



**RUFFER  
INVESTMENT  
COMPANY LIMITED**

**Annual Financial Report  
for the year ended 30 June 2015**



# RUFFER INVESTMENT COMPANY LIMITED

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# RUFFER INVESTMENT COMPANY LIMITED

## Financial Highlights

	30.06.15	
	Offer Price (per share) £	Net Asset Value (per share) £
Redeemable participating preference shares	2.250†	2.184*

† The price an investor would be expected to pay at the close of trading in the market (London Stock Exchange (“LSE”).

\* This is the Net Asset Value (“NAV”) per share using International Financial Reporting Standards as at 30 June 2015. The Fund is valued weekly and at month end. Refer to Note 14 on page 44 for the NAV reconciliation.

## Key Performance Indicators\*\*

	30.06.15	30.06.14
Share Price Total Return over 12 months	11.90%	-4.60%
NAV Total Return per share over 12 months	7.80%	-2.60%
Premium/discount of share price to NAV	1.92%	-1.84%
Dividends per share	3.4p	3.4p
Dividend yield	1.50%	1.70%
Total expenses as a ratio of net assets	1.18%	1.18%
NAV Total Return per share since inception	163.40%	144.10%

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

## Company Information

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

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

# RUFFER INVESTMENT COMPANY LIMITED

## Company Performance

	Price at 30.06.15		Change in Bid Price	
	Bid Price £	Offer Price £	From Launch %	From 30.06.14 %
Shares	2.230	2.250	+123.00	+10.23

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

	Net Asset Value £	Net Asset Value per Share £	Number of Shares In Issue
30.06.15	337,222,401	2.184*	154,413,416
30.06.14	318,040,568	2.065	154,013,416
30.06.13	319,114,093	2.139	149,188,416
30.06.12	270,884,661	1.915	141,488,416
30.06.11	248,248,134	1.953	127,138,416
30.06.10	178,695,014	1.823	98,042,672

\* Net Asset Value per share reported to the London Stock Exchange was £2.188 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 £
30.06.15	2.260	1.943
30.06.14	2.290	2.005
30.06.13	2.310	1.915
30.06.12	2.070	1.900
30.06.11	2.110	1.850
30.06.10	2.005	1.555

## Net Asset Value Range

Accounting Period to:	Highest NAV £	Lowest NAV £
30.06.15	2.243	2.041
30.06.14	2.206	2.034
30.06.13	2.208	1.903
30.06.12	1.991	1.871
30.06.11	1.960	1.810
30.06.10	1.897	1.518

*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 go up and you may not get back the amount originally invested.*

# RUFFER INVESTMENT COMPANY LIMITED

## Chairman's Review

### Performance\*

In the twelve months from 1 July 2014 to 30 June 2015, Ruffer Investment Company Limited's (the "Company") net asset value (NAV) per share rose from 206.05p\* to 218.80p\*. After allowing for the dividends of 3.4p paid during the period this equates to a total return of 7.8%. The Company's share price appreciated by 11.9% on a total return basis as the shares moved from a discount to finish the period on a premium of 1.9%. The target return, being twice the Bank of England base rate, amounted to 1% over the period and by way of context the FTSE All-Share Total Return index rose by 2.6%. Since launch on 8 July 2004, the NAV of the company has risen by 163.4%\*\* including dividends, compared with an appreciation of 65.4% in the target return and a rise of 140.3% in the FTSE All-Share Total Return index.

It is pleasing to be able to report a result well in excess of our target return for the financial year. The Company's NAV on 9 September 2015 was 211.53p.

### Earnings and Dividends

Earnings for the year were 2.22p per share on the revenue account and 13.06p per share on the capital account. In the course of the year dividends totalling 3.40p per share were paid. A third interim dividend of 1.70p per share in respect of the year to 30 June 2015 was approved on 9 September 2015 and will be paid on 9 October 2015. I would like to briefly discuss the Directors' attitude towards the dividend. The Directors are adamant that Ruffer AIFM Limited (the "Company's Alternative Investment Fund Manager and Investment Manager") should not compromise their capital preservation objective by being forced to produce enough income to ensure the sustainability of the dividend. The income produced by the Company's investments has always been regarded as a by-product of the investment process and not as a target in itself. The manager adopts a total return approach and this is reflected in the significant capital gains which have accrued to shareholders over the years. The Ruffer Investment Company has always been billed as a 'slice of Ruffer' and it is the Directors' view that it would be quite wrong to skew the portfolio towards achieving higher yield thereby pushing it out of kilter with the core Ruffer investment strategy.

### Strategy

This Company does not aim to 'shoot the lights out', but is focused on the preservation of our shareholders' capital. We take some pride in the fact that over the 'Financial Crash' period from 1 July 2007 until 30 June 2009 the total return to our shareholders was 36% compared to a return of -31% for the FTSE All Share Total Return Index. These returns were quite exceptional and, in a world where a rising tide really has lifted all boats, are unlikely to be repeated. We take more pride in the fact that the NAV has not fallen in any calendar year since inception. Our experience is that the Investment Manager is often early in calling the big strategic moves but over the two decades of its existence its big calls have to date proved correct. Shareholders may recall that from early 2011 this Company had over a quarter of its assets in Japanese equities, which performed powerfully from Prime Minister Abe's launch of his Three Arrows strategy in the latter part of 2012 – the position has since been reduced to 18% but continues to perform well. The Company currently has 36% of its capital exposed to UK and US government issued index-linked securities, which, in spite of the lack of discernible inflation, performed exceptionally well over the past year. The Directors remain committed to safeguarding the Company's assets against the ravages of inflation – the likely denouement of unfettered printing of bank notes of a great many denominations. Within the investment universe index-linked securities remain the best way to achieve this protection.

Some of our investors have asked whether Jonathan Ruffer has distanced himself from the successful asset management business, which he founded in 1994, to concentrate on his philanthropic activities centred on Bishop Auckland. This is far from being the case. He chairs the weekly strategy meeting in London every Monday morning and he spends until Wednesday afternoon in Ruffer's Victoria Street offices. He then decamps to Bishop Auckland, from where he keeps a beady eye on markets, whilst overseeing the future regeneration of a sizeable chunk of Co. Durham. He returns to London every Sunday. The Directors carry out a due diligence visit to Ruffer's offices twice a year and are appraised of the latest strategic developments. They are content that the firm is well resourced and has particular strength in depth in terms of the quality of its investment managers and strategists. In conclusion the Board remains confident in the ability of the Investment Manager to achieve the Company's objectives. For further information on strategy please look at the Business Model and Strategy section on page 5.

# RUFFER INVESTMENT COMPANY LIMITED

## Chairman's Review (continued)

### Share Issuance

At the start of the year, the Company had the ability to issue 14,081,342 redeemable participating shares under a blocklisting facility. On 19 November 2014, at the Company's Annual General Meeting ("AGM"), a resolution to issue up to a further 10% of the Company's share capital by way of a block listing facility was passed. As at 9 September 2015, the date of this report, out of a possible total of 14,081,342 shares, 1,325,000 had been issued at a 2% or higher premium to the Company's prevailing NAV. All, apart from 925,000, of these new shares were issued during the year ended 30 June 2015. The Board is content that the issuance of shares at a premium of more than 1.1% to the prevailing NAV is value enhancing to existing shareholders. Your Board is happy to continue to grow the Company organically, when the opportunity presents itself, as spreading the overheads over a larger number of shares has the effect of reducing the Total Expense Ratio (TER) thus benefitting all shareholders.

As at the date of this report the Company had 155,338,416 redeemable participating preference shares of 0.01p each and 2 Management shares of £1.00 each in issue. Therefore, the total voting rights in the Company at the date of this report were 155,338,418.

### Annual General Meeting

The AGM of the Company will be held at 10.30 a.m. on 19 November 2015 at the Company's registered office at Trafalgar Court, Les Banques, St Peter Port, Guernsey.

### Board Governance

As mentioned in last year's report we have plans to refresh the Board over the next few years. At this year's AGM we will bid farewell to Peter Luthy, who has provided much wise counsel since the inception of your Company especially on fixed interest matters. At present the Directors are in the middle of an exercise to see whether moving our tax domicile from Guernsey to the UK would be in the best interests of shareholders. As this study has not yet been concluded it would be premature to recruit another Director until we know whether we need a UK or an overseas resident Director. Furthermore it has been agreed that Wayne Bulpitt, another of the original Directors from our launch in 1994, will retire on 30 June 2016. In the interim, because we still have three Directors who have served for over nine years, we have decided that all the Directors will offer themselves up for re-election at the AGM until the Directors who have served for more than nine years are in a minority. Shareholders with strong views on the question of tax domicile are invited to communicate via the Company Secretary.

### Share Buyback Authority

Your Company's shares have traded close to NAV during the year to 30 June 2015 and ended the period on a 2% premium. The Board has resolved to seek, at the AGM on 19 November 2015, a renewal of its authority to buy back shares at a discount to NAV under terms to be stated in a Special Resolution. No shares have yet been bought back under authorisations granted at previous AGMs.

### Share Redemption Facility

The Company has a Redemption Facility operable in November each year. The Company has traded at a premium to its NAV for most of the previous year. At those moments when the shares moved to a small discount the Board took the view that such a discount remained manageable through share re-purchases. No such purchases were required. Given that the shares have returned to a premium, the Board has resolved not to offer the Redemption Facility in November 2015.

### *Ashe Windham*

*Chairman*

9 September 2015

\* Figures use Net Asset Value per share at mid-market prices as reported to the London Stock Exchange. For further explanation of the reconciliation of IFRS NAV and London Stock Exchange NAV please see Note 14 on page 44.

\*\* The calculation of the Total Return includes an amount of 39.34 pence per share, which represents the notional amount by which dividends paid to date (27.60p) would have grown if they had not been paid out as dividends but reinvested within the Company.

# RUFFER INVESTMENT COMPANY LIMITED

## Business Model and Strategy

Ruffer Investment Company Limited (the “Company”) carries on business as a closed-ended investment company. Its shares are traded on the Main Market of the London Stock Exchange (the “LSE”).

### Board

The Board of Directors is responsible for the overall stewardship of the Company, including general management, structure, finance, corporate governance, marketing, risk management, compliance, asset allocation and gearing, contracts and performance. Biographical details of the Directors, all of whom are non-executive, are listed on page 11 and on the Management and Administration summary on page 62. 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 page 20.

### 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.

### Investment Strategy

The Company’s investment strategy is to create a balanced portfolio of offsetting assets. The Company predominantly invests in internationally listed or quoted equities or equity related securities (including convertibles) and/or bonds which are issued by corporate issuers, supra-nationals or government organisations.

### Investment 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 equities and bonds 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 sterling.

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.



# RUFFER INVESTMENT COMPANY LIMITED

## Business Model and Strategy (continued)

### Investment Restrictions and Guidelines (continued)

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 10 and pages 57 to 60 respectively.

