

RUFFER INVESTMENT COMPANY LIMITED

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2013

RUFFER INVESTMENT COMPANY LIMITED

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RUFFER INVESTMENT COMPANY LIMITED

Financial Highlights

30.06.13

	Offer Price	Net Asset Value
Redeemable participating preference shares	£ 2.175†	£ 2.139*

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

* This is the Net Asset Value ("NAV") per share, using International Financial Reporting Standards as at 30.06.13. The Fund is valued weekly and at month end. Refer to Note 12 in the financial statements for the NAV reconciliation.

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 13.2% over the 12 months to 30 June 2013. This is calculated after all expenses of management and allowing for the payment of dividends, which amounted to a total of 3.20p 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. After last year's somewhat muted performance the Company's investment stance, and especially its heavy exposure to Japanese equities which paid off handsomely from November 2012, rewarded our shareholders. Over the same period the FTSE Allshare rose 17.9% on a total return basis. Further details of the performance are given in the Investment Manager's Report on page 11. The Company's NAV on 25 September 2013 was 2.158. The Board remains confident in the ability of the Investment Manager to continue to achieve the Company's objectives.

Earnings and Dividends

Earnings for the year were 4.03p per share on the revenue account and 21.24p per share on the capital account. In the course of the year dividends totalling 3.20p per share were paid. A third interim dividend of 1.7p per share in respect of the year to 30 June 2013 was approved on 25 September 2013 and will be paid on 25 October 2013.

Share Issuance

At the start of the year, the Company had the ability to issue 8,807,682 redeemable participating shares under a blocklisting facility. On 21 November 2012, at the Company's AGM, a resolution to issue up to a further 10% of the Company's share capital by way of a block listing facility was passed. As at 25 September 2013, the date of this report, out of a possible total of 23,141,522 shares, 10,325,000 had been issued at a 3% or higher premium to the Company's prevailing NAV. 7,700,000 of these new shares were issued during the year ended 30 June 2013. The Board have satisfied themselves that the issuance of shares at a premium of more than 1.1% to the prevailing NAV is value enhancing to existing shareholders. The effect of issuing shares at a premium of 3% or better over the 12 month period to 30 June 2013 has been to add 0.2p per share to the company's NAV. This represents a 0.1% increase to the NAV at the beginning of the period. Your Board is happy to continue to grow the company organically as spreading the overheads over a larger number of shares reduces the Total Expense Ratio thus benefitting all shareholders.

As at the date of this report the Company had 151,813,416 redeemable participating preference shares of 0.01p each and 2 Management shares of £1.00 each in issue. Therefore, the total voting rights in the Company at the date of this report were 151,813,418.

Annual General Meeting

The Annual General Meeting (AGM) of the Company will be held at 10.30 a.m. on 21 November 2013 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 the year to 30 June 2013, the Board has resolved to seek, at the AGM on 21 November 2013, 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 practically all of the previous year the Board has resolved not to offer this Facility in November 2013.

Ashe Windham

Chairman

25 September 2013

* The calculation of the Company's Total Return includes an amount of 30.64 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.

RUFFER INVESTMENT COMPANY LIMITED

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 56 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 52 and a resident of Guernsey. He is Managing Director and Principal of Active Group Limited and Chairman of BlueCrest BlueTrend Limited. He was formerly Head of Offshore Investment Services for Canadian Imperial Bank of Commerce, Global Private Banking & Trust division (1998-2001) and Managing Director of CIBC Fund Managers (Guernsey) Limited (1992-1998). He is also a Director of Ruffer Illiquid Strategies Fund of Funds 2009 Limited 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 53 and a resident of the United Kingdom. She started in 1983 as a research analyst at Confederation Life (acquired by Sun Life of Canada in 1994) and was Head of UK Equities from 1991. In 1996 she moved to Newton Investment Management as a multi-asset fund manager. She was appointed a Director for Newton in 1997 and additionally was Chief Operating Officer, Investments from 1999 until her resignation in 2001. From January 2004 to January 2006 she was Business Development Manager for the Candela Fund at Olympus Capital Management. Ms Etherden is also a non-executive Director of TwentyFour Income Fund Limited. Ms Etherden was appointed to the Board on 1 June 2004.

Peter Luthy, aged 62 and a resident of the United Kingdom. He has worked in the fixed income market for 25 years. In 1990, he co-founded a credit focussed bond broker, Luthy Baillie Dowsett Pethick and Co. Limited (“LBDP”). Dresdner Kleinwort Benson acquired LBDP in 1996 where he was global head of credit products. In 1998 he became global head of investment banking at Barclays Capital and, after 2001, acted as a consultant on bank credit portfolios. 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 63 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 63 and a resident of Italy. After taking a Master’s Degree in Asian Studies at Yale University, he joined Robert Fleming & Co. in 1983 as an investment analyst trainee. In 1984 he was seconded to the Tokyo Branch of Jardine Fleming as an investment analyst, where he continued in various roles for 16 years, the final five as a Director of Jardine Fleming Securities (Asia) and Tokyo Branch Manager. The first foreigner appointed Member Governor of the Tokyo Stock Exchange, he also served on various committees of the Japan Securities Dealers Association. In 2001 he retired from successor firm JPMorgan Chase after serving as Head of Japanese Cash Equities. Mr Baldwin was appointed to the Board on 24 February 2011.

RUFFER INVESTMENT COMPANY LIMITED

Report of the Directors

The Directors of Ruffer Investment Company Limited (the “Company”) present their Annual Financial Report for the year ended 30 June 2013 which have been properly prepared 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.

Blocklisting and additional shares issued

At the start of the year, the Company had the ability to issue 8,807,682 redeemable participating preference shares under a blocklisting facility. During the year the Company made a further application to the United Kingdom Financial Conduct Authority (the “FCA”), formerly the United Kingdom Financial Services Authority (the “FSA) and to the LSE for the blocklisting of 14,333,840 (30.06.12: 13,193,841) redeemable participating preference shares of 0.01 pence each pursuant to the General Corporate Purposes Scheme. These new redeemable participating preference shares, when issued, rank pari passu with the existing equity shares of the Company.

The Company has the ability to issue a further 12,816,522 redeemable participating preference shares under the blocklisting facility.

As at the date of this report the Company had 151,813,416 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 151,813,418.

Results and Dividends

The results for the year are set out in the Statement of Comprehensive Income on page 19. A first interim dividend of 1.6p per share (£2,293,415) was declared on 26 September 2012 and paid on 19 October 2012 in respect of the period from 1 January 2012 to 30 June 2012. A second interim dividend of 1.6p per share (£2,293,415) was declared on 26 February 2013 and paid on 28 March 2013 in respect of the period covered by this annual financial report. A third interim dividend of 1.7p per share was approved on 25 September 2013, 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.

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Report of the Directors (continued)

Investment Management (continued)

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.

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 46.

Directors' Interests

The Directors who held office at 30 June 2013 and up to the date of this Report held the following numbers of redeemable participating preference shares beneficially:

	30.06.2013	30.06.2012
	Shares	Shares
<i>Directors</i>		
Ashe Windham*	70,000	70,000
Christopher Spencer	14,157	14,157
Jeannette Etherden	36,627	36,627
Peter Luthy*	120,000	120,000
Wayne Bulpitt	20,000	20,000

* Ashe Windham and Peter Luthy hold these shares jointly with their wives.

