RUFFER INVESTMENT COMPANY LIMITED

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2011

RUFFER INVESTMENT COMPANY LIMITED

CONTENTS

RUFFER INVESTMENT COMPANY LIMITED

Financial Highlights

	30.06.11	
	Offer Price	Net Asset Value
	£	£
Redeemable participating preference shares	2.050†	1.956*

† The price an investor would be expected to pay in the market (London Stock Exchange).

* This is the Net Asset Value for valuation purposes as at 30.06.11. The Fund is valued weekly and at month end.

Company Information

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

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

RUFFER INVESTMENT COMPANY LIMITED

Chairman's Review

Performance
The Company's investment portfolio earned a positive total return of 8.8% in the year to 30 June 2011. This is calculated after all expenses of management and allowing for the payment of dividends totalling 3.00p per share. The target rate of return, derived from the Company's investment objective, for the year was 1.0%, being twice the Bank of England base rate for the period. Further details are given in the Investment Manager's Report on page 12. The Company's Net Asset Value ("NAV") at 16 September 2011 was 1.921. The Board remains confident in the ability of the Investment Manager to achieve the Company's objectives in the current market conditions.

Earnings and Dividends
Earnings for the year were 3.71p per share on the revenue account and 12.37p per share on the capital account. In the course of the year dividends totalling 3.00p per share were paid. A final dividend of 1.5p per share in respect of the year to 30 June 2011 was approved on 23 September 2011 and will be paid on 28 October 2011.

Share Issuance
In September 2010 the Board organised a placing which was timed to coincide with the inclusion of the Company in the FTSE All Share Index. This placing, which raised £50 million of additional capital for the Company, was fully subscribed. A total of 26,595,744 shares were issued at 188p which represented a 2% premium over the prevailing NAV, thus enhancing value for our existing shareholders whilst also reducing the Total Expense Ratio and providing better liquidity in the Company's shares. I am very pleased to report that the Company duly became a constituent of the FTSE All Share Index on 20 September 2010.

On 23 November 2010 at the Company's AGM a resolution to issue up to 10% of the Company's share capital by way of a block listing facility was passed and as at 23 September 2011, the date of this report, out of a possible total of 12,463,841 shares, 5,750,000 shares had been issued at a 2% or higher premium to the Company's prevailing Net Asset Value. 2,500,000 of these new shares were issued in the period from 24 November 2010 until 30 June 2011.

As at the date of this report the Company had 130,388,416 redeemable participating preference shares of 0.01 pence each and 2 Management shares of £1.00 each in issue. Therefore, the total voting rights in the Company at the date of this report were 130,388,418.

Annual General Meeting
The Annual General Meeting (AGM) of the Company will be held at 10.30 a.m. on Thursday 24 November 2011 at the Company's registered office at Trafalgar Court, Les Banques, St Peter Port, Guernsey.

Share Buyback Authority
Despite the shares trading at a premium to NAV, aside from very short periods, for most of the year to 30 June 2011, the Board has resolved to seek, at the AGM on 24 November 2011, a renewal of its authority to buy back shares at a discount to NAV in the terms to be stated in a Special Resolution. No shares have been bought back under authorisations granted at previous AGMs.

Share Redemption Facility
The Company has a Redemption Facility operable in November each year. Given the fact that the Company has been trading at a premium to its NAV for most of the previous year the Board has resolved not to offer this Facility in November 2011.

Directors
In closing, and on behalf of my fellow directors, I would like to pay special tribute to my predecessor as Chairman, John de Havilland, who steered the Company with great tact and skill from its inception in 2004 until his retirement upon attaining the age of 73 in April this year. On 24 February 2011 the directors were pleased to welcome John Baldwin as a non-executive director of the Company.

Ashe Windham
Chairman
23 September 2011

Directors

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

Ashe Windham, CVO, aged 54 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. Mr Windham was appointed to the Board on 24 February 2009.

Wayne Bulpitt, aged 49 and a resident of Guernsey. He is managing director and principal of Active Group Limited. He was formerly Head of Offshore Investment Services for Canadian Imperial Bank of Commerce, Global Private Banking & Trust division (1998-2001) and Managing Director of CIBC Fund Managers (Guernsey) Limited (1992-1998). He is also a director of Ruffer Illiquid Strategies Fund of Funds 2009 Limited and Ruffer Illiquid Strategies Fund of Funds 2011 Limited, two Guernsey registered investment companies managed by the Company's Investment Manager. Mr Bulpitt was appointed to the Board on 1 June 2004.

Jeannette Etherden, aged 51 and a resident of the United Kingdom. She started in 1983 as a research analyst at Confederation Life (acquired by Sun Life of Canada in 1994) and was Head of UK Equities from 1991. In 1996 she moved to Newton Investment Management as a multi-asset fund manager. She was appointed a Director for Newton in 1997 and additionally was Chief Operating Officer, Investments from 1999 until her resignation in 2001. From January 2004 to January 2006 she was Business Development Manager for the Candela Fund at Olympus Capital Management. Ms Etherden was appointed to the Board on 1 June 2004.

Peter Luthy, aged 60 and a resident of the United Kingdom. He has worked in the fixed income market for 25 years. In 1990, he co-founded a credit focussed bond broker, Luthy Baillie Dowsett Pethick and Co. Limited (''LBDP'') whose shareholders included Deutsche Bank AG, Robert Fleming Limited and Swiss Bank Corporation. Dresdner Kleinwort Benson acquired LBDP in 1996 where he was global head of credit products. In 1998 he became global head of investment banking at Barclays Capital and, since 2001, has acted as a consultant on bank credit portfolios. Currently, he is a Managing Partner of Banquo Credit Management LLP. He is also a director of Ruffer Illiquid Strategies Fund of Funds 2009 Limited and Ruffer Illiquid Strategies Fund of Funds 2011 Limited, two Guernsey registered investment companies managed by the Company's Investment Manager. Mr Luthy was appointed to the Board on 1 June 2004.

Christopher Spencer, aged 61 and a resident of Guernsey. He qualified as a chartered accountant in London in 1975. Following two years in Bermuda he moved to Guernsey. Mr Spencer, who specialized in audit and fiduciary work, was Managing Partner/Director of Pannell Kerr Forster (Guernsey) Limited from 1990 until his retirement in May 2000. Mr Spencer is a member of the AIC Offshore Committee, a past President of the Guernsey Society of Chartered and Certified Accountants, and a past Chairman of the Guernsey Branch of the Institute of Directors. He is a non-executive director of a number of hedge funds, funds of hedge funds and other investment and insurance companies. Mr Spencer was appointed to the Board on 1 June 2004.

John V Baldwin, aged 61 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.

Report of the Directors

The Directors of Ruffer Investment Company Limited (the "Company") present their Annual Financial Report for the year ended 30 June 2011 which have been properly presented in accordance with The Companies (Guernsey) Law, 2008.

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 on the same date as the Company obtained consent under the Control of Borrowing (Bailiwick of Guernsey) Ordinance 1959 to 1989.

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 "LSE"). The principal objective of the Company is detailed on page 14 of the Annual Financial Report.

New redeemable participating preference shares
During the year the Company raised £50 million of additional capital through the issue of 26,595,744 redeemable participating preference shares. The new redeemable participating preference shares were issued at 188p per share which represented a 2% premium over the prevailing Net Asset Value ("NAV") at that date.

The new redeemable participating preference shares were admitted to the LSE on 20 September 2010 and dealing in these shares also commenced on the same date. These new redeemable participating preference shares rank pari passu with the existing equity shares of the Company.

Blocklisting and additional shares issued
During the year the Company made an application to the UK Financial Services Authority (the "FSA") and to the LSE for the blocklisting of 12,463,841 redeemable participating preference shares of 0.01 pence each pursuant to the General Corporate Purposes Scheme. These new redeemable participating preference shares will, when issued, rank pari passu with the existing equity shares of the Company.

Under the blocklisting facility, 2,500,000 new redeemable participating preference shares of 0.01 pence each were allotted and issued during the year to 30 June 2011 as follows:

Date	Shares	Price per share	Total
		£	£
22 March 2011	500,000	2.0050	1,002,500
28 March 2011	300,000	2.0300	609,000
17 May 2011	250,000	2.0225	505,625
1 June 2011	100,000	2.0100	201,000
28 June 2011	1,350,000	1.9750	2,666,250
	2,500,000		4,984,375

Report of the Directors (continued)

Principal Activity and Investment Objective (continued)

Blocklisting and additional shares issued (continued)

Subsequent to the year end and up to the date of this report the Company issued a further 3,250,000 new redeemable participating preference shares of 0.01 pence each as follows.

