



Ruffer Investment Company Limited

Annual report
for the year ended
30 June 2018

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Key Performance Indicators*

	30 Jun 18	30 Jun 17
	%	%
Share price total return over 12 months ¹	(1.0)	12.90
NAV total return per share over 12 months ¹	0.8	8.75
Premium of share price to NAV	0.89	3.04
Dividends per share over 12 months ²	1.8p	2.6p
Annual dividend yield ³	0.78	1.10
Annualised NAV total return per share since launch ¹	7.80	8.35
Ongoing charges ratio	1.18	1.18

Financial highlights

	30 Jun 18	30 Jun 17
Share price	231.00p	236.00p
NAV ⁴	£405,711,462	£376,116,913
Market capitalisation	£409,305,241	£387,543,662
Number of shares in issue	177,188,416	164,213,416
NAV per share at year end as reported to the LSE ⁵	228.97p	229.04p
NAV per share at year end as calculated on an IFRS basis	229.30p	228.73p

Company information

Incorporation date	1 June 2004	
Launch date	8 July 2004	
Launch price	100p per share	
Initial Net Asset Value	98p per share	
Accounting dates	Interim	Final
	31 December	30 June
	(unaudited)	(audited)

* Figures use Net Asset Value (NAV) per share as reported to the London Stock Exchange (LSE).

1 Assumes reinvestment of dividends.

2 Dividends per share over 12 months relates to declared during the year.

3 Annual dividend yield is calculated using share price at the year end and dividends declared during the year.

4 This is the NAV as released on the LSE for 30 June each year.

5 This is the NAV per share as released on the LSE. The NAV is calculated weekly and at month end. Refer to note 14 on page 75 for the reconciliation to the NAV as per the Financial Statements.

Chairman's review

Performance

If you are experiencing a sense of déjà vu it is because, for the second year running, your Directors elected to publish an unaudited set of Annual Financial Accounts in order to give our shareholders a more timely report. This year the unaudited Accounts were published on 23 July.

The Company's objective is to achieve a positive total annual return, after all expenses, of at least twice the Bank of England Bank Rate. The Bank of England doubled rates to 0.5% on 2 November 2017 and there they stayed until 2 August 2018 when they were raised to 0.75%. The blended average rate for the 12-month period ended 30 June was therefore 0.4%, which gave the Company a target return of 0.8%. In the twelve months from 1 July 2017 to 30 June 2018, the net asset value (NAV) per share of the Company fell from 229.04p to 228.97p. Adding dividends of 1.8p paid during the period, this equates to a total return of 0.8%. This return, whilst in line with the target, is pedestrian against last year's 8.8% return and falls below the annualised return generated since the Company was launched in 2004 of 7.8%. By way of context, the FTSE All-Share Total Return index rose by 9% over the year. However, it is worth pointing out that our objective is to preserve capital and not to try and shoot the lights out, especially when those lights are so elevated and burning brightly. Since launch, the NAV of the Company has risen by 185.7% including dividends, compared with a rise of 69.4% in the target return and 216.3% in the FTSE All-Share Total Return index.

As our Manager explains later in this report the drag on our performance was largely down to the cost of option protection and the illiquid strategy funds. We regard this portfolio protection as essential for without it we believe that we would be exposed when the tide goes out. The near 10% fall in equity markets in early February 2018 was instructive. Some were disappointed that the Company did not manage to produce a positive return over that month, even if the level of volatility was lower than the market and the return 2% higher. Our protection is designed to shield us from a storm (15%+ falls) rather than a heavy shower. Naturally, our manager wanted to keep the portfolio protected, and consequently quite a lot of the options subsequently expired worthless as markets rebounded.

Long term performance



Source – RAIFM Ltd, FTSE International (FTSE)†. Data to 30 June 2018. All figures include reinvested income. Ruffer performance is shown after deduction of all fees and management charges, and on the basis of income being reinvested.

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Earnings and dividends

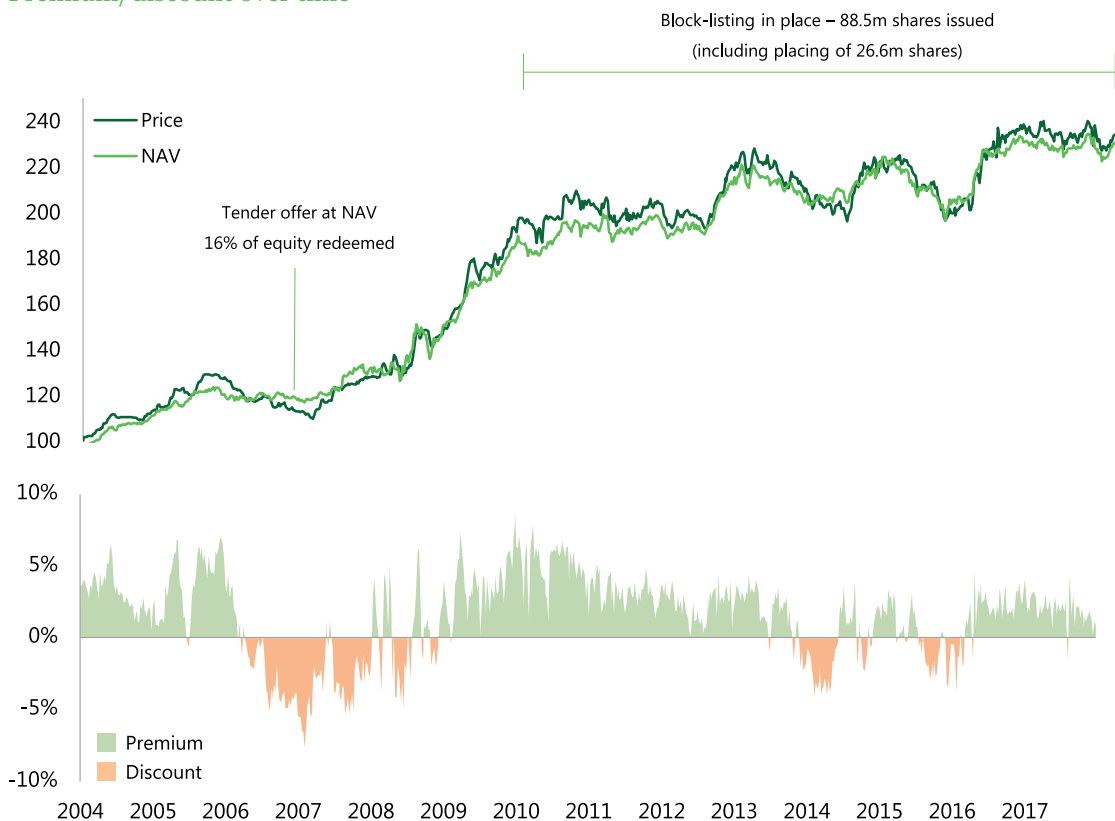
Earnings for the year were 1.83p per share on the revenue account and 0.35p per share on the capital account. Earnings from the revenue account remain depressed owing to the heavy weighting in index-linked securities, illiquid strategy funds, options, gold and gold equities, most of which yield next to nothing. As you will be aware the Directors cut the interim dividend from 1.7p to 0.9p per share on 28 February 2017. At present it looks as if a total annual dividend of 1.8p will be sustainable, but the Directors will not hesitate to reduce the dividend again should this prove necessary. As far as setting the dividend is concerned the Directors are determined to give the Investment Manager maximum flexibility to follow whichever course will lead to the best total return for our shareholders. Your directors regard income as a by-product of the investment process and we will not draw on capital to maintain the dividend.

Share issuance

I often remark, when people ask me about how the market feels about Ruffer's performance, that I regard the best indicator to be the premium or discount at which your Company's shares trade relative to our NAV per share. There has scarcely been a week when your Company has not traded at a premium during the reporting period and indeed shares were issued to meet demand in 34 weeks during the calendar year. The fact that the market is prepared to pay a 1 – 2% premium to acquire your Company's shares indicates that investors are happy with the Ruffer approach. Incidentally, it helps that we are Guernsey domiciled since buyers do not have to pay the 0.5% stamp duty, on purchases of the Company's shares in the secondary market, which would otherwise pertain were we to be domiciled onshore. Over the period under review we issued 12.98m shares, which raised £30.2m for the Company, and enhanced the NAV per share by 0.34p. Your Directors are committed to never issuing shares which will dilute existing shareholders.

I mentioned last year that it was our medium-term ambition to raise the market capitalisation of the Company to £500m through performance and tapping out shares. This would help marketability through improved liquidity as well as spreading the fixed costs over a larger number of shares thus reducing the Ongoing Charges figure. On the flip side of issuance, we have the authority to buy back shares if the NAV was to fall to a persistent discount – we do not think it wise to have a rigid formula in place, but rest assured that we would act, as we have before, if the Company's share price fell to a meaningful discount to net asset value.

Premium/discount over time



Source – RAIFM Ltd, FTSE International (FTSE)†. Data to 30 June 2018. Performance data is included in the appendix. All figures include reinvested income. Ruffer performance is shown after deduction of all fees and management charges.

Better communications

Over the year we have sought to improve our communications with shareholders. We have engaged Kepler Partners to augment our marketing activities and we have piggy backed, at no cost to the shareholders, on Ruffer LLP’s long standing relationship with their retained PR firm, Four Broadgate. I am confident that these two excellent organisations, coupled with the very capable team at Ruffer, will improve shareholder communications and help maintain liquidity in the shares.

We know that we have some way still to go but we have, through search engine optimisation, improved access to the Company’s webpage. It previously took as many as six clicks through Google, whereas it is now possible in two. There is a wholesale improvement in Ruffer’s online presence due to ‘go live’ in the autumn. You may have noticed a few improvements in the layout of this report and we are committed to making it more reader friendly in the future.

There was nothing wrong with our old broker, but the same team had been with this Company since its foundation, and in January, following a thorough review and beauty parade, we appointed Cannacord Genuity in their place. They have made an excellent start. Your Directors occasionally accompany the managers to meetings with institutional investors and these opportunities give us invaluable insights and enable us to keep abreast of the ongoing strategy. All the Directors spend a day each June 'kicking the tyres' at Ruffer in their London offices each of our top twenty shareholders are invited to have lunch with us and the Manager. The feedback from those attending was that they appreciated meeting and hearing from the Board and, very importantly, from the Manager.

On a more mundane note, your Directors are attempting to reduce our printing costs and hope to save a few trees by asking our shareholders to 'opt in' for receiving hard copies of the Annual and Interim Reports and Accounts. If we do not hear from you we will assume that you will be happy to receive the paperwork through our improved website and we will take you off the distribution list for physical copies.

Board changes

Having presided over a three-year transition period, when the last four Directors present at the inception of the Company retired, I was looking forward to finding my own successor, when at the beginning of this year, Sarah Evans, our charismatic and very capable Chair of the Audit and Risk Committee decided to step down for health reasons. After an exhaustive search and some interesting interviews, we decided to appoint David Staples, a Guernsey resident, committed investment trust non-executive Director and audit committee chairman and an experienced former PwC UK partner, who impressed us all. We nearly lost the services of Jill May, appointed to your Board in March 2017, when she was asked recently to join the Prudential Regulatory, but happily there is no conflict.

Regulatory developments

It seems to me that an increasing amount of time during our Board meetings is being taken up with preparing for and reacting to regulatory changes. Most of these are helpful but some are not. I am certainly not the first company Director to complain about the wholly misleading Key Information Documents (KIDs) which were part of the Markets in Financial Instruments Directive II (MiFID II) regime. These came into force on 3 January 2018. The way in which the KID is required to be prepared is for historic information to be used to extrapolate likely future returns. This creates a projection for future returns which is almost certain to be wrong, especially after a

bull market in bonds which has lasted for rather more than thirty years and at a time when interest rates are at multi-generational lows. I was always taught not to drive through the rear-view mirror, but to look to the road ahead.

Happily, our industry body, the Association of Investment Companies (AIC), of which your Company is a member, has been vocal in its condemnation of the performance and risk elements KIDs and they have refused to publish them on their website. A study carried out by the AIC showed that 42 out of 384 KIDs produced for investment companies indicated possible future returns of more than 20% per year in the 'moderate' performance scenario. Meanwhile, 45 investment company KIDs suggested possible future returns of more than 10% in an 'unfavourable' performance scenario.

Considerable thought and paperwork went into preparing for the introduction of the General Data Protection Regulations (GDPR), which was implemented on 25 May 2018. We are now beginning to work on the Senior Managers & Certification Regime (SMCR), which will replace the current Approved Persons Regime on 9 December 2019.

Annual General Meeting

The AGM of the Company will be held at 12 noon on 4 December 2018 at the Company's registered offices at Trafalgar Court, Les Banques, St Peter Port, Guernsey.