### Environmental Policy

Due to the Company's listing on the LSE, the Company is required to disclose its Environmental Policy but this is not applicable due to the nature of its operations. 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

As stated within the Report of the Audit Committee on page 23, 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 are described below. Note 19 of the Financial Statements on pages 47 to 55 provides detailed explanations of the risks associated with the Company's financial instruments:

- **Investment Risks:** The Company is exposed to the risk that its portfolio fails to perform in line with the Company's objectives if it is inappropriately invested or markets move adversely. 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;

# RUFFER INVESTMENT COMPANY LIMITED

## Business Model and Strategy (continued)

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

- Accounting, Legal and Regulatory Risks: The Company is exposed to risk if it fails to comply with the regulations of the UK Listing Authority or the Guernsey Financial Services Commission or if it fails to maintain accurate accounting records. The Administrator provides the Board with regular reports on changes in regulations and accounting requirements; and
- Financial Risks: The financial risks faced by the Company include market, credit and liquidity risk. These risks and the controls in place to mitigate them are reviewed at each quarterly Board meeting. Further details on financial risks are discussed in note 19 of the Financial Statements on pages 47 to 55.

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.

### Key Performance Indicators

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

# RUFFER INVESTMENT COMPANY LIMITED

## Investment Manager's Report

### For the year ended 30 June 2015

We are often told by investors that they hold the Company as an offset to their other investments. While we can never guarantee that such negative correlation will be achieved it has served this role over the last 12 months and we have produced a healthy positive return with a relatively low exposure to equities.

Our exposure to Japanese equities once again proved profitable contributing 4.9% to the overall return. After the blip of October's *vol-shock*, which knocked equity markets across the world, it was pretty much one way traffic in Japan and the news flow has been positive. The effects of the Bank of Japan's Quantitative Easing (QE) program (expanded on 31 October) persisted and Abe won a resounding election victory in December almost unopposed. His economic reform program continues to make progress as companies are forced to focus on better corporate governance and they have returned record amounts to shareholders through dividends and share buybacks. Remarkably, companies are now being made to justify themselves to a new government department should they fail to attain centrally mandated return-on-equity targets. It is indeed rare for a government in Japan, or anywhere else for that matter, to be so supportive of shareholders, but Abe realises that this is key to Japan escaping deflation. Balance sheets are too cautiously positioned and cash needs to be put to work elsewhere in the economy. As well as the flow back to shareholders we also saw an improvement for employees with another year of positive wage growth in Japan and signs of tightness in the labour market. Foreign investor interest is growing (but from a very low level).

Western equities continued to make progress over the period and this contributed positively to the portfolio, adding 1.5% to NAV (As at 30 June 2015 the US equity bull market had lasted 89 months – the third longest such streak on record. It is worth noting in passing that the other two episodes did not end well). Another helpful development was the continued strength of the US dollar through the second half of 2014. This position was reduced in the first quarter of 2015 and at 30 June our USD exposure stood at 8%.

In some ways our views have changed little in the seven years since the global financial crisis; not through dogmatism but because many of the fundamental causes of the financial crisis continue to threaten the world today. There was, and remains, too much debt in the world (or looked at another way, not enough collateral) and the authorities have thus far failed to massage real interest rates low enough to provide any meaningful relief from this burden. The experimentation with ZIRP (zero interest rate policy) and now NIRP (negative interest rate policy) was an obvious and necessary condition for survival in a debt laden world. However, the persistent lack of inflation, has robbed the authorities of the ability to use negative real interest rates to erode the millstone of liabilities. A recent BIS/McKinsey report\* shows that developed world debts have barely shifted from pre-crisis levels. Marry this to the capital market deepening in emerging economies and total global debt is now some \$200tn, up from \$142tn in 2007, and equates to 286% of global GDP compared to 269% in 2007. We live in a world where the authorities are settling for refinancing the debt burden at ever lower rates, thereby extending the current low growth environment, and simultaneously providing encouragement for the previously un-indebted (US corporates/China) to increase their own debts to fund share buybacks so that earnings per share can grow even if capex and real profits are not increasing.

We continue to believe that these obligations are unpayable, and therefore will be defaulted on – in our view via the pernicious but politically more palatable option of inflation and negative real interest rates. This is a benign outcome for the over-indebted, but a game-changer for savers amongst whom we would count the Company's shareholders. While this may be taking some time to play out, the direction of travel has not changed and this remains the single biggest threat to the spending power of our investors' savings.

But even here there is a problem. It seems that 'some inflation' is surprisingly difficult to create when there is none (just ask the Japanese, or even the Germans, forced into QE by the inconvenience of the oil price halving just as Eurozone inflation fell to zero). Naturally, in response to ECB QE, equities shot higher celebrating easing monetary conditions and German bond yields were driven to negative yields. In the closing days of April the quiescence in Eurozone bond markets was violently disrupted as German ten year yields shot higher by 1,000% (to a still meagre 1%) which attests only to the absurd levels to which they were driven.

# RUFFER INVESTMENT COMPANY LIMITED

## Investment Manager's Report (continued)

### For the year ended 30 June 2015 (continued)

The life-support policy of easy money has created inflation but only in financial assets and not in the real economy. It has created 'voucher money' which can only be spent within the financial system. The next step to stimulate the real economy may involve the crossing of another Rubicon in using fiscal stimulus. Think Franklin D Roosevelt's "New Deal", infrastructure projects, even Help to Buy II. We believe this can and will be done if required; it seems eminently appealing when politicians know voters prefer the carrot to the stick. An interesting thought experiment asks – what if there is a shock to markets before rates have been dragged off the floor? What is left in the toolkit to provoke the same shock and awe as the lowest interest rates in 300 years and \$5tn of global quantitative easing? Like Pavlov's Dogs, investors have been well trained to respond to the signals of central bankers, but the law of diminishing returns requires bolder and more wanton action at each crisis.

Lastly, as absolute return investors we worry about broad-based correlations across asset classes. If the rising tide can float all boats, which is broadly what has happened since the financial crisis, then there must be a good chance that asset prices fall in tandem when that same tide goes out. The only way to avoid that is to replace monetary stimulus with robust economic growth and that remains elusive except on a beggar-my-neighbour basis. In high yield debt and other contexts, the Fed has recently been voicing concerns over the risk of a dislocation arising from a lack of liquidity in certain areas of the financial system. When combined with an equity bull market getting long in the tooth, these factors emphasise the need to keep our primary aim of capital preservation firmly in view. The majority of the transactions during the first half of 2015 were aimed at moving the portfolio onto a more defensive footing; profit-taking in a number of our equity positions, buying protection against rising bond yields and the possibility of a correlated sell-off in equity and fixed income markets.

To end on a brighter note, the Company has produced a healthy positive return over the financial year with less than half the assets held in equities. We have also avoided three periods of significant market volatility. That is the role we would like the Company to play for our investors and we shall endeavour to do more of the same in the year ahead.

Ruffer AIFM Limited  
23 July 2015

\* *"Debt and (not much) deleveraging"*, February 2015 by Richard Dobbs, Susan Lund, Jonathan Woetzel, and Mina Mutafchieva.

# RUFFER INVESTMENT COMPANY LIMITED

## Top Ten Holdings

<b>Investments</b>	<b>Currency</b>	<b>Holding at 30.06.15</b>	<b>Fair Value £</b>	<b>% of Total Net Assets</b>
UK Index-Linked Gilt 1.875% 22/11/2022	GBP	13,700,000	20,914,596	6.21
UK Index-Linked Gilt 1.25% 22/11/2055	GBP	7,200,000	18,923,911	5.61
Ruffer Illiquid Multi Strategies Fund 2015 Ltd*	GBP	16,450,000	16,383,542	4.86
US Treasury Inflation Indexed 1.125% Bond 15/01/2021	USD	22,000,000	16,002,352	4.75
UK Inflation Indexed Gilt 0.375% 22/03/2062	GBP	8,000,000	14,629,104	4.34
US Treasury Inflation Indexed 0.625% Bond 15/07/2021	USD	19,350,000	13,330,762	3.95
US Treasury Inflation Indexed 0.125% Bond 15/01/2023	USD	19,000,000	12,164,051	3.61
US Treasury Inflation Indexed 0.375% Bond 15/07/2023	USD	17,000,000	11,028,476	3.27
CF Ruffer Japanese Fund**	GBP	4,500,000	8,819,550	2.62
T&D Holdings Inc	JPY	900,000	8,532,637	2.53

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

# RUFFER INVESTMENT COMPANY LIMITED

## Directors

The Company has six non-executive Directors, all of whom are independent except for Wayne Bulpitt and Peter Luthy, details of whom are set out below.

*Ashe Windham*, CVO, aged 58 and a resident of the United Kingdom. He joined Barclays de Zoete Wedd (“BZW”) in 1987 as an institutional equities salesman and was appointed a Director of BZW’s Equities Division in 1991. He joined Credit Suisse First Boston in 1997 when they acquired BZW’s equities business. In 2004 he joined Man Investments as Head of Internal Communications and in 2007 became Man Group’s Global Head of Internal Communications. In June 2009 he resigned from Man Group plc to set up a private family office. He is a non-executive Director of EFG Asset Management (UK) Ltd and a non-executive Director of Miton UK MicroCap Trust Plc. Mr Windham was appointed to the Board on 24 February 2009.

*Wayne Bulpitt*, aged 53 and a resident of Guernsey. He is Managing Director and Principal of Active Group Limited and Chairman of BlueCrest BlueTrend Limited. He was formerly Head of Offshore Investment Services for Canadian Imperial Bank of Commerce, Global Private Banking & Trust division (1998-2001) and Managing Director of CIBC Fund Managers (Guernsey) Limited (1992-1998). He is also a Director of Ruffer Illiquid Strategies Fund of Funds 2009 Limited, Ruffer Illiquid Strategies Fund of Funds 2011 Limited, Ruffer Illiquid Multi Strategies Fund 2015 Limited and Ruffer Multi Strategies Fund Limited which are all Guernsey registered investment companies managed by the Company’s Investment Manager. Mr Bulpitt was appointed to the Board on 1 June 2004.

*Jeannette Etherden (Jan)*, aged 55 and a resident of the United Kingdom. She started in 1983 as a research analyst at Confederation Life (acquired by Sun Life of Canada in 1994) and was Head of UK Equities from 1991. In 1996 she moved to Newton Investment Management as a multi-asset fund manager. She was appointed a Director for Newton in 1997 and additionally was Chief Operating Officer, Investments from 1999 until her resignation in 2001. From January 2004 to January 2006 she was Business Development Manager for the Candela Fund at Olympus Capital Management. Ms Etherden is also a non-executive Director of Miton UK MicroCap Trust Plc and of TwentyFour Income Fund Limited. Ms Etherden was appointed to the Board on 1 June 2004.