Significant Shareholdings

Disclosure and Transparency Rules are now comprised in the FCA handbook. Such rules require substantial Shareholders to make relevant holding notifications to the Company and to the FCA. The Company must then disseminate this information to the wider market.

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

Currently the United Kingdom Listing Authority requires all overseas companies with a "Premium Listing" (which includes the Company) to "comply or explain" against the United Kingdom Corporate Governance Code (the "Code").

The Guernsey Financial Services Commission ("GFSC") issued a new Code of Corporate Governance (the "GFSC Code") which came into effect on 1 January 2012.

The GFSC Code provides a framework that applies to all entities licensed by the GFSC or which are registered or authorised as a collective investment scheme. Companies reporting against the UK Corporate Governance Code are deemed to comply with the GFSC Code.

The Financial reporting Council (the "FRC") issued a revised UK Corporate Governance Code in September 2012, for reporting periods beginning on or after 1 October 2012. The Board of the Company have not early adopted the revised code.

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Report of the Directors (continued)

Corporate Governance (continued)

The Board, having reviewed the Code, considers that it has maintained procedures during the year ended 30 June 2013 to ensure that it complies with the 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.

Under the 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 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	Wayne Bulpitt	Jeannette Etherden	Peter Luthy	Christopher Spencer	Ashe Windham	John V Baldwin
Board Meetings	4	4	4	4	4	4	4
Audit Committee Meetings	2	2	2	2	2	2	2
Ad-hoc Board Meetings	1	1	1	0	0	1	0

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 21 November 2012 at the 8th AGM of the Company, Jeannette Etherden, Peter Luthy and Wayne Bulpitt retired as Directors of the Company and being eligible had offered themselves for re-election and were re-elected as Directors of the Company by the Shareholders. As Peter Luthy and Wayne Bulpitt are Directors of other companies managed by the Company's Investment Manager they are deemed to be non-independent Directors and therefore stand for re-election at each AGM.

RUFFER INVESTMENT COMPANY LIMITED

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.

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, strategy 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 International Financial Reporting 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.

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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.

Management Engagement Committee

A Management Engagement Committee, with defined terms of reference and duties, has been established to review the terms of the Agreements between the Company and its service providers to ensure that the terms are competitive, fair and reasonable for the shareholders. This includes the review of performance of the Investment Manager relative to the Company's investment policy, performance of key service providers and any other topics referred to it by the Board. The Management Engagement Committee is comprised of the independent Directors, with Mr Baldwin appointed as Chairman.

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 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 £35,000 per annum and £25,000 per annum to each non-executive director. These fees have remained unchanged since 1 January 2012. 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 controls and for maintaining and reviewing their 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.

RUFFER INVESTMENT COMPANY LIMITED

Report of the Directors (continued)

Internal Control (continued)

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

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 AGM.

On behalf of the Board

Ashe Windham
Chairman

Christopher Spencer
Director

25 September 2013

RUFFER INVESTMENT COMPANY LIMITED

Investment Manager's Report

For the year ended 30 June 2013

At 30 June 2013 the net asset value per share was 213.9p*. This represents a rise of 22p per share between 1 July 2012 and 30 June 2013 and dividends totalling 3.2p were also paid. The total return of +13.2% compares to the target return of +1.0%, being twice the Bank of England base rate.

Since launch on 8 July 2004, the net asset value of the company has risen by 149%**, including dividends. Over the same period the FTSE All Share has produced a total return of 107%.

Although we produce monthly commentaries for investors, much like retailers' quarterly sales updates, these reports cover such a short time period that it is possible to lose sight of the bigger picture. The annual report for the Company is a useful point in time to take stock. Our *raison d'être* is to keep our investors' capital safe. At the time of writing the annual report in 2012 this had been quite a challenge. By comparison this last year has been relatively plain sailing but it has nonetheless demonstrated why the aspiration never to lose money can be such an effective investment approach; it boils down to the power of compounding. Think of an investor who follows the market and one year loses 30% and then makes 30% the following year (as the UK equity market did in 2008 & 2009). Initially £100 would have fallen to £70 and then would have bounced back to £91 – the refrain of the prep school maths teacher holds true; -30% followed by +30% does not get you back to where you started. The carthorse investor, who makes a relentless but unexciting positive return, say +10%, would have ended up with £121 over two years – a full 30% outperformance over the rollercoaster approach. The carthorse is what we aspire to be for our investors. In reality it is never possible to produce perfectly consistent positive performance figures (Bernie Madoff being the exception) but we can get half way there by being fixated with not losing money – if we achieve this objective (a big 'if') the strength of compounding is on our side. Last year we were mildly apologetic for flat lining and this year our return of +13.2% is ahead of our long term average (+10.7% pa since inception) but the key to both these years was not to lose money when the going was tough.

This theory is all well and good but where does that leave us now and how can the current positioning of the portfolio protect us from what the future may hold? Last year we described a Pavlovian link between financial markets and central bank support. This has become ever more pronounced to the extent that bad news sees the market rise (stimulus will be maintained/prolonged) and good news sees the market fall (see the negative reaction to the Federal Reserve's whispers of reducing quantitative easing (QE) as the US economy recovers). It is a dangerous world when investors (the cynic might say speculators) buy and sell on central bank largesse rather than fundamentals. This situation is ultimately unsustainable and we need to tread carefully. The recent reaction to the Fed's comments on tapering QE shows how difficult it is to wean the addict off cheap money. The likelihood remains that the punchbowl will be left out too long and this means that our core protection against monetary instability (index-linked bonds and gold) must remain in place; index-linked for the moderate (but still pernicious) scenario and gold (painful though it has been) for the more extreme scenario, where the ability of governments to honour their debts is questioned. This may seem a dark picture but arguably we took two steps down the default path last year with the deliberations about changing the terms on which UK Government bonds were issued. Fortunately, common sense prevailed and the proposed changes to the Retail Price Index, which were tantamount to a default, were thrown out. We need to ensure that this cornerstone of our asset allocation does not become our Achilles heel (even if it is only in the short term). How might this happen? Firstly, a deflationary scare would see this part of the portfolio suffer. We are light on deflation protection but feel that this risk is underwritten by central banks, who would be quick to step into the breach with another dose of QE or equivalent stimulus. The second scenario is that central banks succeed in getting the growth engines going again and bond yields start to rise. If the market believes that sustainable growth is possible then the 45% we hold in equities should perform admirably and will make up for the fact that our inflation insurance policies (index-linked bonds) are not required. There is a third scenario, which could potentially hurt our carthorse credentials; the withdrawal of stimulus by central banks when investors do not believe that a recovery is sustainable. Protection against such an event is hard to find; bond yields would rise (including our treasured index-linked variety unless inflation expectations also rise) and equities would fall. The asset allocation matrix, which many have relied upon for the last 15 years, to hold 65% in equities and 35% in government bonds would be dead in the water as both sides of the equation would fall in tandem. The best protection we have found is to buy payer swaptions that rise in value as bond prices fall. These investments allow us to hold index-linked bonds, which we think are an intensely interesting long term investment, through

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Investment Manager's Report (continued)

short term volatility. The swaptions have performed very well in the last few weeks of the period under review when both equities and bonds have been falling.