Share buyback authority

I have already touched upon this power, which has not been invoked over the period of this report. Nevertheless, the Board has resolved to seek, at the AGM on 4 December 2018, a renewal of its authority to buy back shares at a discount to NAV under the terms to be stated in a Special Resolution.

Share redemption facility

The Company has a Redemption Facility operable in November each year. Given the fact that the Company traded above or close to its NAV for most of the year under report, and the fact that it is currently trading at a 1-2% premium to NAV the Board is unlikely to offer this facility in November 2018.

Directors and related party share purchases

I acquired 10,000 shares on 22 January at 238.39p, whilst my wife acquired 5,000 shares at the same price on the same day. David Staples acquired 20,000 shares on 10 April at 227.34p and a

further 20,000 shares in the Company on 1 May at 229.48p. Jill May acquired 11,000 shares on 11 June at a price of 232.86p.

Ruffer LLP

I devoted some time last year to describing the unique culture at Ruffer and I am happy to report that it continues to thrive. As at 30 June 2018, assets managed by Ruffer exceeded £22bn, up from £21.3bn 12 months earlier the firm's defensive posture is still attracting asset inflows. Jonathan Ruffer remains involved in both the strategic direction of Ruffer LLP and the research process.

I am as confident as I can be in these deeply uncertain times that the Company's strategy is sound. We should prepare for troubled times ahead whilst looking for undervalued equities to generate a return for shareholders should the denouement be further off than envisaged. If our Manager is right, and the next crisis is a generational event in terms of wealth distribution, then it will be a hard task to keep shareholders' capital safe. Yet that is the job we are charged with. We believe there will be sunny uplands on the other side for a buyer whose capital has not been eroded.

Ashe Windham

11 September 2018

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 (LSE). The Company is externally managed by Ruffer AIFM Limited, a UK investment manager authorised and regulated in the conduct of Investment business in the United Kingdom by the Financial Conduct authority (FCA). Ruffer AIFM Limited is also the Alternative Investment Fund Manager (AIFM) of the Company.

Board

The Board of Directors is responsible for the overall stewardship of the Company, including general management, structure, finance, corporate governance, marketing, risk management, compliance, gearing, contracts and performance. Biographical details of the Directors, all of whom are non-executive, are listed on pages 22 to 23 and on the Management and Administration summary on page 102. The Company has no executive directors or employees.

The Board has contractually delegated to external parties various functions as disclosed in the Corporate Governance Statement on pages 30 to 37.

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 Bank Rate.

The Bank of England raised rates from 0.25% to 0.5% on 2 November 2017, and raised them to 0.75% on 2 August 2018. The blended average rate for the year ended 30 June was therefore 0.4%.

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

Investment strategy

The Company's strategy is to create a balanced portfolio of offsetting assets which in aggregate are intended to enable the Company to meet its Investment Objective. Over the long term the aspiration is to produce a positive return across the market cycle. Over shorter periods this is likely to result in the Company lagging sharply rising equity markets, but outperforming falling equity markets. This strategy will be implemented predominantly through investments in listed securities, collective investment schemes and currencies but the Manager has the flexibility to use other asset classes should it be necessary to do so.

At present the Manager is concerned about the outlook for global markets and has adopted a cautious stance using index-linked bonds and gold to protect against rising inflation, while options and illiquid strategies investments protect against falling equity and bond markets. Cognisant of the fact that timing such events if difficult to achieve, equity investments, selected both on a stock specific and thematic basis, are held alongside the protective investments in order to generate a return should the Manager's caution be misplaced or prove to be too early. A significant proportion of these positions are held in Japan, which the Manager sees as offering cheap exposure to global economic growth and the domestic deflation story in Japan. There are also holdings in a variety of stock specific opportunities predominantly in the US, UK and Europe but the Manager is not restricted to these regions.

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 objective.

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

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

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

Investment restrictions and guidelines

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

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

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

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

General

In accordance with the requirements of the United Kingdom Financial Conduct Authority (FCA), any material changes in the Investment Policies and Objectives 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 Policies and other investment restrictions during the reporting year. The Company's Top Ten holdings and Portfolio Statement are on page 21 and pages 95 to 99, respectively.

Environmental policy

LSE listing rules require most companies to disclose their environmental policy. However, due to the nature of its operations, the Company is exempt from this obligation. Ruffer AIFM Limited's environmental, social and governance policy is available upon request from the Investment Manager.

Shareholder value

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

Principal risks and uncertainties and their management

The Board has undertaken a robust assessment of the principal risks facing the Company and has undertaken a detailed review of the effectiveness of the risk management and internal control systems. As stated within the Report of the Audit and Risk Committee on pages 40 to 44, the Board, with the assistance of the Administrator and the Investment Manager, has drawn up a risk assessment matrix, which identifies the key risks to the Company. The principal risks and uncertainties faced by the Company, which are unchanged from the previous year, and the mitigating factors adopted by the Company are summarised below.

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

Operational risks – the Company is exposed to the risks arising from any failure of systems and controls in the operations of the Investment Manager or the Administrator. The Board receives reports annually from the Investment Manager and Administrator on their internal controls and reviews pricing reports covering the valuations of underlying investments at each quarterly Board meeting

Accounting, legal and regulatory risks – the Company is exposed to risk if it fails to comply with the regulations of the UK Listing Authority or the Guernsey Financial Services Commission or if it

fails to maintain accurate accounting records. The Administrator provides the Board with regular reports on changes in regulations and accounting requirements and

Financial risks – the financial risks faced by the Company include market, credit and liquidity risk. These risks and the controls in place to mitigate them are reviewed at each quarterly Board meeting. Further details on financial risks are discussed in note 19 of the Financial Statements on pages 79 to 92.

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

Long term viability statement

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

In its assessment of the Company's viability over the three year period the Board has considered each of the Company's principal risks detailed on pages 79 to 92 and in particular the impact of a significant fall in the value of the Company's investment portfolio.

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

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

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

Key Performance Indicators

The Board uses a number of performance measures to assess the Company's success in meeting its objectives. The key performance indicators are disclosed in detail on page 3.

Investment Manager's report

Performance review

The Chairman's review has already provided the headline numbers. At the date of the last Annual Report the Company was showing a healthy 12 month return of 8.8% from a defensively positioned portfolio. This year with a similarly defensive portfolio we have virtually flatlined. While this is in line with the target return and achieves the primary objective of capital preservation we would like to be compounding at a higher rate over the long term – closer to the annualised return since inception in 2004 of 7.8%. When we compare the breakdown of returns in the last two years there was a similar cost to the Company's protective investments, but the difference is in the returns made in the equity book. In the last 12 months our contrarian stance on UK equities was a bright spot contributing 238 basis points per share (bps), but our focus on cyclical and value stocks elsewhere was not rewarded US equities contributed 76 bps and Japan and Europe 45 bps each. Index-linked bonds and gold made small positive contributions (44 bps and 17 bps respectively). That left the dragging anchors of option protection (-213 bps) and the illiquid strategies vehicles (-56 bps). We do not bemoan the cost of these insurance policies (indeed in a world where the rising tide of low interest rates and stimulative monetary policy has floated all boats, such negatively correlated assets are invaluable).

Current asset allocation

Shareholders often ask how we put the Company's portfolio together given that we are benchmark agnostic and therefore genuinely start with a blank canvas rather than having to look over our shoulder at the composition of a comparator. We choose to start with our primary objective – namely to protect shareholders' capital come what may. However, we will place their capital at risk in order to achieve a rate of return ahead of the riskless alternative of cash. As such, we consider the risks and the likelihood of each risk materialising. It is not desirable to try to protect against all possible eventualities or we would end up making no excess return over cash. For example, if we were to try to protect against a deflationary slump at present it would mean buying expensive conventional bonds where the potential downside exceeds the likely upside in a scenario which we think has a low probability of actually occurring. Some risks will be to the upside – if protection is held against a sharp fall in equity markets and the market keeps rising then clearly our protection will be a cost to shareholders. This means that we will hold equities to capture some of that upside. Many investment houses think that equities are the only place to be whereas we see them as one weapon in a multi-asset armoury. Our underweight position compared to others can make us appear to be permanently bearish on equities but this is not the case the 41% position we hold in equities has ability to make or lose a lot of money. It is an asset class to be used judiciously.

Typically we will look for undervalued companies where there is a catalyst for change or the stock fits in with our macro view. For example, Japanese life insurers are much cheaper than their western counterparts, will participate in rising global equity markets and will be beneficiaries of Abe and Kuroda's reflationary policies.

Given that every investment contains an element of risk, the key to being a successful absolute return investor is either to ensure that one is always right (I am afraid that we have yet to master this trick) or find assets that will genuinely move in different directions. A lot of investors claim to hold diversified portfolios, but we fear that in an environment of rising bond yields and falling equity markets (yes, this can happen) that those alternative income stocks, overvalued defensive equities and infrastructure products will prove to be positively correlated. If you are keeping pace with a rising market on the way up then it is highly likely that you will do so on the way down as well.

So to return to the blank canvas, rather than saying 'Should we have x% or y% in a certain sector?' or 'How can we afford not to hold x and y?' we ask the questions 'Do we have to hold these positions at all?', 'What do they contribute to the portfolio as a whole?' and 'Under what circumstances could such an investment hurt us?'

The final spoke in the wheel is market timing and we do not profess to have any advantage over others in this respect. It is the hardest part of investing, but if the above logic is successfully applied then it should become less relevant we are not concerned about eking out every last cent of a bull market – it is better to have our positions in place ahead of time and lag on the way up than have a beta of one on the way down. It is a philosophy that has served us well over the last 24 years.

Current portfolio construction

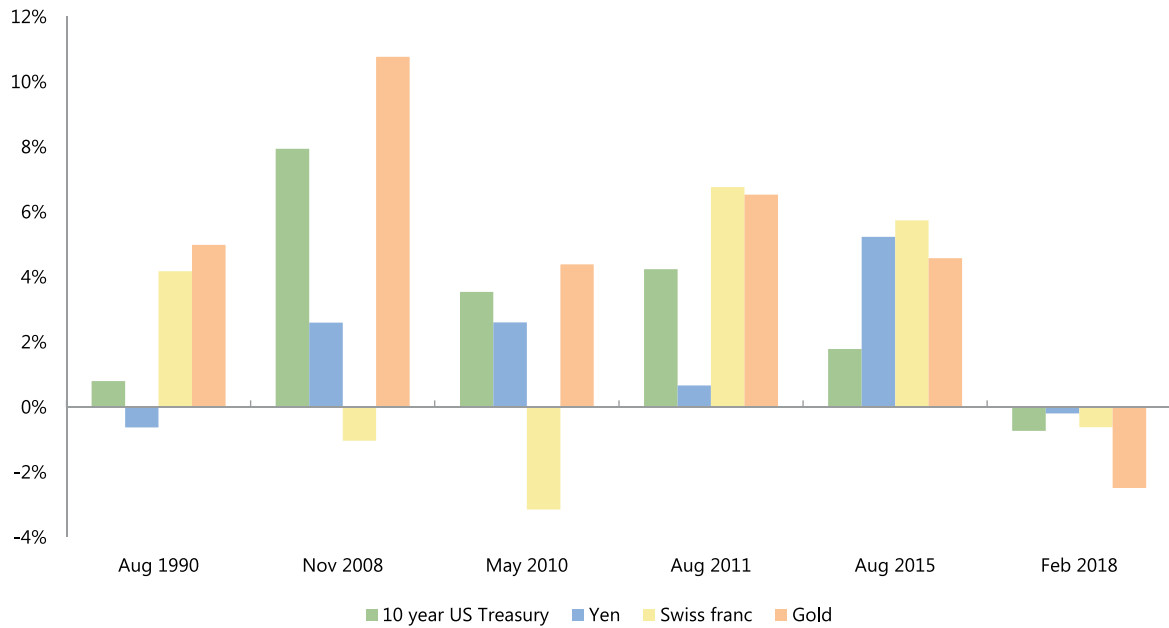
How does this logic translate into today's asset allocation in the Company? Index-linked bonds (31% split between UK linkers and US Treasury Inflation Index Bonds or 'TIPS') are a key part of the armoury in protecting shareholders from what we consider to be the inevitable denouement for an over-indebted western society – inflation well above the level of nominal interest rates. Gold (5%) also has a role to play here if currency debasement forms part of that inflationary 'solution'. Japanese equities (16%) benefit from both global economic growth, a domestic recovery story being trumpeted by Prime Minister Abe and it is also one of the only economies which would truly benefit from rising inflation. Importantly, these opportunities can also be captured at reasonable valuations in Japan as it remains out of favour with western investors. The Company's UK, US and European equities (24%) are a blend of special situations (stocks which we think offer an

interesting risk/reward trade-off regardless of wider economic conditions) and beneficiaries of rising bond yields – something that would hurt other parts of the portfolio. These positions effectively buy us time – if we are right about our outlook for the global economy but too early, then they will generate a return for us in the meantime. Currencies have an important role to play. The default position is to maintain a large weighting to the Company’s base currency (sterling) but we currently hold 17% in the dollar and 5% in the yen which should offer protection against a UK specific event or a wider economic crisis. Finally, there are the straight protective investments in the option book (1%), which protects against rising bond yields and falling equity markets and the illiquid strategies investments (5%) protecting against a dislocation in credit markets or rising volatility.

