CBE in the 2017 Birthday Honours for his services to the Scout Association. Sarah Evans was appointed to the board on the same day to understudy Chris Spencer, another of the Company's well respected non-executive directors who had served as Chairman of the Audit Committee since the Company's launch in July 2004. Chris retired on 2 March 2017, on which date Sarah Evans took over the role of Audit Chair. Jan Etherden, a UK-based highly regarded former equity fund manager, and another of the Company's original non-executive directors, resigned her position on 30 November. Her role as an acknowledged investment expert was filled by Christopher Russell, who was appointed to the board on 1 December 2016. On 17 March, Jill May was appointed to the board as a non-executive director. I am personally very grateful to all three directors who have retired over the past year and also to Peter Luthy, another of the inaugural non-executive directors who resigned from the Company on 19 November 2015. They steered the Company through some tumultuous times with great skill, commendable attention to an ever-increasing slew of regulations and no little success. All three of the non-executive director positions were advertised through a non-executive recruitment specialist and 96 names were scrutinised. I am confident that the Company has a fine slate of non-executive directors with the necessary skills to steer it through the years ahead and the move from 6 directors to 5 should help reduce costs without compromising the board's ability to represent shareholders' interests.

Regulatory developments

Over the past year there has been a good deal of debate over the categorisation of investment trusts as either complex or non-complex financial instruments under the forthcoming MiFID II regulations, whose provisions come into effect in the UK on 3 January 2018. Happily, the

* Data is taken from the latest available Share Register Analysis produced by Richard Davies Investor Relations Limited, dated 15 June 2017.

Association of Investment Companies (AIC), of which body this Company is a member, came out with clear guidance on 7 July 2017 stating that investment company securities are not automatically complex. Following the guidance from the AIC and our broker, the Directors have no reason to believe that the Company should be considered a complex financial instrument.

Annual General Meeting

The AGM of the Company will be held at 12 noon on 1 December 2017 at the Company's registered offices at Trafalgar Court, Les Banques, St Peter Port, Guernsey.

Share Buyback Authority

I have already touched upon this power, which has not been invoked over the period of this report. Nevertheless the Board has resolved to seek, at the AGM on 1 December 2017, a renewal of its authority to buy back shares at a discount to NAV under the terms to be stated in a Special Resolution.

Share Redemption Facility

The Company has a Redemption Facility operable in November each year. Given that the Company has been trading above or close to its NAV for most of the year under report, and the fact that it is currently trading at a 2% to 3% premium to NAV the Board is not intending to offer this facility in November 2017.

Related Party Share Purchases

When the Company was standing at a discount to its NAV, Jonathan Ruffer added to his existing holding in the Company with a purchase of 100,000 shares on 2 August 2016 at a price of 214.25p. He and his immediate family now own 1,039,335 shares.

Ruffer Culture

Whilst attending an induction programme in Ruffer's offices on 11 July, it was remarked by all three of the new non-executive directors that, in their experience, the culture at Ruffer was unique. Put simply, the fact that the firm is a partnership, with Jonathan Ruffer, one of the great latter-day unsung Christian philanthropists, as the controlling shareholder of the Investment Manager, enables it to pursue its aim of putting their clients first in preserving their capital without the interference of having to hit short term financial targets, which often prove disruptive to long term investment goals. There can be few companies operating anywhere in the world where the current chief executive has two of her predecessors actively involved in managing the business. The first

Chief Executive of Ruffer LLP, Jonathan Ruffer, as I have pointed out in these reports before, is far from being a distant figurehead – as Executive Chairman he is front and centre of the firm's strategic direction and at the heart of the asset allocation process. Henry Maxey, who took over from Jonathan as Chief Executive in 2012, handed over to Clemmie Vaughan on 1 April to focus on his key role as Chief Investment Officer and works closely with Jonathan and Clemmie. The firm appears wonderfully harmonious but it is clearly imbued with a great deal of creative, moral and entrepreneurial energy that Clemmie is focussed on protecting. In short, I am proud to lead a Company which represents a 'slice of Ruffer'.

Ashe Windham

15 September 2017

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 pages 21 and 22 and on the Management and Administration summary on page 100. 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 29 to 36.

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 (the Bank of England base rate was 0.25% for the year ended 30 June 2017).

The Company predominantly invests in internationally listed or quoted equities or equity related securities (including convertibles) 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.

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 20 and pages 92 to 97, respectively.

Environmental Policy

LSE listing rules require most companies to disclose their Environmental Policy. However, due to the nature of its operations, the Company 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 39 to 43, 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, which are unchanged from the previous year, and the mitigating factors adopted by the Company are summarised below.

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;

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 76 to 89.

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 76 to 89 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 3.

Investment Manager's Report

Performance

The Chairman's Review has already provided the headline numbers. It will come as no surprise to hear that equities were the Company's best performing asset class and the large weighting to Japan made this the largest positive contributor to performance (608 bps adjusting for currency hedging). Whilst there is an interesting macro story in Japan, focussing on Abe's ability to slay the dragon of deflation, our investments there also provide exposure to economic growth outside Japan and by extension, strong global equity markets. Throughout the equity book, a focus on cyclical and value stocks proved effective in the second half of 2016 as a reflation trade set in putting pressure on bonds and bond-proxies in the equity market. Index-linked bonds were not immune from this move, but the blow was cushioned in the UK holdings (where most of our duration lies) through rising breakevens and in the performance of rate sensitive global equities (life assurers and banks in Japan performed particularly strongly in the final months of the year). Over the full period, index-linked bonds made a small positive contribution (226 bps). At the bottom end of the ledger, the Company's protective assets held us back – such is the nature of an insurance policy. Gold cost 43 bps and options (equity and interest rate protection) cost 145 bps.

Portfolio changes

Our macro position has remained consistent through the year (see outlook statement below) and so most of the portfolio changes have been a result of incorporating new ideas or keeping a lid on overall equity exposure (40% at 30 June 2017). Useful contributions were made by The Boeing Company (+52%) and Barratt Developments (+83%). In the bond portfolio duration was reduced in US TIPS in October 2016, and further in January 2017, on the basis that the Fed's interest rate moves and Trump's reflation push might put upward pressure on bond yields. On the currency side, the Company had a large sterling position throughout the year (76% at 30 June 2017). With the benefit of hindsight this was the wrong thing to do. Our fear was that a sharp rally in sterling, induced by short covering or recognition of a policy error by the Bank of England in the so-called 'emergency measures', would see an outright capital loss if the Company was heavily exposed to overseas currencies. The low risk position (which we will always adopt when we do not have strong conviction in a currency) is to hedge out the risk. In summary, we missed out on a tailwind but ran a lower risk portfolio as a result. In the option book equity protection has continued to be held via VIX call options and interest rate protection (held through payer swaptions) was increased over the year allowing us to hold onto the cherished long dated index-linked Gilts through what might prove to be a volatile short term if there is a belief that pro-growth policies might be successful.

Outlook

The monthly commentaries for the Company focus on short term developments; the annual report is an opportunity to step back and look at the direction of travel. To many the financial crisis is a distant memory and is viewed in the past tense. To us, the sequence of events leading up to the crisis and those that have happened since 2008 have only managed to defer the day of reckoning – the seeds of the next crisis (or is it part of the same crisis?) are sown and are well past the germination stage. 2008 was a rap on the knuckles of the western world. For too long we had eaten tomorrow's cake today using debt to bridge the gap. The belief of the world's central banks was that sharply lower interest rates would buy the time needed to get the house back in order. But far from using this window of opportunity to tighten belts and deleverage the opposite has happened. Cheap borrowing costs have allowed debt growth to continue unabated. On its own this might not be problematic if it was accompanied by strong economic growth, but this has not been the case.