*Peter Luthy*, aged 64 and a resident of the United Kingdom. He has worked in the fixed income market for 25 years. In 1990, he co-founded a credit focussed bond broker, Luthy Baillie Dowsett Pethick and Co. Limited (“LBDP”). Dresdner Kleinwort Benson acquired LBDP in 1996 where he was global head of credit products. In 1998 he became global head of investment banking at Barclays Capital and, after 2001, acted as a consultant on bank credit portfolios. He was a Managing Partner of Banquo Credit Management LLP until June 2014. He is also a Director of Ruffer Illiquid Strategies Fund of Funds 2009 Limited, Ruffer Illiquid Strategies Fund of Funds 2011 Limited, Ruffer Illiquid Multi Strategies 2015 Fund Limited and Ruffer Multi Strategies Fund Limited which are all Guernsey registered investment companies managed by the Company’s Investment Manager. Mr Luthy was appointed to the Board on 1 June 2004.

*Christopher Spencer*, aged 65 and a resident of Guernsey. He qualified as a chartered accountant in London in 1975. Following two years in Bermuda he moved to Guernsey. Mr Spencer, who specialized in audit and fiduciary work, was Managing Partner/Director of Pannell Kerr Forster (Guernsey) Limited from 1990 until his retirement in May 2000. Mr Spencer is a member of the AIC Offshore Committee, a past President of the Guernsey Society of Chartered and Certified Accountants, and a past Chairman of the Guernsey Branch of the Institute of Directors. He is a non-executive Director of a number of listed fund companies and other finance related companies. Mr Spencer was appointed to the Board on 1 June 2004.

*John V Baldwin*, aged 65 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.

# **RUFFER INVESTMENT COMPANY LIMITED**

## **Report of the Directors**

The Directors of the Company present their Annual Financial Report (the “Financial Statements”) for the year ended 30 June 2015 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 5 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.

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.

### **Blocklisting Facility**

The blocklisting facility is set out in the note 13 on page 43.

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

The Company operates a Share Buyback Facility whereby it may purchase, subject to various terms as set out in its Articles and in accordance with the Companies (Guernsey) Law, 2008, up to 14.99 per cent. of the Company’s shares in issue following the admission of shares trading on the LSE’s market for listed securities. For additional information refer to note 20 on pages 55 and 56.

The Company did not buyback any shares during the year (30.06.14: Nil).

### **Results and Dividends**

The results for the year are set out in the Statement of Comprehensive Income on page 33. Details of dividends paid and proposed are set out in note 5 on page 40.

### **Subsequent Events**

Events occurring after the balance sheet date are disclosed in note 21 on page 56 in the Notes to the Financial Statements.

### **Shareholder Information**

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

# RUFFER INVESTMENT COMPANY LIMITED

## Report of the Directors (continued)

### Investment Management

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

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

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

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

### Directors

The details of the Directors of the Company during the year and at the date of this Report are set out on page 11 and on the Management and Administration summary on page 62.

### Directors' Interests

The details of the number of redeemable participating preference shares held beneficially by the Directors who held office at 30 June 2015 and up to the date of this Report are set out on in note 16 on page 45.

### Substantial Share Interests

As at 30 June 2015, the Company has received notifications in accordance with the FCA's Disclosure and Transparency Rule 5.1.2 R of the following interests in 3% or more of the voting rights attaching to the Company's issued shares.

Investor	Shares held	% of issued share capital
Brewin Nominees Limited	13,741,663	8.90
HSBC Global Custody Nominee (UK) Limited	12,825,166	8.31
State Street Nominees Limited	11,857,823	7.68
Roy Nominees Limited	10,013,175	6.48
Alliance Trust Savings Nominees Limited	8,516,631	5.52
Rathbone Nominees Limited	5,541,495	3.59
Rock Nominees Limited	5,256,300	3.40
Luna Nominees Limited	5,186,038	3.36
Platform Securities Nominees Limited	5,159,776	3.34

### Foreign Account Tax Compliance Act

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, and can be found on the IRS FFI list under the link <http://apps.irs.gov/app/fatcaFfiList/flu.jsf>.

The Company is subject to Guernsey regulations and guidance based on reciprocal information sharing inter-governmental agreements which Guernsey has entered into with the United Kingdom and the United States of America. The Board will take the necessary actions to ensure that the Company is compliant with Guernsey regulations and guidance in this regard.



# RUFFER INVESTMENT COMPANY LIMITED

## Report of the Directors (continued)

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

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

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

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

For additional information on the above changes refer to the General Information on page 61.

### Independent Auditor

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

### Disclosure of Information to the Independent Auditor

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

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

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

### Statement of Directors’ Responsibilities

The Directors are responsible for preparing the Annual Report and Financial Statements in accordance with applicable law and regulations. The Directors believe that the financial statements and all reports therein reflect a fair, balanced and understandable statement of the Company’s affairs.

The Company Law requires the Directors to prepare financial statements for each financial year. Under the Company Law the Directors have elected to prepare the Company’s Financial Statements in accordance with International Financial Reporting Standards (IFRSs). 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 are 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.

# RUFFER INVESTMENT COMPANY LIMITED

## Report of the Directors (continued)

### Statement of Directors' Responsibilities (continued)

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.

The Directors 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 website. Legislation in Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Each of the Directors, whose names are set out on page 11 of this Annual Financial Report, confirms that to the best of their knowledge that:

- these Financial Statements have been prepared in conformity with IFRS, give a true and fair view of the assets, liabilities, financial position and profit 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 includes information detailed in the Chairman's Review, the Report of the Directors, the Investment Manager's Review, the Depositary Statement and the notes to the accounts, which includes a fair view 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*  
9 September 2015

**Christopher Spencer**  
*Director*

# RUFFER INVESTMENT COMPANY LIMITED

## Corporate Governance Statement

### Corporate Governance

The Board is committed to high standards of corporate governance and has implemented a framework for corporate governance which it considers to be appropriate for an investment company in order to comply with the principles of the UK Corporate Governance Code (the “UK Code”). The Company is also required to comply with the Code of Corporate Governance issued by the Guernsey Financial Services Commission (the “GFSC Code”).

The Financial Reporting Council (the “FRC”) issued a revised Code in September 2014, for reporting periods beginning on or after 1 October 2014. The Board will adopt the revised Code for the financial year beginning 1 July 2015.

### Compliance Statement

The UK Listing Authority requires all UK listed premium companies to disclose how they have complied with the provisions of the UK Code. This Corporate Governance Statement, together with the Going Concern statement and the Statement of Directors’ Responsibilities set out on pages 14 and 15, indicates how the Company has complied with the principles of good governance of the UK Code and its requirements on Internal Control.

The Board has considered the principles and recommendations of the UK Code, and considers that reporting against the UK Code will provide better information to shareholders. 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 UK Code is available in the FRC’s website, [www.frc.org.uk](http://www.frc.org.uk).

The Board, having reviewed the UK Code, considers that it has maintained procedures during the year ended 30 June 2015 and up to the date of this report to ensure that it complies with the UK 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. Companies reporting against the UK Code are deemed to comply with 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 14 and 15.

# RUFFER INVESTMENT COMPANY LIMITED

## Corporate Governance Statement (continued)

### Role of the Board (continued)

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, is 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 six non-executive Directors, all of whom are independent with the exception of Wayne Bulpitt and Peter Luthy. The Directors of the Company are listed on page 11 and on the Management and Administration summary on page 62.

Under the UK Code Wayne Bulpitt and Peter Luthy are considered not to be independent by reason of being Directors of other group related companies. 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 except for Wayne Bulpitt and Peter Luthy. 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.

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 19 and 20.

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.

# RUFFER INVESTMENT COMPANY LIMITED

## Corporate Governance Statement (continued)

### Composition and Independence of the Board (continued)

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

	Number of meetings held	Wayne Bulpitt	Jeannette Etherden	Peter Luthy	Christopher Spencer	Ashe Windham	John V Baldwin
Board Meetings	5*	5	5	5	5	5	5
Audit Committee Meetings	3*	3	3	3	3	3	3
Management Engagement Committee Meetings	2*	N/A	2	N/A	1	2	2
Ad-hoc Board Meetings	1	1	1	1	1	1	1

\* The final scheduled meetings for the year ended 30 June 2014 were delayed until 10 July 2014.

### 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 except for Peter Luthy who will not offer himself for re-election. For additional information refer to the Chairman's Review on pages 3 and 4.

On 19 November 2014 at the 10th AGM of the Company, Ashe Windham, John Baldwin, Jeannette Etherden, Wayne Bulpitt, Peter Luthy and Christopher Spencer retired as Directors of the Company and being eligible had offered themselves for re-election and were re-elected as Directors of the Company by the Shareholders. As Peter Luthy and Wayne Bulpitt are Directors of other companies managed by the Company's Investment Manager they are deemed to be non-independent Directors and therefore stand for re-election at each AGM.

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

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

The Board is currently considering its composition. For additional information refer to the Chairman's Review on pages 3 and 4.

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.

# RUFFER INVESTMENT COMPANY LIMITED

## Corporate Governance Statement (continued)

### **Committees of the Board**

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

#### **Audit Committee**

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

The table on page 18 sets out the number of Audit Committee Meetings held during the year ended 30 June 2015 and the number of such meetings attended by each Audit Committee member.

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

#### **Management Engagement Committee**

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

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

During the year the Management Engagement Committee has reviewed the services provided by the Investment Manager as well as the other service providers and have recommended to the Board that their continuing appointments is in the best interests of the Shareholders. The last meeting was held on 5 June 2015.

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

#### **Nomination Committee**

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

#### **Remuneration Committee**

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

#### **Internal Control**

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

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

# RUFFER INVESTMENT COMPANY LIMITED

## Corporate Governance Statement (continued)

### Internal Control (continued)

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 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.
- Depository services performed by Northern Trust (Guernsey) Limited, a company licensed and regulated by the Guernsey Financial Services Commission.
- Custody of assets is undertaken by Northern Trust (Guernsey) Limited, a company licensed and regulated by the Guernsey Financial Services Commission.

The Board reviews regularly the performance of the services provided by these companies. The Board reviews the performance of the Investment Manager annually by assessing the performance of the investments, and the Investment Manager's position against its peers.

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

### Principal Risks and Uncertainties

Principal risks and uncertainties are disclosed on pages 6 and 7.

### Relations with Shareholders

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

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

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

# **RUFFER INVESTMENT COMPANY LIMITED**

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

### **Going concern**

The going concern assumption is disclosed in the Report of Directors on page 12.

### **Subsequent Events**

The subsequent events since the year end that the Directors consider require adjustment to or disclosure in this report or the financial statements are disclosed in note 21 on page 56.



# RUFFER INVESTMENT COMPANY LIMITED

## Directors' Remuneration Report

### Introduction

An ordinary resolution for the approval of the annual remuneration report was put to the shareholders at the AGM held on 19 November 2014.

### 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 Chairman of the Board is paid a higher fee in recognition of his 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 2014: £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. Directors fees have not increased during the year (2014: no increase during the year).