Investment outlook

It is safe to say that we are worried about the outlook for markets. The 10% fall in global equities at the start of February gave investors a peek under the curtain at some of the worrying technical dynamics in global markets. High valuations in many areas are justified only by the cheap cost of money and so any news which will lead to bond yields rising faster than expected (for example wage growth, inflation or widening credit spreads) undermines this position. At the same time liquidity in financial markets has been greatly reduced by structural changes brought about by regulation since the financial crisis. This need not be the catalyst for a crisis, but it means that markets are more crash prone – limited liquidity will amplify market moves. This is not helped by the exponential growth of unthinking passive vehicles (aka exchange traded funds), which create virtuous circles on the way up, but vicious ones on the way down. Huge debt issuance by low grade corporates and sovereigns and a general hunger for yield at any price has created products where there is a mismatch between the liquidity of the vehicles in which the credit instruments are held (they typically promise daily or weekly dealing opportunities) and the underlying assets, which may not trade at all on a weekly basis. Finally, there are perversities in the trading of volatility. For the last 10 years investors have been encouraged to sell volatility because at the first sign of trouble the world’s central banks have moved swiftly to calm investors’ nerves. On top of this volatility has become both an output and an input of the investment process. Most risk models have volatility at their core and so low volatility acts as a signal to leverage up and buy. February briefly showed how this can create distortions, which unwind very quickly when the wind changes. We took some profits in our volatility call options in early February, but we maintain the view that these events were likely a tremor before the earthquake.

Two-week returns on 'safe' assets during previous VIX spikes



Source – Bloomberg and Ruffer calculations

This all makes for chastening reading, but we feel that these risks are immediate enough to warrant taking positive action now and we would be doing our investors a disservice to ignore them in the hope of capturing the final hoorah in a long-in-the-tooth bull market. Our belief is that the protective investments in the Company will carry us through the next crisis but, given that we do not know its timing, the equity book has an important role to play to allow us to generate a return for shareholders if these events prove to be some way off.

Ruffer AIFM Limited

11 September 2018

Top ten holdings

Investments	Currency	Holding at 30 Jun 18	Fair value £	% of total net assets
UK Index-Linked Gilt 0.375% 22/03/2062	GBP	8,700,000	22,815,776	5.63
UK Index-Linked Gilt 0.125% 22/03/2068	GBP	8,200,000	21,179,739	5.21
Ruffer Illiquid Multi Strategies Fund 2015*	GBP	31,639,824	20,989,004	5.16
LF Ruffer Gold Fund**	GBP	13,054,495	20,649,601	5.08
US Treasury Inflation Indexed Bond 0.625% 15/07/2021	USD	19,350,000	16,355,534	4.03
UK Index-Linked Gilt 1.875% 22/11/2022	GBP	9,710,000	15,619,933	3.84
UK Treasury Bill 0.00% 24/09/2018	GBP	15,000,000	14,980,110	3.69
US Treasury Inflation Indexed Bond 0.125% 15/01/2023	USD	17,500,000	14,066,804	3.46
US Treasury Inflation Indexed Bond 0.375% 15/07/2023	USD	17,000,000	13,738,314	3.38
US Treasury Inflation Indexed Bond 1.125% 15/01/2021	USD	13,500,000	11,864,883	2.92

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

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

Directors

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

Ashe Windham, CVO, aged 61 and a resident of the United Kingdom. He joined Barclays de Zoete Wedd (BZW) in 1987 as an institutional equities salesman and was appointed a Director of BZW's Equities Division in 1991. He joined Credit Suisse First Boston in 1997 when they acquired BZW's equities business. In 2004 he joined Man Investments as Head of Internal Communications and in 2007 became Man Group's Global Head of Internal Communications. In June 2009 he resigned from Man Group plc to set up a private family office. He is a non-executive Director of EFG Asset Management (UK) Ltd and a non-executive Director of Miton UK MicroCap Trust Plc. Mr Windham was appointed to the Board on 24 February 2009.

John V Baldwin, aged 68 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.

Christopher Russell, aged 69 and a resident of Guernsey, is a non-executive director of investment and financial companies in the UK, Hong Kong and Guernsey. These include being chairman of London main board listed companies such as F&C Commercial Property Trust Limited and Macau Property Opportunities Fund Limited and a director of HICL Infrastructure Company Ltd. Chris was formerly a director of Gartmore Investment Management plc, where he was Head of Gartmore's businesses in the US and Japan. Before that he was a holding board director of the Jardine Fleming Group in Asia (Hong Kong and Japan). Prior to joining Flemings in London, he was with Phillips & Drew Asset Management. He is a Fellow of the UK Society of Investment Professionals and a Fellow of the Institute of Chartered Accountants in England and Wales. He was commissioned by John Wiley to publish in 2006 'Trustee Investment Strategy for Endowments and Foundations'. Mr. Russell was appointed to the Board on 1 December 2016.

Jill May, aged 57 and a resident of the United Kingdom, has 25 years' experience in investment banking, 13 years in M&A with S.G. Warburg & Co. Ltd. and 12 years as a Managing Director at UBS, focused on group strategy and organisational change. She sits on the board of the Institute of Chartered Accountants in England and Wales (ICAEW). She has broad knowledge of investment

banking, asset management and private banking in the UK and EMEA. She was a Non-Executive Director of the CMA from its inception in 2013 until October 2016. She is a Non-Executive Director of JP Morgan Claverhouse, a UK listed investment trust, and of Siriun Real Estate. As of 23 July 2018, she became an External Member of the Prudential Regulation Committee of the Bank of England. Ms. May was appointed to the Board on 17 March 2017.

David Staples, aged 61 and a resident of Guernsey, is a fellow of the Institute of Chartered Accountants in England and Wales and an associate of the Chartered Institute of Taxation. He also holds the Institute of Directors Diploma in Company Direction and has been granted a personal fiduciary license by the Guernsey Financial Services Commission. For thirteen years until 2003, Mr Staples was a partner with PricewaterhouseCoopers (PwC) and led the tax practice in the South East of England advising several large family and owner-managed businesses. He was also a member of the management board of the firm's London and South East Middle Markets Tax Practice. Since leaving PwC, Mr Staples has joined the boards of several listed companies as a non-executive director. He was, until recently chairman of MedicX Fund Limited and is currently a director of NB Global Floating Rate Income Fund Limited and Henderson Far East Income Limited, both of which are listed on the London Stock Exchange, and of Global Fixed Income Realisation Limited which is listed on the Irish Stock Exchange. His other appointments include directorships of the general partners of five private equity funds advised by Apax Partners. Mr Staples was appointed to the Board on 2 March 2018.

Report of the Directors

The Directors of the Company present the audited Financial Statements and their report for the year ended 30 June 2018 which have been prepared in accordance with the Companies (Guernsey) Law, 2008 (the 'Company Law').

Registration

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

Principal activity and investment objective

The Company is a Guernsey authorised closed-ended investment company with a premium listing on the London Stock Exchange. The principal objective of the Company is detailed in the Business Model and Strategy on page 11 of the Financial Statements.

Going concern

The Directors believe that it is appropriate to continue to adopt the going concern basis in preparing the Financial Statements since the assets of the Company consist mainly of securities which are readily realisable and, accordingly, the Company has adequate financial resources to continue in operational existence for the foreseeable future. Factors regarding the going concern basis are also discussed in the Long Term Viability Statement on pages 15 and 16 and note 2(c) on page 62.

Blocklisting facility

The blocklisting facility is set out in note 13 on page 74.

Purchase of own shares by the company

The Company 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 93 and 94.

The Company did not buy back any shares during the year (30 June 2017 – Nil).

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

Results and dividends

The results for the year are set out in the Statement of Comprehensive Income on page 59. Details of dividends paid and proposed are set out in note 5 on page 69.

Subsequent events

Events occurring after the balance sheet date are disclosed in note 21 on page 94 in the Financial Statements.

Shareholder information

The Company announces its unaudited NAV on a weekly basis and at the month end. A monthly report on investment performance is published by the Company's Investment Manager, on the Investment Manager's website, www.ruffer.co.uk.

Investment management

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

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

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

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

Directors

The details of the Directors of the Company during the year and at the date of this Report are set out on pages 22 and 23 and on the Management and Administration summary on page 102.

Directors' interests

The details of the number of redeemable participating preference shares held beneficially by the Directors who held office at 30 June 2018 and up to the date of this Report are set out on in note 16 on page 77.

Substantial share interests

As at 7 June 2018*, the Company has received notifications in accordance with the FCA's Disclosure and Transparency Rule 5.1.2 R of the following interests in 3% or more of the voting rights attaching to the Company's issued shares.

Investor	Shares held	% of issued share capital
Brewin Dolphin, stockbrokers	14,204,244	8.02
Alliance Trust Savings	10,670,397	6.03
Tilney	8,448,731	4.77
Hargreaves Lansdown, stockbrokers (EO)	7,996,894	4.52
Charles Stanley	7,050,237	3.98
Ruffer	6,781,199	3.83
Rathbones	6,657,914	3.76
Cazenove Capital Management	6,159,910	3.48
Rossie House Investment Management	5,522,309	3.12

* Data is taken from the latest available Share Register Analysis produced by Richard Davies Investor Relations Limited.

International tax reporting

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

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

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

The Company is committed to zero tolerance towards the facilitation of tax evasion.

Disclosure of information to the independent auditor

Each of the persons who is a Director at the date of approval of the Financial Statements confirms that –

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

This confirmation is given and should be interpreted in accordance with the provisions of Section 249 of the Companies (Guernsey) Law, 2008.

Statement of Directors' responsibilities

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

Guernsey company law requires the Directors to prepare Financial Statements for each financial year. Under that law they have elected to prepare the Financial Statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and applicable law.

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

In preparing these Financial Statements, International Accounting Standard 1 requires that directors –

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

The Directors are responsible for keeping proper accounting records that are sufficient to show and explain the Company’s transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Financial Statements comply with Company Law. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Responsibility statement

We confirm that to the best of our knowledge –

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

On behalf of the Board

Ashe Windham
Chairman
11 September 2018

David Staples
Director

Corporate governance statement

Corporate governance

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

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

The AIC Code is available in the AIC's website, www.theaic.co.uk.

The Board, having reviewed the AIC Code, considers that it has maintained procedures during the year ended 30 June 2018 and up to the date of this report to ensure that it complies with the AIC Code except as explained elsewhere in the Corporate Governance Statement.

Guernsey regulatory environment

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

Role of the Board

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

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

The Board's responsibilities for the Annual Report are set out in the Statement of Directors' Responsibilities on pages 27 and 28.

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

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

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

Composition and independence of the Board

The Board currently comprises five non-executive Directors. The Directors of the Company are listed on pages 22 and 23 and on the Management and Administration summary on page 102.

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

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

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

The Board does not consider it appropriate to appoint a Senior Independent Director because the Board is deemed to be independent of the Company. The Company has no employees and therefore there is no requirement for a chief executive. The Board believes it has a good balance of skills and experience to ensure it operates effectively. The Chairman, Ashe Windham, is responsible for leadership of the Board and ensuring its effectiveness. David Staples was appointed as Director on 2 March 2018.

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 34 and 35.

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

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

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

	Board Meetings		Audit Committee Meetings		Management Engagement Committee Meetings	
	Scheduled*	Attended	Scheduled*	Attended	Scheduled*	Attended
Ashe Windham	5	5	5	5	1	1
John V Baldwin	5	5	5	5	1	1
Sarah Evans (resigned 31.01.18)	3	3	3	3	na	na
Christopher Russell	5	5	5	5	1	1
Jill May	5	5	5	5	1	1
David Staples (appointed 02.03.18)	1	1	1	1	1	1

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

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

Directors' indemnity

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

Re-election

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

On 1 December 2017 at the 12th AGM of the Company, Ashe Windham, John V Baldwin and Sarah Evans 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. Jill May who was appointed on 17 March 2017, and Christopher Russell who was appointed on 1 December 2016, stood for election and were elected as Directors of the Company by the Shareholders. Sarah Evans retired as a director in January 2018.