Once again, we have eaten tomorrow's cake today but this time at a moment when we were still trying to atone for yesterday's binge. At this crucial juncture the stakes are now higher and the options more limited. On top of this (and to some extent because of it) there has been another important development in the last 12 months; the political winds have changed. Austerity is a vote loser and is off the table and the have-nots are voting for change. This means more spending to try to boost growth and more borrowing to fund that spending. The inflationary risks were already high and they are about to get higher.

What this boils down to is a transfer of wealth from the world's savers to the world's borrowers and now the political wind is firmly behind this movement. The mechanism for this change is financial repression; keep interest rates below the rate of inflation. This has been happening for some time in the UK, US and Europe and is likely to become more extreme. Our job is to protect our investors (the savers) and unlike the last crisis this one will not be optional and the hiding places will be few and far between. As we have explained before, index-linked bonds will play a critical role but the path to this denouement is unlikely to be a smooth one.

The question we are frequently asked is 'When?' and our answer, depending on how facetious we are feeling, ranges from 'Don't know' to 'Don't care'. Think back to 2006 – it did not matter whether you identified that it would be Lehmans rather than Bear Stearns that would bring down the banking system, the useful insight was to spot that at some point a systemically important bank would fail – the house of cards was already teetering and the signs were there. The situation is similar today; the catalyst is less interesting than the outcome. However, the question of 'When?' is important. If we are talking about an event 10 years hence (highly unlikely) then that is too long to ask our investors to wait, unless we can make them a steady return in the interim. If looked at through that prism then the last year has been a satisfactory one; a respectable return has been achieved in absolute terms and it has been achieved with a portfolio heavily skewed in a defensive direction. There will be tougher times ahead that will challenge our ability to preserve capital, but if we remain focussed on protecting investors' capital and manage to repeat the performance of the last 12 months in making a steady positive return, then the Company should have a useful role to play for its investors.

Ruffer AIFM Limited

15 September 2017

Top Ten Holdings

Investments	Currency	Holding at 30.06.17	Fair value £	% of total net assets
UK Index-Linked Gilt 1.875% 22.11.2022	GBP	14,500,000	23,694,378	6.30
UK Index-Linked Gilt 0.375% 22.03.2062	GBP	8,400,000	21,620,945	5.76
UK Index-Linked Gilt 0.125% 22.03.2068	GBP	7,500,000	18,987,263	5.06
US Treasury Inflation Indexed Bond 0.625% 15.07.2021	USD	19,350,000	16,564,237	4.41
CF Ruffer Gold Fund**	GBP	9,994,002	15,300,817	4.07
US Treasury Inflation Indexed Bond 0.125% 15.01.2023	USD	17,500,000	14,142,454	3.77
US Treasury Inflation Indexed Bond 0.375% 15.07.2023	USD	17,000,000	13,840,772	3.68
Ruffer Illiquid Multi Strategies Fund 2015*	GBP	16,945,510	13,061,599	3.48
UK Index-Linked Gilt 0.125% 22.03.2024	GBP	10,250,000	13,251,631	3.53
US Treasury Inflation Indexed Bond 1.125% 15.01.2021	USD	13,500,000	12,064,178	3.21

* 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.

Directors

At the date of this report, the Company has five non-executive Directors, all of whom are independent.

Ashe Windham, CVO, aged 60 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.

John V Baldwin, aged 67 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 62 and a resident of Guernsey, is an Oxford graduate, a Chartered Accountant and a non-executive director of several other listed investment funds. She sits on the board 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 for two years was Finance Director of Barclays Mercantile. 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. Sarah is currently a non-executive Director of Apax Global Alpha Limited, NB Distressed Debt Investment Fund Limited, Real Estate Credit Investments Limited and Crystal Amber Fund. Ms. Evans was appointed to the Board on 20 July 2016.

Christopher Russell, aged 68 and a resident of Guernsey, is a non-executive director of investment and financial companies in the UK, Hong Kong and Guernsey. These include being chairman of London main board listed companies such as F&C Commercial Property Trust Limited and Macau Property Opportunities Fund Limited and a director of HICL Infrastructure Company Ltd. Chris was formerly a director of Gartmore Investment Management plc, where he was Head of

Gartmore's businesses in the US and Japan. Before that he was a holding board director of the Jardine Fleming Group in Asia (Hong Kong and Japan). Prior to joining Flemings in London, he was with Phillips & Drew Asset Management. He is a Fellow of the UK Society of Investment Professionals and a Fellow of the Institute of Chartered Accountants in England and Wales. He was commissioned by John Wiley to publish in 2006 'Trustee Investment Strategy for Endowments and Foundations'. Mr. Russell was appointed to the Board on 1 December 2016.

Jill May, aged 56 and a resident of the United Kingdom, has 25 years' experience in investment banking, 13 years in M&A with S.G. Warburg & Co. Ltd. and 12 years as a Managing Director at UBS, focused on group strategy and organisational change. She sits on the board of the Institute of Chartered Accountants in England and Wales ("ICAEW"). She has broad knowledge of investment banking, asset management and private banking in the UK and EMEA. She is a Panel Member of the Competition and Markets Authority ("CMA") and was a Non-Executive Director of the CMA from its inception in 2013 until October 2016. She is a Non-Executive Director of JP Morgan Claverhouse, a UK listed investment trust. Ms. May was appointed to the Board on 17 March 2017.

Report of the Directors

The Directors of the Company present their Annual Financial Report (the "Financial Statements") for the year ended 30 June 2017 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 LSE. The principal objective of the Company is detailed in the Business Model and Strategy on page 12 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 15 and note 2(c) on page 60.

Blocklisting Facility

The blocklisting facility is set out in note 13 on page 71.

Purchase of Own Shares by the Company

The Company operates a share buy back 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 pages 90 to 91.

The Company did not buy back any shares during the year (30 June 2016: 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 57. Details of dividends paid and proposed are set out in note 5 on page 66.

Subsequent Events

Events occurring after the balance sheet date are disclosed in note 21 on page 91 in 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.

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 pages 21 to 22 and on the Management and Administration summary on page 100.

Directors' Interests

The details of the number of redeemable participating preference shares held beneficially by the Directors who held office at 30 June 2017 and up to the date of this Report are set out on in note 16 on page 73.

Substantial Share Interests

As at 15 June 2017*, 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 Dolphin, stockbrokers	12,527,695	7.66
Alliance Trust Savings	10,615,926	6.49
Ruffer	8,176,042	5.00
Tilney	7,389,891	4.52
Charles Stanley	6,600,429	4.04
Hargreaves Lansdown, stockbrokers (EO)	6,500,899	3.98
Rathbones	6,025,308	3.69
Cazenove Capital Management	5,898,802	3.61
Investec Asset Management	5,150,000	3.15
Smith & Williamson	4,954,705	3.03

*Data is taken from the latest available Share Register Analysis produced by Richard Davies Investor Relations Limited, dated 15 June 2017.

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.

Disclosure of Information to the Independent Auditor

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.

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 Financial Statements, 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 2017

Sarah Evans
Director

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.

The Board, having reviewed the AIC Code, considers that it has maintained procedures during the year ended 30 June 2017 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 26 and 27.

The Board has contractually delegated responsibility for the management of its investment portfolio, the arrangement of custodial and depositary 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.