And what of Japan, our largest geographical equity exposure (22%) and the best performer during the year (contributing 9% to the total return)? The message is “so-far-so-good”. The easy work has been done in terms of monetary stimulus and this must now be followed up with structural reforms. Japan is in an excellent position to have a chance of success; the new(ish) Prime Minister, Shinzo Abe, has declared that he is “afire” and that he should be judged on his economic policies. He has the backing of the electorate (70% approval ratings), the Bank of Japan and the majority of the corporate sector and he potentially has three years of uninterrupted government to push through the reforms. Success is not assured and after a stellar run (+50.7% in the last year) the stakes are higher in Japan than they were before, but this still looks to be by far the most interesting market in which to invest the Company’s equity based exposure.

Ruffer LLP
24 July 2013

* Value reported to the London Stock Exchange, using mid market price was 215.0p. Refer to Note 12 in the financial statements for the NAV reconciliation.

** The calculation of the Total Return includes an amount of 30.64 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.

RUFFER INVESTMENT COMPANY LIMITED

Company Performance

	Price at 30.06.13		Change in Bid Price	
	Bid Price	Offer Price	From Launch	From 30.06.12
	£	£	%	%
Shares	2.163	2.175	+ 116.30	+ 9.80

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
	£	£	
30.06.13	319,114,093	2.139 *	149,188,416
30.06.12	270,884,661	1.915	141,488,416
30.06.11	248,248,134	1.953	127,138,416
30.06.10	178,695,014	1.823	98,042,672
30.06.09	135,603,281	1.521	89,129,703
30.06.08	116,617,351	1.308	89,129,703

* Net Asset Value per share reported to the London Stock Exchange was 2.150 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
	£	£
30.06.13	2.310	1.915
30.06.12	2.070	1.900
30.06.11	2.110	1.850
30.06.10	2.005	1.555
30.06.09	1.570	1.250
30.06.08	1.300	1.085

NAV Range

Accounting Period to:	Highest NAV	Lowest NAV
	£	£
30.06.13	2.208	1.903
30.06.12	1.991	1.871
30.06.11	1.960	1.810
30.06.10	1.897	1.518
30.06.09	1.526	1.266
30.06.08	1.333	1.176

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

RUFFER INVESTMENT COMPANY LIMITED

Investment Policy

During a Board Meeting on 20 September 2012, the Board resolved to amend the investment policy. The changes clarified that the Company has the authority to invest in collective investment schemes including but not limited to Exchange-traded funds, Undertakings for Collective Investments in Transferable Securities (“UCITS”) funds and funds managed by the Manager (which may or may not be quoted or listed). The current investment objective and policy is set out below:

The principal objective of the Company is to achieve a positive total annual return, after all expenses, of at least twice the Bank of England base rate.

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

Investment policies

In selecting investments the Company adopts a stock picking approach and does not adopt any investment weightings by reference to any benchmark. Both the Board and the 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 Manager across global financial markets, with an underlying focus on capital preservation. The allocation of the portfolio between equities and bonds will vary from time to time so as to enable the Company to achieve its objective. There are no restrictions on the geographical or sectoral exposure of the portfolio (except those restrictions noted below).

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

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

Investment restrictions and guidelines

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

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

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

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

General

In accordance with the requirements of the FCA, 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	Fair	% of
		30.06.13	Value £	Total Net Assets
UK Index-Linked Gilt 1.25% 22/11/2017	GBP	15,604,400	22,546,891	7.07
UK Index-Linked Gilt 1.25% 22/11/2055	GBP	8,430,000	16,511,158	5.17
Gold Bullion Securities	USD	200,000	15,413,728	4.83
Ruffer Protection Strategies International*	GBP	1,015,217	14,304,406	4.48
US Treasury Inflation Indexed 1.625% Bond 15/01/2018	USD	16,300,000	13,058,621	4.09
CF Ruffer Japanese Fund*	GBP	7,500,000	11,178,000	3.50
US Treasury Inflation Indexed 0.125% Bond 15/01/2022	USD	16,000,000	10,616,400	3.33
T&D Holdings	JPY	1,134,000	10,003,134	3.13
UK Index-Linked Gilt 0.375% 22/03/2062	GBP	8,000,000	9,894,984	3.10
US Treasury Inflation Indexed 2.125% Bond 15/02/2041	USD	11,000,000	9,377,559	2.94

* Ruffer Protection Strategies International and CF Ruffer Japanese Fund are both classed as related parties as they share the same Investment Manager as the Company.

RUFFER INVESTMENT COMPANY LIMITED

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 2013 – 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 (United Kingdom 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 2013 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.

RUFFER INVESTMENT COMPANY LIMITED

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

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

We have nothing to report under the United Kingdom Listing Rules where we are required to review the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the United Kingdom Corporate Governance Code specified for our review.

David Green
MOORE STEPHENS
Chartered Accountants
Town Mills South
La Rue Du Pre
St Peter Port
Guernsey, GY1 3HZ
25 September 2013

RUFFER INVESTMENT COMPANY LIMITED

Statement of Financial Position

	Notes	30.06.13	30.06.12
		£	£
ASSETS			
Cash and cash equivalents		21,095,015	2,478,694
Derivative financial asset	18	35,184	758,345
Receivables	9	3,142,888	12,932,211
Financial assets at fair value through profit or loss	8	298,656,047	256,155,624
Total assets		322,929,134	272,324,874
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		319,114,093	270,884,661
Total equity		319,114,095	270,884,663
LIABILITIES			
Payables	10	3,323,044	869,925
Derivative financial liability	18	491,995	570,286
Total liabilities		3,815,039	1,440,211
Total Equity and Liabilities		322,929,134	272,324,874
Net assets attributable to holders of Redeemable participating preference shares (per share)	12	2.139	1.915

The financial statements on pages 18 to 40 were approved on 25 September 2013 and signed on behalf of the Board of Directors by:

Ashe Windham
Chairman

Christopher Spencer
Director

RUFFER INVESTMENT COMPANY LIMITED

Statement of Comprehensive Income

		01.07.2012 to 30.06.2013	01.07.11 to 30.06.2012
	Revenue	Capital	Total
	£	£	£
Bank interest income	3	-	3
Fixed interest income	813,871	-	813,871
Dividend income	6,300,851	-	6,300,851
Net gains on financial assets at fair value through profit or loss	-	27,880,523	27,880,523
Other gains/(losses)	-	5,832,893	5,832,893
Total income	7,114,725	33,713,416	40,828,141
Management fees	-	(2,711,607)	(2,711,607)
Expenses	(687,618)	(332,910)	(1,020,528)
Total expenses	(687,618)	(3,044,517)	(3,732,135)
Profit/(loss) for the year before tax	6,427,107	30,668,899	37,096,006
Withholding tax	(601,499)	-	(601,499)
Profit/(loss) for the year after tax	5,825,608	30,668,899	36,494,507
Total comprehensive income/(expense) for the year	5,825,608	30,668,899	36,494,507
Basic and diluted earnings/(loss) per share *	4.03p	21.24p	25.27p
			(1.16p)

*Basic and diluted (loss)/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 144,391,152 (30.06.2012: 133,680,223).