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

Board evaluation and succession planning

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

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

The Board considers it has a breadth of experience relevant to the Company, and the Directors believe that any changes to the Board's composition can be managed without undue disruption. An induction programme is in place for all Director appointments and was attended by David Staples on 25 April 2018. Furthermore, all the Directors visited Ruffer LLP's offices to meet with senior people in the firm on 27 June 2018.

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

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

candidates are considered when appointments to the Board are under consideration – as indeed has always been its practice.

Committees of the Board

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

Audit and Risk Committee

The Company has established an Audit and Risk Committee, with formally delegated duties and responsibilities within written terms of reference. The Committee is comprised of the entire Board. The Committee was chaired by Sarah Evans until her resignation on 31 January 2018. Christopher Russell was appointed as Chairman on 31 January 2018 and resigned from the position on 30 June 2018. David Staples was appointed as Chairman on 1 July 2018. The Committee meets formally at least three times a year and each meeting is attended by the independent external auditor and Administrator.

The table on page 32 sets out the number of Committee Meetings held during the year ended 30 June 2018 and the number of such meetings attended by each Committee member.

A report of the Committee detailing responsibilities and activities is presented on pages 40 to 44.

Management Engagement Committee

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

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

During the year the 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 28 June 2018.

Nomination Committee

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

Remuneration Committee

In view of its non-executive and independent nature, the Board considers that it is not appropriate to have a Remuneration Committee as anticipated by the UK Code because this function is carried out as part of the regular Board business. A Remuneration Report prepared by the Board is on page 38.

Internal control

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

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

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

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

Investment and portfolio risk management is provided by Ruffer AIFM Limited, a company authorised by the FCA.

Administration, accounting, registrar, and company secretarial duties are performed by Northern Trust International Fund Administration Services (Guernsey) Limited, a company licensed and regulated by the Guernsey Financial Services Commission.

CREST agency functions are performed by Computershare Investor Services (Jersey) Limited, a company licensed and regulated by the Jersey Financial Services Commission.

Depository services performed by Northern Trust (Guernsey) Limited, a company licensed and regulated by the Guernsey Financial Services Commission.

Custodial services are provided by Northern Trust (Guernsey) Limited, a company licensed and regulated by the Guernsey Financial Services Commission.

Advisory and brokering services are provided by Canaccord Genuity, a firm which is authorised and regulated by the FCA.

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

In common with most investment companies, the Company does not have an internal audit function. All of the Company's management functions are delegated to the Investment Manager and Administrator which has their own internal audit and risk assessment functions. As such, an internal audit function specific to the Company is therefore considered unnecessary, as explained on page 44.

Principal risks and uncertainties

Principal risks and uncertainties are disclosed on pages 14 and 15. There have been no changes to principal risks during the year ended 30 June 2018.

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

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

Going concern

The going concern assumption is disclosed in the Report of the Directors on page 24.

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 1 December 2017.

Remuneration policy

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

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

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

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

Remuneration

The Directors of the Company are remunerated for their services at such a rate as the Directors determine provided that the aggregate amount of such fees does not exceed £200,000 (30 June 2017 – £200,000) per annum.

Directors are remunerated in the form of fees, payable quarterly in arrears, to the Director personally. No Directors have been paid additional remuneration outside their normal Directors' fees and expenses. The annual fees payable to each director are shown below –

	30 Jun 18	30 Jun 17
	£	£
Ashe Windham	39,500	38,000
Sarah Evans (resigned 31 January 2018)	–	31,000
John Baldwin	28,000	27,000
Christopher Russell	28,000	27,000
Jill May	28,000	27,000
David Staples (appointed 2 March 2018)	32,000	–
	155,500	150,000

During the year ended 30 June 2018, Directors' fees of £149,417 (30 June 2017 – £140,677) were charged to the Company of which £nil remained payable at the year end (30 June 2017 – £38,482).

Audit and Risk Committee report

On the following pages, we present the Audit and Risk Committee's Report for the year ended 30 June 2018, setting out the responsibilities of the Committee and its key activities for the year from 1 July 2017 to 30 June 2018. As in previous years, the Committee has reviewed the Company's financial reporting, the independence and effectiveness of the external auditor and the internal control and risk management systems of service providers. In order to assist the Committee in discharging these responsibilities, regular reports are received from the Investment Manager, Administrator and external auditor.

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

Responsibilities

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

The role of the 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 estimates and judgement areas
- reviewing and considering the UK Code and FRC Guidance on Audit Committees
- monitoring and reviewing the quality, effectiveness and independence of the external auditor and the effectiveness of the audit process considering and making recommendations to the Board on the appointment, re-appointment, replacement and remuneration of the Company's external auditor
- reviewing the Company's procedures for prevention, detection and reporting of fraud, bribery and corruption
- monitoring and reviewing the internal control and risk management systems of the service providers and
- considering the need for an internal audit function.

The Committee's full terms of reference are available in the Investment Manager's website, www.ruffer.co.uk.

Key activities of the committee

The following sections discuss the assessments made by the Committee during the year –

Financial reporting

The Committee's review of the Unaudited Half Yearly Financial Report, Unaudited Results Announcement and Annual Report and audited Financial Statements focused on the significant risk relating to the valuation and ownership of investments. The investments comprise the majority of the Company's NAV and hence form part of the Key Performance Indicator ("KPI") NAV per share. Hence any significant error in valuation or overstatement of holdings could significantly impact the NAV and hence the reported NAV per share of the Company.

Valuation of investments

The Company's investments had a fair value of £358,668,270 as at 30 June 2018 (30 June 2017 – £346,628,281) and represented the majority of the net assets of the Company. The investments are predominantly listed except for investments in unlisted investment funds.

The valuation of investments is in accordance with the requirements of IFRS. The Committee considered the fair value of the investments held by the Company as at 30 June 2018 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 2018 by the Administrator and are subject to review process at the Administrator and oversight at the Investment Manager. The external auditor also performed extensive testing of the valuations and did not report any differences in the valuations used by the Company and those used by the auditor in testing.

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

Dividend income and realised and unrealised gains and losses on investments

The Committee discussed with the independent auditor the risk that these items may be materially mis-stated and which may therefore impact the reporting of the performance of the Company in any accounting period. The Committee is satisfied that the controls around the recording and calculations for these items are sufficiently robust to satisfactorily mitigate this risk. The

independent auditor performed certain tests around the calculations and controls (refer to their report on pages 47 to 57) and had no exceptions to report.

Risk management

The 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 Committee. Regular reports are received from the Investment Manager and Administrator on the Company's risk evaluation process and reviews. Refer to the Business Model and Strategy on pages 11 to 16 for details on principal risks and uncertainties and their management. Financial risks faced by the Company are discussed in note 19 of the Financial Statements on pages 79 to 92.

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

Fraud, bribery and corruption

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

The external auditor

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

Independence, objectivity and fees

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

- places them in a position to audit their own work
- creates a mutuality of interest
- results in the external auditor developing close relationships with service providers of the Company

-
- results in the external auditor functioning as a manager or employee of the Company or
 - puts the external auditor in the role of advocate of the Company.

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

The following table summarises the remuneration paid to the auditor for audit and non-audit services during the years ended 30 June 2018 and 2017 –

	30 Jun 18	30 Jun 17
	£	£
Statutory audit	32,500	31,500
Total audit fees	32,500	31,500
Interim review	8,400	8,400
Total non-audit related fees	8,400	8,400

No tax services were provided during the year.

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

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

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

- the audit plan presented to them before each audit
- the post audit report including variations from the original plan
- changes in audit personnel
- the external auditor's own internal procedures to identify threats to independence and
- feedback from both the Investment Manager and Administrator evaluating the performance of the team.

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

Re-appointment of the external auditor

At the AGM held on 1 December 2017, Deloitte LLP was re-appointed as the Company's external auditor.

Internal control and risk management systems

The Committee discussed with the external auditor the significant risk of misstatement in the Financial Statements arising from the potential for the Company's key service providers, the Investment Manager and Administrator, to override controls.

At each quarterly Board meeting, compliance reports are provided by the Administrator, Company Secretary and Investment Manager. The Board also receives confirmation from the Administrator of its capability under its Service Organisation Controls 1 report. No significant failings or weaknesses were identified in these reports and the independent auditor also reported that their testing revealed no instances where management had overridden controls.

The Committee has also reviewed the need for an internal audit function. The Committee is satisfied 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 Committee not addressed in the foregoing, members of the Committee will attend each AGM to respond to such questions.

In finalising the Financial Statements for recommendation to the Board for approval, the 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.

David Staples

Chairman, Audit and Risk Committee

11 September 2018

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 2018, in our capacity as Depositary to the Company.

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

Our obligations as Depositary are stipulated in the relevant provisions of the AIFM Directive and the relevant sections of Commission Delegated Regulation (EU) No 231/2013 (collectively the 'AIFMD legislation') and the Authorised Closed-ended Investment Schemes Rules 2008.

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

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

The Depositary and its affiliates are 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 documents and by the AIFMD legislation and
- ii otherwise in accordance with the provisions of the constitutional documents and the AIFMD legislation.

For and on behalf of

Northern Trust (Guernsey) Limited

11 September 2018

Independent auditor's report to the shareholders of Ruffer Investment Company Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Ruffer Investment Company Limited ('the Company') –

- give a true and fair view of the state of the Company's affairs as at 30 June 2018 and of its profit for the year then ended
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and
- have been prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.

We have audited the financial statements which comprise –

- the Statement of Financial Position
- the Statement of Comprehensive Income
- the Statement of Changes in Equity
- the Statement of Cash Flows and
- the related notes 1 to 21.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union.

Basis for opinion

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

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (FRC's) Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Summary of our audit approach

Key audit matters The key audit matters that we identified in the current year were –

- valuation and ownership of investments and
- recognition of dividend income and realised and unrealised gains/losses on investments.

These key audit matters are similar to the prior year.

Materiality The materiality we used in the current year was £8.126 million which was determined on the basis of Net Asset Value (NAV). This is consistent with the prior year.

Scoping The Company was audited as a single component. Balances were scoped in for testing based on our assessment of risk of material misstatement. As part of our risk assessment process, we considered the impact of controls implemented at service organisations.

Significant changes in our approach There have been no significant changes in our approach from prior year.

Conclusions relating to going concern, principal risks and viability statement

Going concern

We have reviewed the Directors' statement in note 2(c) to the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements.

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

Principal risks and viability statement

Based solely on reading the directors' statements and considering whether they were consistent with the knowledge we obtained in the course of the audit, including the knowledge obtained in the evaluation of the directors' assessment of the Company's ability to continue as a going concern, we are required to state whether we have anything material to add or draw attention to in relation to –

- the disclosures on pages 14 and 15 that describe the principal risks and explain how they are being managed or mitigated
- the Directors' confirmation on page 14 that they have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity or
- the Directors' explanation on page 15 as to how they have assessed the prospects of the Company, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on – the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation and ownership of investments

Key audit matter description

Included on the Company's statement of financial position as at 30 June 2018 are investments with a fair value of £359 million (30 June 2017 – £347 million) as disclosed in Note 10 to the Financial Statements. The Company's portfolio is made up of listed equity investments, index linked bonds and investments in other funds. Investments are the most quantitatively significant balance as they constitute 88% (30 June 2017 – 92%) of total assets and are an area of focus because they are the main driver of the Company's performance and net asset value (NAV). As explained in Note 2(e), the Company's accounting policy is to measure its investments at fair value. Refer to considerations made by the audit and risk committee on valuation of investments as discussed on page 41.

The risk exists that –

- there might be errors or fraudulent manipulation of valuations in order to report favourable key performance indicators
- inappropriate exchange rates are used to convert foreign currency valuations to the Company's reporting currency
- trades made immediately before the year-end may be excluded from the valuation or conversely, trades made immediately after the year-end may be included in the valuation in error and
- the Company may not have proper legal title to the investments held.

How the scope of our audit responded to the key audit matter

To test the valuation and ownership of investments as at 30 June 2018, we performed the following procedures –

- evaluated the design, implementation and operating effectiveness of controls around the valuation and ownership of investments through the review of internal controls reports for the investment manager and administrator
- agreed investments held as at year end to independently obtained custodian confirmation
- tested the reasonableness of exchange rates used in converting investments denominated in currencies other than the pound sterling (GBP) by comparing rates used to independent sources
- performed detailed testing on purchases and sales made during the year to assess the accuracy of investment purchases and sales transactions recorded
- traced the unit prices of all listed equity investments and indexed linked government bonds to independent pricing sources and
- traced unit prices of other investment funds to most recently published net asset value per share (NAV per share) and assessed the reliability of published NAV per share by comparing the most recent audited NAV to NAV published as at the audited year end date.