Date	Shares	Price per share	Total
		£	£
5 July 2011	500,000	2.0200	1,010,000
19 July 2011	400,000	2.0300	812,000
26 July 2011	750,000	2.0425	1,531,875
3 August 2011	150,000	2.0300	304,500
16 August 2011	600,000	1.9500	1,170,000
23 August 2011	200,000	1.9270	385,400
31 August 2011	150,000	1.9330	289,950
20 September 2011	500,000	1.9650	982,500
	3,250,000		6,486,225

The Company has the ability to issue a further 6,713,841 redeemable participating preference shares under the blocklisting facility.

As at the date of this report the Company had 130,388,416 redeemable participating preference shares of 0.01 pence each and 2 Management shares of £1.00 each in issue. Therefore, the total voting rights in the Company at the date of this report were 130,388,418.

Results and Dividends

The results for the year are set out in the Statement of Comprehensive Income on page 18. A first interim dividend of 1.5p per share (£1,470,640) was declared on 25 August 2010 and paid on 24 September 2010 in respect of the period from 1 January 2010 to 30 June 2010. A second interim dividend of 1.5p per share (£1,869,576) was declared on 2 March 2011 and paid on 25 March 2011 in respect of the period covered by this annual financial report. A third interim dividend of 1.5p per share was approved on 23 September 2011, also in respect of the period covered by this report. The financial impact of the dividend is not included in these 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 Investment Manager of the Company is Ruffer LLP (the "Investment Manager"). The key terms of the Investment Management Agreement and specifically the fee charged by the Investment Manager are set out in Notes 6 and 14 of the financial statements. The Board believes that the investment management fee is competitive with other investment companies with similar investment mandates.

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

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.

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.

Report of the Directors (continued)

Directors
The details of the Directors of the Company during the year and at the date of this Report are set out on page 4 and on the Management and Administration summary on page 44.

Directors' Interests
The Directors who held office at 30 June 2011 and up to the date of this Report held the following numbers of redeemable participating preference shares beneficially:

Directors	**30.06.11 Shares**	***30.06.10 Shares***
Wayne Bulpitt	20,000	*20,000*
Jeannette Etherden	36,627	*36,627*
Christopher Spencer	14,157	*14,157*
Ashe Windham	68,000	*62,906*

On the 20 July 2011, Peter Luthy purchased 120,000 redeemable participating preference shares.

Significant Shareholdings
As at 13 September 2011, registered shareholders with holdings greater than 3% in the Company were:

Clients of Roy Nominees Limited	8,363,492	6.44
Clients of State Street Nominees Limited	7,512,580	5.78
Clients of Speirs & Jeffrey Client Nominees Ltd	6,286,292	4.84
Clients of Rathbone Nominees Limited	5,541,389	4.27
Clients of Giltspur Nominees Limited	4,229,431	3.26
Clients of Alliance Trust Savings Nominees Limited	4,151,963	3.20
Clients of Chase Nominees Limited	4,145,368	3.19

Going Concern
The Directors believe that it is appropriate to continue to adopt the going concern basis in preparing the Annual Financial Report since the assets of the Company consist mainly of securities which are readily realisable and, accordingly, the Company has adequate financial resources to continue in operational existence for the foreseeable future.

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

Corporate Governance
In prior periods as an authorised closed-ended investment company registered in Guernsey, the Company was eligible for exemption from the requirements of the Combined Code of Corporate Governance (the "Combined Code") issued by the Financial Reporting Council.

As a result of changes to the UK Listing Regime, with effect from 6 April 2010, the Company must comply with the requirements of the UK Corporate Governance Code. There is no published corporate governance regime equivalent to the UK Corporate Governance Code in Guernsey.

The Board, having reviewed the Code, considers that it has maintained procedures during the year ended 30 June 2011 to ensure that it complies with the spirit of the AIC Code and its special circumstances as an investment company registered in Guernsey.

The Board
The Board currently comprises six non-executive directors, all of whom are independent with the exception of Wayne Bulpitt and Peter Luthy.

Report of the Directors (continued)

The Board (continued)
Under the UK Corporate Governance Code Wayne Bulpitt and Peter Luthy are considered not to be independent by reason of being directors of other funds managed by the Company's Investment Manager. None of the Directors has a contract of service with the Company.

The Board meets on at least four occasions each year, at which time the Directors review the management of the Company's assets and all other significant matters so as to ensure that the Directors maintain overall control and supervision of the Company's affairs. The Board is responsible for the appointment and monitoring of all service providers to the Company.

Chairman, Senior Independent Director and Chief Executive
The Chairman of the Board is Ashe Windham. A biography for Mr Windham and all other Directors appears on page 4. In considering the independence of the Chairman, the Board has taken note of the provisions of the Combined Code relating to independence, and has determined that Mr Windham is an independent Director.

As the Chairman is an independent Director, no appointment of a senior independent director has been made. The Company has no employees and therefore there is no requirement for a chief executive.

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

	Number of Meetings held	John de Havilland*	Wayne Bulpitt	Jeannette Etherden	Peter Luthy	Christopher Spencer	Ashe Windham	John V Baldwin**
Board Meetings	4	3	4	4	4	4	4	1
Audit Committee Meetings	2	2	2	2	1	2	2	-
Ad-hoc Board Meetings	8	3	6	-	1	7	1	1

*Resigned from the Board of Directors on 13 April 2011.
**Appointed to the Board of Directors on 24 February 2011.

Douglas Mackay and Brian Horsepool attended as alternate directors for Christopher Spencer and Wayne Bulpitt, respectively at the Board Meeting held on 12 July 2010.

Performance Evaluation
The Chairman evaluates the performance of each of the Directors on an ongoing basis, taking into account the effectiveness of their contributions and their commitment to the role. The Chairman conducts formal appraisals with each Director on an annual basis. The Board conducts a similar appraisal of the Chairman.

Re-election
In accordance with the Company's Articles of Association, at each AGM one-third of the Directors, (or if their number is not three or an integral multiple of three), the number nearest to, but (except where there are less than three Directors) not greater than one-third, shall retire from office.

On 23 November 2010 at the 6th AGM of the Company, Peter Luthy and Christopher Spencer retired as Directors of the Company and being eligible had offered themselves for re-election and were re-elected as Directors of the Company by the Shareholders.

As Peter Luthy and Wayne Bulpitt are Directors of other companies managed by the Company's Investment Manager they are deemed to be non independent Directors and therefore stand for re-election at each annual general meeting.

Report of the Directors (continued)

Re-election (continued)
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.

In accordance with the Company's Articles of Association John de Havilland resigned from the Board of Directors on 13 April 2011 having reached the mandatory retirement age of 73.

Supply of Information
The quarterly board meetings are the principal source of regular information for the Board enabling it to determine policy and to monitor performance and compliance. The Board also receives regular weekly and monthly reports on portfolio activity and performance as well as occasional reports on items of interest. A representative of the Investment Manager attends each board meeting thus enabling the Board to discuss and review the Company's operations and performance.

All of the Directors have direct access to the Company Secretary, and may, at the expense of the Company, seek independent professional advice on any matter that concerns them in the furtherance of their duties.

Directors' Responsibilities in Respect of the Financial Statements
The Directors are responsible for preparing the Report of the Directors and the financial statements in accordance with applicable law and regulations.

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 ("IFRS") and applicable law.

The financial statements are required by law to 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 those financial statements the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to assume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements have been properly prepared in accordance with The Companies (Guernsey) Law, 2008. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Directors' Responsibility Statement
The Directors confirm that they have complied with the above requirements in preparing the financial statements and that to the best of their knowledge and belief:

(a) The Annual Financial Report, prepared in accordance with International Financial Reporting Standards, gives a true and fair view of the assets, liabilities, financial position and profit of the Company; and

(b) The Chairman's Review, Investment Manager's Report and Report of the Directors 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 the Company faces.

The Directors recognise their responsibilities stated above.

Report of the Directors (continued)

Disclosure of Information to the Auditor
The Directors who held office at the date of approval of these financial statements confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Audit Committee
The Company's Audit Committee is comprised of the independent Directors, with Christopher Spencer appointed as Chairman. The Audit Committee has the following remit: to meet bi-annually and to consider, *inter-alia*: (a) annual and interim financial statements; (b) auditor reports; and (c) terms of appointment and remuneration for the auditor (including overseeing the independence of the auditor particularly as it relates to the provision of non-audit services). The Board is satisfied that the Audit Committee contains members with sufficient recent and relevant financial experience.