RUFFER INVESTMENT COMPANY LIMITED

Statement of Changes in Equity

	Share capital	Distributable reserves	Total 01.07.2012 to 30.06.2013
	£	£	£
Balance at 30 June 2012	97,982,885	172,901,776	270,884,661
Total comprehensive income for the year	-	36,494,507	36,494,507
Transactions with Shareholders:			
Share capital issued	16,492,440	-	16,492,440
Share issue costs	(170,686)	-	(170,686)
Distribution for the year	-	(4,586,829)	(4,586,829)
 Balance at 30 June 2013	 114,304,639	 204,809,454	 319,114,093

Net Assets attributable to holders of redeemable participating preference shares at the end of the year £319,114,093.

	Share capital	Distributable reserves	Total 01.07.2011 to 30.06.2012
	£	£	£
Balance at 30 June 2011	69,663,683	178,584,451	248,248,134
Total comprehensive loss for the year	-	(1,552,334)	(1,552,334)
Transactions with Shareholders:			
Share capital issued	28,632,348	-	28,632,348
Share issue costs	(313,146)	-	(313,146)
Distribution for the year	-	(4,130,341)	(4,130,341)
 Balance at 30 June 2012	 97,982,885	 172,901,776	 270,884,661

Net Assets attributable to holders of redeemable participating preference shares at the end of the year £270,884,661.

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

RUFFER INVESTMENT COMPANY LIMITED

Statement of Cash Flows

	01.07.2012 to 30.06.2013	01.07.11 to 30.06.2012
	£	£
Cash flows from operating activities		
Purchase of financial assets at fair value through profit or loss	(144,896,155)	(131,739,108)
Proceeds from sale of financial assets at fair value through profit or loss (including realised gains)	142,241,600	95,156,289
Other receivables	(2,701)	-
Transaction costs paid to brokers	(332,910)	(308,095)
Bank interest received	3	5,467
Fixed interest income received	910,837	1,139,155
Dividends received	5,592,059	5,332,821
Operating expenses paid	(3,378,003)	(2,971,110)
Foreign exchange gains/(losses)	6,477,763	(1,161,085)
Cash generated/(used) in operating activities	6,612,493	(34,545,666)
Cash flows from financing activities		
Dividends paid	(4,586,829)	(4,130,341)
Proceeds from issue of redeemable participating preference shares	16,758,090	30,707,598
Share issue costs	(167,433)	(313,146)
Net cash generated from financing activities	12,003,828	26,264,111
Net increase/(decrease) in cash and cash equivalents	18,616,321	(8,281,555)
Cash and cash equivalents at beginning of the year	2,478,694	10,760,249
Cash and cash equivalents at end of the year	21,095,015	2,478,694

RUFFER INVESTMENT COMPANY LIMITED

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 2012 to 30 June 2013, 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:

IFRS 9 - Financial instruments: Classification and measurement (effective date - 1 January 2015)

IFRS 10 - Consolidated Financial Statements (effective date - 1 January 2013)

IFRS 11 - Joint arrangements (effective date - 1 January 2013)

IFRS 12 - Disclosure of interest in other entities (effective date - 1 January 2013)

IFRS 13 - Fair value measurement (effective date - 1 January 2013)

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.

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.

Investment 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/losses 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 re-measured at their fair value. Fair value is determined by rates in active currency markets. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. The gain or loss on re-measurement to fair value is recognised immediately through profit or loss in the Statement of Comprehensive Income within other losses and gains in the period in which they arise.

Offsetting of financial instruments

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

Other financial instruments

Other financial instruments are stated at amortised cost. 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.

RUFFER INVESTMENT COMPANY LIMITED

Notes to the Financial Statements (continued)

1. Significant accounting policies (continued)

Financial instruments (continued)

Fair value

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

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

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

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 and fair value hierarchy 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.

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.

RUFFER INVESTMENT COMPANY LIMITED

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, usually in September and March each year. A first interim dividend of 1.6p (2011: 1.5p) per share (£2,293,415) (2011: (£1,963,326)) was declared on 26 September 2012 and paid on 19 October 2012 in respect of the period from 1 January 2012 to 30 June 2012. A second interim dividend of 1.6p (2012: 1.6p) per share (£2,293,415) (2012: (£2,167,015)) was declared on 26 February 2013 and paid on 28 March 2013 in respect of the period covered by this annual financial report. A third interim dividend of 1.7p (2012: 1.6p) per share was approved on 25 September 2013, 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/(losses) on financial assets at fair value through profit or loss

	01.07.2012 to 30.06.2013	01.07.11 to 30.06.2012
	£	£
Gains realised on investments sold during the year	6,281,624	5,680,421
Unrealised gains/(losses) arising from changes in fair value	21,598,899	(10,144,807)
Net gains/(losses) on investments designated at fair value through profit or loss	27,880,523	(4,464,386)

RUFFER INVESTMENT COMPANY LIMITED

Notes to the Financial Statements (continued)

5. Other gains/(losses)

	01.07.2012 to 30.06.2013	01.07.11 to 30.06.2012
	£	£
Unrealised (losses)/gains on forward foreign currency contracts	(644,870)	965,523
Realised gains/(losses) on forward foreign currency contracts	6,894,097	(1,392,856)
Other realised and unrealised foreign exchange (losses)/gains	(416,334)	231,771
	<hr/>	<hr/>
	5,832,893	(195,562)

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 2013, management fees of £2,711,607 (30.06.12: £2,368,171) were charged to the Company, of which £2,711,607 (30.06.12: £2,368,171) was charged to the capital reserves of the Company. The amount of £227,050 (30.06.11: £198,724) remained payable at the year end.

7. Expenses

	01.07.2012 to 30.06.2013	01.07.11 to 30.06.2012
	£	£
Administration fee	340,623	306,781
Transaction costs	332,910	308,095
Directors' fees	160,000	143,578
General expenses	134,725	128,693
Custodian and trustee charges	31,144	27,711
Audit fee	21,126	20,251
	<hr/>	<hr/>
	1,020,528	935,109

All expenses were charged to revenue apart from transaction costs of £332,910 (30.06.12: £308,095) which were charged to the capital reserves of the Company.