Key observations

Having carried out the procedures, we conclude that investments are appropriately valued based on appropriate unit prices.

Investments denominated in currencies other than pound sterling (GBP) have been converted to GBP at appropriate exchange rates.

We also conclude that the Company had proper legal title to investments recorded and that investment transactions have been accounted for in the correct accounting period.

Recognition of dividend income and realised and unrealised gains/losses on investments

Key audit matter description

The significant portion of the Company's income emanates from –

- realised and unrealised gains/losses on financial assets held at fair value through profit and loss of £2.5 million (2017 – £31 million)
- dividend income earned on listed equity investments and other investment funds, amounting to £3.9 million (2017 – £4 million).

As explained in Notes 6 and 2e(ii) to the financial statements, realised and unrealised gains/losses are recognised in the statement of comprehensive income at the point of valuation or disposal.

Also explained in Note 2(f) to the financial statements is the accounting policy of recognising dividend income when the Company's right to dividends has been established.

Inaccurate recognition of dividend income and realised and unrealised gains/(losses) would have a material impact on income recognition. The risk exists that inaccurate income recognition could result in manipulation of the Company's revenue to support the Company's performance.

An additional risk exists in that dividend income receivable from investee entities might be materially understated owing to the Company's investment in listed equity investments from multiple jurisdictions, and owing to the material nature of listed equity investments relative to the entire investment portfolio.

How the scope of our audit responded to the key audit matter

To test recognition of revenue and other income earned during the financial year, we performed the following procedures –

- evaluated the design, implementation and operating effectiveness of controls around revenue recognition through the review of internal controls report for the administrator
- testing the accuracy of costs capitalised to investments by tracing a sample of purchases to contract notes, custodian statements and bank statements
- for unrealised gains/losses, we obtained an understanding of, and then tested the valuation process as set out in the ‘valuation and ownership of investments’ risk above. We recalculated the valuation movements to test that these had been appropriately recorded and classified
- for realised gains/losses, we tested a sample of disposals made during the year by agreeing the proceeds to bank statements and custodian confirmations and recalculated the realised gains/losses to test that these were appropriately recorded and classified and
- traced dividend income relevant to the Company’s investment portfolio from the independent sources of listed company dividend history to the dividend income listing provided by the administrator.

Key observations

Having performed the above stated procedures, we conclude that realised and unrealised gains on investments have appropriately been recognised.

We also conclude that dividend income recorded is complete and accurate.

Our application of materiality

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

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

Materiality

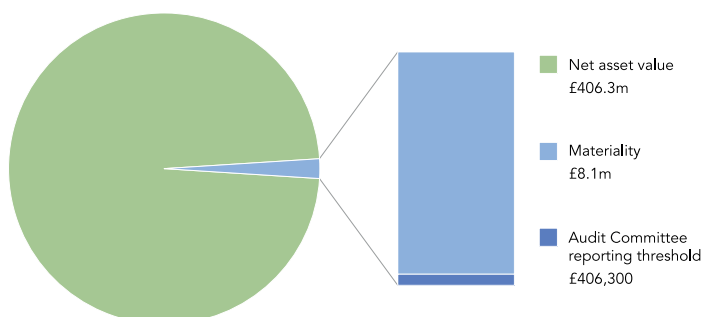
£8.126 million (30 June 2017 – £7.5 million)

Basis for determining materiality

2% of Net Asset Value (30 June 2017 – 2%)

Rationale for the benchmark applied

Our materiality is based on the net asset value of the Company. The net asset value is the most appropriate benchmark for determining materiality as it is the base upon which investment related income is earned, thus it is a significant driver of comprehensive income for the Company. In addition, we consider the net asset value to be the most important balance on which the shareholders would judge the performance of the Company.



We agreed with the Audit and Risk Committee that we would report to the Committee all audit differences in excess of £406,300 (30 June 2017 – £150,000), as well as differences below the threshold that, in our view, warranted reporting on qualitative grounds. The change in the reporting threshold has been made following our reassessment of what requires communication. We also report to the Audit and Risk Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

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

The Company is administered by a third party Guernsey regulated service provider. As part of our audit, we assessed the design and implementation of relevant controls established at the service provider. The service provider is responsible for processing of the Company's financial records and for company secretarial activities, hence why we have considered the impact of design and implementation of key controls implemented at the service provider.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon.

We have nothing to report in respect of these matters.

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

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

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

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

- **fair, balanced and understandable** – the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company’s position and performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit or
- **audit and risk committee reporting** – the section describing the work of the audit and risk committee does not appropriately address matters communicated by us to the audit and risk committee. We have nothing to report in respect of these matters.

Responsibilities of directors

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

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

Auditor’s responsibilities for the audit of the financial statements

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

material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Report on other legal and regulatory requirements

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

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

We have nothing to report in respect of these matters.

- 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.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Section 262 of the Companies (Guernsey) Law, 2008. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report 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.

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

11 September 2018

Statement of financial position as at 30 June 2018

	Notes	30 Jun 18 £	30 Jun 17 £
Assets			
Non-current assets			
Investments at fair value through profit or loss	10	358,668,270	346,628,281
Current assets			
Cash and cash equivalents		47,636,234	27,950,946
Derivative financial assets	18, 19	5,516	5,593
Receivables	11	3,306,598	3,147,556
		50,948,348	31,104,095
Total assets		409,616,618	377,732,376
Equity			
Capital and reserves attributable to the Company's shareholders			
Net assets attributable to holders of redeemable participating preference shares			
		406,308,003	375,601,706
Total equity		406,308,003	375,601,706
Liabilities			
Current liabilities			
Payables	12	1,545,700	1,216,265
Derivative financial liabilities	18, 19	1,762,915	914,405
Total liabilities		3,308,615	2,130,670
Total equity and liabilities		409,616,618	377,732,376
Net assets attributable to holders of redeemable participating preference shares (per share)			
	13, 14	2.293	2.287

The Financial Statements on pages 58 to 94 were approved on 11 September 2018 and signed on behalf of the Board of Directors by –

Ashe Windham
Chairman

David Staples
Director

The notes on pages 62 to 94 form an integral part of these Financial Statements.

Statement of comprehensive income for the year ended 30 June 2018

	Notes	Revenue £	Capital £	1 Jul 17 to 30 Jun 18 Total £	1 Jul 16 to 30 Jun 17 Total £
Fixed interest income		700,373	–	700,373	837,590
Dividend income		3,906,070	–	3,906,070	3,961,697
Net changes in fair value of financial assets at fair value through profit or loss	6	–	2,541,037	2,541,037	31,261,914
Other gains/(losses)	7	–	1,832,367	1,832,367	(2,418,460)
Total income		4,606,443	4,373,404	8,979,847	33,642,741
Management fees	8	–	(3,623,672)	(3,623,672)	(3,368,232)
Expenses	9	(1,012,370)	(144,199)	(1,156,569)	(1,080,228)
Total expenses		(1,012,370)	(3,767,871)	(4,780,241)	(4,448,460)
Profit for the year before tax		3,594,073	605,533	4,199,606	29,194,281
Withholding tax		(467,868)	–	(467,868)	(423,504)
Profit for the year after tax		3,126,205	605,533	3,731,738	28,770,777
Total comprehensive income for the year		3,126,205	605,533	3,731,738	28,770,777
Basic and diluted earnings per share*		1.83p	0.35p	2.18p	18.14p

* Basic and diluted earnings per share are calculated by dividing the profit after taxation by the weighted average number of redeemable participating preference shares. The weighted average number of shares for the year was 171,004,924 (30 June 2017 – 158,637,322).

The notes on pages 62 to 94 form an integral part of these Financial Statements.

Statement of changes in equity for the year ended 30 June 2018

	Notes	Share Capital £	Other reserves £	Total 1 Jul 17 to 30 Jun 18 £
Balance at 30 June 2017		148,250,891	227,350,815	375,601,706
Total comprehensive income for the year		–	3,731,738	3,731,738
Transactions with Shareholders –				
Share capital issued	13	30,195,000	–	30,195,000
Share issue costs	13	(150,975)	–	(150,975)
Distribution for the year	5	–	(3,069,466)	(3,069,466)
Balance at 30 June 2018		178,294,916	228,013,087	406,308,003
Net Assets attributable to holders of redeemable participating preference shares at the end of the year				406,308,003

	Notes	Share Capital £	Other reserves £	Total 1 Jul 16 to 30 Jun 17 £
Balance at 30 June 2016		128,816,232	202,668,512	331,484,744
Total comprehensive income for the year		–	28,770,777	28,770,777
Transactions with Shareholders –				
Share capital issued	13	19,617,358	–	19,617,358
Share issue costs	13	(182,699)	–	(182,699)
Distribution for the year	5	–	(4,088,474)	(4,088,474)
Balance at 30 June 2017		148,250,891	227,350,815	375,601,706
Net assets attributable to holders of redeemable participating preference shares at the end of the year				375,601,706

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

The notes on pages 62 to 94 form an integral part of these Financial Statements.

Statement of cash flows for the year ended 30 June 2018

	Notes	1 Jul 17 to 30 Jun 18 £	1 Jul 16 to 30 Jun 17 £
Cash flows from operating activities			
Profit for the year after tax		3,731,738	28,770,777
Adjustments for –			
Net changes in fair value of financial assets at fair value through profit or loss	6	(2,541,037)	(31,261,914)
Decrease in investment income, derivative financial assets and other receivables	11, 19	54,678	4,117,766
Increase/(decrease) in payables and derivative financial liabilities	12, 19	861,380	(11,759,693)
Exchange losses/(gains) on cash and cash equivalents		221,781	(63,590)
Purchase of investments		(148,415,907)	(146,776,819)
Sale of investments		138,432,975	155,819,980
Net cash used in operating activities		(7,654,392)	(1,153,493)
Cash flows from financing activities			
Dividends paid	5	(3,069,466)	(4,088,474)
Proceeds from issue of redeemable participating preference shares	12, 13	30,784,850	18,794,509
Share issue costs	12, 13	(153,923)	(178,585)
Net cash generated from financing activities		27,561,461	14,527,450
Net increase in cash and cash equivalents		19,907,069	13,373,957
Cash and cash equivalents at beginning of the year		27,950,946	14,513,399
Exchange (losses)/gains on cash and cash equivalents		(221,781)	63,590
Cash and cash equivalents at end of the year		47,636,234	27,950,946

The notes on pages 62 to 94 form an integral part of these Financial Statements.

Notes to the Financial Statements for the year ended 30 June 2018

1 The Company

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

2 Significant accounting policies

a Statement of compliance

The Financial Statements of the Company for the year ended 30 June 2018 have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union and the Listing Rules of the London Stock Exchange in compliance with the Companies (Guernsey) Law, 2008.

b Basis of preparation

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

c Going concern

The Directors believe that, having considered the Company’s investment objective (see Business Model and Strategy on page 11), financial risk management and associated risks (see note 19 to the Financial Statements on pages 79 to 92) and in view of the liquidity of investments, the income deriving from those investments and its holding in cash and cash equivalents, the Company has adequate financial resources and suitable management arrangements in place to continue as a going concern for at least twelve months from the date of approval of these Financial Statements.

d Standards, amendments and interpretations that are not yet effective

The following standards and interpretations, which have not been applied in these Financial Statements, were in issue at the reporting date but were not yet effective –

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

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

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

The Board anticipates that the adoption of these standards effective in a future period will not have a material impact on the financial statements of the Company.

IFRS 9 ‘Financial Instruments’ amends IAS 39. IFRS 9 specifies how an entity should classify and measure financial assets, including some hybrid contracts. The standard requires all financial assets to be classified on the basis of the entity’s business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. There are three principal classification categories for financial assets which are (i) measured at amortised cost, (ii) fair value through other comprehensive income and (iii) fair value through profit or loss. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of IAS 39. The standard applies a consistent approach to classifying financial assets and replaces the numerous categories of financial assets in IAS 39, each of which had its own classification criteria.

Based on the Company’s initial assessment, this standard is not expected to have a material impact on the classification and measurement of financial assets and financial liabilities. This is because financial instruments currently measured at fair value through profit or loss will continue to be measured as such.

Financial assets currently measured at amortised cost are – cash and cash equivalents, securities sold receivable and other receivables. These instruments are solely payments of principal and interest and will continue to be held at amortised cost under IFRS 9.

Financial liabilities currently valued at amortised cost are accrued expenses and other payables and will continue to be measured at amortised cost.

The standard also results in one impairment method, replacing the numerous impairment methods in IAS 39 that arise from the different classification.