The Audit Committee has considered the requirement for an annual internal audit of the Company. On the basis that the Company is an investment company with no employees, and, due to the Company's service providers all being regulated entities who themselves are subject to internal audits, the Audit Committee is of the opinion that an internal audit is not necessary for the Company.

Nomination Committee
The Board as a whole fulfils the function of a Nomination Committee. Any proposal for a new Director will be discussed and approved by the Board. The Board will determine whether in future an external search consultancy or open advertising is used in the appointments of non-executive Directors.

Directors' Remuneration
The level of Directors' fees is determined by the whole Board on an annual basis and therefore a separate Remuneration Committee has not been appointed. When considering the level of Directors' remuneration the Board considers the industry standard and the level of work that is undertaken. Since all Directors are non executive, the Company is not required to comply with the principles of the Combined Code in respect of executive directors' remuneration. Directors' fees are disclosed fully in each Annual Financial Report. The basic fee payable to the Chairman is £28,500 per annum and £20,000 per annum to each non-executive director. These fees have remained unchanged since 1 April 2008 and are currently under review. A supplement of £5,000 was paid to each director for the extra work incurred as a result of the issue of £50m worth of redeemable participating preference shares on 20 September 2010. None of the Directors had a service contract with the Company during the year and accordingly a director is not entitled to any minimum period of notice or to compensation in the event of their removal as a director.

Internal Control
The Board is responsible for establishing and maintaining the Company's system of internal control 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.

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.

The Board has contractually delegated to external parties various functions as listed below. The duties of investment management, accounting 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.

- Investment Management is provided by Ruffer LLP, a company authorised by the FSA.
- 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.

Report of the Directors (continued)

Internal Control (continued)

- CREST agency functions are performed by Computershare (CI) Limited, a company licensed and regulated by the Jersey Financial Services Commission.
- Custody of assets is undertaken by the RBC Dexia Investor Services Trust, a joint venture equally owned by Royal Bank of Canada and Dexia and is authorised and regulated by the FSA.

Dialogue with Shareholders

The Investment Manager and the Corporate Broker maintain regular dialogue with institutional shareholders, feedback from which is reported to the Board. In addition, Board members sometimes attend meetings between the Investment Manager and institutional shareholders and they are available to answer shareholders' questions at any time, and specifically at the AGM. The Company Secretary is available to answer general shareholder queries at any time during the year.

Auditor

The Auditor, Moore Stephens, have indicated their willingness to continue in office. Accordingly, a resolution for their reappointment will be proposed at the forthcoming Annual General Meeting.

On behalf of the Board

Ashe Windham	***Christopher Spencer***
Chairman	*Director*

23 September 2011

Investment Manager's Report

For the year ended 30 June 2011

In the twelve month period from 1 July 2010 to 30 June 2011, the asset value per share of the Company rose in capital terms from 182.6p* to 195.6p* which, together with a dividend of 3.00p, represents a total return of 8.8%, compared to the target return of 1.0%, being twice the Bank of England base rate over the period. Over the same period the FTSE All Share gained 25.6% on a total return basis. The Bid price of the Company's shares rose by 3.06%, the more muted return on a bid-to-bid basis reflects a small narrowing of the premium to NAV and the widening of the bid-offer spread over the same period.

Since launch on 8 July 2004 the NAV of the Company has risen by 121%**, including dividends and over the same period the FTSE All share has produced a total return of 81%.

Despite the sharp rise in the stock market over the last 12 months it has not been easy going. Most of the rise was achieved in the first 6 months in the aftermath of a second round of quantitative easing in the US and from very depressed levels after the heavy falls of the second quarter of 2010. We reported last year that the exceptional returns of the previous two years for the Company were unlikely to be repeated and indeed the total return for the year has fallen back to what feels like a more sustainable level.

Our aspiration to protect investor's capital has been tested over the last 12 months. We have witnessed a devastating earthquake in Japan, where we were and remain heavily invested and the economic impact was by no means confined to Japan. Geopolitical tensions in the Middle East and North Africa have had a significant impact on energy prices and the aftershocks of the credit crisis continue to be felt, no longer just in the financial system but now also in sovereign debt. We have seen a continuation of ultra accommodative monetary policy and as a result most of the western world currently has negative real interest rates. This puts a heavy price on safety (the "safety" of cash in the UK will currently cost you 4.5% per annum) and the conundrum facing absolute return investors is that monetary policy favours risk assets but there have been and continue to be potential air pockets aplenty which could create considerable volatility in asset prices. Our intention is to build a portfolio of offsetting assets that will compliment each other and reduce the overall level of volatility for the Company's investors. Broadly speaking these offsets have worked this year (most notably during the Japanese crisis) but genuine offsets are very hard to come by when interest rates are set at such artificially low levels and the price of safety is so high.

The cornerstone of the portfolio remains in index linked bonds and these have performed well over the last 12 months as a result of negative real interest rates (and stubbornly high inflation) and because investors have seen Gilts and US Treasuries as a safe haven, not least from the rumblings in the periphery of Europe. Following the same theme German property stocks have performed very well for us as interest rates remain too low for a robust German economy and investors look for real assets in a safe part of the Eurozone. We have taken some profits out of this theme in recent months.

Other equities have also performed well during the period under review and we banked respectable profits in Carphone Warehouse, Electrocomponents, Kroger and BT amongst others. Gold equities were top of the class in the second half of 2010 and frustratingly stalled in the first half of 2011 despite Bullion hitting new highs. High energy costs have not helped as this is a major cost for gold miners. Japanese equities were also a strong performer in the latter half of 2010 and understandably fell sharply during March but we think that the investment case for Japan remains intact.

The current positioning of the portfolio is intended to capture some of the opportunities that will be presented in risk assets should the economic recovery continue (as we believe it may well do) but our defences remain intact in such uncertain times and notably defences against the risk of higher inflation.

Ruffer LLP
26 July 2011

* Value reported to the London Stock Exchange, using mid market price.

** The calculation of the Total Return includes an amount of 6.386 pence per share which represents the notional amount by which dividends paid to date would have grown if they had not been paid out as dividends but reinvested within the Company.

Company Performance

	Price at 30.06.11		Change in Bid Price	
	Bid Price	Offer Price	From Launch	From 30.06.10
	£	£	%	%
Shares	2.020	2.050	+ 102.00	+ 3.06

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

Fund Size

	Net Asset Value £	Net Asset Value per Share £	Number of Shares In Issue
30.06.11	248,248,134	1.953 *	127,138,416
30.06.10	178,695,014	1.823	98,042,672
30.06.09	135,603,281	1.521	89,129,703
30.06.08	116,617,351	1.308	89,129,703
30.06.07	123,690,774	1.166	106,117,074
30.06.06	126,375,613	1.191	106,117,074

* Net Asset Value per share reported to the London Stock Exchange was 1.956 using mid market values. Bid prices are presented as fair value in the financial statements.

Share Price Range

Accounting Period to:	Highest Offer Price £	Lowest Bid Price £
30.06.11	2.110	1.850
30.06.10	2.005	1.555
30.06.09	1.570	1.250
30.06.08	1.300	1.085
30.06.07	1.260	1.110
30.06.06	1.300	1.120

NAV Range

Accounting Period to:	Highest NAV £	Lowest NAV £
30.06.11	1.960	1.810
30.06.10	1.897	1.518
30.06.09	1.526	1.266
30.06.08	1.333	1.176
30.06.07	1.211	1.166
30.06.06	1.234	1.122

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

Investment Policy

The principal objective of the Company is to achieve a positive total annual return, after all expenses, of at least twice the Bank of England base rate (0.5% as at 30 June 2011) by investing in internationally listed or quoted equities or equity related securities (including convertibles) and/or bonds which are issued by corporate issuers, supra-nationals or government organisations.

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

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

The universe of equity, equity related securities or bonds in which the Company may invest will be wide and may include companies domiciled in, and bonds issued by entities based in, non-European countries, including countries that may be classed as emerging or developing. This may result in a significant exposure to currencies other than sterling.

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% 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 Company will not invest in the securities of any company that is not quoted or does not have a listing on a Relevant Market.

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

General
In accordance with the requirements of the Financial Services Authority, any material changes in the Investment Policy of the Company may only be made with the approval of shareholders.