	<b>30.06.15</b>	<b>30.06.14</b>
	<b>£</b>	<b>£</b>
Ashe Windham	35,000	35,000
Christopher Spencer	25,000	25,000
Jeannette Etherden	25,000	25,000
Peter Luthy	25,000	25,000
Wayne Bulpitt	25,000	25,000
John V Baldwin	25,000	25,000
	<u>160,000</u>	<u>160,000</u>

During the year ended 30 June 2015 Director fees of £160,000 (30 June 2014: £160,000) were charged to the Company of which £40,000 (30 June 2014: £40,000) remained payable at the year end.

# RUFFER INVESTMENT COMPANY LIMITED

## Audit Committee Report

On the following pages, we present the Audit Committee's Report for the year ended 30 June 2015, setting out the responsibilities of the Audit Committee and its key activities for the year from 1 July 2014 to 30 June 2015. As in previous years, the Committee has reviewed the Company's financial reporting, the independence and effectiveness of the independent 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 independent external auditor.

A member 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 independent 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 independent external auditors and the effectiveness of the audit process considering and making recommendations to the Board on the appointment, reappointment, replacement and remuneration to the Company's external auditor;
- reviewing the Company's procedures for prevention, detection and reporting of fraud, bribery and corruption; and
- monitoring and reviewing the internal control and risk management systems of the service providers together with the need for an Internal Audit function.

The Audit Committee's full terms of reference can be obtained by contacting the Company's Secretary.

### Key Activities of the Audit Committee

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

#### Financial Reporting

The Audit Committee's review of the Half Yearly Financial Report and Audited Annual Financial Report focused on the following significant risks; valuation and ownership of investments. The investments comprise the majority of NAV value 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 £314,296,168 as at 30 June 2015 and represented the majority of the net assets of the Company. The investments are predominantly all listed except for investments in investment funds and the valuation of the investments is in accordance with the requirements of IFRS. The Audit Committee considered the fair value of the investments held by the Company as at 30 June 2015 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 2015 by the Administrator and are subject to review process at the Administrator and oversight at the Investment Manager.

# RUFFER INVESTMENT COMPANY LIMITED

## Audit Committee Report (continued)

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

#### Ownership of Investments

The Company's investment holdings are reconciled to independent reports from the Custodian by the Administrator with any discrepancies being fully investigated and reconciled by the Administrator. The Audit Committee therefore consider the ownership of the investments held by the Company as at 30 June 2015 to be reasonable based on a review of information provided by the Investment Manager, Custodian, Depository and Administrator.

The independent external auditor reported to the Audit Committee any misstatements found in the course of its work, however no material misstatements were found.

#### 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 the Business Model and Strategy on pages 6 and 7 for details on principal risks and uncertainties and their management. Financial risks faced by the Company are discussed in note 19 of the Financial Statements on pages 47 to 55.

With the introduction of AIFMD the Company's AIFM, Ruffer AIFM Limited, undertakes certain responsibilities in terms of the risk management of the Company.

#### 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 Independent External Auditor

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

#### Independence, Objectivity and Fees

The independence and objectivity of the independent external auditor is reviewed by the Audit Committee which also reviews the terms under which the independent 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. No tax services were provided during the year. These are that the external auditors may not provide a service which:

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

As a general rule, the Company does not utilise external auditors for internal audit purposes, secondments or valuation advice. Services which are in the nature of audit, such as tax compliance, tax structuring, private letter rulings, accounting advice, quarterly reviews and disclosure advice are normally permitted but must be pre-approved where individual fees are likely to be above £25,000.

# RUFFER INVESTMENT COMPANY LIMITED

## Audit Committee Report (continued)

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

Independence, Objectivity and Fees (continued)

The following table summarises the remuneration paid to the previous and current auditors for audit and non-audit services during the years ended 30 June 2015 and 2014:

	<b>30.06.15</b>	<b>30.06.14</b>
	<b>£</b>	<b>£</b>
Statutory Audit	25,000	21,850
<b>Total Audit fees</b>	<u>25,000</u>	<u>21,850</u>
Interim Review	7,790	7,513
<b>Total non-audit related fees</b>	<u>7,790</u>	<u>7,513</u>

In line with the policies and procedures above, the Audit Committee does not consider that the provision of these non-audit services, which comprised of independent review of the Half Yearly Financial Report, 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. This includes:

- Review and challenge of key decisions by the Engagement Quality Review Partner and engagement quality control review by a member of the Independent Professional Standards Review Team.

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

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

The Audit Committee has examined the scope and results of the audit, its cost effectiveness and the independence and objectivity of the independent 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 independent external auditor, to be independent of the Company.

### Reappointment of external auditors

Consequent to this review process, the Audit Committee has recommended to the Board that a resolution be put to the 2015 AGM for the reappointment of Deloitte LLP as independent external auditor. The Board has accepted this recommendation.

### Internal control and risk management systems

The Audit Committee, after consultation with the Investment Manager and independent 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.

The Audit Committee reviews and examines externally prepared assessments of the control environment in place at the Investment Manager and the Administrator. No significant failings or weaknesses were identified in these reports.

# **RUFFER INVESTMENT COMPANY LIMITED**

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

### **Internal control and risk management systems (continued)**

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

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

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

**Christopher Spencer**

*Chairman, Audit Committee*

9 September 2015

# RUFFER INVESTMENT COMPANY LIMITED

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

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

We have enquired into the conduct of Ruffer AIFM Limited (the “AIFM”) and the Company for the year ended 30 June 2015, in our capacity as Depositary to the Company.

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

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

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

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

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

### **Basis of Depositary Review**

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

### **Review**

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

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

For and on behalf of  
**Northern Trust (Guernsey) Limited**  
9 September 2015

# RUFFER INVESTMENT COMPANY LIMITED

## Independent Auditor's Report

### To the Shareholders of Ruffer Investment Company Limited

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

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 June 2015 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 comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Equity and the related notes 1 to 21. The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union.

#### Going concern

We have reviewed the Directors' statement on page 12 that the Company is a going concern. We confirm that:

- we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate; and
- we have not identified any material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern.

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.

#### Our assessment of risks of material misstatement

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

##### Risk

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

The investments balance of £314 million on the Company's statement of financial position as at 30 June 2015 is the most quantitatively significant balance and is an area of focus because it is the main driver of the Company's performance and net asset value. Errors or deliberate manipulation of valuations or failure to maintain proper legal title of the assets held by the Company could result in material misstatement of the financial statements.

Further details of the accounting policy and how investments are valued is in note 2 and details of the investments are disclosed in note 10.

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

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

To test the valuation of investments as at 30 June 2015, we performed the following:

- for all the listed investments we agreed the prices to an independent pricing source;
- for all unlisted investments we challenged management's assessment on the reasonability of the valuation methodology and inputs used; and
- verified the trading activity and volume of all the listed investments held as at year end to assess the liquidity of the investments and thus classification on the fair value hierarchy.

##### Findings

We did not identify any differences that exceed the clearly trivial threshold between the prices used by the Company and the independent pricing sources used in our testing.

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

# RUFFER INVESTMENT COMPANY LIMITED

## Independent Auditor's Report

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

Risk	How the scope of our audit responded to the risk	Findings
	<p data-bbox="407 193 706 288">To test the ownership of investments balance held within the portfolio as at 30 June 2015, we performed the following:</p> <ul data-bbox="407 288 706 746" style="list-style-type: none"><li data-bbox="407 288 706 432">• reviewed the internal controls report from the auditors of the Custodian and to understand the controls in place at the custodian over the ownership of the investments;</li><li data-bbox="407 432 706 592">• assessed the ownership of the investments at year end by obtaining a direct confirmation from the custodian and agreeing holdings to the schedule of investments as at year end; and</li><li data-bbox="407 592 706 746">• performed detailed testing on purchases and sales made around year end period to assess whether transactions had been recorded in the correct period.</li></ul>	<p data-bbox="732 193 1031 304">All investments were appropriately agreed to custodian confirmations and investments transactions we tested were recorded in the correct period.</p>
<p data-bbox="81 746 258 775"><b>Revenue recognition</b></p> <p data-bbox="81 775 381 1034">The significant portion of the Company's income emanates from fair value adjustments (£20 million) on investments held at fair value due to the materiality of the investments balance (see Note 6 and Note 10). Inaccurate calculation of the fair value gain/(loss) adjustment would have a material impact on income recognition and thus the Company's performance.</p>	<p data-bbox="407 746 706 890">We assessed the design and implementation of controls around income recognition. The gains/losses on investments held at fair value comprise realised and unrealised gains/losses:</p> <ul data-bbox="407 890 706 1292" style="list-style-type: none"><li data-bbox="407 890 706 1102">• for unrealised gains/losses, we obtained an understanding of, and then tested the valuation process as set out in the "Valuation and ownership of investments" risk above, to ascertain whether these gains/losses were appropriately calculated.</li><li data-bbox="407 1102 706 1292">• for realised gains/losses, we tested a sample of disposals made during the year by agreeing the proceeds to bank statements and contract notes and we re-performed the calculation of the realised gains/losses.</li></ul>	<p data-bbox="732 746 1031 815">No misstatements were identified by our testing which required reporting to those charged with governance.</p>



# RUFFER INVESTMENT COMPANY LIMITED

## Independent Auditor's Report

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

The description of risks above should be read in conjunction with the significant issues considered by the Audit Committee discussed on pages 23 to 26.

Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole, and not to express an opinion on individual accounts or disclosures. Our opinion on the financial statements is not modified with respect to any of the risks described above, and we do not express an opinion on these individual matters.

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

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

We determined materiality for the Company to be £6,744,000 which is approximately 2% of net asset value. We have derived our materiality based on the net asset value of the Company as we consider it to be the most important balance on which the shareholders would judge the performance of the Company. In 2014 the previous auditors set materiality at £3,150,000 on the basis of 1% of total assets.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £135,000 (2014: £150,000 was used by the previous auditors), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

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

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

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

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

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

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

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

We have nothing to report in respect of these matters.

##### *Corporate Governance Statement*

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

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

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

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

# RUFFER INVESTMENT COMPANY LIMITED

## Independent Auditor's Report

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

#### Matters on which we are required to report by exception (continued)

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

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

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

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

This report is made solely to the company's members, as a body, in accordance with Section 262 of the Companies (Guernsey) Law, 2008. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and/or those further matters we have expressly agreed to report to them on in our engagement letter and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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

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

John Clacy FCA (Senior statutory auditor)  
for and on behalf of Deloitte LLP  
Chartered Accountants and Recognised Auditor  
St Peter Port, Guernsey  
9 September 2015

# RUFFER INVESTMENT COMPANY LIMITED

## Statement of Financial Position

	<i>Notes</i>	<b>30.06.15</b> £	<b>30.06.14</b> £
<b>ASSETS</b>			
Cash and cash equivalents		16,441,960	15,193,265
Derivative financial assets	18,19	6,770,940	850,868
Receivables	11	472,757	3,547,454
Investment assets at fair value through profit or loss	10	314,296,168	300,291,140
<b>Total assets</b>		<u>337,981,825</u>	<u>319,882,727</u>
<b>EQUITY</b>			
<b>Capital and reserves attributable to the Company's shareholders</b>			
Management share capital	13	2	2
Net assets attributable to holders of redeemable participating preference shares		337,222,401	318,040,568
<b>Total equity</b>		<u>337,222,403</u>	<u>318,040,570</u>
<b>LIABILITIES</b>			
Payables	12	714,545	1,842,157
Derivative financial liability	18,19	44,877	–
<b>Total liabilities</b>		<u>759,422</u>	<u>1,842,157</u>
<b>Total equity and liabilities</b>		<u><b>337,981,825</b></u>	<u><b>319,882,727</b></u>
Net assets attributable to holders of redeemable participating preference shares (per share)	13,14	<u><b>2.184</b></u>	<u><b>2.065</b></u>

The financial statements on pages 32 to 56 were approved on 9 September 2015 and signed on behalf of the Board of Directors by:

**Ashe Windham**  
*Chairman*

**Christopher Spencer**  
*Director*

The notes on pages 36 to 56 form an integral part of these accounts.