Based on the Company’s initial assessment, changes to the impairment model are not expected to have an impact on the financial statements of the Company as the financial assets are measured at fair value through profit or loss and the impairment requirements to not apply to such instruments.

The Standard is effective 1 January 2018 and will be adopted for the year ending 30 June 2019.

IFRS 15 ‘Revenue from Contracts with Customers’ was published in May 2016 and specifies how and when to recognise revenue as well as requiring entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, principles based

five-step model to be applied to all contracts with customers. IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018. Material revenue streams have been reviewed and it is not anticipated that there will be a material impact on timing of recognition or gross up for principal/agent considerations. There will be no material impact on the Company's financial statements as the Company does not have any revenue from customer contracts.

IFRS 16 'Leases' was published in January 2016 and specifies how to report information that faithfully represents lease transactions and provides a basis for users of financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. IFRS 16 is effective for annual reporting periods beginning on or after 1 January 2019. There will be no material impact on the Company's financial statements as the Company does not have any leases.

e Financial instruments

i Classification

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

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

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

ii Recognition

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

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

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

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

Derivatives

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

Offsetting of financial instruments

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

iii Measurement

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

Derecognition of financial instruments

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

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

Realised and unrealised gains and losses

Realised gains and losses arising on disposal of investments are calculated by reference to the proceeds received on disposal and the average cost attributable to those investments, and are

recognised in the Statement of Comprehensive Income. Unrealised gains and losses on investments are recognised in the Statement of Comprehensive Income.

Fair value

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

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

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

f Income

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

g Expenses

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

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

h Cash and cash equivalents

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

i Translation of foreign currency

Functional and presentation currency

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

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

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

j Share issue costs

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

k Redeemable participating preference shares

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

l Receivables

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

m Payables

Payables are obligations to pay for services that have been acquired in the ordinary course of business. Payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Payables are recognised initially at fair value plus any directly attributable incremental costs of acquisition or issue and subsequently measured at amortised cost using the effective interest rate 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(i), the Company's functional currency is pound sterling. Pound sterling is the currency in which the original capital was raised, distributions are made and ultimately the currency in which capital would be returned in a liquidation.

4 Taxation

The Company has been granted Exempt Status under the terms of The Income Tax (Exempt Bodies) (Guernsey) Ordinance, 1989 to income tax in Guernsey. Its liability is an annual fee of £1,200 (30 June 2017 – £1,200).

The amounts disclosed as taxation in the Statement of Comprehensive Income relates solely to withholding tax suffered at source on income.

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 –

	1 Jul 17 to 30 Jun 18 £	1 Jul 16 to 30 Jun 17 £
2017 Second interim dividend of 0.9p (2016 – 1.7p)	1,511,671	2,649,253
2018 First interim dividend of 0.9p (2017 – 0.9p)	1,557,795	1,439,221
	3,069,466	4,088,474

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

	1 Jul 17 to 30 Jun 18 £	1 Jul 16 to 30 Jun 17 £
Net changes in financial assets at fair value through profit or loss during the year comprise –		
Gains realised on investments sold during the year	17,651,605	43,074,315
Losses realised on investments sold during the year	(6,998,347)	(5,640,793)
Movement in unrealised gains arising from changes in fair value	19,114,854	33,740,317
Movement in unrealised losses arising from changes in fair value	(27,227,075)	(39,911,925)
Net changes in fair value on financial assets at fair value through profit or loss	2,541,037	31,261,914

7 Other gains/(losses)

	1 Jul 17 to 30 Jun 18 £	1 Jul 16 to 30 Jun 17 £
Movement in unrealised (losses)/gains on spot and forward foreign currency contracts	(848,588)	7,753,101
Realised gains/(losses) on spot and forward foreign currency contracts	2,867,141	(10,185,257)
Net gains/(losses) on spot and forward foreign currency contracts	2,018,553	(2,432,156)
Other realised and unrealised foreign exchange (losses)/gains	(186,186)	13,696
	1,832,367	(2,418,460)

8 Management fees

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

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

	1 Jul 17 to 30 Jun 18 £	1 Jul 16 to 30 Jun 17 £
Management fees for the year	3,623,672	3,368,232
Payable at end of the year	298,185	288,681

The basis for calculating the management fees is set out in the General Information on page 100.

9 Expenses

	1 Jul 17 to 30 Jun 18 £	1 Jul 16 to 30 Jun 17 £
Administration fee*	439,031	410,931
Directors' fees	149,417	140,677
Transaction costs	144,199	241,609
General expenses	100,305	88,150
Custodian and Depositary fees*	75,129	66,803
LSE listing fees	72,622	12,264
Printing costs	57,857	10,633
Broker fees	50,051	49,298
Audit fee	32,500	23,100
Registrar fees	27,058	28,363
Auditor's remuneration for interim review	8,400	8,400
	1,156,569	1,080,228

*The basis for calculating the Administration fees as well as the Custodian and Depositary fees are set out in the General Information on page 100.

All expenses were charged to revenue apart from transaction costs of £144,199 (30 June 2017 – £241,609) which were charged to the capital reserves of the Company.

10 Investment assets at fair value through profit or loss

	30 Jun 18	30 Jun 17
	£	£
Cost of investments held at start of the year	314,371,066	287,068,071
Acquisitions at cost during the year	148,733,129	147,526,819
Disposals at cost during the year	(128,580,917)	(120,223,824)
Cost of investments held at end of the year	334,523,278	314,371,066
Fair value above cost	24,144,992	32,257,215
Investments designated at fair value through profit or loss	358,668,270	346,628,281

11 Receivables

	30 Jun 18	30 Jun 17
	£	£
Amounts receivable within one year –		
Investment income receivable	196,881	233,752
Fixed interest income receivable	182,079	197,512
Amounts due on issue of redeemable participating preference shares	233,000	822,850
Securities sold receivable	2,692,562	1,891,362
Other receivables	2,076	2,080
	3,306,598	3,147,556

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

12 Payables

	30 Jun 18	30 Jun 17
	£	£
Amounts falling due within one year –		
Purchases of investments awaiting settlement	1,067,221	750,000
Share issue costs payable	1,165	4,114
Management fees payable	298,185	288,681
Withholding taxes payable	8,685	6,392
Directors' fees payable	–	38,482
Other payables	170,444	128,596
	<u>1,545,700</u>	<u>1,216,265</u>

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

13 Share capital

	30 Jun 18	30 Jun 17
	£	£
Authorised Share Capital		
100 Management Shares of £1.00 each	100	100
200,000,000 Unclassified Shares of 0.01p each	20,000	20,000
75,000,000 C Shares of 0.10p each	75,000	75,000
	<u>95,100</u>	<u>95,100</u>

	Number of shares		Share capital	
	1 Jul 17 to 30 Jun 18	1 Jul 16 to 30 Jun 17	1 Jul 17 to 30 Jun 18 £	1 Jul 16 to 30 Jun 17 £
Issued share capital				
Equity shares				
Redeemable participating preference				
Shares of 0.01p each –				
Balance at start of year	164,213,416	155,838,416	148,250,891	128,816,232
Issued and fully paid during the year	12,875,000	8,025,000	29,962,000	18,794,508
Issued and awaiting settlement	100,000	350,000	233,000	822,850
Share issue costs	–	–	(150,975)	(182,699)
Balance as at end of year	177,188,416	164,213,416	178,294,916	148,250,891

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.

Management shares

There were no management shares in issue at year end (30 June 2017 – Nil).

C shares

There were no C shares in issue at year end (30 June 2017 – Nil).

Blocklisting and additional shares issued

At the start of the year, the Company had the ability to issue 7,781,342 redeemable participating shares under a blocklisting facility. On 20 July 2017, an application was made to the UK Listing Authority and the London Stock Exchange for the blocklisting of 5,902,499 redeemable preference shares of 0.01 pence each pursuant to the General Corporate Purposes Scheme with an admission date of 21 July 2017, and on 2 February 2018, an application was made to the UK Listing Authority and the London Stock Exchange for the blocklisting of 13,112,500 redeemable preference shares of 0.01 pence each pursuant to the General Corporate Purposes Scheme with an admission date of 7 February 2018. The shares have been issued and rank *pari passu* with the existing shares of the Company. Under the blocklisting facility, 12,975,000 (30 June 2017 – 8,375,000) new redeemable participating preference shares of 0.01 pence each were allotted and issued during the year for a total consideration of £30,195,000 (30 June 2017 – £19,617,358). These new redeemable participating preference shares rank *pari passu* with the existing shares in issue.

As at 30 June 2018, the Company had the ability to issue a further 13,821,341 (30 June 2017 – 7,781,342) redeemable participating preference shares under the blocklisting facility.

On 1 December 2017, a special resolution was passed that enables the Board to allot 16,796,341 equity securities, being 10% of the equity securities in issue at the latest practicable date prior to the 2017 AGM notice, excluding shares held in treasury for cash and pursuant to Article 7(2)(G) of the Articles. The rights under Article 7 (2) (B) were thereby excluded.

Redeemable participating preference shares in issue

As at 30 June 2018, the Company had 177,188,416 (30 June 2017 – 164,213,416) redeemable participating preference shares of 0.01 (30 June 2017 – 0.01) pence each in issue. Therefore, the total voting rights in the Company at 30 June 2018 were 177,188,416 (30 June 2017 – 164,213,416).

Purchase of own shares by the Company

A special resolution was passed on 1 December 2017 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 Participating Shares of 0.01 pence 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 LSE Daily Official List for the 5 business days immediately preceding the day on which the Share is purchased and (ii) the price stipulated in Article 5(i) of the Buy-back and Stabilisation Regulation (No 2237 of 2003)
 - iv purchases may only be made pursuant to this authority if the shares are (at the date of the proposed purchase) trading on the LSE at a discount to the lower of the undiluted or diluted NAV
 - v the authority conferred shall expire at the conclusion of the Annual General Meeting of the Company in 2018 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 an acquisition of shares pursuant to any such contract.

14 NAV reconciliation

The Company announces its NAV, based on bid value, to the LSE after each weekly and month end valuation point. At the time of releasing the NAV to the LSE, not all 30 June prices may be available. Adjustments are made to the NAV in the Financial Statements once these prices become available. The following is a reconciliation of the NAV per share attributable to redeemable participating preference shareholders as presented in these Financial Statements to the NAV per share reported to the LSE –

	30 Jun 18 £	30 Jun 17 £
NAV per share published on the LSE as at the year end	2.289	2.290
IAS 39 valuations (MID to BID)	–	(0.002)
Adjustment to valuation	0.004	(0.001)
Net assets attributable to holders of redeemable participating preference shares (per share)	2.293	2.287

15 Contingent liabilities

There were no contingent liabilities as at 30 June 2018 (30 June 2017 – £Nil).

16 Related party transactions

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

Investment Management Agreement

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

The market value of LF Ruffer Japanese Fund and LF Ruffer Gold Fund 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 95 to 99. Management fees for the year and payable at the end of the year are disclosed in note 8.

Shares held in the Company as managing member of Ruffer LLP

As at 30 June 2018, an immediate family member of the Chairman Ashe Windham owned 100 (30 June 2017 – 100) Shares in the Managing Member of the Ruffer LLP. This amounts to less than 5% (30 June 2017 – less than 5%) of the Company's issued share capital.

Directors' remuneration

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

Shares held by related parties

As at 30 June 2018, Directors of the Company held the following numbers of shares beneficially –

Directors	30 Jun 18 shares	30 Jun 17 shares
Ashe Windham*	100,000	90,000
Christopher Russell	50,000	50,000
David Staples	40,000	–
Jill May	11,000	–
John V Baldwin	–	–

* Ashe Windham holds 80,000 shares whilst his wife holds 20,000 shares.

As at 30 June 2018, Hamish Baillie, Investment Director of the Investment Manager owned 205,000 (30 June 2017 – 205,000) shares in the Company.

As at 30 June 2018, Steve Russell, Investment Director of the Investment Manager owned 6,450 (30 June 2017 – 6,450) shares in the Company.

As at 30 June 2018, Duncan MacInnes, Investment Manager of the Investment Manager owned 21,800 (30 June 2017 – 21,800) shares in the Company.

As at 30 June 2018, Jonathan Ruffer, Chairman of Ruffer LLP, owned 1,039,335 (30 June 2017 – 1,039,335) shares in the Company.

As at 30 June 2018, the Ruffer LLP (the parent company of the Company's Investment Manager) and other entities within the Ruffer Group held 6,775,074 (30 June 2017 – 8,176,042) shares in the Company on behalf of its discretionary clients.