RUFFER INVESTMENT COMPANY LIMITED

Top Ten Holdings

Investments	Currency	Holding at 30.06.2011	Fair Value £	% of Total Net Assets
UK Index-Linked Gilt 1.25% 22/11/2017	GBP	11,500,000	15,385,310	6.20
US Treasury Inflation Indexed 2.125% Bond 15/02/2040	USD	19,800,000	13,962,192	5.62
UK Index-Linked Gilt 1.25% 22/11/2055	GBP	8,430,000	13,416,564	5.40
US Treasury Inflation Indexed 1.625% Bond 15/01/2018	USD	16,300,000	11,983,773	4.83
US Treasury Inflation Indexed 1.625% Bond 15/01/2015	USD	15,000,000	11,934,405	4.81
CF Ruffer Baker Steel Gold Fund*	GBP	2,830,683	8,439,682	3.40
Vodafone Group Plc	GBP	5,050,000	8,347,650	3.36
T&D Holdings Inc	JPY	567,000	8,313,272	3.35
CF Ruffer Japanese Fund*	GBP	7,500,000	7,837,500	3.16
Ruffer Illiquid Strategies Fund of Funds 2009 Limited*	GBP	6,725,000	7,471,320	3.01

* Ruffer Illiquid Strategies Fund of Funds 2009 Limited, CF Ruffer Baker Steel Gold Fund and CF Ruffer Japanese Fund are classed as related parties as they share the same Investment Manager as the Company.

The market value of all related investment funds are deducted from the NAV of the Company before the calculation of management fees on a monthly basis.

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

We have audited the financial statements of Ruffer Investment Company Limited (the "Company") for the year ended 30 June 2011 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. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards.

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.

Respective responsibilities of directors and auditor
As explained more fully in the Report of the Directors, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). These standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

Opinion
In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 June 2011 and of its profit for the year then ended;
- are in accordance with International Financial Reporting Standards; and
- have been prepared in accordance with the requirements of The Companies (Guernsey) Law, 2008.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where The Companies (Guernsey) Law, 2008 requires us to report to you if, in our opinion:

- proper accounting records have not been kept by the company; or
- the financial statements are not in agreement with the accounting records; or
- we have failed to obtain all the information and explanations, which, to the best of our knowledge and belief, are necessary for the purposes of our audit.

David Green
MOORE STEPHENS
Chartered Accountants
Town Mills South
La Rue Du Pre
St Peter Port
Guernsey, GY1 3HZ
23 September 2011

Statement of Financial Position

	Notes	30.06.11 £	*30.06.10* *£*
ASSETS			
Cash and cash equivalents		10,760,249	*9,404,633*
Unrealised gain on open forward foreign currency contracts	18	360,891	*243,203*
Receivables	9	3,712,244	*2,777,816*
Financial assets at fair value through profit or loss	8	235,966,572	*168,185,441*
Total assets		250,799,956	*180,611,093*
EQUITY			
Capital and reserves attributable to the Company's shareholders			
Management share capital	11	2	*2*
Net assets attributable to holders of Redeemable participating preference shares		248,248,134	*178,695,014*
Total equity		248,248,136	*178,695,016*
LIABILITIES			
Payables	10	1,413,465	*1,505,112*
Unrealised loss on open forward foreign currency contracts	18	1,138,355	410,965
Total liabilities		2,551,820	*1,916,077*
Total Equity and Liabilities		**250,799,956**	*180,611,093*
Net assets attributable to holders of Redeemable participating preference shares (per share)	12	1.953	*1.823*

The financial statements on pages 17 to 38 were approved on 23 September 2011 and signed on behalf of the Board of Directors by:

Ashe Windham
Chairman

Christopher Spencer
Director

RUFFER INVESTMENT COMPANY LIMITED

Statement of Comprehensive Income

	Notes	Revenue	Capital	01.07.10 to 30.06.11 Total	*01.07.09 to 30.06.10 Total*
		£	£	£	£
Bank interest income		13,360	-	13,360	*8,966*
Fixed interest income		1,478,123	-	1,478,123	*677,938*
Dividend income		4,060,571	-	4,060,571	*2,724,363*
Net gains on financial assets at fair value through profit or loss	4	-	19,049,879	19,049,879	*31,242,257*
Other losses	5	-	(1,854,190)	(1,854,190)	*(2,023,496)*
Total income		5,552,054	17,195,689	22,747,743	*32,630,028*
Management fees	6	-	(2,038,587)	(2,038,587)	*(1,440,691)*
Expenses	7	(636,541)	(442,786)	(1,079,327)	*(876,320)*
Total expenses		(636,541)	(2,481,373)	(3,117,914)	*(2,317,011)*
Profit for the year before tax		4,915,513	14,714,316	19,629,829	*30,313,017*
Withholding tax		(503,005)	-	(503,005)	*(349,401)*
Profit for the year after tax		4,412,508	14,714,316	19,126,824	*29,963,616*
Total comprehensive income for the year		4,412,508	14,714,316	19,126,824	*29,963,616*
Basic and diluted earnings per share *		3.71p	12.37p	16.08p	*32.36p*

*Basic and diluted earnings per share are calculated by dividing the profit after taxation and increase in net assets attributable to holders of redeemable participating preference shares by the weighted average number of redeemable participating preference shares. The weighted average number of shares for the year was 118,922,387 (30.06.2010: 92,585,251).

Statement of Changes in Equity

	Share capital £	Distributable reserves £	Total 01.07.10 to 30.06.11 £
Balance at 30 June 2010	15,897,171	162,797,843	178,695,014
Total comprehensive income for the year	-	19,126,824	19,126,824
Transactions with Shareholders:			
Share capital issued	54,984,375	-	54,984,375
Share issue costs	(1,217,863)	-	(1,217,863)
Distribution for the year	-	(3,340,216)	(3,340,216)
Balance at 30 June 2011	69,663,683	178,584,451	248,248,134

Net Assets attributable to holders of redeemable participating preference shares at the end of the year £248,248,134.

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

	Non-distributable reserves			*Distributable reserves*			*Total*
	Share capital £	*Capital reserve* £	*Foreign exchange* £	*Foreign exchange* £	*Revenue reserves* £	*Other reserves* £	*01.07.09 to 30.06.10* £
Balance at 30 June 2009	*8,913*	*31,542,216*	*6,083,289*	*599,752*	*10,098,838*	*87,270,273*	*135,603,281*
Total comprehensive income for the year	*-*	*29,781,054*	*(2,056,466)*	*32,970*	*2,206,058*	*-*	*29,963,616*
Transactions with Shareholders:							
Share capital issued	*15,888,258*	*-*	*-*	*-*	*-*	*-*	*15,888,258*
Distribution for the year	*-*	*-*	*-*	*-*	*-*	*(2,760,141)*	*(2,760,141)*
Balance at 30 June 2010	*15,897,171*	*61,323,270*	*4,026,823*	*632,722*	*12,304,896*	*84,510,132*	*178,695,014*

Net Assets attributable to holders of redeemable participating preference shares at the end of the year £178,695,014.

Statement of Cash Flows

	01.07.10 to 30.06.11 Total £	*01.07.09 to 30.06.10 Total £*
Cash flows from operating activities		
Purchase of financial assets at fair value through profit or loss	(143,810,642)	*(116,063,318)*
Proceeds from sale of financial assets at fair value through profit or loss (including realised gains)	97,389,056	*98,116,983*
Other receivables	-	*6,725,000*
Transaction costs paid to brokers	(442,786)	*(380,685)*
Bank interest received	13,360	*8,966*
Fixed interest income received	966,457	*694,609*
Dividends received	3,825,795	*2,698,488*
Withholding tax	(471,337)	*(347,534)*
Operating expenses paid	(2,628,644)	*(1,896,708)*
Foreign exchange (losses)/gains	(1,245,689)	*1,760,511*
Net cash used in operating activities	(46,404,430)	*(8,683,688)*
Cash flows from financing activities		
Dividends paid	(3,340,216)	*(2,760,141)*
Proceeds from issue of redeemable participating preference shares	52,318,125	*15,888,258*
Share issue costs	(1,217,863)	-
Net cash generated from financing activities	47,760,046	*13,128,117*
Net increase in cash and cash equivalents	1,355,616	*4,444,429*
Cash and cash equivalents at beginning of the year	9,404,633	*4,960,204*
Cash and cash equivalents at end of the year	10,760,249	*9,404,633*

Notes to the Financial Statements

1. Significant accounting policies

Basis of preparation
The financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"), which comprise standards and interpretations approved by the International Accounting Standards Board ("IASB") and are in compliance with The Companies (Guernsey) Law, 2008. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss.

This annual report and financial statements, covering the year from 1 July 2010 to 30 June 2011, has been audited.