Composition and Independence of the Board

The Board currently comprises five non-executive Directors. The Directors of the Company are listed on pages 21 and 22 and on the Management and Administration summary on page 100.

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. Sarah Evans was appointed as Director on 20 July 2016, Christopher Russell was appointed as Director on 1 December 2016 and Jill May was appointed as Director on 17 March 2017.

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 33 and 34.

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:

	Board Meetings		Audit Committee Meetings		Annual General Meeting	
	Scheduled*	Attended	Scheduled*	Attended	Scheduled*	Attended
Wayne Bulpitt (resigned 20.07.16)	N/A	N/A	N/A	N/A	N/A	N/A
Jeannette Etherden (resigned 30.11.16)	2	2	1	1	1	1
Christopher Spencer (resigned 02.03.17)	3	3	2	1	1	1
Ashe Windham	3	3	2	2	1	1
John V Baldwin	3	3	2	2	1	1
Sarah Evans (appointed 20.07.16)	3	3	2	2	1	1
Christopher Russell (appointed 01.12.16)	2	2	1	1	N/A	N/A
Jill May (appointed 17.03.17)	N/A	N/A	N/A	N/A	N/A	N/A

*Relates to all meetings scheduled during each Director's term of office.

All Directors attended all scheduled Board Meetings during their term of office. The fourth quarterly Board Meeting was held on 17 July, after the year end, to accommodate the diaries of all Board members.

In addition to the above meetings, a number of ad-hoc meetings were held throughout the year.

Directors' Indemnity

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

Re-election

At each AGM, all of the Directors shall retire from office and may offer themselves for re-election.

On 30 November 2016 at the 11th AGM of the Company, Ashe Windham, John V Baldwin 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. Sarah Evans who was appointed on 20 July 2016, stood for election and was elected as a Director of the Company by the Shareholders. Christopher Spencer retired as a director in March 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 is in place for all Director appointments and was attended by the three new directors and the existing directors over a whole day at Ruffer LLP's offices on 11 July 2017.

The Board is continually considering succession planning as evidenced by the changes to the Board over the last 18 months.

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 Sarah Evans. The Audit Committee meets formally at least twice a year and each meeting is attended by the independent external auditor and Administrator.

The table on page 31 sets out the number of Audit Committee Meetings held during the year ended 30 June 2017 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 39 to 43.

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 entire Board, 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 auditor).

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 12 July 2017.

Nomination Committee

The Board does not have a separate Nomination Committee. The Board as a whole fulfils the function of a Nomination Committee. Any proposals for a new Director are 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 to have 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 pages 37 and 38.

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.

- Investment and portfolio risk 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.
- Custodial services are provided by Northern Trust (Guernsey) Limited, a company licensed and regulated by the Guernsey Financial Services Commission.
- Advisory and brokering services are provided by Cenkos Securities plc, a firm which is authorised and regulated by the FCA.

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 capability 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 41 to 43.

Principal Risks and Uncertainties

Principal risks and uncertainties are disclosed on pages 14 and 15. There have been no changes to principal risks during the year ended 30 June 2017.

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 issues with the Directors of the Company.

In recent years the Board has also held a meeting in London with investors to discuss any issues they may have.

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 23.

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 91.

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 30 November 2016.

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 2016: £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. The annual fees paid to each director are shown below:

	30.06.17 £	30.06.16 £
Ashe Windham	38,000	35,000
Sarah Evans (appointed 20 July 2016)	31,000	–
John Baldwin	27,000	25,000
Christopher Russell (appointed 1 December 2016)	27,000	–
Jill May (appointed 17 March 2017)	27,000	–
Christopher Spencer (resigned 2 March 2017)	–	28,000
Jeannette Etherden (resigned 30 November 2016)	–	25,000
Wayne Bulpitt (resigned 20 July 2016)	–	25,000
	150,000	138,000

During the year ended 30 June 2017, Directors' fees of £140,677 (30 June 2016: £146,925) were charged to the Company of which £38,482 (30 June 2016: £34,500) remained payable at the year end.

Audit Committee Report

On the following pages, we present the Audit Committee's Report for the year ended 30 June 2017, setting out the responsibilities of the Audit Committee and its key activities for the year from 1 July 2016 to 30 June 2017. 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 auditor and the effectiveness of the audit process considering and making recommendations to the Board on the appointment, re-appointment, replacement and remuneration to the Company's external auditor;
- reviewing the Company's procedures for prevention, detection and reporting of fraud, bribery and corruption;
- monitoring and reviewing the internal control and risk management systems of the service providers together with the need for an Internal Audit function; and
- considering 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.

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 Unaudited Half Yearly Financial Report, Unaudited Results Announcement and Audited Annual Financial Report focused on the significant risk relating to the 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 £346,628,281 as at 30 June 2017 (30 June 2016: 325,496,896) and represented the majority of the net assets of the Company. The investments are predominantly listed except for investments in unlisted investment funds.

The valuation of 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 2017 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 2017 by the Administrator and are subject to review process at the Administrator and oversight at the Investment Manager.

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 satisfied itself, based on reviews of information provided by the Custodian, Depositary and Administrator, that the holdings of investments are correctly recorded.

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 12 to 16 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 76 to 89.

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 March 2015 the Board entered into a competitive audit tender process and 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 auditor 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 the external auditor 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.

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 2017 and 2016:

	30.06.17 £	30.06.16 £
Statutory Audit	31,500	27,500
Total Audit fees	31,500	27,500
Interim Review	8,400	8,000
Total non-audit related fees	8,400	8,000

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 auditor, 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 auditor's 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.

Re-appointment of the external auditor

At the AGM held on 30 November 2016, 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 capability under its Service Organisation Controls 1 report. No significant failings or weaknesses were identified in these reports.

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.

Sarah Evans
Chairman, Audit Committee
15 September 2017

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 2017, 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 Schemes 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 2017

Independent Auditor's Report to the Shareholders of Ruffer Investment Company Limited

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 June 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.

The financial statements that we have audited comprise:

- the Statement of Financial Position;
- the Statement of Comprehensive Income;
- the Statement of Changes in Equity;
- the Statement of Cash Flows; 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Summary of our audit approach

Key Audit Matters	The key risks that we identified in the current year were: – Valuation and ownership of investments; and – Recognition of revenue. The key risks are similar to the prior year.
Materiality	The materiality we used in the current year was £7,500,000 which is approximately 2% of Net Asset Value (NAV). This is consistent with the prior year.
Scoping	The Company was audited as a single component. Balances were scoped in for testing based on our assessment of risk of material misstatement. As part of our risk assessment process, we considered the impact of controls implemented at service organisations.
Significant changes in our approach	There has been no significant changes in our approach from prior year.

Conclusions relating to principal risks, going concern and viability statement

We have reviewed the Directors' statement regarding the appropriateness of the going concern basis of accounting contained within note 2(c) to the financial statements and the Directors' statement on the longer-term viability of the Company contained within the Directors' Report on page 23.

We confirm that we have nothing material to add or draw attention to in respect of these matters.

We are required to state whether we have anything material to add or draw attention to in relation to:

- the Directors' confirmation on pages 15 and 16 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 15 and 16 and in note 19 that describe those risks and explain how they are being managed or mitigated;
- the Directors' statement on page 23 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 Directors' explanation on pages 15 and 16 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; and
- whether the Directors' statements relating to going concern and the prospects of the company required in accordance with

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.