Investments in related funds

As at 30 June 2018, the Company held investments in five (30 June 2017 – five) related investment funds valued at £63,259,707 (30 June 2017 – £38,448,294). Refer to the Portfolio Statement on pages 95 to 99 for details.

17 Operating segment reporting

The Board of Directors makes the strategic decisions 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 monitoring the Investment Manager's positioning of the Company's portfolio and considers the business to have a single operating segment.

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

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

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

18 Financial instruments

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

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

Terms, conditions and accounting policies

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

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

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

	30 Jun 18 fair value £	30 Jun 17 fair value £
Financial assets		
Listed securities	328,052,732	314,653,908
Unlisted securities	1,593,750	893,512
UCITS funds	29,021,788	31,080,861
Derivative financial assets	5,516	5,593
Total financial assets at fair value through profit and loss	358,673,786	346,633,874
Other financial assets*	50,942,832	31,098,502
	30.06.18 Fair Value £	30.06.17 Fair Value £
Financial liabilities		
Payables	1,545,700	1,216,265
Derivative financial liabilities	1,762,915	914,405
	3,308,615	2,130,670

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

19 Financial risk management and associated risks

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

Market risk

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

Market price risk

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

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

Market price sensitivity analysis

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

A 10% (30 June 2017 – 10%) increase in the market prices of equity related investments as at 30 June 2018 would have increased the net assets attributable to holders of redeemable participating preference shares by £23,208,626 (30 June 2017 – £20,004,458) and a 10% change in the opposite direction would have decreased the net assets attributable to holders of redeemable participating preference shares by an equal opposite amount.

A sensitivity analysis based on the interest rates of bond related investments as at 30 June 2018 has been considered under Interest rate risk on page 83.

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 through holding foreign currency assets in the face of foreign exchange movements.

As a portion of the Company's investment portfolio is invested in securities denominated in currencies other than pound sterling (the functional and presentation currency of the Company), the Statement of Financial Position may be significantly affected by movements in the exchange rates of such currencies against pound sterling. The Investment Manager has the power to manage

exposure to currency movements by using options, warrants and/or forward foreign currency contracts and details of the holdings of such instruments at the date of these Financial Statements is set out below and on the following page. In the event of a weak base currency these contracts will expire at a loss that will be offset by a corresponding gain in the underlying assets. The opposite would be true when the base currency is strong.

As at 30 June 2018, the Company had six (30 June 2017 – five) open forward foreign currency contracts.

Forward contracts as at 30 June 2018

Expiry date	Underlying	Notional amount of contracts outstanding	Fair value (liabilities)/ assets £
14 September 2018	Foreign currency (Sale of EUR)	€7,000,000	(28,362)
13 July 2018	Foreign currency (Sale of USD)	US\$54,000,000	(990,459)
17 August 2018	Foreign currency (Sale of JPY)	¥5,200,000,000	(582,682)
17 August 2018	Foreign currency (Sale of JPY)	¥1,000,000,000	(132,695)
4 July 2018	Foreign currency (Sale of JPY)	¥39,645,164	2,166
			(1,732,032)
17 August 2018	Foreign currency (Purchase of JPY)	¥600,000,000	(21,030)
			(21,030)

Forward contracts as at 30 June 2017

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

Spot contracts

As at 30 June 2018, the Company had four (30 June 2017 – nil) open spot foreign currency contracts.

Expiry date	Underlying	Notional amount of contracts outstanding	Fair value (liabilities)/ assets £
02 July 2018	Foreign currency (Purchase of USD)	US\$1,000,493	(6,495)
02 July 2018	Foreign currency (Purchase of USD)	US\$179,014	(967)
02 July 2018	Foreign currency (Purchase of USD)	US\$41,522	(225)
			(7,687)
02 July 2018	Foreign currency (Sale of USD)	US\$546,948	3,350
			3,350

The Company's treatment of currency transactions other than in pound sterling is set out in note 2 to the Financial Statements under 'Translation of foreign currency.'

As at 30 June 2018 and 2017, the Company held the following assets and liabilities in currencies other than the functional currency –

	30 Jun 18 assets £	30 Jun 18 liabilities £	30 Jun 17 assets £	30 Jun 17 liabilities £
Canadian dollar	1,818,736	1,969	5,428,102	1,707
Euro	6,944,281	28,361	5,617,076	–
Hong Kong dollar	1,675,752	4,553	1,880,981	3,326
Yen	55,351,206	736,407	56,999,414	1,036,201
Norwegian krone	2,512,136	–	1,722,641	–
Swiss franc	–	–	2,931,702	–
US dollar	98,018,616	992,622	88,907,550	–

Foreign currency sensitivity

As at 30 June 2018, if the foreign exchange rates had weakened 10% (30 June 2017 – 10%) against pound sterling with all other variables held constant, net assets attributable to holders of redeemable participating preference shares would be £8,665,319 (30 June 2017 – £4,822,977) lower net of open forward foreign currency contracts and due mainly as a result of foreign currency losses on translation of these financial assets and liabilities to pound sterling. As at 30 June 2018, a 10% (30 June 2017 – 10%) strengthening of the foreign exchange rates against pound sterling would have resulted in an equal but opposite effect on the net assets attributable to holders of redeemable participating preference shares. Any changes in the foreign exchange rate will directly affect the profit and loss, allocated to the capital column of the Statement of Comprehensive Income.

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

As has been seen in previous years currencies can fluctuate by more or less than this indicative amount. The Investment Manager will incorporate this variable into risk analysis when managing the investments.

Interest rate risk

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

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

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

The value of fixed interest securities will be affected by general changes in interest rates that will in turn result in increases or decreases in the market value of those instruments. When interest rates

decline, the value of the Company's investments in fixed rate debt obligations can be expected to rise, and when interest rates rise, the value of those investments may decline.

The investment portfolio details the security type, issuer, interest rate, and maturity date of all of the Company's fixed and floating rate securities as at 30 June 2018.

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

As at 30 June 2018

	Floating rate £	Fixed rate £	Non-interest bearing £	Total 30 Jun 18 £
Financial assets				
Cash and cash equivalents	47,636,234	–	–	47,636,234
Investments designated at fair value through profit or loss	–	141,612,417	217,055,853	358,668,270
Unrealised gain on open spot and forward foreign currency contracts	–	–	5,516	5,516
Receivables	–	–	3,306,598	3,306,598
	47,636,234	141,612,417	220,367,967	409,616,618
Financial liabilities				
Payables	–	–	1,545,700	1,545,700
Unrealised loss on open spot and forward foreign currency contracts	–	–	1,762,915	1,762,915
	–	–	3,308,615	3,308,615

As at 30 June 2017

	Floating rate £	Fixed rate £	Non-interest bearing £	Total 30 Jun 17 £
Financial assets				
Cash and cash equivalents	27,950,946	–	–	27,950,946
Investments designated at fair value through profit or loss	–	146,839,335	199,788,946	346,628,281
Unrealised gain on open forward foreign currency contracts	–	–	5,593	5,593
Receivables	–	–	3,147,556	3,147,556
	27,950,946	146,839,335	202,942,095	377,732,376
Financial liabilities				
Payables	–	–	1,216,265	1,216,265
Unrealised loss on open forward foreign currency contracts	–	–	914,405	914,405
	–	–	2,130,670	2,130,670

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

	30 Jun 18 % pa	Weighted average period for which rate/ yield is fixed	30 Jun 17 % pa	Weighted average period for which rate/ yield is fixed
Canada government bonds	–	–	0.6470%	24.44 years
United Kingdom government bonds	–1.8513%	32.23 years	–1.9441%	25.83 years
United States government bonds	0.2085%	3.81 years	0.2084%	4.91 years

Interest rate sensitivity analysis

An increase of 100 basis points (30 June 2017 – 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 £24,049,421 (30 June 2017 – £25,150,358) and a decrease of 25 basis points (30 June 2017 – 25 basis points) in interest rates would have increased the net assets attributable to holders of redeemable participating preference shares by £6,012,355 (30 June 2017 – £6,287,589).

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

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

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

Credit risk

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

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

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

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

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

Credit risk analysis

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

	30 Jun 18	30 Jun 17
	£	£
Cash and cash equivalents	47,636,234	27,950,946
Unrealised gain on open spot and forward foreign currency contracts	5,516	5,593
Receivables	3,306,598	3,147,556
Financial assets at fair value through profit or loss	358,668,270	346,628,281
	409,616,618	377,732,376

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

NTGL is a wholly owned subsidiary of The Northern Trust Corporation (TNTC). TNTC is publicly traded and a constituent of the S&P 500. TNTC has a credit rating of A+ (30 June 2017 – A+) from Standard & Poor's and A2 (30 June 2017 – A2) from Moody's.

The Moody's credit ratings of the issuers of Bonds held by the Company as at 30 June 2018 were as follows –

	30 Jun 18 Moody's	30 Jun 17 Moody's
UK Index-Linked Gilt 0.125% 22/11/2019	Aa2	Aa1
UK Index-Linked Gilt 1.875% 22/11/2022	Aa2	Aa1
UK Index-Linked Gilt 1.250% 22/11/2055	Aa2	Aa1
UK Index-Linked Gilt 0.375% 22/03/2062	Aa2	Aa1
UK Index-Linked Gilt 0.125% 22/03/2068	Aa2	Aa1
US Treasury Inflation Indexed Bond 1.125% 15/01/2021	Aaa	Aaa
US Treasury Inflation Indexed Bond 0.625% 15/07/2021	Aaa	Aaa
US Treasury Inflation Indexed Bond 0.125% 15/01/2023	Aaa	Aaa
US Treasury Inflation Indexed Bond 0.375% 15/07/2023	Aaa	Aaa

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

Derivatives

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

Fair value

Financial assets at fair value through profit or loss are carried at fair value. Other assets and liabilities are carried at cost which approximates fair value.

IFRS 7 requires the Company to classify fair value hierarchy that reflects the significance of the inputs used in making the measurements. IFRS 7 establishes a fair value hierarchy that prioritises the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1

measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under IFRS 7 are as follows –

Level 1 – Quoted prices, based on bid prices, (unadjusted) in active markets for identical assets or liabilities

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

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

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

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

The following table presents the Company's financial assets and liabilities by level within the valuation hierarchy at 30 June 2018.

	Level 1	Level 2	Level 3	30 Jun 18 Total
	£	£	£	£
Financial assets at fair value through profit or loss –				
Government index-linked bonds	126,632,307	–	–	126,632,307
Short dated conventional				
Government bonds	14,980,110	–	–	14,980,110
Options	–	5,528,259	–	5,528,259
Equities	148,067,716	36,742,444	1,593,750	186,403,910
Investment funds	1,793,000	23,330,684	–	25,123,684
Derivative financial assets	–	5,516	–	5,516
Total assets	291,473,133	65,606,903	1,593,750	358,673,786
Financial liabilities at fair value through profit or loss –				
Derivative financial liabilities	–	1,762,915	–	1,762,915
Total liabilities	–	1,762,915	–	1,762,915

The following table presents the Company's financial assets and liabilities by level within the valuation hierarchy at 30 June 2017.

	Level 1	Level 2	Level 3	30 Jun 17 Total
	£	£	£	£
Financial assets at fair value through profit or loss –				
Government index-linked bonds	146,839,335	–	–	146,839,335
Preference shares	639,069	–	–	639,069
Options	–	6,362,095	–	6,362,095
Equities	139,889,600	27,377,427	893,512	168,160,539
Investment funds	–	24,627,243	–	24,627,243
Derivative financial assets	–	5,593	–	5,593
Total assets	287,368,004	58,372,358	893,512	346,633,874
Financial liabilities at fair value through profit or loss –				
Derivative financial liabilities	–	914,405	–	914,405
Total liabilities	–	914,405	–	914,405

The Company recognises transfers between levels of fair value hierarchy as of the end of the reporting year during which the transfer has occurred. During the year ended 30 June 2018, no transfers were made. In the prior year ended 30 June 2017, no transfers were made.

Movements in Level 3 investments

	1 Jul 17 to 30 Jun 18 £	1 Jul 16 to 30 Jun 17 £
Opening valuation	893,512	3,750,313
Disposals during the year	–	(2,856,801)
Unrealised movement on revaluation of investments	700,238	–
Closing valuation	1,593,750	893,512

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

Assets classified in Level 2 are investments in funds fair-valued using the official NAV of each fund as reported by each fund's independent administrator at the reporting date. Where these funds are invested in equity type products, they are classified as equity in the table above. Options and foreign exchange forwards fair valued using publicly available data. The foreign exchange forwards are shown as derivative financial assets and liabilities in the above table.