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

IAS 24 (amendments) - Related party disclosures (effective date - 1st January 2011)
IFRS 9 - Financial instruments: Classification and measurement (effective date - 1st January 2013)
IFRS 10 - Consolidated Financial Statements (effective date - 1st January 2013)
IFRS 11 - Joint arrangements (effective date - 1st January 2013)
IFRS 12 - Disclosure of interest in other entities (effective date - 1st January 2013)
IFRS 13 - Fair value measurement (effective date - 1st January 2013)
IFRIC 14 (amendments) - Prepayments of a minimum funding requirement (effective date - 1st January 2011)

The Board anticipate that the adoption of these standards and interpretations in a future period will not have a material impact on the financial statements of the Company, other than IFRS 9 and IFRS 13. The Company is currently evaluating the potential effect of these standards.

Annual improvements to IFRS's were issued by the IASB on 6th May 2010 and contain minor amendments to standards for periods beginning on or after 1st January 2011. No material changes to accounting policies are expected as a result of these changes.

Financial instruments
Financial assets and financial liabilities are recognised on the Company's Statement of Financial Position when the Company becomes a party to the contractual provisions of the instrument.

Investments assets at fair value through profit or loss ("investments")
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 gains on investments assets at fair value through profit or loss.

Forward foreign currency contracts
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 losses and gains in the period in which they arise.

Other financial instruments
For other financial instruments, including other receivables and other payables, the carrying amounts as shown in the Statement of Financial Position approximate to fair values due to the short term nature of these financial instruments.

Notes to the Financial Statements (continued)

1. Significant accounting policies (continued)

Financial instruments (continued)
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.

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

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

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

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.

Significant estimates and judgements
The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equate to the related actual results. The main use of accounting estimates and assumptions occurs in the calculation of the sensitivity analysis in Note 18.

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.

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. In the previous year 75% of management fees were charged to capital reserve and the remaining 25% to revenue.

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

Translation of foreign currency
Items included in the Company's financial statements are measured using the currency of the primary economic environment in which it operates ("the functional currency"). This is the British Pound ("Sterling"), which is the currency in which its shares are denominated. The Company has also adopted Sterling as its presentation currency.

Notes to the Financial Statements (continued)

1. Significant accounting policies (continued)

Translation of foreign currency (continued)
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 gains or losses on financial assets through profit or loss in the Statement of Comprehensive Income.

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

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.

2. Taxation

The Company has been granted Exempt Status under the terms of The Income Tax (Exempt Bodies) (Guernsey) Ordinance, 1989 to income tax in Guernsey. Its liability is an annual fee of £600.

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

3. Dividends to shareholders

Dividends, if any, will be declared semi-annually in September and March each year. A first interim dividend of 1.5p per share (£1,470,640) was declared on 25 August 2010 and paid on 24 September 2010 in respect of the period from 1 January 2010 to 30 June 2010. A second interim dividend of 1.5p per share (£1,869,576) was declared on 2 March 2011 and paid on 25 March 2011 in respect of the period covered by this annual financial report. A third interim dividend of 1.5p per share was approved on 23 September 2011, also in respect of the period covered by this report. The financial impact of the dividend is not included in these financial statements.

4. Net gains on financial assets at fair value through profit or loss

	01.07.10 to 30.06.11	***01.07.09 to 30.06.10***
	£	***£***
The net gains on financial assets at fair value through profit or loss during the year comprise:		
Gains realised on investments sold during the year	7,825,379	*21,648,055*
Unrealised gains arising from changes in fair value during the year	11,224,500	*9,594,202*
Net gains on financial assets at fair value through profit or loss	19,049,879	*31,242,257*

Notes to the Financial Statements (continued)

5. Other losses

	01.07.10 to 30.06.11 £	*01.07.09 to 30.06.10 £*
Unrealised losses on forward foreign currency contracts	(608,500)	*(3,784,008)*
Realised (losses)/gains on forward foreign currency contracts	(393,617)	*1,217,109*
Other realised and unrealised foreign exchange (losses)/gains	(852,073)	*543,403*
	(1,854,190)	*(2,023,496)*

6. Management fees

The Company's Investment Manager is Ruffer LLP. The Manager receives an annual fee, payable monthly in arrears, at the rate of 1 per cent. per annum of the NAV of the Company net of the market value of all the related investment funds on a mid-market basis.

During the year ended 30 June 2011, management fees of £2,038,587 (30.06.10: £1,440,691) were charged to the Company, of which £2,038,587 (30.06.10: £1,080,518) was charged to the capital reserves of the Company. The amount of £180,821 (30.06.10: £147,539) remained payable at the year end.

7. Expenses

	01.07.10 to 30.06.11 £	*01.07.09 to 30.06.10 £*
Transaction costs	442,786	*380,685*
Administration fee	275,054	*209,982*
Directors' fees	131,488	*128,500*
General expenses	168,505	*115,235*
Custodian and trustee charges	41,994	*14,899*
Audit fee	19,500	*25,391*
Bank interest expense	-	*1,628*
	1,079,327	*876,320*

All expenses were charged to revenue apart from transaction costs of £442,786 (30.06.10: £380,685) which was charged to the capital reserves of the Company.

8. Investment assets at fair value through profit or loss

	30.06.11 £	*30.06.10 £*
Cost of investments held at end of the year	209,760,946	*153,204,315*
Fair value movement	26,205,626	*14,981,126*
Investment assets at fair value through profit or loss	235,966,572	*168,185,441*

Notes to the Financial Statements (continued)

9. Receivables

	30.06.11 £	***30.06.10*** £
Amounts falling due within one year:		
Due on issue of redeemable preference shares	2,666,250	-
Sales of investments awaiting settlement	-	*1,833,950*
Investment income receivable	698,192	*463,416*
Fixed interest income receivable	347,800	*266,029*
Other receivables	2	*214,421*
	3,712,244	*2,777,816*

10. Payables

	30.06.11 £	***30.06.10*** £
Amounts falling due within one year:		
Purchases of investments awaiting settlement	1,039,356	*993,535*
Other creditors	110,226	*312,644*
Management fees payable	180,821	*147,539*
Withholding taxes payable	83,062	*51,394*
	1,413,465	*1,505,112*

11. Share capital account

	30.06.11	***30.06.10***
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 0.1p each	75,000	*75,000*
	95,100	*95,100*

	Number of shares		Share Capital	
	30.06.11	***30.06.10***	**30.06.11**	***30.06.10***
Issued share capital			**£**	**£**
Management shares				
Management Shares of £1.00 each	**2**	2	**2**	*2*
Equity shares				
Redeemable participating preference Shares of 0.01p each:				
Balance at start of year	**98,042,672**	*89,129,703*	**15,897,171**	*8,913*
Issued during the year	**29,095,744**	*8,912,969*	**54,984,375**	*15,888,258*
Share issue costs	**-**	-	**(1,217,863)**	-
Balance as at end of year	**127,138,416**	*98,042,672*	**69,663,683**	*15,897,171*

Notes to the Financial Statements (continued)

11. Share capital account (continued)

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

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

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

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

C Shares
There were no C Shares in issue at the year end (30.06.10: Nil).

Blocklisting and additional shares issued
During the year the Company made an application to the Financial Services Authority and to the LSE for 12,463,841 redeemable participating preference shares of 0.01pence each to be admitted to the Official List under a general corporate purposes blocklisting facility. Under the blocklisting facility, 2,500,000 new redeemable participating preference shares of 0.01 pence each were allotted and issued during the year. These new redeemable participating preference shares rank pari passu with the existing shares in issue.

As at 30 June 2011 the Company had 127,138,416 redeemable participating preference shares of 0.01 pence each and 2 Management shares of £1.00 each in issue. Therefore, the total voting rights in the Company at 30 June 2011 were 127,138,418.

12. NAV reconciliation

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

	30.06.11	***30.06.10***
	£	**£**
NAV per share reported to the LSE	1.956	*1.826*
IAS 39 valutaions adjustment (MID to BID)	(0.003)	*(0.004)*
Other adjustments	-	*0.001*
Net assets attributable to holders of redeemable participating preference shares (per share)	1.953	*1.823*

Notes to the Financial Statements (continued)

13. Contingent liabilities

There were no contingent liabilities at the reporting date.

14. Related party transactions

Investment Management Agreement
The Company is managed by Ruffer LLP, an independent business incorporated in England and Wales as a limited liability partnership. The Company and the Investment Manager have entered into an Investment Management Agreement under which the Investment Manager has been given responsibility for the day-to-day discretionary management of the Company's assets (including uninvested cash) in accordance with the Company's investment objective and policy, subject to the overall supervision of the Directors and in accordance with the investment restrictions in the Investment Management Agreement and the Company's Articles of Association. The Investment Management Agreement will continue in force until determined by the Investment Manager or the Company giving to the other party thereto not less than 12 months notice.