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

Valuation and ownership of investments	
Key audit matter description	Included on the Company's statement of financial position as at 30 June 2017 are investments with a fair value of £347 million (2016: £325 million) as disclosed in Note 10 to the Financial Statements. The Company's portfolio is made up of listed equity investments, index linked bonds and listed funds. Investments are the most quantitatively significant balance and are an area of focus because they are the main driver of the Company's performance and net asset value (NAV). As explained in Note 2(e), the Company's accounting policy is to measure its investments at fair value. Refer to considerations made by the audit committee on valuation of investments as discussed on page 40. The risk exists that: – there might be errors or fraudulent manipulation of valuations in order to report favourable key performance indicators; – inappropriate exchange rates are used to convert foreign currency valuations to the Company's reporting currency; – trades made immediately before the year-end may be excluded from the valuation or conversely, trades made immediately after the year-end may be included in the valuation in error; and – the Company may not have proper legal title to the investments held.

How the scope of our audit responded to the key audit matter	To test the valuation and ownership of investments as at 30 June 2017, we performed the following procedures: – assessing the design, implementation and operating effectiveness of controls around the valuation and ownership of investments through the review of internal controls reports for the investment manager and administrator; – agreed investments held as at year end to independently obtained custodian confirmation; – testing the reasonableness of exchange rates used in converting investments denominated in currencies other than the Pound Sterling (GBP) by comparing rates used to independent sources; – performing detailed testing on purchases and sales made around year end to assess whether transactions had been recorded in the correct period; and – tracing the unit prices of all investments to independent pricing sources.
Key observations	Having performed the above stated procedures, we have no material exceptions to report regards investments valuation and ownership.

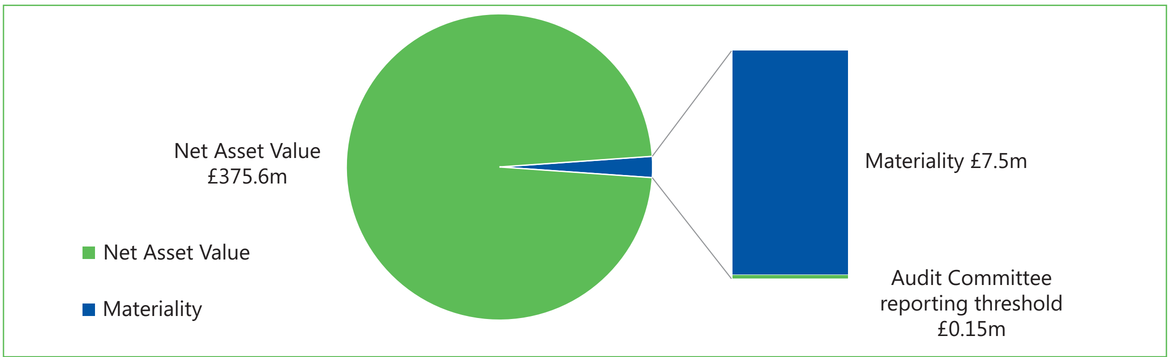
Recognition of revenue	
Key audit matter description	The significant portion of the Company's income emanates from realised and unrealised gains/losses on financial assets held at fair value through profit and loss (£31 million (2016: £21 million)). Refer to Note 6. Inaccurate calculation of realised and unrealised gains/(losses) would have a material impact on income recognition. The risk exists that inaccurate income recognition could result in manipulation of the Company's revenue to support the Company's performance.
How the scope of our audit responded to the key audit matter	To test revenue recognition, we performed the following procedures: – assessing the design, implementation and operating effectiveness of controls around revenue recognition through the review of internal controls report for the administrator; – testing the accuracy of costs capitalised to investments by tracing a sample of purchases to custodian and bank statements; – 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, we recalculated the valuation movements to test that these had been appropriately recorded and classified; and – for realised gains/losses, testing a sample of disposals made during the year by agreeing the proceeds to bank statements and custodian confirmations and recalculated the realised gains/losses to test that these were appropriately recorded and classified.
Key observations	Having performed the above stated procedures, we have no material exceptions to report regarding the accuracy of fair value gains/losses as recorded in the financial statements.

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.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Materiality	£7,500,000 (2016: £6,600,000)
Basis for determining materiality	2% (2016: 2%) of Net Asset Value
Rationale for the benchmark applied	Our materiality is based on the net asset value of the Company as comprehensive income for the Company is significantly driven by the net asset value. We consider the net asset value 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 all audit differences in excess of £150,000 (2016: £133,000), as well as differences below the 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. As part of our audit, we assessed the design and implementation of relevant controls established at the service provider.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report Chairman's Review, Business Model and Strategy, Investment Manager's Report, Top Ten Holdings, Directors, Report of the Directors, Corporate Governance Statement, Directors' Remuneration Report, Audit Committee Report and Report of the Depository, other than the financial statements and our auditor's report thereon.

We have nothing to report in respect of these matters.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

In this context, matters that we are specifically required to report to you as uncorrected material misstatements of the other information include where we conclude that:

- *Fair, balanced and understandable* – the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the company's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or

– *Audit committee reporting* – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or
– *Directors' statement of compliance with the UK Corporate Governance Code* – the parts of the directors' statement required under the Listing Rules relating to the company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R (2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Responsibilities of directors

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Use of our report

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. 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.

Report on other legal and regulatory requirements

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 by the Company; or
– the financial statements are not in agreement with the accounting records.

We have nothing to report in respect of these matters.

John Clacy FCA
for and on behalf of Deloitte LLP
Recognised Auditor
St Peter Port, Guernsey

15 September 2017

Statement of Financial Position
As at 30 June 2017

	Notes	30.06.17 £	30.06.16 £
Assets			
Non-current assets			
Investments at fair value through profit or loss	10	346,628,281	325,496,896
Current assets			
Cash and cash equivalents		27,950,946	14,513,399
Derivative financial assets	18,19	5,593	4,071,490
Receivables	11	3,147,558	537,094
		31,104,097	19,121,983
Total assets		377,732,378	344,618,879
Equity			
Capital and reserves attributable to the Company's shareholders			
Management share capital	13	2	2
Net assets attributable to holders of redeemable participating preference shares		375,601,706	331,484,744
Total equity		375,601,708	331,484,746
Liabilities			
Current liabilities			
Payables	12	1,216,265	400,730
Derivative financial liabilities	18,19	914,405	12,733,403
Total liabilities		2,130,670	13,134,133
Total equity and liabilities		377,732,378	344,618,879
Net assets attributable to holders of redeemable participating preference shares (per share)	13,14	2.287	2.127

The Financial Statements on pages 56 to 91 were approved on 15 September 2017 and signed on behalf of the Board of Directors by:

Ashe Windham
Chairman

Sarah Evans
Director

The notes on pages 60 to 91 form an integral part of these Financial Statements.

Statement of Comprehensive Income
For the year ended 30 June 2017

	Notes	Revenue £	Capital £	01.07.16 to 30.06.17 Total £	01.07.15 to 30.06.16 Total £
Fixed interest income		837,590	–	837,590	925,088
Dividend income		3,961,697	–	3,961,697	3,339,639
Net changes in fair value of financial assets at fair value through profit or loss	6	–	31,261,914	31,261,914	21,005,348
Other losses	7	–	(2,418,460)	(2,418,460)	(24,242,110)
Total income		4,799,287	28,843,454	33,642,741	1,027,965
Management fees	8	–	(3,368,232)	(3,368,232)	(3,030,471)
Expenses	9	(838,619)	(241,609)	(1,080,228)	(994,389)
Total expenses		(838,619)	(3,609,841)	(4,448,460)	(4,024,860)
Profit/(loss) for the year before tax		3,960,668	25,233,613	29,194,281	(2,996,895)
Withholding tax		(423,504)	–	(423,504)	(496,837)
Profit/(loss) for the year after tax		3,537,164	25,233,613	28,770,777	(3,493,732)
Total comprehensive income/(loss) for the year		3,537,164	25,233,613	28,770,777	(3,493,732)
Basic and diluted earnings/(loss) per share*		2.23p	15.91p	18.14p	(2.25p)

* Basic and diluted earnings/(loss) 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 158,637,322 (30 June 2016: 155,483,415).