8. Investment assets at fair value through profit or loss

	30.06.2013	30.06.2012
	£	£
Cost of investments held at end of the year	260,996,330	239,726,649
Fair value movement	37,659,717	16,428,975
	<hr/>	<hr/>
Investments designated at fair value through profit or loss	298,656,047	256,155,624

RUFFER INVESTMENT COMPANY LIMITED

Notes to the Financial Statements (continued)

9. Receivables

	30.06.2013 £	30.06.2012 £
Amounts falling due within one year:		
Investment income receivable	784,924	674,055
Sales of investments awaiting settlement	1,819,826	11,362,509
Due on issue of redeemable participating preference shares	325,350	591,000
Fixed interest income receivable	210,085	304,645
Other receivables	2,703	2
	<hr/>	<hr/>
	3,142,888	12,932,211

10. Payables

	30.06.2013 £	30.06.2012 £
Amounts falling due within one year:		
Purchases of investments awaiting settlement	2,898,146	473,078
Management fees payable	227,050	198,724
Withholding taxes payable	85,301	81,725
Other creditors	112,547	116,398
	<hr/>	<hr/>
	3,323,044	869,925

11. Share capital account

	30.06.2013 £	30.06.2012 £
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
	<hr/>	<hr/>
	95,100	95,100

	Number of shares		Share Capital	
	30.06.2013	30.06.2012	30.06.2013 £	30.06.2012 £
Issued Share Capital				
Management Shares				
Management Shares of £1.00 each	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>
Equity Shares				
Redeemable Participating Preference				
Shares of 0.01p each:				
Balance at start of year	141,488,416	127,138,416	97,982,885	69,663,683
Issued during the year	7,700,000	14,350,000	16,492,440	28,632,348
Share issue costs	-	-	(170,686)	(313,146)
Balance as at end of year	149,188,416	141,488,416	114,304,639	97,982,885

RUFFER INVESTMENT COMPANY LIMITED

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 (30.06.12: Nil).

Blocklisting and additional shares issued

At the start of the year, the Company had the ability to issue 8,807,682 redeemable participating preference shares under a blocklisting facility. During the year the Company made a further application to the FCA and to the LSE for the blocklisting of 14,333,840 (30.06.12: 13,193,841) redeemable participating preference shares of 0.01 pence each pursuant to the General Corporate Purposes Scheme. Under the blocklisting facility, 7,700,000 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. For additional information regarding the issue of redeemable participating preference shares under the blocklisting facility subsequent to 30 June 2013, refer to Note 20.

As at 30 June 2013 the Company had 149,188,416 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 2013 were 149,188,418.

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:-

	30.06.2013	30.06.2012
	£	£
NAV per share for valuation purposes	2.150	1.920
IAS 39 valuations adjustment (MID to BID)	(0.004)	(0.005)
Adjustment to accruals and receivables*	(0.007)	-
Net assets attributable to holders of redeemable participating preference shares (per share)	2.139	1.915

*This was an over accrual of investment income receivable, with resulting under accrual of withholding tax in the NAV at 30 June 2013.

RUFFER INVESTMENT COMPANY LIMITED

Notes to the Financial Statements (continued)

13. Contingent liabilities

There were no contingent liabilities as at 30 June 2013 and 2012.

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 2013, an immediate family member of the Chairman Ashe Windham, owned 100 (30.06.12: 100) shares in the managing member of the Investment Manager. This amounts to less than 5% (30.06.12 less than 5%) of the company's issued share capital.

Directors

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

Under the Corporate Governance Code Wayne Bulpitt and Peter Luthy are not considered to be independent by reason of being Directors of Ruffer Illiquid Strategies Fund of Funds 2009 Limited 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 (30.06.12: £170,000) per annum.

With effect from 1 January 2012, Directors' fees paid to each Director increased from £20,000 to £25,000 per annum. The fee paid to the Chairman increased from £28,500 to £35,000 per annum. Each Director was paid a fee of £25,000 (30.06.12: £22,500) for the year ended 30 June 2013, except for the Chairman who was paid £35,000 (30.06.12: £31,078).

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

	30.06.2013	30.06.2012
	£	£
Directors' fees for the year	160,000	143,758
Accrued at end of the year	40,000	40,000

RUFFER INVESTMENT COMPANY LIMITED

Notes to the Financial Statements (continued)

14. Related party transactions (continued)

Shares held by related parties

As at 30 June 2013, Directors of the Company held the following numbers of shares beneficially:-

	30.06.2013	30.06.2012
	Shares	Shares
<i>Directors</i>		
Ashe Windham*	70,000	70,000
Christopher Spencer	14,157	14,157
Jeannette Etherden	36,627	36,627
Peter Luthy*	120,000	120,000
Wayne Bulpitt	20,000	20,000

* Ashe Windham and Peter Luthy hold these shares jointly with their wives.

As at 30 June 2013, Hamish Baillie, Investment Director of the Investment Manager owned 90,000 (30.06.12: 20,000) shares in the Company.

As at 30 June 2013, Steve Russell, Investment Director of the Investment Manager owned 6,450 (30.06.12: 6,450) shares in the Company.

As at 30 June 2013, the Investment Manager held 8,499,292 (30.06.2012: 11,258,895) shares on behalf of its discretionary clients in the Company.

Investments in related funds

As at 30 June 2013 the Company held investments in six (30.06.2012: five) related investment funds valued at £37,868,186 (30.06.12: £22,039,957). Refer to the Portfolio Statement on pages 41 to 44 for details.

15. Substantial interests

Disclosure and Transparency Rules are now comprised in the FCA handbook. Such rules require substantial Shareholders to make relevant holding notifications to the Company and the FCA. The Company must then disseminate this information to the wider market.

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.

RUFFER INVESTMENT COMPANY LIMITED

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), and/or bonds which are issued by corporate issuers, supranationals or government organisations.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of its financial assets and liabilities are disclosed in Note 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:

	30.06.2013	30.06.2012
	Fair Value	Fair Value
	£	£
Financial assets		
Listed securities	280,135,856	238,679,946
UCITS funds	18,520,191	17,475,678
Unrealised gain on open forward foreign currency contracts	35,184	758,345
Total financial assets at fair value through profit and loss	298,691,231	256,913,969
Other financial assets*	24,237,903	15,410,905

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

	30.06.2013	30.06.2012
	Fair Value	Fair Value
	£	£
Financial liabilities		
Payables	3,323,044	869,925
Unrealised loss on open forward foreign currency contracts	491,995	570,286
Total financial liabilities	3,815,039	1,440,211

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 as follows:

RUFFER INVESTMENT COMPANY LIMITED

Notes to the Financial Statements (continued)

18. Financial risk management and associated risks (continued)

Market risk

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

Market price risk

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

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

Market price sensitivity analysis

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

A 10% (30.06.12: 10%) increase in the market prices of equity related investments as at 30 June 2013 would have increased the net assets attributable to holders of redeemable participating preference shares by £20,863,058 (30.06.12: £17,214,184) and an equal change in the opposite direction would have decreased the net assets attributable to holders of redeemable participating preference shares by an equal opposite amount.

A sensitivity analysis based on the interest rates of bond related investments as at 30 June 2013 has been considered under Interest rate risk on page 35.

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

Foreign currency risk

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

As a portion of the Company's investment portfolio is invested in securities denominated in currencies other than Sterling (the functional and presentation currency of the Company) the Statement of Financial Position may be significantly affected by movements in the exchange rates of such currencies against Sterling. The Investment Manager has the power to manage exposure to currency movements by using options, warrants and/or forward foreign currency contracts and details of the holdings of such instruments at the date of these financial statements is set out on the following page.

RUFFER INVESTMENT COMPANY LIMITED

Notes to the Financial Statements (continued)

18. Financial risk management and associated risks (continued)

Foreign currency risk (continued)

As at 30 June 2013, the Company had twelve (30.06.12: five) open forward foreign currency contracts.