The market value of all related investment funds are deducted from the NAV of the Company before the calculation of management fees on a monthly basis. Details of the management fees to which the Investment Manager is entitled are stated in Note 6.

Shares held in the Investment Manager
As at 30 June 2011, an immediate family member of the Chairman Ashe Windham, owned 100 (30.06.10: 100) shares in the Investment Manager. This amounts to less than 0.01% (30.06.10: less than 0.01%) of the company's issued share capital.

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

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

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 £170,000 (30.06.10: £150,000) per annum.

At the 6th AGM held on 23 November 2010 a special resolution was passed which authorised the increase of the maximum aggregate amount of fees payable to the directors from £150,000 to £170,000 per annum.

Each Director was paid a fee of £20,000 (30.06.10: £20,000) per annum, except for the Chairman who was paid £28,500 (30.06.10: £28,500).

Total Directors' fees for the year, including the outstanding Directors' fees at the end of the year, are detailed below.

	30.06.11	***30.06.10***
	£	**£**
Directors' fees for the year	131,488	*128,500*
Accrued at end of the year	32,125	*32,125*

During the year each Director was paid an additional amount of £5,000 for extra work expended as a result of the new share issue. The total charge of £30,000 has been included in the share issue costs.

Notes to the Financial Statements (continued)

14. Related party transactions (continued)

Shares held by related parties
As at 30 June 2011, Directors of the Company held the following numbers of shares beneficially:-

	30.06.11	***30.06.10***
Directors	***Shares***	***Shares***
Wayne Bulpitt	20,000	*20,000*
Jeannette Etherden	36,627	*36,627*
Christopher Spencer	14,157	*14,157*
Ashe Windham	68,000	*62,906*

On the 20 July 2011, Peter Luthy purchased 120,000 redeemable participating preference shares.

As at 30 June 2011, Jonathan Ruffer, Chief Executive Officer of the Investment Manager and his immediate family owned 981,635 (30.06.10: 384,000) shares in the Company.

As at 30 June 2011, the Investment Manager held 14,221,788 (30.06.2010.: 17,705,528) shares on behalf of its discretionary clients in the Company

Investments in related funds
As at 30 June 2011 the Company held investments in three (2009: three) related investment funds valued at £23,748,502 (30.06.10: £18,095,233). Refer to the Portfolio Statement on pages 39 to 42 for details.

15. Substantial Interests

As at 13 September 2011, registered shareholders with holdings greater than 3% in the Company were:

Clients of Roy Nominees Limited	8,363,492	6.44
Clients of State Street Nominees Limited	7,512,580	5.78
Clients of Speirs & Jeffrey Client Nominees Ltd	6,286,292	4.84
Clients of Rathbone Nominees Limited	5,541,389	4.27
Clients of Giltspur Nominees Limited	4,229,431	3.26
Clients of Alliance Trust Savings Nominees Limited	4,151,963	3.20
Clients of Chase Nominees Limited	4,145,368	3.19

16. Operating segment reporting

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

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

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

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

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

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

Notes to the Financial Statements (continued)

17. Financial instruments

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

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

Terms, conditions and accounting policies
The financial instruments held by the Company comprise principally of internationally listed or quoted equities or equity related securities (including convertibles) 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 1. The following table analyses the carrying amounts of the financial assets and liabilities by category as defined in IAS 39.

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

	30.06.11 Fair Value £	***30.06.10 Fair Value £***
Financial assets		
Listed securities	219,689,390	*157,136,972*
Unlisted securities	16,277,182	*11,048,469*
Unrealised gain on open forward foreign currency contracts	360,891	*243,203*
Total financial assets at fair value through profit and loss	236,327,463	*168,428,644*
Other financial assets*	14,472,493	*12,182,449*

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

	30.06.11 Fair Value £	***30.06.10 Fair Value £***
Financial liabilities		
Payables	1,413,465	*1,505,112*
Unrealised loss on open forward foreign currency contracts	1,138,355	*410,965*
	2,551,820	*1,916,077*

18. 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 below:

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.

Notes to the Financial Statements (continued)

18. Financial risk management and associated risks (continued)

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 100/25 basis point movement for interest rate used by the Company is based on the Investment Manager's best estimates.

A 10% (30.06.10: 5%) increase in the market prices of equity related investments as at 30 June 2011 would have increased the net assets attributable to holders of redeemable participating preference shares by £16,207,512 (30.06.10: £5,385,582) and an equal change in the opposite direction would have decreased the net assets attributable to holders of redeemable participating preference shares by an equal opposite amount.

An increase of 100 basis points in interest rates of bond related investments as at 30 June 2011 would have decreased the net assets attributable to holders of redeemable participating preference shares by £10,111,965 (30.06.10: £6,928,968) and a decrease of 25 basis points in interest rates would have increased the net assets attributable to holders of redeemable participating preference shares by £2,527,991 (30.06.10: 50 basis points £3,464,484).

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

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

As a portion of the Company's investment portfolio is invested in securities denominated in currencies other than Sterling (the functional and presentation currency of the Company) the Statement of Financial Position may be significantly affected by movements in the exchange rates of such currencies against Sterling. The Investment Manager has the power to manage exposure to currency movements by using forward foreign currency contracts and details of the holdings of such instruments at the date of these financial statements is set out below. The Company will not engage in currency hedging except where it considers such hedging to be in the interests of efficient portfolio management.

Notes to the Financial Statements (continued)

18. Financial risk management and associated risks (continued)

Foreign currency risk (continued)
As at 30 June 2011, the Company had nine (30.06.10: five) open forward foreign currency contracts.

Expiration	Underlying	Notional amount of contracts outstanding	30.06.11 Fair value assets/ (liabilities) £
15 September 2011	Foreign currency (Sale of EUR)	€ 10,635,000	(230,800)
15 September 2011	Foreign currency (Sale of JPY)	¥4,595,784,000	(349,900)
15 September 2011	Foreign currency (Sale of JPY)	¥208,190,000	(4,354)
15 September 2011	Foreign currency (Sale of JPY)	¥328,710,000	11,637
15 September 2011	Foreign currency (Sale of JPY)	¥170,340,000	(4,682)
1 July 2011	Foreign currency (Purchase of JPY)	¥120,843,205	(6,705)
4 July 2011	Foreign currency (Purchase of JPY)	¥13,915,697	143
15 July 2011	Foreign currency (Sale of USD)	US$30,190,000	(541,914)
15 July 2011	Foreign currency (Purchase of USD)	US$30,190,000	349,111
			(777,464)

Expiration	*Underlying*	*Notional amount of contracts outstanding*	*30.06.10 Fair value assets/ (liabilities) £*
28 July 2010	*Foreign currency (Sale of JPY)*	*¥609,900,000*	*(359,128)*
9 September 2010	*Foreign currency (Sale of JPY)*	*¥3,450,000,000*	*234,653*
9 September 2010	*Foreign currency (Sale of JPY)*	*¥409,000,000*	*(39,360)*
5 July 2010	*Foreign currency (Sale of JPY)*	*¥215,360,059*	*(12,477)*
9 September 2010	*Foreign currency (Purchase of JPY)*	*¥200,000,000*	*8,550*
			(167,762)

The Investment Manager’s treatment of currency transactions other than in Sterling is set out in Note 1 to the financial statements under “Translation of foreign currency” and “Forward foreign currency contracts”.

As at 30 June 2011 and 2010, the Company held the following assets and liabilities in currencies other than the functional currency:

	30.06.11 Assets £	30.06.11 Liabilities £	*30.06.10 Assets £*	*30.06.10 Liabilities £*
Japanese Yen	48,393,642	1,404,997	*38,042,641*	*1,408,723*
United States Dollar	64,304,651	561,778	*46,019,319*	*10,293*
Swedish Krona	4,501,272	-	*3,744,852*	-
Euro	10,800,263	230,800	*3,348,435*	-
Australian Dollar	1,229,868	-	*968,798*	-
Hong Kong Dollar	804,465	-	-	-
South African Rand	1,086,284	-	*1,085,867*	-

Notes to the Financial Statements (continued)

18. Financial risk management and associated risks (continued)

Foreign currency risk (continued)
Foreign currency sensitivity
As at 30 June 2011, if the foreign currency balances had weakened 10% (30.06.10: 10%) against Sterling with all other variables held constant, net assets attributable to holders of redeemable participating preference shares would be £8,585,594 (30.06.10: £12,158,556) lower net of open forward foreign currency contracts and due mainly as a result of foreign currency losses on translation of these financial assets and liabilities to Sterling. As at 30 June 2011, a 10% (30.06.10: 10%) strengthening of the foreign currency balances against Sterling would have resulted in an equal but opposite effect on the net assets attributable to holders of redeemable participating preference shares. Any changes in the foreign exchange rate will directly affect the profit and loss reported in the Statement of Comprehensive Income.