The notes on pages 60 to 91 form an integral part of these Financial Statements.

Statement of Changes in Equity
For the year ended 30 June 2017

	Notes	Management share capital £	Share capital £	Other reserves £	Total 01.07.16 to 30.06.17 £
Balance at 30 June 2016		2	128,816,232	202,668,512	331,484,746
Total comprehensive income for the year		–	–	28,770,777	28,770,777
Transactions with Shareholders:					
Share capital issued	13	–	19,617,358	–	19,617,358
Share issue costs	13	–	(182,699)	–	(182,699)
Distribution for the year	5	–	–	(4,088,474)	(4,088,474)
Balance at 30 June 2017		2	148,250,891	227,350,815	375,601,708
Net Assets attributable to holders of redeemable participating preference shares at the end of the year					375,601,708

	Notes	Management share capital £	Share capital £	Other reserves £	01.07.15 to 30.06.16 £
Balance at 30 June 2015		2	125,770,151	211,452,250	337,222,403
Total comprehensive loss for the year		–	–	(3,493,732)	(3,493,732)
Transactions with Shareholders:					
Share capital issued	13	–	3,076,850	–	3,076,850
Share issue costs	13	–	(30,769)	–	(30,769)
Distribution for the year	5	–	–	(5,290,006)	(5,290,006)
Balance at 30 June 2016		2	128,816,232	202,668,512	331,484,746
Net Assets attributable to holders of redeemable participating preference shares at the end of the year					331,484,746

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

The notes on pages 60 to 91 form an integral part of these Financial Statements.

Statement of Cash Flows
For the year ended 30 June 2017

	Notes	01.07.16 to 30.06.17 £	01.07.15 to 30.06.16 £
Cash flows from operating activities			
Purchase of financial assets at fair value through profit or loss		(146,776,819)	(125,958,145)
Proceeds from sale of financial assets at fair value through profit or loss (including realised gains)		155,819,980	135,708,770
Decrease/(increase) in other receivables	11	7,663	(69)
Transaction costs paid to brokers		(241,609)	(223,131)
Fixed interest income received		888,175	889,129
Dividends received		3,531,814	2,839,933
Operating expenses paid		(4,147,546)	(4,086,989)
Effect of foreign exchange rate fluctuations		(10,235,151)	(8,161,421)
Cash (used in)/generated from operating activities		(1,153,493)	1,008,077
Cash flows from financing activities			
Dividends paid	5	(4,088,474)	(5,290,006)
Proceeds from issue of redeemable participating preference shares		18,794,509	3,076,850
Share issue costs	12, 13	(178,585)	(30,769)
Net cash generated from/(used in) financing activities		14,527,450	(2,243,925)
Net increase/(decrease) in cash and cash equivalents		13,373,957	(1,235,848)
Cash and cash equivalents at beginning of the year		14,513,399	16,441,960
Exchange gains/(losses) on cash and cash equivalents		63,590	(692,713)
Cash and cash equivalents at end of the year		27,950,946	14,513,399

The notes on pages 60 to 91 form an integral part of these Financial Statements.

Notes to the Financial Statements
For the year ended 30 June 2017

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 2017 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 2016 to 30 June 2017, has been audited.

c) Going concern

The Directors believe that, having considered the Company's investment objective (see Business Model and Strategy on page 12), financial risk management and associated risks (see note 19 to the Financial Statements on pages 76 to 89) 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 were 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.

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 remeasured 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 remeasurement 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.

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.

The Company's management fees are allocated between the capital and revenue accounts of the Company in a ratio as decided by the Board at its sole discretion. All other administrative expenses of the Company are charged wholly to the revenue account. Currently 100% of the management fees are charged to capital.

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.

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 2016: £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.

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:

	01.07.16 to 30.06.17 £	01.07.15 to 30.06.16 £
2016 Second interim dividend of 1.7p (2015: 1.7p)	2,649,253	2,640,753
2017 First interim dividend of 0.9p (2016: 1.7p)	1,439,221	2,649,253
	4,088,474	5,290,006

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

	01.07.16 to 30.06.17 £	01.07.15 to 30.06.16 £
Net changes in financial assets at fair value through profit or loss during the year comprise:		
Gains realised on investments sold during the year	43,074,315	22,334,266
Losses realised on investments sold during the year	(5,640,793)	(13,898,697)
Movement in unrealised gains arising from changes in fair value	33,740,317	49,126,905
Movement in unrealised losses arising from changes in fair value	(39,911,925)	(36,557,126)
Net changes in fair value on financial assets at fair value through profit or loss	31,261,914	21,005,348

7. Other (losses)/gains

	01.07.16 to 30.06.17 £	01.07.15 to 30.06.16 £
Movement in unrealised gains/(losses) on spot and forward foreign currency contracts	7,753,101	(15,387,976)
Realised losses on spot and forward foreign currency contracts	(10,185,257)	(8,251,130)
Net losses on spot and forward foreign currency contracts	(2,432,156)	(23,639,106)
Other realised and unrealised foreign exchange gains/(losses)	13,696	(603,004)
	(2,418,460)	(24,242,110)

8. Management fees

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

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

	01.07.16 to 30.06.17 £	01.07.15 to 30.06.16 £
Management fees for the year	3,368,232	3,030,471
Payable at end of the year	288,681	247,113

The basis for calculating the management fees is set out in the General Information on pages 98 and 99.

9. Expenses

	01.07.16 to 30.06.17 £	01.07.15 to 30.06.16 £
Administration fee*	410,931	374,180
Transaction costs	241,609	223,131
Directors' fees	140,677	146,925
General expenses	188,708	153,497
Custodian and Depositary fees*	66,803	61,156
Audit fee	23,100	27,500
Auditor's remuneration for interim review	8,400	8,000
	1,080,228	994,389

*The basis for calculating the Administration fees as well as the Custodian and Depositary fees are set out in the General Information on pages 98 and 99.

All expenses were charged to revenue apart from transaction costs of £241,609 (30 June 2016: £223,131) which were charged to the capital reserves of the Company.

10. Investment assets at fair value through profit or loss

	30.06.17 £	30.06.16 £
Cost of investments held at start of the year	287,068,071	288,437,122
Acquisitions at cost during the year	147,526,819	125,958,145
Disposals at cost during the year	(120,223,824)	(127,327,196)
Cost of investments held at end of the year	314,371,066	287,068,071
Fair value above cost	32,257,215	38,428,825
Investments designated at fair value through profit or loss	346,628,281	325,496,896

11. Receivables

	30.06.17 £	30.06.16 £
Amounts receivable within one year:		
Investment income receivable	233,752	225,257
Fixed interest income receivable	197,512	248,097
Amounts due on issue of redeemable participating preference shares	822,850	–
Securities sold receivable	1,891,362	53,995
Other receivables	2,082	9,745
	3,147,558	537,094

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

12. Payables

	30.06.17 £	30.06.16 £
Amounts falling due within one year:		
Purchases of investments awaiting settlement	750,000	–
Share issue costs payable	4,114	–
Management fees payable	288,681	247,113
Withholding taxes payable	6,392	4,276
Directors' fees payable	38,482	34,500
Other payables	128,596	114,841
	1,216,265	400,730

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

13. Share capital

	01.07.16 to 30.06.17 £	01.07.15 to 30.06.16 £
Authorised Share Capital		
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
	95,100	95,100

	Number of shares		Share capital	
	01.07.16 to 30.06.17	01.07.15 to 30.06.16	01.07.16 to 30.06.17 £	01.07.15 to 30.06.16 £
Issued Share Capital				
Management Shares				
Management Shares of £1.00 each	2	2	2	2
Equity Shares				
Redeemable Participating Preference				
Shares of 0.01p each:				
Balance at start of year	155,838,416	154,413,416	128,816,232	125,770,151
Issued and fully paid during the year	8,025,000	1,425,000	18,794,508	3,076,850
Issued and awaiting settlement	350,000	–	822,850	–
Share issue costs	–	–	(182,699)	(30,769)
Balance as at end of year	164,213,416	155,838,416	148,250,891	128,816,232

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 2016: Nil).