Forward contracts

Foreign currency risk

Expiration	Underlying	Notional amount of contracts outstanding	30.06.2013 Fair value assets/ (liabilities) £
02 July 2013	Foreign currency (Purchase of USD)	US\$1,055,251	(3,098)
02 July 2013	Foreign currency (Purchase of USD)	US\$714,988	(2,100)
03 July 2013	Foreign currency (Sale of CAD)	CA\$2,147,816	(1,157)
03 July 2013	Foreign currency (Sale of JPY)	¥234,395,713	906
04 July 2013	Foreign currency (Purchase of ZAR)	R2212312	(1,293)
05 July 2013	Foreign currency (Purchase of ZAR)	R7614540	1,061
12 July 2013	Foreign currency (Sale of USD)	US\$2,286,400	25,418
12 July 2013	Foreign currency (Purchase of USD)	US\$28,621,300	(247,219)
12 July 2013	Foreign currency (Sale of USD)	US\$26,334,900	(1,188)
15 August 2013	Foreign currency (Purchase of EUR)	€ 21,428,600	(172,274)
13 September 2013	Foreign currency (Purchase of JPY)	¥4,050,000,000	(63,666)
13 September 2013	Foreign currency (Purchase of JPY)	¥1,484,624,000	7,799
			<hr/> (456,811)

Expiration	Underlying	Notional amount of contracts outstanding	30.06.2012 Fair value assets/ (liabilities) £
13 July 2012	Foreign currency (Sale of USD)	US\$35,588,000	(570,286)
13 July 2012	Foreign currency (Purchase of USD)	US\$23,070,000	374,945
13 July 2012	Foreign currency (Purchase of USD)	US\$12,518,000	59,149
15 August 2012	Foreign currency (Sale of EUR)	€ 16,227,100	7,050
14 September 2012	Foreign currency (Sale of JPY)	¥5,071,527,000	258,573
			<hr/> 129,431

RUFFER INVESTMENT COMPANY LIMITED

Notes to the Financial Statements (continued)

18. Financial risk management and associated risks (continued)

Foreign currency risk (continued)

As at 30 June 2013, the Company had Nil (30.06.12: six) open spot foreign currency contracts.

Spot Contracts

Expiration	Underlying	Notional amount	30.06.12
		of contracts outstanding	Fair value assets £
2 July 2012	Foreign currency (Sale of USD)	US\$6,060,914	28,418
2 July 2012	Foreign currency (Sale of USD)	US\$1,630,794	7,646
2 July 2012	Foreign currency (Sale of JPY)	¥5,208,000	592
2 July 2012	Foreign currency (Sale of USD)	US\$3,511,086	20,816
3 July 2012	Foreign currency (Sale of USD)	US\$9,800	18
3 July 2012	Foreign currency (Sale of JPY)	¥23,728,950	1,138
			58,628

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 2013 and 2012, the Company held the following assets and liabilities in currencies other than the functional currency:

	30.06.2013	30.06.2013	30.06.2012	30.06.2012
	Assets £	Liabilities £	Assets £	Liabilities £
Japanese Yen	52,258,815	2,968,342	48,675,137	-
United States Dollar	73,026,174	274,077	76,441,008	1,064,844
Swedish Krona	-	-	2,578,775	-
Euro	27,186,047	172,274	10,379,479	-
Canadian Dollar	1,460,211	1,157	-	-
South African Rand	653,722	1,293	1,605,915	-
Australian Dollar	1,273,118	-	3,161,398	-
Hong Kong Dollar	5,466,120	-	2,491,322	-
Singapore Dollar	5,146,518	-	-	-
Swiss Franc	-	-	2,823,842	-

Foreign currency sensitivity

As at 30 June 2013, if the foreign exchange rates had weakened 10% (30.06.12: 10%) against Sterling with all other variables held constant, net assets attributable to holders of redeemable participating preference shares would be £20,444,360 (30.06.12: £9,115,952) 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 2013, a 10% (30.06.12: 10%) strengthening of the foreign exchange rates against Sterling would have resulted in an equal but opposite effect on the net assets attributable to holders of redeemable participating preference shares. Any changes in the foreign exchange rate will directly affect the profit and loss, allocated to the capital column of the Statement of Comprehensive Income.

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

Interest rate risk

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

RUFFER INVESTMENT COMPANY LIMITED

Notes to the Financial Statements (continued)

18. Financial risk management and associated risks (continued)

Interest rate risk (continued)

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 2013 and 30 June 2012.

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

As at 30 June 2013

	Floating rate £	Fixed rate £	Non-Interest bearing £	Total 30.06.2013 £
Financial Assets				
Cash and cash equivalents	21,095,015	-	-	21,095,015
Investments designated at fair value through profit or loss	-	90,025,463	208,630,584	298,656,047
Unrealised gain on open forward foreign currency contracts	-	-	35,184	35,184
Receivables	-	-	3,142,888	3,142,888
	21,095,015	90,025,463	211,808,656	322,929,134
	Floating rate £	Fixed rate £	Non-Interest bearing £	Total 30.06.2013 £
Financial Liabilities				
Payables	-	-	3,323,044	3,323,044
Unrealised loss on open forward foreign currency contracts	-	-	491,995	491,995
	-	-	3,815,039	3,815,039

RUFFER INVESTMENT COMPANY LIMITED

Notes to the Financial Statements (continued)

18. Financial risk management and associated risks (continued)

Interest rate risk (continued)

As at 30 June 2012

	<i>Floating rate</i> £	<i>Fixed rate</i> £	<i>Non-Interest bearing</i> £	<i>Total</i> 30.06.12 £
<i>Financial Assets</i>				
<i>Cash and cash equivalents</i>	2,478,694	-	-	2,478,694
<i>Investments at fair value through profit or loss</i>	-	84,013,781	172,141,843	256,155,624
<i>Unrealised gain on open forward foreign currency contracts</i>	-	-	758,345	758,345
<i>Receivables</i>	-	-	12,932,211	12,932,211
	<u>2,478,694</u>	<u>84,013,781</u>	<u>185,832,399</u>	<u>272,324,874</u>
<i>Financial Liabilities</i>				
<i>Payables</i>	-	-	869,925	869,925
<i>Unrealised loss on open forward foreign currency contracts</i>	-	-	570,286	570,286
	<u>-</u>	<u>-</u>	<u>1,440,211</u>	<u>1,440,211</u>

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

	<i>Weighted average period</i> 30.06.2013 % p.a.	<i>Weighted average period</i> 30.06.2012 % p.a.	<i>Weighted average period</i> 30.06.2012 for which rate/ yield is fixed
United Kingdom government bonds	-0.4514%	24.79 years	-0.7419%
United States government bonds	0.1822%	11.45 years	-0.9134%

Interest rate sensitivity analysis

An increase of 100 basis points (30.06.12: 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 £15,119,449 (30.06.12: £10,810,110) and a decrease of 25 basis points (30.06.12: 25 basis points) in interest rates would have increased the net assets attributable to holders of redeemable participating preference shares by £3,779,862 (30.06.12: £2,702,528).

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.

RUFFER INVESTMENT COMPANY LIMITED

Notes to the Financial Statements (continued)

18. Financial risk management and associated risks (continued)

Interest rate risk (continued)

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 derivative contracts such as forward foreign currency contracts, as detailed above and receivables. It is the opinion of the Board of Directors that the carrying amounts of these financial assets represent the maximum credit risk exposure as at the reporting date.