# RUFFER INVESTMENT COMPANY LIMITED

## Statement of Comprehensive Income

				01.07.14 to 30.06.15 Total £	01.07.13 to 30.06.14 Total £
<i>Notes</i>	<b>Revenue</b>	<b>Capital</b>			
	£	£		£	£
Fixed interest income	953,913	–		953,913	938,916
Dividend income	2 3,668,247	–		3,668,247	5,585,969
Net changes in fair value on financial assets at fair value through profit or loss	6 –	20,030,558		20,030,558	(13,973,194)
Other gains	7 –	3,406,833		3,406,833	5,692,211
<b>Total income</b>	<u>4,622,160</u>	<u>23,437,391</u>		<u>28,059,551</u>	<u>(1,756,098)</u>
Management fees	–	(3,109,109)		(3,109,109)	(3,069,320)
Expenses	(799,433)	(212,245)		(1,011,678)	(959,078)
<b>Total expenses</b>	<u>(799,433)</u>	<u>(3,321,354)</u>		<u>(4,120,787)</u>	<u>(4,028,398)</u>
<b>Profit/(loss) for the year before tax</b>	3,822,727	20,116,037		23,938,764	(5,784,496)
Withholding tax	(401,806)	–		(401,806)	(669,054)
<b>Profit/(loss) for the year after tax</b>	<u>3,420,921</u>	<u>20,116,037</u>		<u>23,536,958</u>	<u>(6,453,550)</u>
<b>Total comprehensive income/(expense) for the year</b>	<u>3,420,921</u>	<u>20,116,037</u>		<u>23,536,958</u>	<u>(6,453,550)</u>
Basic and diluted earnings/(loss) per share *	2.22p	13.06p		15.28p	(4.23p)

\* 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 154,065,196 (30.06.14: 152,720,745).

The notes on pages 36 to 56 form an integral part of these accounts.

# RUFFER INVESTMENT COMPANY LIMITED

## Statement of Changes in Equity

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

	<b>Share capital</b>	<b>Other reserves</b>	<b>Total 01.07.13 to 30.06.14</b>
	£	£	£
<i>Balance at 30 June 2013</i>	<i>114,304,639</i>	<i>204,809,454</i>	<i>319,114,093</i>
<i>Total comprehensive expense for the year</i>	<i>–</i>	<i>(6,453,550)</i>	<i>(6,453,550)</i>
<i>Transactions with Shareholders:</i>			
<i>Share capital issued</i>	<i>10,689,375</i>	<i>–</i>	<i>10,689,375</i>
<i>Share issue costs</i>	<i>(106,894)</i>	<i>–</i>	<i>(106,894)</i>
<i>Distribution for the year</i>	<i>–</i>	<i>(5,202,456)</i>	<i>(5,202,456)</i>
<i>Balance at 30 June 2014</i>	<i>124,887,120</i>	<i>193,153,448</i>	<i>318,040,568</i>
<i>Net Assets attributable to holders of redeemable participating preference shares at the end of the year</i>			<i>318,040,568</i>

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

The notes on pages 36 to 56 form an integral part of these accounts.

# RUFFER INVESTMENT COMPANY LIMITED

## Statement of Cash Flows

	<b>01.07.14 to 30.06.15</b>	<b>01.07.13 to 30.06.14</b>
	<b>£</b>	<b>£</b>
<b>Cash flows from operating activities</b>		
Purchase of financial assets at fair value through profit or loss	(176,257,940)	(113,427,911)
Proceeds from sale of financial assets at fair value through profit or loss (including realised gains)	184,125,575	94,899,199
Other receivables	(5,179)	(1,794)
Transaction costs paid to brokers	(212,245)	(220,639)
Fixed interest income received	1,011,568	879,208
Dividends received	3,269,448	5,395,419
Operating expenses paid	(3,859,045)	(3,511,886)
Foreign exchange (gains)/losses	(2,468,362)	4,384,532
<b>Cash generated/(used in) from operating activities</b>	<b>5,603,820</b>	<b>(11,603,872)</b>
<b>Cash flows from financing activities</b>		
Dividends paid	(5,238,156)	(5,202,456)
Proceeds from issue of redeemable participating preference shares	891,950	11,014,725
Share issue costs	(8,919)	(110,147)
<b>Net cash (used in)/generated from financing activities</b>	<b>(4,355,125)</b>	<b>5,702,122</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>1,248,695</b>	<b>(5,901,750)</b>
Cash and cash equivalents at beginning of the year	15,193,265	21,095,015
<b>Cash and cash equivalents at end of the year</b>	<b>16,441,960</b>	<b>15,193,265</b>

The notes on pages 36 to 56 form an integral part of these accounts.

# RUFFER INVESTMENT COMPANY LIMITED

## Notes to the Financial Statements

### 1. The Company

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

### 2. Significant accounting policies

#### a) Statement of Compliance

The Financial Statements of the Company for the year ended 30 June 2015 have been prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the European Union and the Listing Rules of the London Stock Exchange. They give a true and fair view and are in compliance with the Companies (Guernsey) Law, 2008.

#### b) Basis of preparation

The Financial Statements are prepared in pounds 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 report and financial statements, covering the year from 1 July 2014 to 30 June 2015, has been audited.

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

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

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

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

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.

#### d) Financial instruments

##### i) Classification

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

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

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

# RUFFER INVESTMENT COMPANY LIMITED

## Notes to the Financial Statements (continued)

### 2. Significant accounting policies (continued)

#### d) Financial instruments (continued)

##### ii) Recognition

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

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

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

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

##### *Derivatives*

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

##### *Offsetting of financial instruments*

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

##### iii) Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Investments traded in active markets are valued at the latest available bid prices ruling at midnight on the reporting date. The Directors are of the opinion that the bid-market prices are the best estimate on 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.



# RUFFER INVESTMENT COMPANY LIMITED

## Notes to the Financial Statements (continued)

### 2. Significant accounting policies (continued)

#### d) Financial instruments (continued)

##### iii) Measurement (continued)

###### *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.

#### e) 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.

#### f) 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.

#### g) 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.

#### h) 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 pounds 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 pounds 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.

# RUFFER INVESTMENT COMPANY LIMITED

## Notes to the Financial Statements (continued)

### 2. Significant accounting policies (continued)

#### h) Translation of foreign currency (continued)

##### *Functional and presentation currency (continued)*

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.

#### i) Share issue costs

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

#### j) 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.

#### k) 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.

#### l) 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 and subsequently measured at amortised cost using the effective interest method.

### 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(h), the Company's functional currency is Sterling. 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.

# RUFFER INVESTMENT COMPANY LIMITED

## Notes to the Financial Statements (continued)

### 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 £600 (which has increased to £1,200 with effect from 1 January 2015).

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:

	<b>01.07.14 to 30.06.15</b>	<b>01.07.13 to 30.06.14</b>
	£	£
2014 Second interim dividend of 1.7p (2014: 1.7p)	2,618,228	2,584,228
2015 First interim dividend of 1.7p (2014: 1.7p)	2,619,928	2,618,228
	<u>5,238,156</u>	<u>5,202,456</u>

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

	<b>01.07.14 to 30.06.15</b>	<b>01.07.13 to 30.06.14</b>
	£	£
Net changes on financial assets at fair value through profit or loss during the year comprise:		
Gains realised on investments sold during the year	25,992,478	14,411,342
Losses realised on investments sold during the year	(11,885,266)	(10,660,518)
Movement in unrealised gains arising from changes in fair value	13,234,311	4,507,503
Movement in unrealised losses arising from changes in fair value	(7,310,965)	(22,231,521)
Net changes in fair value on financial assets at fair value through profit or loss	<u>20,030,558</u>	<u>(13,973,194)</u>

### 7. Other gains

	<b>01.07.14 to 30.06.15</b>	<b>01.07.13 to 30.06.14</b>
	£	£
Unrealised gains on forward foreign currency contracts	5,875,195	1,307,679
Realised (losses)/gains on forward foreign currency contracts	(836,339)	5,310,222
Other realised and unrealised foreign exchange losses	(1,632,023)	(925,690)
	<u>3,406,833</u>	<u>5,692,211</u>

# RUFFER INVESTMENT COMPANY LIMITED

## Notes to the Financial Statements (continued)

### 8. Management fees

Due to the recent changes introduced by virtue of the Alternative Investment Fund Managers Directive (“AIFMD”), the Company terminated the Investment Management Agreement with Ruffer LLP and appointed Ruffer AIFM Limited as the new Investment Manager with effect from 22 July 2014. For additional information refer to the General Information on page 61.

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.

	<b>01.07.14 to 30.06.15</b>	<b>01.07.13 to 30.06.14</b>
	<b>£</b>	<b>£</b>
Management fees for the year	3,109,109	3,069,320
Payable at end of the year	<u>541,101</u>	<u>504,487</u>

The basis for calculating the management fees is set out in the General Information on page 61.

### 9. Expenses

	<b>01.07.14 to 30.06.15</b>	<b>01.07.13 to 30.06.14</b>
	<b>£</b>	<b>£</b>
Administration fee*	376,447	374,088
Transaction costs	212,245	220,639
Directors’ fees	160,000	160,000
General expenses	169,492	138,700
Custodian and Depository fees*	60,704	36,254
Audit fee	25,000	21,884
Auditors’ remuneration for interim review**	7,790	7,513
	<u>1,011,678</u>	<u>959,078</u>

\* The basis for calculating the Administration fees as well as the Custodian and Depository fees are set out in the General Information on page 61.

\*\* Fees of £7,790 (30.06.14: £7,513) were paid to the Moore Stephens, in respect of the interim review.

All expenses were charged to revenue apart from transaction costs of £212,245 (30.06.14: £220,639) which were charged to the capital reserves of the Company.