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

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

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

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

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 2011.

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

	Floating rate	**Fixed rate**	**Non-Interest bearing**	**Total 30.06.11**	***Total 30.06.10***
	£	**£**	**£**	**£**	**£**
Financial Assets					
Cash and cash equivalents	10,760,249	-	-	10,760,249	*9,404,633*
Investments at fair value through profit or loss	-	73,308,970	162,657,602	235,966,572	*168,185,441*
Unrealised gain on open forward foreign currency contracts	-	-	360,891	360,891	*243,203*
Receivables	-	-	3,712,244	3,712,244	*2,777,816*
	10,760,249	73,308,970	166,730,737	250,799,956	*180,611,093*

Notes to the Financial Statements (continued)

18. Financial risk management and associated risks (continued)

Interest rate risk (continued)

	Floating rate £	Fixed rate £	Non-Interest bearing £	Total 30.06.11 £	*Total 30.06.10 £*
Financial Liabilities					
Payables	-	-	1,413,465	1,413,465	*1,505,112*
Unrealised loss on open forward foreign currency contracts	-	-	1,138,355	1,138,355	*410,965*
	-	-	2,551,820	2,551,820	*1,916,077*

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

	30.06.11 % p.a.	Weighted average period for which rate/ yield is fixed	*30.06.10 % p.a.*	*Weighted average period for which rate/ yield is fixed*
United Kingdom government bonds	-0.1162%	20.55 years	*0.3840%*	*19.81 years*
United States government bonds	0.6766%	13.75 years	*0.9561%*	*9.31 years*
Japanese government bonds	-	-	*1.5130%*	*6.70 years*

Interest rate sensitivity analysis
An increase of 100 basis points (30.06.10: 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 £10,111,965 (30.06.10: £6,928,968) and a decrease of 25 basis points in interest rates would have increased the net assets attributable to holders of redeemable participating preference shares by £2,527,991 (30.06.10: 50 basis points £3,464,484).

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.

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

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 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.

Notes to the Financial Statements (continued)

18. Financial risk management and associated risks (continued)

Credit risk (continued)
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 and such other financial markets as may be specifically agreed from time to time between the Board and the Investment Manager.

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

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

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

	30.06.11	***30.06.10***
	£	**£**
Cash and cash equivalents	10,760,249	*9,404,633*
Unrealised gain in open forward foreign currency contracts	360,891	*243,203*
Receivables	3,712,244	*2,777,816*
Investments designated at fair value through profit or loss	235,966,572	*168,185,441*
	250,799,956	*180,611,093*

The Moody's and/or Standard and Poor (S&P) credit ratings of the issuers of Bonds as at 30 June 2011 were as follows:

		30.06.11
	S&P	**Moody's**
UK Index-Linked Gilt 2.50% 26/07/2016	NR	Aaa
UK Index-Linked Gilt 1.25% 22/11/2017	NR	Aaa
UK Index-Linked Gilt 1.25% 22/11/2055	NR	Aaa
US Treasury Inflation Indexed 1.625% Bond 15/01/2015	NR	NR
US Treasury Inflation Indexed 1.625% Bond 15/01/2018	NR	NR
US Treasury Inflation Indexed 2.125% Bond 15/02/2040	NR	NR

NR: not rated by the above credit rating agencies.

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

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

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

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

Notes to the Financial Statements (continued)

18. Financial risk management and associated risks (continued)

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

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

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

The following table presents the Company's financial assets and liabilities by level within the valuation hierarchy as of 30 June 2011.

				30.06.11
	Level 1	**Level 2**	**Level 3**	**Total**
	£	**£**	**£**	**£**
Financial assets at fair value through profit or loss:				
Government Indexed-Linked Bonds	73,308,970	-	-	73,308,970
Warrants	582,482	-	-	582,482
Equities	137,032,729	-	-	137,032,729
Investment Funds	-	25,042,391	-	25,042,391
Unrealised gain on open forward foreign currency contracts	-	360,891	-	360,891
Total assets	210,924,181	25,403,282	-	236,327,463
Financial liabilites at fair value through profit or loss:				
Unrealised loss on open forward foreign currency contracts	-	1,138,355	-	1,138,355
Total liabilities	-	1,138,355	-	1,138,355

Notes to the Financial Statements (continued)

18. Financial risk management and associated risks (continued)

Fair value (continued)
The following table presents the Company's financial assets and liabilities by level within the valuation hierarchy as of 30 June 2010.

	Level 1	*Level 2*	*Level 3*	*30.06.10 Total*
	£	£	£	£
Financial assets at fair value through profit or loss:				
Government Indexed-Linked Bonds	*58,878,389*	-	-	*58,878,389*
Warrants	*1,595,411*	-	-	*1,595,411*
Equities	*88,520,688*	-	-	*88,520,688*
Investment Funds	-	*19,190,953*	-	*19,190,953*
Unrealised gain on open forward foreign currency contracts	-	*243,203*	-	*243,203*
Total assets	*148,994,488*	*19,434,156*	-	*168,428,644*
Financial assets at fair value through profit or loss:				
Unrealised loss on open forward foreign currency contracts	-	*410,965*	-	*410,965*
Total liabilities	-	*410,965*	-	*410,965*

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

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

The Company held no Level 3 investments as at 30 June 2011 and 2010.

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.

As at 30 June 2011 and 2010, the Company had no significant financial liabilities other than short-term payables arising directly from investing activity.

19. 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.

Notes to the Financial Statements (continued)

19. Capital risk management (continued)

The Company has the ability to borrow up to 30% of its NAV at any time for short-term or temporary purposes as is necessary for the settlement of transactions, to facilitate redemption (where applicable) or to meet ongoing expenses. The Company does not have any structural gearing. The gearing ratio below is calculated as total liabilities divided by total equity.

	30.06.11	30.06.10
	£	£
Total assets	250,799,956	180,611,093
Less: total liabilites	(2,551,820)	(1,916,077)
Total equity	248,248,136	178,695,016
Gearing ratio	1.03%	1.07%

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

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

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

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

Purchase of Own Shares by the Company
An ordinary resolution was granted on 23 November 2010 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 0.0lp 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 0.01p, being the nominal value per share;
(iii) the maximum price (exclusive of expenses) which may be paid for the Share is an amount equal to the higher of (i) 105% of the average of the middle market quotations for a Share taken from the London Stock Exchange Daily Official List for the 5 business days immediately preceding the day on which the Share is purchased and (ii) the price stipulated in Article 5(i) of the Buyback and Stabilisation Regulation (No 2237 of 2003);
(iv) purchases may only be made pursuant to this authority if the Shares are (at the date of the proposed purchase) trading on the London Stock Exchange at a discount to the lower of the undiluted or diluted NAV;
(v) the authority conferred shall expire at the conclusion of the Annual General Meeting of the Company in 2010 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.

Notes to the Financial Statements (continued)

20. Subsequent events

These financial statements were approved for issuance by the Board on 23 September 2011. Subsequent events have been evaluated until this date.

Under the blocklisting facility the following participating preference shares of 0.01 pence each were allotted and issued subsequent to the year end and up to the date of this report.

Date	Shares	Price per share	Total
		£	£
5 July 2011	500,000	2.0200	1,010,000
19 July 2011	400,000	2.0300	812,000
26 July 2011	750,000	2.0425	1,531,875
3 August 2011	150,000	2.0300	304,500
16 August 2011	600,000	1.9500	1,170,000
23 August 2011	200,000	1.9270	385,400
31 August 2011	150,000	1.9330	289,950
20 September 2011	500,000	1.9650	982,500
	3,250,000		6,486,225

The Company has the ability to issue a further 6,713,841 redeemable participating preference shares under the blocklisting facility.

As at the date of this report the Company had 130,388,416 redeemable participating preference shares of 0.01 pence each and 2 Management shares of £1.00 each in issue. Therefore, the total voting rights in the Company at the date of this report were 130,388,418.