The Company will not invest in the securities of any company that is not quoted or does not have a listing on a market specified in the Financial Services and Markets Act 2000 (Financial Promotions) Order 2001 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:

	30.06.2013	30.06.2012
	£	£
Cash and cash equivalents	21,095,015	2,478,694
Unrealised gain in open forward foreign currency contracts	35,184	758,345
Receivables	3,142,888	12,932,211
Investments designated at fair value through profit or loss	298,656,047	256,155,624
	<hr/>	<hr/>
	322,929,134	272,324,874

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

NTGL is a wholly owned subsidiary of The Northern Trust Corporation ("TNTC"). TNTC is publicly traded and a constituent of the S&P 500. TNTC has a credit rating of A+ from Standard & Poor's and A1 from Moody's.

RUFFER INVESTMENT COMPANY LIMITED

Notes to the Financial Statements (continued)

18. Financial risk management and associated risks (continued)

Credit risk (continued)

The Moody's and/or Standard and Poor (S&P) credit ratings of the issuers of Bonds held by the Company as at 30 June 2013 were as follows:

		30.06.2013
	S&P	Moody's
UK Index-Linked Gilt 1.25% 22/11/2017	NR	Aa1
UK Index-Linked Gilt 1.875% 22/11/2022	NR	Aa1
UK Index-Linked Gilt 1.25% 22/11/2055	NR	Aa1
UK Index-Linked Gilt 0.375% 22/03/2062	NR	Aa1
US Treasury Inflation Indexed 0.125% Bond 15/04/2016	AA+	Aaa
US Treasury Inflation Indexed 1.625% Bond 15/01/2018	AA+	Aaa
US Treasury Inflation Indexed 0.125% Bond 15/01/2022	AA+	Aaa
US Treasury Inflation Indexed 2.125% Bond 15/02/2041	AA+	Aaa

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

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

Derivatives

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

Fair value

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

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

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

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

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

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

RUFFER INVESTMENT COMPANY LIMITED

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 2013.

	Level 1 £	Level 2 £	Level 3 £	Total £	30.06.13
Financial assets at fair value through profit or loss:					
Government Indexed-Linked Bonds					
Preference Shares	90,025,463	-	-	90,025,463	
Options	4,495,825	-	-	4,495,825	
Equities	14,304,406	-	-	14,304,406	
Investment Funds	177,590,340	-	-	177,590,340	
Derivative financial asset	-	12,240,013	-	12,240,013	
Total assets	286,416,034	12,275,197	-	298,691,231	30.06.13
 Financial liabilities at fair value through profit or loss:					
Derivative financial liability	-	491,995	-	491,995	
Total liabilities	-	491,995	-	491,995	30.06.13

The following table presents the Company's financial assets and liabilities by level within the valuation hierarchy as of 30 June 2012.

	Level 1 £	Level 2 £	Level 3 £	Total £	30.06.12
Financial assets at fair value through profit or loss:					
Government Indexed-Linked Bonds					
Preference Shares	84,013,781	-	-	84,013,781	
Equities	1,694,309	-	-	1,694,309	
Investment Funds	143,803,673	-	-	143,803,673	
Options	-	25,460,684	-	25,460,684	
Warrants	270,517	-	-	270,517	
Derivative financial asset	912,660	-	-	912,660	
Total assets	-	758,345	-	758,345	30.06.12
 Financial liabilities at fair value through profit or loss:					
Derivative financial liability	-	570,286	-	570,286	
Total liabilities	-	570,286	-	570,286	30.06.12

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 2013 and 2012.

RUFFER INVESTMENT COMPANY LIMITED

Notes to the Financial Statements (continued)

18. Financial risk management and associated risks (continued)

Liquidity risk

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

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

As at 30 June 2013 and 2012, 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.

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

	30.06.2013	30.06.2012
	£	£
Total assets	322,929,134	272,324,874
Less: total liabilities	(3,815,039)	(1,440,211)
Total equity	<u>319,114,095</u>	<u>270,884,663</u>
 Gearing ratio	 1.20%	 0.53%

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

Redemption Facility

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

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

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

RUFFER INVESTMENT COMPANY LIMITED

Notes to the Financial Statements (continued)

19. Capital risk management (continued)

Purchase of Own Shares by the Company

An ordinary resolution was granted on 21 November 2012 which authorised the Company in accordance with The Companies (Guernsey) Law, 2008 to make purchases of its own shares as defined in that Ordinance of its redeemable participating preference shares of 0.01p each, provided that:

- (i) the maximum number of Shares the Company can purchase is no more than 14.99% of the Company's issued share capital;
- (ii) the minimum price (exclusive of expenses) which may be paid for a Share is 0.01 pence, being the nominal value per share;
- (iii) the maximum price (exclusive of expenses) which may be paid for the Share is an amount equal to the higher of (i) 105% of the average of the middle market quotations for a Share taken from the London Stock Exchange Daily Official List for the 5 business days immediately preceding the day on which the Share is purchased and (ii) the price stipulated in Article 5(i) of the Buyback and Stabilisation Regulation (No 2237 of 2003);
- (iv) purchases may only be made pursuant to this authority if the Shares are (at the date of the proposed purchase) trading on the London Stock Exchange at a discount to the lower of the undiluted or diluted NAV;
- (v) the authority conferred shall expire at the conclusion of the AGM of the Company in 2013 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.

20. Subsequent events

These financial statements were approved for issuance by the Board on 25 September 2013. Subsequent events have been evaluated until this date.

Subsequent to the year end and up to the date of this report, the Company allotted and issued 2,625,000 redeemable participating preference shares of 0.01 pence under the blocklisting facility for a consideration of £5,864,065.

As at the date of this report the Company had 151,813,416 redeemable participating preference shares of 0.01p each and 2 Management shares of £1.00 each in issue. Therefore, the total voting rights in the Company at the date of this report were 151,813,418.

RUFFER INVESTMENT COMPANY LIMITED

Portfolio Statement as at 30 June 2013

		Holding at Currency	30.06.13	Fair Value £	% of Total Net Assets*
Government Index-Linked Bonds 28.22%					
<i>(30.06.12 - 31.01%)</i>					
United Kingdom					
UK Index-Linked Gilt 1.25% 22/11/2017	GBP	15,604,400	22,546,891	7.07	
UK Index-Linked Gilt 1.875% 22/11/2022	GBP	3,000,000	4,457,346	1.40	
UK Index-Linked Gilt 1.25% 22/11/2055	GBP	8,430,000	16,511,158	5.17	
UK Index-Linked Gilt 0.375% 22/03/2062	GBP	8,000,000	9,894,984	3.10	
			53,410,379		16.74
United States					
US Treasury Inflation Indexed 0.125% Bond 15/04/2016	USD	5,000,000	3,562,504	1.12	
US Treasury Inflation Indexed 1.625% Bond 15/01/2018	USD	16,300,000	13,058,621	4.09	
US Treasury Inflation Indexed 0.125% Bond 15/01/2022	USD	16,000,000	10,616,400	3.33	
US Treasury Inflation Indexed 2.125% Bond 15/02/2041	USD	11,000,000	9,377,559	2.94	
			36,615,084		11.48
Total Government Indexed-Linked Bonds			90,025,463		28.22
Preference Shares 1.41%					
<i>(30.06.12 - 0.63%)</i>					
Germany					
Volkswagen AG	EUR	18,620	2,483,833	0.78	
			2,483,833		0.78
United Kingdom					
Raven Russia Ltd	GBP	1,411,924	2,011,992	0.63	
Total Preference Shares			4,495,825		1.41
Equities 49.14%					
<i>(30.06.12 - 50.25%)</i>					
Europe					
Germany					
Fresenius Medical Care	EUR	95,000	4,426,664	1.39	
GSW Immobilien AG	EUR	49,497	1,257,546	0.39	
Heliocentris Energy Solutions AG	EUR	400,000	2,245,406	0.70	
TAG Immobilien AG	EUR	315,180	2,255,209	0.71	
			10,184,825		3.19
Spain					
Ebro Foods	EUR	328,282	4,386,183	1.37	
			4,386,183		1.37