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

	<b>30.06.15</b>	<b>30.06.14</b>
	<b>£</b>	<b>£</b>
Cost of investments held at start of the year	280,355,440	260,996,330
Acquisitions at cost during the year	175,097,659	111,690,045
Disposals at cost during the year	(167,015,977)	(92,330,935)
Cost of investments held at end of the year	288,437,122	280,355,440
Fair value movement	<u>25,859,046</u>	<u>19,935,700</u>
Investments designated at fair value through profit or loss	<u>314,296,168</u>	<u>300,291,140</u>

# RUFFER INVESTMENT COMPANY LIMITED

## Notes to the Financial Statements (continued)

### 11. Receivables

	<b>30.06.15</b>	<b>30.06.14</b>
	£	£
<b>Amounts falling due within one year:</b>		
Sales of investments awaiting settlement	–	3,002,386
Investment income receivable	250,943	270,778
Fixed interest income receivable	212,138	269,793
Due on issue of redeemable participating preference shares	–	–
Other receivables	9,676	4,497
	<u>472,757</u>	<u>3,547,454</u>

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

### 12. Payables

	<b>30.06.15</b>	<b>30.06.14</b>
	£	£
<b>Amounts falling due within one year:</b>		
Purchases of investments awaiting settlement	–	1,160,280
Management fees payable	541,101	504,487
Withholding taxes payable	32,831	49,659
Directors' fees payable	40,000	40,000
Other payables	100,613	87,731
	<u>714,545</u>	<u>1,842,157</u>

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

### 13. Share capital account

	<b>30.06.15</b>	<b>30.06.14</b>
	£	£
<b>Authorised Share Capital</b>		
100 Management Shares of £1.00 each	100	100
200,000,000 Unclassified Shares of 0.01p each	20,000	20,000
75,000,000 C Shares of 0.1p each	75,000	75,000
	<u>95,100</u>	<u>95,100</u>

# RUFFER INVESTMENT COMPANY LIMITED

## Notes to the Financial Statements (continued)

### 13. Share capital account (continued)

	Number of Shares		Share Capital	
	30.06.15	30.06.14	30.06.15 £	30.06.14 £
<b>Issued Share Capital</b>				
<b>Management Shares</b>				
Management Shares of £1.00 each	2	2	2	2
<b>Equity Shares</b>				
Redeemable Participating Preference Shares of 0.01p each:				
Balance at start of year	154,013,416	149,188,416	124,887,120	114,304,639
Issued during the year	400,000	4,825,000	891,950	10,689,375
Share issue costs	-	-	(8,919)	(106,894)
Balance as at end of year	<u>154,413,416</u>	<u>154,013,416</u>	<u>125,770,151</u>	<u>124,887,120</u>

#### 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 (30.06.14: Nil).

#### Blocklisting and additional shares issued

At the start of the year, the Company had the ability to issue 14,081,342 redeemable participating shares under a blocklisting facility. During the year the Company made no (30.06.14: 3,464,820) further application to the Financial Conduct Authority and to the London Stock Exchange for redeemable participating preference shares of 0.01 pence each to be admitted to the Official List under a general corporate purposes blocklisting facility. Under the blocklisting facility, 400,000 new redeemable participating preference shares of 0.01 pence each were allotted and issued during the year for a total consideration of £891,950. These new redeemable participating preference shares rank *pari passu* with the existing shares in issue.

As at 30 June 2015, the Company had the ability to issue a further 13,681,342 (30.06.14 14,081,342) redeemable participating preference shares under the blocklisting facility.

# RUFFER INVESTMENT COMPANY LIMITED

## Notes to the Financial Statements (continued)

### 13. Share capital account (continued)

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

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

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

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

During the year the Company did not purchase any of its own shares (2014: Nil). For additional information refer to note 20 on page 56.

### 14. NAV reconciliation

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

	<b>30.06.15</b>	<b>30.06.14</b>
	£	£
NAV per share for valuation purposes	2.188	2.061
IAS 39 valuations (MID to BID)	(0.004)	(0.002)
Adjustment to valuation*	—	0.006
	<hr/>	<hr/>
Net assets attributable to holders of redeemable participating preference shares (per share)	2.184	2.065
	<hr/>	<hr/>

\* This was an adjustment to the valuation which had been understated at 30 June 2014 as a result of an administrative error.

### 15. Contingent liabilities

There were no contingent liabilities as at 30 June 2015 (30.06.14 no contingent liabilities).

### 16. Related party transactions

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

#### *Investment Management Agreement*

Due to the recent changes introduced by virtue of the Alternative Investment Fund Managers Directive ("AIFMD"), the Company terminated the Investment Management Agreement with Ruffer LLP and appointed Ruffer AIFM Limited as the new Investment Manager with effect from 22 July 2014. For further details refer to the General Information on page 61.

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.

# RUFFER INVESTMENT COMPANY LIMITED

## Notes to the Financial Statements (continued)

### 16. Related party transactions (continued)

#### *Investment Management Agreement (continued)*

The market value of CF Ruffer Japanese Fund, CF Ruffer Gold Fund and Ruffer Illiquid Strategies Fund of Funds 2009 Limited are deducted from the NAV of the Company before the calculation of management fees on a monthly basis. For additional information refer to the Portfolio Statement on pages 57 to 60. Management fees for the year and payable at end of the year are disclosed in Note 8.

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

As at 30 June 2015, an immediate family member of the Chairman Ashe Windham owned 100 (30.06.14: 100) shares in the Managing Member of the Ruffer LLP. This amounts to less than 5% (30.06.14: less than 5%) of the company's issued share capital.

#### *Directors*

The Company has six non-executive directors, all of whom except Wayne Bulpitt and Peter Luthy are independent of the Investment Manager.

Under the Corporate Governance Code Wayne Bulpitt and Peter Luthy are not considered to be independent by reason of being directors of Ruffer Illiquid Strategies Fund of Funds 2009 Limited, Ruffer Illiquid Strategies Fund of Funds 2011 Limited, Ruffer Illiquid Multi Strategies 2015 Fund Limited and Ruffer Illiquid Multi Strategies Fund Limited, all of which are Guernsey registered investment companies managed by the Company's Investment Manager.

#### *Remuneration*

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

#### *Shares held by related parties*

As at 30 June 2015, Directors of the Company held the following numbers of shares beneficially:

<b>Directors</b>	<b>30.06.15 Shares</b>	<b>30.06.14 Shares</b>
Ashe Windham*	85,000	80,000
Christopher Spencer	14,157	14,157
Jeannette Etherden	36,627	36,627
Peter Luthy	120,000	120,000
Wayne Bulpitt	20,000	20,000

\* Ashe Windham holds 67,000 shares whilst his wife holds 18,000.

As at 30 June 2015, Hamish Baillie, Investment Director of the Investment Manager owned 143,000 (30.06.14: 100,000) shares in the Company. Hamish Baillie acquired a further 43,000 shares on 18 August 2014.

As at 30 June 2015, Steve Russell, Investment Director of the Investment Manager owned 6,450 (30.06.14: 6,450) shares in the Company.

As at 30 June 2015, the Ruffer LLP (the parent company of the Company's Investment Manager) and other entities within the Ruffer Group held 10,198,775 (30.06.14: 9,651,004) shares in the Company on behalf of its discretionary clients.

#### *Investments in related funds*

As at 30 June 2015, the Company held investments in seven (30.06.14: six) related investment funds valued at £49,095,612 (30.06.14: £26,042,209). Refer to the Portfolio Statement on pages 57 to 60 for details.



# RUFFER INVESTMENT COMPANY LIMITED

## Notes to the Financial Statements (continued)

### 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.

As required by IFRS 8, the total fair value of the financial instruments held by the Company by each major geographical segment, and the equivalent percentages of the total value of the Company, are reported in the Portfolio Statement.

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

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

### 18. Financial instruments

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

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

### Terms, conditions and accounting policies

The financial instruments held by the Company comprise principally of 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.

# RUFFER INVESTMENT COMPANY LIMITED

## Notes to the Financial Statements (continued)

### 18. Financial instruments (continued)

#### Terms, conditions and accounting policies (continued)

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

	<b>30.06.15</b>	<b>30.06.14</b>
	<b>Fair Value</b>	<b>Fair Value</b>
	<b>£</b>	<b>£</b>
<b>Financial assets</b>		
Listed securities	291,449,609	280,066,780
UCITS funds	22,846,559	20,224,360
Derivative financial assets	6,770,940	850,868
Total financial assets at fair value through profit and loss	<u>321,067,108</u>	<u>301,142,008</u>
Other financial assets*	<u>16,914,717</u>	<u>18,740,719</u>

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

	<b>30.06.15</b>	<b>30.06.14</b>
	<b>Fair Value</b>	<b>Fair Value</b>
	<b>£</b>	<b>£</b>
<b>Financial liabilities</b>		
Payables	714,545	1,842,157
Derivative financial liabilities	44,877	–
	<u>759,422</u>	<u>1,842,157</u>

### 19. Financial risk management and associated risks

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

#### Market risk

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

#### Market price risk

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

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

#### 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.

# RUFFER INVESTMENT COMPANY LIMITED

## Notes to the Financial Statements (continued)

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

#### Market price sensitivity analysis (continued)

A 10% (30.06.14: 10%) increase in the market prices of equity related investments as at 30 June 2015 would have increased the net assets attributable to holders of redeemable participating preference shares by £19,646,011 (30.06.14: £19,269,921) and an equal change in the opposite direction would have decreased the net assets attributable to holders of redeemable participating preference shares by an equal opposite amount.

A sensitivity analysis based on the interest rates of bond related investments as at 30 June 2015 has been considered under Interest rate risk on page 51.

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 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 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.

As at 30 June 2015, the Company had seven (30.06.14: four) open forward foreign currency contracts.

#### Forward contracts

Expiration	Underlying	Notional amount of contracts outstanding	30.06.15 Fair value assets/ (liabilities) £
17 July 2015	Foreign currency (Purchase of USD)	US\$106,091,000	4,616,671
17 July 2015	Foreign currency (Purchase of USD)	US\$14,033,000	121,227
17 July 2015	Foreign currency (Purchase of JPY)	¥2,810,016,000	1,360,983
17 July 2015	Foreign currency (Purchase of JPY)	¥3,725,600,000	438,199
14 August 2015	Foreign currency (Purchase of EUR)	€ 19,842,000	233,860
14 August 2015	Foreign currency (Sale of EUR)	€ 942,000	(18,951)
14 August 2015	Foreign currency (Sale of EUR)	€ 2,814,000	(25,926)
			<hr/> 6,726,063
			30.06.14
Expiration	Underlying	Notional amount of contracts outstanding	Fair value assets/ (liabilities) £
02 July 2014	Foreign currency (Purchase of USD)	US\$2,538,376	7,239
14 July 2014	Foreign currency (Purchase of USD)	US\$25,096,800	412,383
15 August 2014	Foreign currency (Purchase of EUR)	€10,042,000	180,260
12 September 2014	Foreign currency (Purchase of JPY)	¥4,379,336,200	247,178
			<hr/> 847,060

# RUFFER INVESTMENT COMPANY LIMITED

## Notes to the Financial Statements (continued)

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

#### Spot Contracts

As at 30 June 2015, the Company had no (30.06.14: one) open spot foreign currency contracts.