Blocklisting and additional shares issued

At the start of the year, the Company had the ability to issue 12,256,342 redeemable participating shares under a blocklisting facility. Under the blocklisting facility, 8,375,000 (30 June 2016: 1,425,000) new redeemable participating preference shares of 0.01 pence each were allotted and issued during the year for a total consideration of £19,617,358 (30 June 2016: £3,076,850). These new redeemable participating preference shares rank *pari passu* with the existing shares in issue.

As at 30 June 2017, the Company had the ability to issue a further 7,781,342 (30 June 2016: 12,256,342) redeemable participating preference shares under the blocklisting facility.

Redeemable participating preference shares in issue

As at 30 June 2017, the Company had 164,213,416 (30 June 2016: 155,838,416) redeemable participating preference shares of 0.01 (30 June 2016: 0.01) pence each and 2 (30 June 2016: 2) Management shares of £1.00 (30 June 2016: £1.00) each in issue. Therefore, the total voting rights in the Company at 30 June 2017 were 164,213,418 (30 June 2016: 155,838,418).

Purchase of Own Shares by the Company

The Company has the ability to operate a share buy back 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 2016: Nil). For additional information refer to note 20 on page 89.

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, which requires the use of bid prices, to the NAV per share reported to the LSE:

	30.06.17 £	30.06.16 £
NAV per share published on the LSE as at the year end	2.290	2.130
IAS 39 valuations (MID to BID)	(0.002)	(0.008)
Adjustment to valuation	(0.001)	0.005
Net assets attributable to holders of redeemable participating preference shares (per share)	2.287	2.127

15. Contingent liabilities

There were no contingent liabilities as at 30 June 2017 (30 June 2016: £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

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 and CF Ruffer Gold 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 92 to 97. Management fees for the year and payable at the end of the year are disclosed in note 8.

Shares held in the Company as Managing Member of Ruffer LLP

As at 30 June 2017, an immediate family member of the Chairman Ashe Windham owned 100 (30 June 2016: 100) Shares in the Managing Member of the Ruffer LLP. This amounts to less than 5% (30 June 2016: less than 5%) of the Company's issued share capital.

Directors' remuneration

Directors' remuneration is set out in the Directors' Remuneration Report on pages 37 and 38 of the Financial Statements.

Shares held by related parties

As at 30 June 2017, Directors of the Company held the following numbers of shares beneficially:

Directors	30.06.17 Shares	30.06.16 Shares
Ashe Windham*	90,000	90,000
Sarah Evans	10,000	–
Christopher Russell	50,000	–
John V Baldwin	–	–
Jill May	–	–
Jeannette Etherden**	–	36,627
Wayne Bulpitt**	–	20,000
Christopher Spencer**	–	14,157

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

** Resigned during the year.

As at 30 June 2017, Hamish Baillie, Investment Director of the Investment Manager owned 205,000 (30 June 2016: 174,000) shares in the Company.

As at 30 June 2017, Steve Russell, Investment Director of the Investment Manager owned 6,450 (30 June 2016: 6,450) shares in the Company.

As at 30 June 2017, Duncan MacInnes, Investment Manager of the Investment Manager owned 21,800 (30 June 2016: 21,800) shares in the Company.

As at 30 June 2017, Jonathan Ruffer, chairman of Ruffer LLP, owned 1,039,335 (30 June 2016: 939,335) shares in the Company.

As at 30 June 2017, the Ruffer LLP (the parent company of the Company's Investment Manager) and other entities within the Ruffer Group held 8,176,042 (30 June 2016: 9,609,728) shares in the Company on behalf of its discretionary clients.

Investments in related funds

As at 30 June 2017, the Company held investments in five (30 June 2016: seven) related investment funds valued at £38,448,294 (30 June 2016: £50,338,249). Refer to the Portfolio Statement on pages 92 to 97 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 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.

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, supra-nationals 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:

	30.06.17 Fair Value £	30.06.16 Fair Value £
Financial assets		
Listed securities	314,653,908	293,079,441
Delisted securities	893,512	–
UCITS funds	31,080,861	32,417,455
Derivative financial assets	5,593	4,071,490
Total financial assets at fair value through profit and loss	346,633,874	329,568,386
Other financial assets*	31,098,504	15,050,493

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

	30.06.17 Fair Value £	30.06.16 Fair Value £
Financial liabilities		
Payables	1,216,265	400,730
Derivative financial liabilities	914,405	12,733,403
	2,130,670	13,134,133

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.

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 2016: 10%) increase in the market prices of equity related investments as at 30 June 2017 would have increased the net assets attributable to holders of redeemable participating preference shares by £20,004,458 (30 June 2016: £17,347,176) and a 10% 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 2017 has been considered under Interest rate risk on pages 80 to 82.

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 2017, the Company had five (30 June 2016: ten) open forward foreign currency contracts.

Forward contracts as at 30 June 2017

Expiry date	Underlying	Notional amount of contracts outstanding	Fair value (liabilities)/ assets £
15 September 2017	Foreign currency (Sale of EUR)	€6,292,000	(256,820)
18 August 2017	Foreign currency (Sale of USD)	US$112,000,000	378,616
18 August 2017	Foreign currency (Sale of JPY)	¥5,000,000,000	(299,719)
18 August 2017	Foreign currency (Sale of JPY)	¥2,258,000,000	(736,482)
			(914,405)
15 September 2017	Foreign currency (Purchase of EUR)	€792,000	5,593
			5,593

Forward contracts as at 30 June 2016

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

Spot Contracts

As at 30 June 2017, the Company had no (30 June 2016: two) open spot foreign currency contracts.

Spot contracts as at 30 June 2016

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

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 2017 and 2016, the Company held the following assets and liabilities in currencies other than the functional currency:

	30.06.17 Assets £	30.06.17 Liabilities £	30.06.16 Assets £	30.06.16 Liabilities £
Canadian Dollar	5,428,102	1,707	3,956,460	–
Euro	5,617,076	–	5,511,179	278,575
Hong Kong Dollar	1,880,981	3,326	1,476,613	4,276
Japanese Yen	56,999,414	1,036,201	44,334,467	6,312,639
Norwegian Krone	1,722,641	–	1,614,702	–
Swiss Franc	2,931,702	–	2,810,827	–
United States Dollar	88,530,292	(377,258)	119,069,985	6,142,103

Foreign currency sensitivity

As at 30 June 2017, if the foreign exchange rates had weakened 10% (30 June 2016: 10%) against Pound Sterling with all other variables held constant, net assets attributable to holders of redeemable participating preference shares would be £4,822,977 (30 June 2016: £3,796,693) 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 2017, a 10% (30 June 2016: 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 previous years 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 2017.