RUFFER INVESTMENT COMPANY LIMITED

Portfolio Statement as at 30 June 2013 (continued)

	Holding at 30.06.13	Fair Value £	% of Total Net Assets*
Currency			
United Kingdom			
Better Capital Ltd	GBP	1,727,800	2,505,310
Better Capital PCC Ltd	GBP	2,000,000	2,080,000
BP Plc	GBP	1,600,000	7,284,000
BT Group Plc	GBP	979,500	3,028,614
Colt Group	GBP	645,225	644,902
Games Workshop Group Plc	GBP	250,000	1,873,750
ICAP	GBP	700,000	2,544,500
Invensys Plc	GBP	600,000	2,475,600
ITV Plc	GBP	1,820,000	2,548,000
Oakley Capital Investments Ltd	GBP	2,825,794	4,238,691
Renn Universal Growth Trust Ltd	GBP	1,250,000	2,987,500
Royal Dutch Shell Plc 'B' Shares	GBP	170,000	3,698,350
Seaenergy Plc	GBP	300,000	63,000
ServicePower Technology Plc	GBP	4,437,500	166,406
Tesco Plc	GBP	750,000	2,485,500
Vodafone Group Plc	GBP	3,800,000	7,138,300
		45,762,423	14.35
Total European Equities		60,333,431	18.91
Canada			
Thomson Reuters	USD	117,928	2,531,638
Total Canadian Equities		2,531,638	0.79
United States			
Chimera Investment Corp	USD	1,150,000	2,267,093
Clean Diesel Technology Inc	USD	33,536	26,091
International Business Machines Corp	USD	27,100	3,411,845
JPM Chase Com	USD	56,000	1,948,388
Lockheed Martin	USD	40,000	2,858,575
MRC Global Inc	USD	57,260	1,043,493
Wal-Mart Stores Inc	USD	70,000	3,437,925
Total United States Equities		14,993,410	4.70
Asia			
China			
Hopewell Highway Infrastructure	HKD	8,126,000	2,576,491
PICC Property and Casualty Co Ltd	HKD	3,885,000	2,889,629
		5,466,120	1.71

RUFFER INVESTMENT COMPANY LIMITED

Portfolio Statement as at 30 June 2013 (continued)

	Holding at 30.06.13	Fair Value £	% of Total Net Assets*
Currency			
Asia (continued)			
Japan			
CF Ruffer Japanese Fund**	GBP	7,500,000	11,178,000
Daiei Inc	JPY	990,000	1,879,314
Hitachi NPV	JPY	1,064,000	4,484,493
Japan Residential Investment Co Ltd	GBP	8,330,000	5,039,650
Kao Corp	JPY	255,000	5,703,850
Mitsubishi Electric Corp	JPY	623,000	3,833,238
Mitsubishi UFJ Financial Group	JPY	920,000	3,731,016
Nippon Building Fund REIT	JPY	350	2,650,646
NTT Data Corp	JPY	2,000	4,659,455
NTT Urban Development Corp	JPY	1,958	1,579,018
Resona Holdings Inc	JPY	1,080,000	3,455,165
Sumitomo Mitsui Financial Group Inc	JPY	130,000	3,917,394
T&D Holdings	JPY	1,134,000	10,003,134
Toshiba Plant Systems & Services Corp	JPY	420,000	4,111,870
Yamato Holdings Co Ltd	JPY	155,000	2,150,186
		68,376,429	21.42
Singapore			
M1 Ltd	SGD	3,300,000	5,146,518
		5,146,518	1.61
Total Asian Equities		78,989,067	24.74
Total Equities		156,847,546	49.14
Investment Funds 3.84%			
<i>(30.06.12 - 7.24%)</i>			
United Kingdom			
Herald Worldwide Fund	GBP	64,341	1,388,470
Ruffer Illiquid Strategies Fund of Funds 2009 Ltd**	GBP	4,632,853	6,432,059
Ruffer SICAV Global Smaller Companies Fund**	GBP	13,235	1,535,392
Ruffer SICAV UK Mid & Smaller Companies Fund**	GBP	13,235	1,822,592
Weiss Korea Opportunity Fund Ltd	GBP	1,100,000	1,061,500
		12,240,013	3.84
Total Investment Funds		12,240,013	3.84

RUFFER INVESTMENT COMPANY LIMITED

Portfolio Statement as at 30 June 2013 (continued)

	Holding at 30.06.13	Fair Value £	% of Total Net Assets*
	Currency		
Gold & Gold Mining Equities 6.5%			
<i>(30.06.12 - 4.99%)</i>			
Australia			
Newcrest Mining Ltd	AUD	213,946	1,273,118
		1,273,118	0.40
United Kingdom			
CF Ruffer Baker Steel Gold Fund**	GBP	2,830,683	2,595,737
Gold Bullion Securities	USD	200,000	15,413,728
		18,009,465	5.64
Canada			
Goldcorp Inc	CAD	90,000	1,460,211
		1,460,211	0.46
Total Gold & Gold Mining Equities		20,742,794	6.50
Options 4.48%			
<i>(30.06.12 - 0.10%)</i>			
United Kingdom			
Ruffer Protection Strategies International**	GBP	1,015,217	14,304,406
		14,304,406	4.48
Warrants 0.00%			
<i>(30.06.12 - 0.34%)</i>			
Total financial assets at fair value through profit or loss		298,656,047	93.59
Other net current assets		20,458,048	6.41
Management share capital		(2)	-
Total Value of Company			
(attributable to redeemable participating preference shares)		319,114,093	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, Ruffer Illiquid Strategies Fund, Ruffer Protection Strategies International, Ruffer SICAV Global Smaller Companies and Ruffer SICAV UK Mid & Smaller Companies Fund are classed as related parties as they share the same Investment Manager as the Company.

RUFFER INVESTMENT COMPANY LIMITED

General Information

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

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

The accounting date of the Company is 30 June in each year. These annual financial statements were authorised for issue on 25 September 2013 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.

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

RUFFER INVESTMENT COMPANY LIMITED

Management and Administration

Directors

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

Registered Office

PO Box 255
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 (Jersey)
Limited,
Queensway House,
Hilgrove Street,
St. Helier,
Jersey, JE1 1ES

Advocates to the Company as to Guernsey law

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

Custodian

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