<i>Expiration</i>	<i>Underlying</i>	<i>Notional amount of contracts outstanding</i>	<i>30.06.14 Fair value assets £</i>
2 July 2014	Foreign currency (Sale of USD)	US\$2,595,254	3,808
			<u>3,808</u>

The Investment Manager's treatment of currency transactions other than in Sterling is set out in note 2 to the financial statements under "Translation of foreign currency" and "Forward foreign currency contracts".

As at 30 June 2015 and 2014, the Company held the following assets and liabilities in currencies other than the functional currency:

	<b>30.06.15</b>	<b>30.06.15</b>	<b>30.06.14</b>	<b>30.06.14</b>
	<b>Assets</b>	<b>Liabilities</b>	<b>Assets</b>	<b>Liabilities</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Japanese Yen	50,636,118	3,677	43,376,209	–
United States Dollar	99,471,282	–	64,038,696	33,872
Swiss Franc	1,494,382	–	–	–
Euro	12,006,750	54,568	9,875,352	–
Canadian Dollar	–	–	6,396,711	–
Australian Dollar	–	–	1,242,410	–
Hong Kong Dollar	6,574,321	10,068	6,169,541	–
Singapore Dollar	–	–	4,610,654	–

#### Foreign currency sensitivity

As at 30 June 2015, if the foreign exchange rates had weakened 10% (30.06.14: 10%) against Sterling with all other variables held constant, net assets attributable to holders of redeemable participating preference shares would be £40,549,845 (30.06.14: £19,674,339) 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 Sterling. As at 30 June 2015, a 10% (30.06.14: 10%) strengthening of the foreign exchange rates against 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.

#### 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.

# RUFFER INVESTMENT COMPANY LIMITED

## Notes to the Financial Statements (continued)

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

#### Interest rate risk (continued)

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 2015 and 2014.

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

#### As at 30 June 2015

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

#### As at 30 June 2014

	Floating rate £	Fixed rate £	Non-Interest bearing £	Total 30.06.14 £
<b>Financial Assets</b>				
Cash and cash equivalents	15,193,265	–	–	15,193,265
Investments designated at fair value through profit or loss	–	107,591,933	192,699,207	300,291,140
Unrealised gain on open forward foreign currency contracts	–	–	850,868	850,868
Receivables	–	–	3,547,454	3,547,454
	<u>15,193,265</u>	<u>107,591,933</u>	<u>197,097,529</u>	<u>319,882,727</u>
<b>Financial Liabilities</b>				
Payables	–	–	1,842,157	1,842,157
	<u>–</u>	<u>–</u>	<u>1,842,157</u>	<u>1,842,157</u>

# RUFFER INVESTMENT COMPANY LIMITED

## Notes to the Financial Statements (continued)

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

#### Interest rate risk (continued)

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

	30.06.15 % p.a.	Weighted average period for which rate/ yield is fixed	30.06.14 % p.a.	Weighted average period for which rate/ yield is fixed
United Kingdom government bonds	-0.8478%	27.05 years	-0.5971%	24.79 years
United States government bonds	0.2619%	8.02 years	-0.0523%	11.45 years

#### Interest rate sensitivity analysis

An increase of 100 basis points (30.06.14: 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 £19,373,301 (30.06.14: £17,474,743) and a decrease of 25 basis points (30.06.14: 25 basis points) in interest rates would have increased the net assets attributable to holders of redeemable participating preference shares by £4,843,325 (30.06.14: £4,368,686).

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

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

#### Credit risk

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

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

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

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

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

# RUFFER INVESTMENT COMPANY LIMITED

## Notes to the Financial Statements (continued)

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

#### Credit risk (continued)

##### Credit risk analysis

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

	<b>30.06.15</b>	<b>30.06.14</b>
	£	£
Cash and cash equivalents	16,441,960	15,193,265
Unrealised gain in open forward foreign currency contracts	6,770,940	850,868
Receivables	472,757	3,547,454
Financial assets at fair value through profit or loss	314,296,168	300,291,140
	<u>337,981,825</u>	<u>319,882,727</u>

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

NTGL is a wholly owned subsidiary of The Northern Trust Corporation ("TNTC"). TNTC is publicly traded and a constituent of the S&P 500. TNTC has a credit rating of A+ (30.06.14: A+) from Standard & Poor's and A2 (30.06.14: 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 2015 were as follows:

	<b>S&amp;P</b>	<b>30.06.15 Moody's</b>
UK Index-Linked Gilt 1.875% 22/11/2022	NR	Aa1
UK Inflation Indexed Gilt 0.125% 22/03/2024	NR	Aa1
UK Index-Linked Gilt 1.25% 22/11/2055	NR	Aa1
UK Inflation Indexed Gilt 0.375% 22/03/2062	NR	Aa1
US Treasury Inflation Indexed 1.125% Bond 15/01/2021	AA+	Aaa
US Treasury Inflation Indexed 0.625% Bond 15/07/2021	AA+	Aaa
US Treasury Inflation Indexed 0.125% Bond 15/01/2023	AA+	Aaa
US Treasury Inflation Indexed 0.375% Bond 15/07/2023	AA+	Aaa
US Treasury Inflation Indexed 2.125% Bond 15/02/2041	AA+	Aaa
US Treasury Inflation Indexed 0.625% Bond 15/02/2043	AA+	Aaa
	AA+	Aaa

NR: indicates that these securities are not rated by S&P.

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

#### Derivatives

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

# RUFFER INVESTMENT COMPANY LIMITED

## Notes to the Financial Statements (continued)

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

#### Fair value

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

Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (that is, as prices) or indirectly (that is, derived from prices); and

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

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

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

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

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



# RUFFER INVESTMENT COMPANY LIMITED

## Notes to the Financial Statements (continued)

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

#### Fair value (continued)

The following table presents the Company's financial assets and liabilities by level within the valuation hierarchy as of 30 June 2014.

	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>30.06.14</i>
	£	£	£	Total £
<i>Financial assets at fair value through profit or loss:</i>				
<i>Government Indexed-Linked Bonds</i>	107,591,933	–	–	107,591,933
<i>Preference Shares</i>	716,038			716,038
<i>Options</i>	2,616,339	–	–	2,616,339
<i>Equities</i>	173,010,033	–	–	173,010,033
<i>Investment Funds</i>	–	16,356,797	–	16,356,797
<i>Derivative financial asset</i>	–	850,868	–	850,868
<i>Total assets</i>	<u>283,934,343</u>	<u>17,207,665</u>	<u>–</u>	<u>301,142,008</u>
<i>Financial liabilities at fair value through profit or loss:</i>				
<i>Unrealised loss on open forward</i>	–	–	–	–
<i>Derivative financial liability</i>	–	–	–	–
<i>Total liabilities</i>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>

The Company recognises transfers between levels of fair value hierarchy as of the end of the reporting period during which the transfer has occurred. At 30 June 2015, the following transfers were made:

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

#### Movements in Level 3 investments

	<i>30.06.15</i>	<i>30.06.14</i>
	£	£
Opening valuation	–	–
Transfer from Level 1	1,409,625	–
Purchases at cost	–	–
Sales proceeds	–	–
Realised gains on sale	–	–
Unrealised movement on revaluation of investments	–	–
Closing valuation	<u>1,409,625</u>	<u>–</u>

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

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

# RUFFER INVESTMENT COMPANY LIMITED

## Notes to the Financial Statements (continued)

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

#### Fair value (continued)

##### Liquidity risk

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

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

As at 30 June 2015 and 2014, the Company had no significant financial liabilities other than short-term payables arising directly from investing activity.

### 20. Capital risk management

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

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

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

	<b>30.06.15</b>	<b>30.06.14</b>
	<b>£</b>	<b>£</b>
Total assets	337,981,825	319,882,727
Less: total liabilities	(759,422)	(1,842,157)
Total equity	<u>337,222,403</u>	<u>318,040,570</u>
Gearing ratio	<u>0.23%</u>	<u>0.58%</u>

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

#### Redemption Facility

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

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

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

# RUFFER INVESTMENT COMPANY LIMITED

## Notes to the Financial Statements (continued)

### 20. Capital risk management (continued)

#### Purchase of Own Shares by the Company

An ordinary resolution was granted on 19 November 2014 which authorised the Company in accordance with The Companies (Guernsey) Law, 2008 to make purchases of its own shares as defined in that Ordinance of its redeemable participating preference shares of 0.01p each, provided that:

- (i) the maximum number of Shares the Company can purchase is no more than 14.99% of the Company's issued share capital;
- (ii) the minimum price (exclusive of expenses) which may be paid for a Share is 0.01 pence, being the nominal value per share;
- (iii) the maximum price (exclusive of expenses) which may be paid for the Share is an amount equal to the higher of (i) 105% of the average of the middle market quotations for a Share taken from the London Stock Exchange Daily Official List for the 5 business days immediately preceding the day on which the Share is purchased and (ii) the price stipulated in Article 5(i) of the Buyback and Stabilisation Regulation (No 2237 of 2003);
- (iv) purchases 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 2014 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 9 September 2015. Subsequent events have been evaluated until this date.

Subsequent to the year end and up to the date of this report, the Company allotted and issued 925,000 redeemable participating preference shares of 0.01 pence under the blocklisting facility for a consideration of £2,015,600.

As at the date of this report the Company had 155,338,416 redeemable participating preference shares of 0.01p each and 2 Management shares of £1.00 each in issue. Therefore, the total voting rights in the Company at the date of this report were 155,338,418.