The tables below summarise the Company's exposure to interest rate risks. It includes the Company's financial assets and liabilities at fair values, categorised by underlying interest rate type.

As at 30 June 2017

	Floating rate £	Fixed rate £	Non-Interest bearing £	Total 30.06.17 £
Financial Assets				
Cash and cash equivalents	27,950,946	–	–	27,950,946
Investments designated at fair value through profit or loss	–	146,839,335	199,788,946	346,628,281
Unrealised gain on open spot and forward foreign currency contracts	–	–	5,593	5,593
Receivables	–	–	3,147,558	3,147,558
	27,950,946	146,839,335	202,942,097	377,732,378
Financial Liabilities				
Payables	–	–	1,216,265	1,216,265
Unrealised loss on open spot and forward foreign currency contracts	–	–	914,405	914,405
	–	–	2,130,670	2,130,670

As at 30 June 2016

	Floating rate £	Fixed rate £	Non-Interest bearing £	Total 30.06.16 £
Financial Assets				
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 forward foreign currency contracts	–	–	4,071,490	4,071,490
Receivables	–	–	537,094	537,094
	14,513,399	152,025,136	178,080,344	344,618,879
Financial Liabilities				
Payables	–	–	400,730	400,730
Unrealised loss on open forward foreign currency contracts	–	–	12,733,403	12,733,403
	–	–	13,134,133	13,134,133

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

	30.06.17 % p.a.	Weighted average period for which rate/ yield is fixed	30.06.16 % p.a.	Weighted average period for which rate/ yield is fixed
Canada Government Bonds	0.6470%	24.44 years	0.2950%	25.44 years
United Kingdom Government Bonds	–1.9441%	25.83 years	–1.6131%	30.78 years
United States Government Bonds	0.2084%	4.91 years	–0.0257%	11.24 years

Interest rate sensitivity analysis

An increase of 100 basis points (30 June 2016: 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 £25,150,358 (30 June 2016: £29,826,334) and a decrease of 25 basis points (30 June 2016: 25 basis points) in interest rates would have increased the net assets attributable to holders of redeemable participating preference shares by £6,287,589 (30 June 2016: £7,456,584).

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.

This analysis does not allow for the impact of investments held within Ruffer Protection Strategies which may reduce the sensitivity to changes in interest rates. See derivatives comment below.

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.

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:

	30.06.17 £	30.06.16 £
Cash and cash equivalents	27,950,946	14,513,399
Unrealised gain on open spot and forward foreign currency contracts	5,593	4,071,490
Receivables	3,147,558	537,094
Financial assets at fair value through profit or loss	346,628,281	325,496,896
	377,732,378	344,618,879

The Company is exposed to material credit risk in respect of cash and cash equivalents. Substantially, 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 2016: A+) from Standard & Poor's and A2 (30 June 2016: 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 2017 were as follows:

	30.06.17 S&P	30.06.17 Moody's
Canada Government Bond Ltd 2.00% 01/12/2041	AAA	Aaa
UK Index-Linked Gilt 0.125% 22/11/2019	AA	Aa1
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

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 the negative impact of changes to foreign exchange rates, interest rates, market volatility and to protect the portfolio from a correlated fall in bonds and equities. At the year end, all such instruments (except forward foreign exchange contracts) were held within the Ruffer Protection Strategies vehicle as detailed in the Portfolio Statement.

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, based on bid 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 at 30 June 2017.

	Level 1 £	Level 2 £	Level 3 £	30.06.17 Total £
Financial assets at fair value through profit or loss:				
Government Index-Linked Bonds	146,839,335	–	–	146,839,335
Preference Shares	639,069	–	–	639,069
Options	–	6,362,095	–	6,362,095
Equities	167,267,027	–	893,512	168,160,539
Investment Funds	–	24,627,243	–	24,627,243
Derivative financial assets	–	5,593	–	5,593
Total assets	314,745,431	30,994,931	893,512	346,633,874
Financial liabilities at fair value through profit or loss:				
Derivative financial liabilities	–	914,405	–	914,405
Total liabilities	–	914,405	–	914,405

The following table presents the Company's financial assets and liabilities by level within the valuation hierarchy at 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

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 2017, no transfers were made.

In the prior 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.

Movements in Level 3 investments

	30.06.17 £	30.06.16 £
Opening valuation	3,750,313	1,409,625
Transfer from Level 2	–	2,856,801
Disposals during the year	(2,856,801)	(516,113)
Closing valuation	893,512	3,750,313

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 investments in funds fair-valued using the official NAV of each fund as reported by each fund's independent administrator at the reporting date and foreign exchange forwards fair valued using publicly available data. The foreign exchange forwards are shown as derivative financial assets and liabilities in the above table.

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

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 2017 and 2016, 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. At the year end the Company had no borrowings. 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.

	30.06.17 £	30.06.16 £
Total assets	377,732,378	344,618,879
Less: total liabilities	(2,130,670)	(13,134,133)
Total equity	375,601,708	331,484,746
Gearing ratio	0.57%	3.96%

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.

Purchase of Own Shares by the Company

A special resolution was granted on 30 November 2016 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 Buy back 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 2017. Subsequent events have been evaluated up until this date.

As at the date of this report the Company had 167,413,416 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 167,413,418.

On 20 July 2017, an application was made to the UK Listing Authority and the London Stock Exchange for the blocklisting of 5,902,499 redeemable preference shares of 0.01 pence each pursuant to the General Corporate Purposes Scheme with an admission date of 21 July 2017. The shares have been issued and rank pari passu with the existing shares of the Company.

Portfolio statement
As at 30 June 2017

	Currency	Holding at 30.06.17	Fair value £	% of Total Net Assets
Government Index-Linked Bonds 39.09%				
(30.06.16 – 45.86%)				
Canada				
Canada Real Return Bond 2.00% 01/12/2041	CAD	4,200,000	3,803,581	1.01
			3,803,581	1.01
United Kingdom				
UK Index-Linked Gilt 0.125% 22/11/2019	GBP	6,135,000	7,145,950	1.90
UK Index-Linked Gilt 1.875% 22/11/2022	GBP	14,500,000	23,694,378	6.30
UK Index-Linked Gilt 0.125% 22/03/2024	GBP	10,250,000	13,251,631	3.53
UK Index-Linked Gilt 1.250% 22/11/2055	GBP	500,000	1,723,946	0.46
UK Index-Linked Gilt 0.375% 22/03/2062	GBP	8,400,000	21,620,945	5.76
UK Index-Linked Gilt 0.125% 22/03/2068	GBP	7,500,000	18,987,263	5.06
			86,424,113	23.01
United States				
US Treasury Inflation Indexed Bond 1.125% 15/01/2021	USD	13,500,000	12,064,178	3.21
US Treasury Inflation Indexed Bond 0.625% 15/07/2021	USD	19,350,000	16,564,237	4.41
US Treasury Inflation Indexed Bond 0.125% 15/01/2023	USD	17,500,000	14,142,454	3.77
US Treasury Inflation Indexed Bond 0.375% 15/07/2023	USD	17,000,000	13,840,772	3.68
			56,611,641	15.07
Total Government Index-Linked Bonds			146,839,335	39.09