Portfolio Statement as at 30 June 2011

	Currency	Holding at 30.06.11	Fair Value £	% of Total Net Assets*
Government Index-Linked Bonds 29.53%				
(30.06.10 - 32.95%)				
United Kingdom				
UK Index-Linked Gilt 2.50% 26/07/2016	GBP	2,005,000	6,626,726	2.67
UK Index-Linked Gilt 1.25% 22/11/2017	GBP	11,500,000	15,385,310	6.20
UK Index-Linked Gilt 1.25% 22/11/2055	GBP	8,430,000	13,416,564	5.40
			35,428,600	14.27
United States				
US Treasury Inflation Indexed 1.625% Bond 15/01/2015	USD	15,000,000	11,934,405	4.81
US Treasury Inflation Indexed 1.625% Bond 15/01/2018	USD	16,300,000	11,983,773	4.83
US Treasury Inflation Indexed 2.125% Bond 15/02/2040	USD	19,800,000	13,962,192	5.62
			37,880,370	15.26
Total Government Indexed-Linked Bonds			**73,308,970**	**29.53**
Options Nil%				
(30.06.10 - 0.89%)				
Warrants 0.23%				
(30.06.10 - 0.Nil%)				
United Kingdom				
Nomura A$ Protection Warrant 15/09/11	USD	1,500	582,482	0.23
Total Warrants			**582,482**	**0.23**

Portfolio Statement as at 30 June 2011 (continued)

	Currency	Holding at 30.06.11	Fair Value £	% of Total Net Assets*
Equities 55.210%				
(30.06.10 - 49.54%)				
Europe				
Germany				
Fresenius Medical Care NPV	EUR	63,500	2,946,415	1.19
TAG Immobilien AG	EUR	80,300	506,171	0.20
			3,452,586	1.39
Netherlands				
Koninklijke KPN NV	EUR	812,000	7,347,677	2.96
			7,347,677	2.96
Sweden				
Ericsson (LM) Telecom	SEK	500,000	4,501,272	1.81
			4,501,272	1.81
United Kingdom				
Better Capital Ltd	GBP	1,727,800	2,038,804	0.82
Booker Group Plc	GBP	4,631,000	3,128,241	1.26
BT Group Plc	GBP	3,333,000	6,715,995	2.71
Charles Taylor (Consulting) Plc	GBP	952,936	1,429,404	0.58
Colt Group Ltd	GBP	495,225	707,677	0.29
GlaxoSmithKline Plc	GBP	300,000	4,002,000	1.61
Invensys Plc	GBP	1,000,000	3,218,000	1.30
ITV plc	GBP	1,000,000	714,500	0.29
London & Stamford Property Ltd	GBP	290,300	377,971	0.15
Oakley Capital Investments Ltd	GBP	2,825,794	4,182,175	1.68
RSA Insurance Group Plc	GBP	3,124,000	4,214,276	1.70
Seaenergy Plc	GBP	300,000	84,000	0.03
ServicePower Technology Plc	GBP	8,860,000	863,850	0.35
Tesco Plc	GBP	750,000	3,014,625	1.21
Vodafone Group Plc	GBP	5,050,000	8,347,650	3.36
Yell Group Plc	GBP	3,635,781	209,057	0.08
			43,248,225	17.42
Total European Equities			**58,549,760**	**23.58**

RUFFER INVESTMENT COMPANY LIMITED

Portfolio Statement as at 30 June 2011 (continued)

	Currency	Holding at 30.06.11	Fair Value £	% of Total Net Assets*
Australia				
Newcrest Mining Ltd	AUD	48,946	1,229,868	0.50
Total Australian Equities			**1,229,868**	**0.50**
Canada				
Barrick Gold Corp	USD	70,000	1,975,147	0.80
Total Canadian Equities			**1,975,147**	**0.80**
United States				
Cisco Systems	USD	350,000	3,400,916	1.37
Clean Diesel Technology	USD	33,536	99,222	0.04
Johnson & Johnson	USD	132,700	5,493,314	2.21
Kraft Foods Inc	USD	170,000	3,729,422	1.50
Merck & Co Inc	USD	150,000	3,295,338	1.33
Wal-Mart Stores Inc	USD	175,800	5,815,651	2.35
Total United States Equities			**21,833,863**	**8.80**
Asia				
Hong Kong				
Esprit Holdings	HKD	417,000	804,465	0.32
			804,465	0.32
Japan				
Daiei Inc	JPY	990,000	2,214,318	0.89
Daiwa Securities Group Inc	JPY	760,000	2,063,304	0.83
Inpex Corp	JPY	1,400	6,370,697	2.57
Japan Residential Investment Co Ltd	JPY	8,330,000	3,706,850	1.49
Kao Corp	JPY	255,000	4,143,922	1.67
Nippon Telegraph & Telephone Corp	JPY	229,000	6,826,402	2.75
Nomura Research Institute	JPY	60,000	808,909	0.33
NTT Data Corporation	JPY	2,000	4,100,076	1.65
Resona Holdings Inc	JPY	938,000	2,727,413	1.10
Sumitomo Mitsui Financial Group Inc	JPY	210,000	3,992,483	1.61
Toshiba Plant Systems & Services	JPY	420,000	3,061,174	1.23
T&D Holdings Inc	JPY	567,000	8,313,272	3.35
			48,328,820	19.47

Portfolio Statement as at 30 June 2011 (continued)

	Currency	Holding at 30.06.11	Fair Value £	% of Total Net Assets*
Singapore				
M1 Limited	SGD	1,463,000	1,863,221	0.75
			1,863,221	0.75
Total Asian Equities			**50,996,506**	**20.54**
Africa				
South Africa				
Gold Fields Ltd	ZAR	120,000	1,086,284	0.44
Gold Fields ADR Rep	USD	150,000	1,361,301	0.55
Total African Equities			**2,447,585**	**0.99**
Total Equities			**137,032,729**	**55.21**
Investment Funds 10.09%				
(30.06.10 - 10.74%)				
United Kingdom				
CF Ruffer Baker Steel Gold Fund**	GBP	2,830,683	8,439,682	3.40
CF Ruffer Japanese Fund**	GBP	7,500,000	7,837,500	3.16
Herald Worldwide Fund	GBP	64,341	1,293,889	0.52
Ruffer Illiquid Strategies Fund of Funds 2009 Limited**	GBP	6,725,000	7,471,320	3.01
			25,042,391	10.09
Total Investment Funds			**25,042,391**	**10.09**
Total financial assets at fair value through profit or loss			**235,966,572**	**95.06**
Other net current			12,281,564	4.94
Management share capital			(2)	-
Total value of Company (attributable to redeemable participating preference shares)			**248,248,134**	**100.00**

* All percentages relate to net assets attributable to holders of redeemable participating preference shares
**CF Ruffer Baker Steel Gold Fund, CF Ruffer Japanese Fund and Ruffer Illiquid Strategies Fund of Funds 2009 Limited are classed as related parties as they share the same Investment Manager as the Company.

General Information

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

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

The accounting date of the Company is 30 June in each year. These annual financial statements were authorised for issue on 23 September 2011 by the Directors.

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

It is the intention of the Investment Manager 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 Investment Manager receives an annual fee, payable monthly in arrears, at the rate of 1 per cent. per annum of the NAV of the Company on a mid market basis.

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.

The Custodian will be entitled to receive agreed safekeeping fees calculated on the basis of a percentage of the NAV of each holding of securities (which vary dependent on the location of the market on which those securities are traded) together with fixed transaction fees which similarly vary on a market by market basis.

RUFFER INVESTMENT COMPANY LIMITED

Management and Administration

Directors

Ashe Windham (appointed chairman 29 April 2011)
John de Havilland (Chairman - retired 13 April 2011)
Wayne Bulpitt
Jeannette Etherden
Peter Luthy
Christopher Spencer
John V Baldwin (appointed 24 February 2011)

Registered Office

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

Auditor

David Green
Moore Stephens,
Town Mills South,
La Rue du Pre,
St. Peter Port,
Guernsey,
Channel Islands, GY1 3HZ

Investment Manager

Ruffer LLP,
80 Victoria Street,
London, SW1E 5JL

Sponsor and Broker

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

Solicitors to the Company as to UK law

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

Company Secretary, Administrator and Registrar

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 (Channel Islands) Limited,
Ordnance House,
31 Pier Road,
St. Helier,
Jersey, JE4 8PW

Advocates to the Company as to Guernsey law

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

Custodian

RBC Dexia Investor Services Trust,
155 Wellington St W,
Toronto, Ontario,
M5V 3L3, Canada