# RUFFER INVESTMENT COMPANY LIMITED

Portfolio Statement as at 30 June 2015

	Currency	Holding at 30.06.15	Fair Value £	% of Total Net Assets*
<b>Government Index-Linked Bonds 34.95%</b>				
<i>(30.06.14 – 33.83%)</i>				
<b>United Kingdom</b>				
UK Index-Linked Gilt 1.875% 22/11/2022	GBP	13,700,000	20,914,596	6.21
UK Inflation Indexed Gilt 0.125% 22/03/2024	GBP	6,190,000	7,128,695	2.11
UK Index-Linked Gilt 1.25% 22/11/2055	GBP	7,200,000	18,923,911	5.61
UK Inflation Indexed Gilt 0.375% 22/03/2062	GBP	8,000,000	14,629,104	4.34
			61,596,306	18.27
<b>United States</b>				
US Treasury Inflation Indexed 1.125% Bond 15/01/2021	USD	22,000,000	16,002,352	4.75
US Treasury Inflation Indexed 0.625% Bond 15/07/2021	USD	19,350,000	13,330,762	3.95
US Treasury Inflation Indexed 0.125% Bond 15/01/2023	USD	19,000,000	12,164,051	3.61
US Treasury Inflation Indexed 0.375% Bond 15/07/2023	USD	17,000,000	11,028,476	3.27
US Treasury Inflation Indexed 2.125% Bond 15/02/2041	USD	955,000	813,715	0.24
US Treasury Inflation Indexed 0.625% Bond 15/02/2043	USD	5,000,000	2,900,394	0.86
			56,239,750	16.68
<b>Total Government Indexed-Linked Bonds</b>			<b>117,836,056</b>	<b>34.95</b>
<b>Preference Shares 1.33%</b>				
<i>(30.06.14 – 0.23%)</i>				
<b>Germany</b>				
Volkswagen	EUR	26,080	3,851,472	1.14
			3,851,472	1.14
<b>United Kingdom</b>				
Raven Russia Preference Shares	GBP	466,474	643,734	0.19
			643,734	0.19
<b>Total Preference Shares</b>			<b>4,495,206</b>	<b>1.33</b>
<b>Equities 41.05%</b>				
<i>(30.06.14 – 49.55%)</i>				
<b>Europe</b>				
<b>France</b>				
Rubis	EUR	23,830	1,037,609	0.31
			1,037,609	0.31
<b>Germany</b>				
Deutsche Wohnen	EUR	126,217	1,846,078	0.55
Heliocentris Energy Solutions AG	EUR	422,856	1,608,732	0.48
TAG Immobilien AG	EUR	283,782	2,102,974	0.62
			5,557,784	1.65

# RUFFER INVESTMENT COMPANY LIMITED

Portfolio Statement as at 30 June 2015 (continued)

## Equities (continued)

	Currency	Holding at 30.06.15	Fair Value £	% of Total Net Assets*
<b>Norway</b>				
Aker	EUR	95,000	1,293,722	0.38
			1,293,722	0.38
<b>Switzerland</b>				
UBS AG	CHF	110,817	1,494,382	0.44
			1,494,382	0.44
<b>United Kingdom</b>				
Better Capital Ltd (2009)	GBP	1,727,800	1,719,161	0.51
Better Capital Ltd (2012)	GBP	3,088,700	2,162,090	0.64
Cape Plc	GBP	850,000	2,146,250	0.64
Colt Group	GBP	645,225	1,212,378	0.36
Games Workshop Group Plc	GBP	250,000	1,265,000	0.38
Glencore Plc	GBP	675,000	1,723,275	0.51
IP Group Plc	GBP	574,216	1,185,756	0.35
Hellermann Tyton Group Plc	GBP	525,600	1,802,282	0.53
Lloyds Banking Group Plc	GBP	3,956,300	3,371,955	1.00
Oakley Capital Investments Ltd	GBP	2,825,794	4,493,013	1.33
P2P Global Investments Plc	GBP	217,740	2,314,576	0.69
Raven Russia Ltd	GBP	1,738,494	925,748	0.27
Renn Universal Growth Trust Ltd	GBP	937,500	1,409,625	0.42
Seaenergy Plc	GBP	300,000	33,000	0.01
Secure Trust Bank Plc	GBP	48,345	1,358,495	0.40
The Royal Bank of Scotland Group Plc	GBP	688,400	2,419,038	0.72
Vodafone Group Plc	GBP	1,109,727	2,550,708	0.76
			32,092,350	9.52
<b>Total European Equities</b>			<b>41,475,847</b>	<b>12.30</b>
<b>United States</b>				
Checkpoint Software Technologies Ltd	USD	41,500	2,098,617	0.62
Ebay Inc	USD	90,600	3,469,726	1.03
International Paper Co	USD	75,000	2,269,505	0.67
Leucadia National Corp	USD	237,580	3,666,349	1.09
Lockheed Martin Corp	USD	40,000	4,726,903	1.40
Microsoft Corp	USD	115,000	3,228,365	0.96
News Corp	USD	165,412	1,534,534	0.46
Oracle Corp	USD	80,000	2,049,978	0.61
The Boeing Company	USD	59,017	5,204,094	1.54
<b>Total United States Equities</b>			<b>28,248,071</b>	<b>8.38</b>
<b>Asia</b>				
China				
Bank of China Ltd	HKD	3,398,000	1,399,061	0.41
China Life Insurance Co Ltd	HKD	459,000	1,264,916	0.38
Citic Securities Co Ltd	HKD	528,000	1,208,225	0.36
Picc Property & Casualty Co Ltd	HKD	1,794,000	2,601,443	0.77
			6,473,645	1.92

# RUFFER INVESTMENT COMPANY LIMITED

Portfolio Statement as at 30 June 2015 (continued)

## Equities (continued)

	Currency	Holding at 30.06.15	Fair Value £	% of Total Net Assets*
<b>Japan</b>				
Bridgestone Corp	JPY	77,000	1,811,132	0.54
CF Ruffer Japanese Fund**	GBP	4,500,000	8,819,550	2.62
Fujitsu Ltd	JPY	675,000	2,395,639	0.71
Japan Residential Investment Co Ltd	GBP	8,330,000	4,602,325	1.36
Mitsubishi UFJ Financial Group Inc	JPY	1,664,000	7,607,364	2.26
Mizuho Financial Group Inc	JPY	5,987,000	8,228,712	2.44
NTT Data Corp	JPY	150,000	4,154,468	1.23
NTT Urban Development Corp	JPY	419,000	2,645,375	0.78
Rakuten Inc	JPY	283,100	2,895,824	0.86
Resona Holdings Inc	JPY	1,080,000	3,749,964	1.11
Sumitomo Mitsui Financial Group Inc	JPY	240,000	6,791,814	2.01
T&D Holdings Inc	JPY	900,000	8,532,637	2.53
			62,234,804	18.45
<b>Total Asian Equities</b>			<b>68,708,449</b>	<b>20.37</b>
<b>Total Equities</b>			<b>138,432,367</b>	<b>41.05</b>

## Investment Funds 9.77%

(30.06.14 – 5.14%)

### United Kingdom

Herald Worldwide Fund	GBP	64,341	1,832,420	0.54
Ruffer Illiquid Strategies Fund of Funds 2009 Ltd**	GBP	2,535,409	5,062,558	1.50
Ruffer Illiquid Multi Strategies Fund 2015 Ltd**	GBP	16,450,000	16,383,542	4.86
Ruffer SICAV Global Smaller Companies Fund**	GBP	45,129	5,947,491	1.76
Ruffer SICAV UK Mid & Smaller Companies Fund**	GBP	13,235	2,416,976	0.72
Weiss Korea Opportunity Fund Ltd	GBP	1,100,000	1,331,000	0.39
			32,973,987	9.77
<b>Total Investment Funds</b>			<b>32,973,987</b>	<b>9.77</b>

# RUFFER INVESTMENT COMPANY LIMITED

Portfolio Statement as at 30 June 2015 (continued)

	Currency	Holding at 30.06.15	Fair Value £	% of Total Net Assets*
<b>Gold &amp; Gold Mining Equities 4.13%</b>				
<i>(30.06.14 – 4.85%)</i>				
<b>United Kingdom</b>				
CF Ruffer Gold Fund**	GBP	4,566,192	3,830,122	1.14
Gold Bullion Securities Ltd	USD	115,000	8,193,394	2.43
			12,023,516	3.57
<b>Canada</b>				
Barrick Gold Corp	USD	280,000	1,899,663	0.57
			1,899,663	0.57
<b>Total Gold &amp; Gold Mining Equities</b>			<b>13,923,179</b>	<b>4.13</b>
<b>Options 1.97%</b>				
<i>(30.06.14 – 0.82%)</i>				
<b>United Kingdom</b>				
Ruffer Protection Strategies International	GBP	4,292,462	6,635,373	1.97
			<b>6,635,373</b>	<b>1.97</b>
<b>Total financial assets at fair value through profit or loss</b>			<b>314,296,168</b>	<b>93.20</b>
Other net current assets			22,926,235	6.80
Management share capital			(2)	–
<b>Total Value of Company (attributable to redeemable participating preference shares)</b>			<b>337,222,401</b>	<b>100.00</b>

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

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

# RUFFER INVESTMENT COMPANY LIMITED

## General Information

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

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

The accounting date of the Company is 30 June in each year. These annual financial statements were authorised for issue on 9 September 2015 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".

Due to the recent changes introduced by virtue of the Alternative Investment Fund Managers Directive ("AIFMD"), the Company terminated the Investment Management Agreement with Ruffer LLP and appointed Ruffer AIFM Limited as the new Investment Manager with effect from 21 July 2014. The new Investment Manager is entitled to an investment management fee payable to the AIFM monthly in arrears at a rate of 1% of the Net Asset Value per annum. The Investment Manager is authorised and regulated by the United Kingdom Financial Conduct Authority as a full-scope alternative investment fund manager. Pursuant to the AIFMD and its implementing legislation, the Investment Manager is subject to a new supervisory regime, and new rules governing its portfolio and risk management activities.

Assuming a continued Guernsey domicile of the Company, 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.

Due to the recent changes introduced by virtue of the Alternative Investment Fund Management Directive, the Company and the Administrator have amended and restated the existing Administration Agreement to include Ruffer AIFM Limited as a party in accordance with the terms of the Administration Agreement with effect from the 21 July 2014. 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.

Due to the recent changes introduced by virtue of the Alternative Investment Fund Management Directive, the Company entered into an agreement with Northern Trust (Guernsey) Limited for the provision of depository services with effect from 21 July 2014. The Depository is entitled to an annual Depository fee payable to Northern Trust (Guernsey) Limited monthly in arrears at a rate of 0.01% of the Net Asset Value of the Company below £100 million, 0.008% on Net Assets between £100 million and £200 million and 0.006% in excess of £200 million as at the last business day of the month subject to a minimum fee of £20,000 per annum.



# RUFFER INVESTMENT COMPANY LIMITED

## Management and Administration

### Directors

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Ashe Windham  
Wayne Bulpitt  
Jeannette Etherden  
Peter Luthy  
Christopher Spencer  
John V Baldwin

### Registered Office

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

### Auditor

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John Clacy  
Deloitte LLP  
(appointed 9 March 2015)  
Regency Court,  
Gategny Esplanade,  
St. Peter Port,  
Guernsey,  
Channel Islands, GY1 3HW

### Investment Manager

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Ruffer LLP (Investment  
Management Agreement  
terminated 22 July 2014),  
80 Victoria Street,  
London, SW1E 5JL

### Sponsor and Broker

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

### Solicitors to the Company as to UK law

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

### Company Secretary, Administrator and Registrar

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

### CREST Agent

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

### Advocates to the Company as to Guernsey law

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

### Custodian

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

### Depository

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Northern Trust (Guernsey)  
Limited (appointed 22 July  
2014),  
Trafalgar Court,  
Les Banques,  
St. Peter Port,  
Guernsey,  
Channel Islands, GY1 3QL

### Investment Manager and Alternative Investment Fund Manager

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Ruffer AIFM Limited,  
(appointed 22 July 2014),  
80 Victoria Street,  
London, SW1E 5JL

### Auditor

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David Green  
Moore Stephens,  
(resigned 9 March 2015)  
Town Mills South,  
La Rue du Pre,  
St. Peter Port,  
Guernsey,  
Channel Islands, GY1 3HZ