	Currency	Holding at 30.06.17	Fair value £	% of Total Net Assets
Preference Shares 0.17%				
(30.06.16 – 0.17%)				
United Kingdom				
Raven Russia Preference Shares	GBP	466,474	639,069	0.17
			639,069	0.17
Total Preference Shares			639,069	0.17
Equities 40.16%				
(30.06.16 – 36.11%)				
Europe				
France				
Vivendi	EUR	150,000	2,566,995	0.68
			2,566,995	0.68
Germany				
Deutsche Post	EUR	40,000	1,152,184	0.30
TAG Immobilien	EUR	157,657	1,897,897	0.51
			3,050,081	0.81
Norway				
Statoil	NOK	135,530	1,722,641	0.46
			1,722,641	0.46
Switzerland				
Novartis	CHF	45,700	2,931,702	0.78
			2,931,702	0.78

	Currency	Holding at 30.06.17	Fair value £	% of Total Net Assets
United Kingdom				
Belvoir Lettings	GBP	449,380	458,997	0.12
Better Capital (2012)	GBP	3,088,700	833,949	0.22
Better Capital (2009)	GBP	294,641	132,588	0.04
Booker Group	GBP	1,208,665	2,248,117	0.60
Countryside Properties	GBP	575,490	1,958,968	0.52
Crawshaw Group	GBP	2,000,000	450,000	0.12
Games Workshop Group	GBP	130,000	1,558,700	0.41
Hansteen Holdings	GBP	1,500,000	1,866,000	0.50
IP Group	GBP	618,386	825,545	0.22
ITV	GBP	1,100,000	1,995,400	0.53
Lloyds Banking Group	GBP	12,600,000	8,334,900	2.22
Oakley Capital Investments	GBP	2,825,794	4,832,108	1.29
Ocado Group	GBP	507,000	1,466,751	0.39
PRS Real Estate Investment Trust	GBP	571,100	596,800	0.16
Raven Russia	GBP	1,638,217	798,631	0.21
Renn Universal Growth Trust	GBP	937,500	893,512	0.24
Ruffer SICAV UK Mid & Smaller Companies Fund*	GBP	13,235	2,736,865	0.73
Secure Trust Bank	GBP	58,345	1,152,314	0.31
Sophos Group	GBP	510,280	2,261,051	0.60
Tesco	GBP	2,085,000	3,519,480	0.94
Vodafone Group	GBP	959,522	2,088,879	0.55
			41,009,555	10.92
Total European Equities			51,280,974	13.65
Canada				
Imperial Oil	CAD	72,000	1,612,903	0.43
Total Canadian Equities			1,612,903	0.43

	Currency	Holding at 30.06.17	Fair value £	% of Total Net Assets
United States				
Alliance Data System	USD	10,000	1,976,366	0.53
Apple	USD	30,734	3,407,607	0.91
Check Point Software Technologies	USD	30,000	2,519,035	0.67
Exxon Mobil	USD	42,497	2,640,543	0.70
Lamb Weston Holdings	USD	53,000	1,796,928	0.48
Leucadia National	USD	120,000	2,415,797	0.64
McKesson	USD	24,000	3,040,302	0.81
Oracle	USD	65,000	2,509,027	0.67
Tenaris	USD	153,800	3,685,896	0.98
Ultrapar Participacoes	USD	100,935	1,826,846	0.49
Walt Disney	USD	49,000	4,007,291	1.06
Total United States Equities			29,825,638	7.94
Asia				
China				
China Life Insurance	HKD	459,000	1,077,317	0.29
PICC Property & Casualty	HKD	600,000	770,400	0.19
			1,847,717	0.48

	Currency	Holding at 30.06.17	Fair value £	% of Total Net Assets
Japan				
Bandai Namco Holdings	JPY	130,000	3,402,535	0.91
CF Ruffer Japanese Fund*	GBP	4,090,101	9,339,745	2.49
East Japan Railway	JPY	25,800	1,898,540	0.51
Fujifilm Holdings	JPY	119,200	3,296,274	0.88
Hazama Ando	JPY	259,000	1,254,628	0.33
Mitsubishi Electric	JPY	242,000	2,676,176	0.71
Mitsubishi Heavy Industries	JPY	443,000	1,395,321	0.37
Mitsubishi UFJ Financial Group	JPY	1,125,400	5,816,301	1.55
Mitsui Fudosan	JPY	104,000	1,909,339	0.51
Mizuho Financial Group	JPY	2,028,500	2,846,432	0.76
NTT Urban Development	JPY	419,000	3,109,126	0.83
Rakuten	JPY	283,100	2,562,351	0.68
Resona Holdings	JPY	656,000	2,775,920	0.74
Seven & I Holdings	JPY	75,000	2,377,183	0.63
Softbank Group	JPY	28,000	1,744,268	0.46
Sony	JPY	105,900	3,109,882	0.83
Sumitomo Mitsui Financial Group	JPY	229,200	6,872,073	1.83
T&D Holdings	JPY	850,000	9,953,065	2.64
			66,339,159	17.66
Total Asian Equities			68,186,876	18.14
Total Equities			150,906,391	40.16

	Currency	Holding at 30.06.17	Fair value £	% of Total Net Assets
Global Investment Funds 6.56%				
(30.06.16 – 8.71%)				
United Kingdom				
Herald Worldwide Fund	GBP	64,341	2,692,654	0.72
Ruffer Illiquid Multi Strategies Fund 2015*	GBP	16,945,510	13,061,599	3.48
Ruffer SICAV Global Smaller Companies Fund*	GBP	45,129	6,947,990	1.85
Weiss Korea Opportunity Fund	GBP	1,100,000	1,925,000	0.51
			24,627,243	6.56
Total Global Investment Funds			24,627,243	6.56
Gold & Gold Mining Equities 4.59%				
(30.06.16 – 7.00%)				
United Kingdom				
CF Ruffer Gold Fund**	GBP	9,994,002	15,300,817	4.07
Gold Bullion Securities	USD	21,559	1,953,331	0.52
			17,254,148	4.59
Total Gold & Gold Mining Equities			17,254,148	4.59
Options 1.69%				
(30.06.16 – 0.34%)				
United Kingdom				
Ruffer Protection Strategies International*	GBP	3,322,243	6,362,095	1.69
			6,362,095	1.69
Total financial assets at fair value through profit or loss			346,628,281	92.26
Other net current assets			28,973,427	7.74
Management share capital			(2)	–
Total Value of Company (attributable to redeemable participating preference shares)			375,601,706	100.00

These fair values are based on information available at the time of publication and may differ from the fair values shown in the unaudited results announcement. These fair values comply with International Financial Reporting Standards ("IFRS").

* 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 and Ruffer SICAV UK Mid & Smaller Companies Fund are also classed as related parties as their investment manager (Ruffer LLP) is the parent of the Company's Investment Manager.

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 2017 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 Investment Manager is authorised and regulated by the United Kingdom Financial Conduct Authority as a full-scope Alternative Investment Fund Manager ("AIFM"). 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 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 Company intends to be operated in such a manner that its shares are not categorised as non-mainstream pooled investments. This means that the Company might pay dividends in respect of any income that it receives or is deemed to receive for UK tax purposes so that it would qualify as an investment trust if it were UK tax-resident.

Northern Trust International Fund Administration Services (Guernsey) Limited (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.

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

Management and Administration

Directors
Ashe Windham

John V Baldwin

Wayne Bulpitt
(resigned 20 July 2016)

Jeannette Etherden
(resigned 30 November 2016)

Christopher Spencer
(resigned 2 March 2017)

Sarah Evans
(appointed 20 July 2016)

Christopher Russell
(appointed

1 December 2016)

Jill May
(appointed 17 March 2017)

Registered office
PO Box 255

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