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

Liquidity risk

Liquidity risk is the risk that the Company will find it difficult or impossible to realise assets or otherwise raising funds to meet financial commitments. The Company's liquidity risk is managed by the Investment Manager who monitors the cash positions on a regular basis. The Company's overall liquidity risks are monitored on a regular basis by the Board of Directors and a formal report is made by the Investment Manager to the Directors at each Board Meeting.

As at 30 June 2018 and 2017, the Company had no significant financial liabilities other than short-term payables arising directly from investing activity.

20 Capital risk management

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

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

The Company has the ability to borrow up to 30% of its NAV at any time for short-term or temporary purposes as is necessary for the settlement of transactions, to facilitate redemption (where applicable) or to meet ongoing expenses. At the year end the Company had no borrowings. The Company does not have, nor does it intend to adopt, any structural gearing. The gearing ratio below is calculated as total liabilities divided by total equity.

	30 Jun 18	30 Jun 17
	£	£
Total assets	409,616,618	377,732,376
Less – total liabilities	(3,308,615)	(2,130,670)
Total equity	406,308,003	375,601,706
Gearing ratio	0.81%	0.57%

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

Redemption facility

The Company has a redemption facility (which takes the form of a tender offer to all holders of redeemable participating preference shares) which was made available after 8 July 2007. This facility may operate annually, in November each year, at the discretion of the Directors.

Redemptions on any redemption date may be restricted to a maximum of 25% in aggregate of the Shares then in issue, with any tender requests from shareholders in excess of this being scaled back pro rata.

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

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

Purchase of own shares by the Company

A special resolution was passed on 1 December 2017 which authorised the Company in accordance with The Companies (Guernsey) Law, 2008 to make purchases of its own shares as defined in that Ordinance of its redeemable participating preference shares of 0.01p each, provided that –

- i the maximum number of shares the Company can purchase is no more than 14.99% of the Company's issued share capital
- ii the minimum price (exclusive of expenses) which may be paid for a share is 0.01 pence, being the nominal value per share

-
- iii the maximum price (exclusive of expenses) which may be paid for the share is an amount equal to the higher of (i) 105% of the average of the middle market quotations for a share taken from the London Stock Exchange Daily Official List for the 5 business days immediately preceding the day on which the Share is purchased and (ii) the price stipulated in Article 5(i) of the Buy back and Stabilisation Regulation (No 2237 of 2003)
 - iv acquisitions may only be made pursuant to this authority if the shares are (at the date of the proposed purchase) trading on the London Stock Exchange at a discount to the lower of the undiluted or diluted NAV
 - v the authority conferred shall expire at the conclusion of the AGM of the Company in 2018 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 11 September 2018. Subsequent events have been evaluated up until this date.

As at the date of this report, 450,000 shares have been issued post year end, therefore the Company had 177,638,416 redeemable participating preference shares of 0.01p each in issue. The total voting rights in the Company at the date of this report were 177,638,416.

An interim dividend of 0.01p per share in respect of the year ended 30 June 2018 was declared on 11 September 2018. The dividend is payable on 5 October 2018 to shareholders on record at 21 September 2018.

Portfolio statement

as at 30 June 2018

	Currency	Holding at 30 Jun 18	Fair value £	% of total net assets
Government Index-Linked Bonds 31.17%				
(30.06.17 – 39.09%)				
United Kingdom				
UK Index-Linked Gilt 0.125% 22/11/2019	GBP	6,135,000	7,117,637	1.75
UK Index-Linked Gilt 1.875% 22/11/2022	GBP	9,710,000	15,619,933	3.84
UK Index-Linked Gilt 1.250% 22/11/2055	GBP	1,100,000	3,873,687	0.95
UK Index-Linked Gilt 0.375% 22/03/2062	GBP	8,700,000	22,815,776	5.63
UK Index-Linked Gilt 0.125% 22/03/2068	GBP	8,200,000	21,179,739	5.21
			70,606,772	17.38
United States				
US Treasury Inflation Indexed Bond 1.125% 15/01/2021	USD	13,500,000	11,864,883	2.92
US Treasury Inflation Indexed Bond 0.625% 15/07/2021	USD	19,350,000	16,355,534	4.03
US Treasury Inflation Indexed Bond 0.125% 15/01/2023	USD	17,500,000	14,066,804	3.46
US Treasury Inflation Indexed Bond 0.375% 15/07/2023	USD	17,000,000	13,738,314	3.38
			56,025,535	13.79
Total government index-linked bonds			126,632,307	31.17
Short Dated Conventional Government Bonds 3.69%				
(30.06.17 - 0.00%)				
United Kingdom				
UK Treasury Bill 0.00% 24/09/2018	GBP	15,000,000	14,980,110	3.69
			14,980,110	3.69
Total short dated conventional government bonds			14,980,110	3.69
Equities 40.80%				
(30.06.17 – 40.16%)				
Europe				
France				
Vivendi	EUR	375,000	6,944,281	1.71
			6,944,281	1.71
Norway				
Yara International	NOK	80,000	2,512,136	0.62
			2,512,136	0.62

	Currency	Holding at 30 Jun 18	Fair value £	% of total net assets
United Kingdom				
Belvoir Lettings	GBP	1,190,295	1,226,004	0.30
Better Capital (2012)	GBP	3,088,700	803,062	0.20
Better Capital (2009)	GBP	294,641	179,731	0.04
Countryside Properties	GBP	700,000	2,403,800	0.59
Dixons Carphone	GBP	1,010,626	1,885,828	0.46
Headlam	GBP	200,000	976,000	0.24
Lloyds Banking Group	GBP	6,500,000	4,096,300	1.01
Ocado Group	GBP	507,000	5,199,285	1.28
PRS Real Estate Investment Trust	GBP	1,141,100	1,186,744	0.29
Royal Bank of Scotland Group	GBP	750,000	1,920,000	0.47
Royal Dutch Shell	GBP	70,000	1,899,450	0.47
Renn Universal Growth Trust	GBP	937,500	1,593,750	0.39
Ruffer SICAV UK Mid & Smaller Companies Fund*	GBP	27,940	6,030,507	1.49
Secure Trust Bank	GBP	58,345	1,061,879	0.26
Shire	GBP	50,000	2,131,500	0.52
Sophos Group	GBP	450,000	2,871,000	0.71
Supermarket Real Estate Investment Trust	GBP	689,907	703,705	0.17
System1 Group	GBP	275,000	770,000	0.19
Tesco	GBP	2,640,660	6,775,934	1.68
Tufton Oceanic Assets	GBP	1,643,100	1,306,764	0.32
Van Elle	GBP	1,525,573	1,266,226	0.31
			46,287,469	11.39
Total European equities			55,743,886	13.72
Canada				
Imperial Oil	CAD	72,000	1,810,859	0.45
Total Canadian equities			1,810,859	0.45

	Currency	Holding at 30 Jun 18	Fair value £	% of total net assets
United States				
Apergy	USD	51,808	1,637,529	0.40
Apple	USD	30,734	4,257,948	1.06
Aptiv	USD	13,000	902,246	0.22
Check Point Software Technologies	USD	50,000	3,698,163	0.91
Cleveland-Cliffs	USD	276,800	1,767,411	0.43
Delphi Technologies	USD	50,000	1,720,886	0.42
DowDuPont	USD	78,000	3,896,307	0.96
Exxon Mobil	USD	57,500	3,607,006	0.89
General Motors	USD	50,000	1,492,899	0.37
Jefferies Financial Group	USD	203,970	3,513,181	0.86
McKesson	USD	28,000	2,831,070	0.70
National Oilwell Varco	USD	77,000	2,530,604	0.62
Tenaris	USD	65,000	1,790,608	0.44
Walt Disney	USD	98,000	7,786,556	1.92
Total United States equities			41,432,414	10.20
Asia				
China				
China Life Insurance	HKD	459,000	895,138	0.22
PICC Property & Casualty	HKD	900,000	735,087	0.18
			1,630,225	0.40

	Currency	Holding at 30 Jun 18	Fair value £	% of total net assets
Japan				
Bandai Namco Holdings	JPY	100,000	3,121,635	0.77
LF Ruffer Japanese Fund*	GBP	3,840,000	10,062,336	2.48
Fujifilm Holdings	JPY	100,000	2,953,415	0.73
Hazama Ando	JPY	339,000	2,334,374	0.57
Japan Post Holdings	JPY	525,000	4,351,141	1.07
Mitsubishi Electric	JPY	100,000	1,006,240	0.25
Mitsubishi UFJ Financial Group	JPY	1,407,400	6,064,127	1.49
Mizuho Financial Group	JPY	4,500,000	5,738,952	1.41
NTT Urban Development	JPY	419,000	3,406,726	0.84
Resona Holdings	JPY	1,410,000	5,709,904	1.41
Sony	JPY	68,000	2,632,813	0.65
Sumitomo Mitsui Financial Group	JPY	275,200	8,092,042	1.99
T&D Holdings	JPY	850,000	9,663,220	2.37
			65,136,925	16.03
Total Asian equities			66,767,150	16.43
Total equities			165,754,309	40.80
Global investment funds 6.18% (30.06.17 – 6.56%)				
United Kingdom				
Herald Worldwide Fund	GBP	44,000	2,341,680	0.58
Ruffer Illiquid Multi Strategies Fund 2015*	GBP	31,639,824	20,989,004	5.16
Weiss Korea Opportunity Fund	GBP	1,100,000	1,793,000	0.44
			25,123,684	6.18
Total global investment funds			25,123,684	6.18

	Currency	Holding at 30 Jun 18	Fair value £	% of total net assets
<hr/>				
Gold and gold mining equities 5.08%				
(30.06.17 – 4.59%)				
United Kingdom				
LF Ruffer Gold Fund*	GBP	13,054,495	20,649,601	5.08
			20,649,601	5.08
Total gold and gold mining equities			20,649,601	5.08
<hr/>				
Options 1.36%				
(30.06.17 – 1.69%)				
United Kingdom				
Ruffer Protection Strategies International*	GBP	19,954,731	5,528,259	1.36
Total options			5,528,259	1.36
Total financial assets at fair value through profit or loss			358,668,270	88.28
Other net current assets			47,639,733	11.72
<hr/>				
Total value of company				
(attributable to redeemable participating preference shares)			406,308,003	100.00

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

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

General information

Ruffer Investment Company Limited was incorporated 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 Bank Rate. The Company invests predominantly 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 Financial Statements were authorised for issue on 11 September 2018 by the Directors.

The Investment Manager is authorised and regulated by the United Kingdom Financial Conduct Authority as a full-scope Alternative Investment Fund Manager (AIFM). The Investment Manager is entitled to an investment management fee payable to the AIFM monthly in arrears at a rate of 1% of the Net Asset Value per annum.

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

The Company intends to be operated in such a manner that its shares are not categorised as non-mainstream pooled investments. This means that the Company might pay dividends in respect of any income that it receives or is deemed to receive for UK tax purposes so that it would qualify as an investment trust if it were UK tax-resident.

Northern Trust International Fund Administration Services (Guernsey) Limited (the 'Administrator') is entitled to receive an annual fee equal to 0.15 per cent. per annum on the first £100 million and 0.10 per cent. per annum thereafter on the NAV of the Company on a mid market basis, subject to a minimum fee of £60,000 per annum.

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

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

Management and administration

Directors

Ashe Windham

John V Baldwin

Christopher Russell

Jill May

Sarah Evans

(resigned 31 January 2018)

David Staples

(appointed 2 March 2018)

Registered office

PO Box 255

Trafalgar Court

Les Banques

St Peter Port

Guernsey

Channel Islands, GY1 3QL

Auditor

Deloitte LLP

Regency Court

Gategny Esplanade

St Peter Port

Guernsey

Channel Islands, GY1 3HW

Investment Manager and Alternative

Investment Fund Manager

Ruffer AIFM Limited

80 Victoria Street

London, SW1E 5JL

Sponsor and broker

Until 1 January 2018

Cenkos Securities Plc

6.7.8 Tokenhouse Yard

London, EC2R 7AS

From 1 January 2018

Canaccord Genuity Limited

88 Wood Street

London, EC2V 7QR

Solicitors to the Company

as to UK law

Gowling WLG

4 More London Riverside

London, SE1 2AU

Company Secretary and

Administrator

Northern Trust International

Fund Administration Services

(Guernsey) Limited

Trafalgar Court

Les Banques

St Peter Port

Guernsey

Channel Islands, GY1 3QL

CREST agent

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

**Advocates to the Company
as to Guernsey law**

Mourant Ozannes
Royal Chambers
St. Julian's Avenue
St Peter Port
Guernsey
Channel Islands, GY1 4HP

Custodian

Northern Trust (Guernsey) Limited
Trafalgar Court
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Depository

Northern Trust (Guernsey) Limited
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