



**RUFFER
INVESTMENT
COMPANY LIMITED**

Annual Financial Report
for the year ended 30 June 2014

RUFFER INVESTMENT COMPANY LIMITED

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RUFFER INVESTMENT COMPANY LIMITED

Financial Highlights

	30.06.14	
	Offer Price	Net Asset Value
	£	£
Redeemable participating preference shares	2.035†	2.061*

† 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 as at 30 June 2014. The Fund is valued weekly and at month end.

Total expense ratio

The annualised total expense ratio for the year ended 30 June 2014 was 1.18% (30.06.13: 1.17%).

Company Information

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

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

RUFFER INVESTMENT COMPANY LIMITED

Company Performance

	Price at 30.06.14		Change in Bid Price	
	Bid Price £	Offer Price £	From Launch %	From 30.06.13 %
Shares	2.023	2.035	+102.30	-6.47

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
30.06.14	318,040,568	2.065*	154,013,416
30.06.13	319,114,093	2.139	149,188,416
30.06.12	270,884,661	1.915	141,488,416
30.06.11	248,248,134	1.953	127,138,416
30.06.10	178,695,014	1.823	98,042,672
30.06.09	135,603,281	1.521	89,129,703

* Net Asset Value per share reported to the London Stock Exchange was £2.061 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 £
30.06.14	2.290	2.005
30.06.13	2.310	1.915
30.06.12	2.070	1.900
30.06.11	2.110	1.850
30.06.10	2.005	1.555
30.06.09	1.570	1.250

Net Asset Value Range

Accounting Period to:	Highest NAV £	Lowest NAV £
30.06.14	2.206	2.034
30.06.13	2.208	1.903
30.06.12	1.991	1.871
30.06.11	1.960	1.810
30.06.10	1.897	1.518
30.06.09	1.526	1.266

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

RUFFER INVESTMENT COMPANY LIMITED

Chairman's Review

Performance*

The Company's investment portfolio delivered a negative total return of 2.6%, in terms of the NAV performance, to our shareholders over the 12 months to 30 June 2014. This is calculated after all expenses of management and allowing for the payment of two dividends, which amounted to a total of 3.40p 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 good performance it is disappointing to report a negative return, however those observers of Ruffer LLP's investment performance over the twenty years since the firm was set up will recall that the partnership has a tendency to perform in a dull fashion in the run up to market dislocations – the performance ahead of the TMT crash in March 2000 was pedestrian and this Company experienced a flat 18 months ahead of the financial crisis of 2007–2008. Conversely the investment returns earned for Ruffer's investors over the subsequent difficult periods for markets were outstanding, being a total return of 23% over the period from 1 January 2000 until 31 December 2001 (prior to the launch of this Company) against a return of -18% for the FTSE All Share Total Return Index. For shareholders in the Ruffer Investment Company the total return in net asset value achieved over the period from 1 July 2007 until 30 June 2009 was 36% compared to a return of -31% for the FTSE All Share Total Return Index. Further details of this year's performance are given in the Investment Manager's Report on page 8. The Company's NAV on 19 September 2014 was 2.097p. The Board remains confident, in spite of the modest set back over the past year, in the ability of the Investment Manager to achieve the Company's objectives. This confidence is shared by the Company's lead manager, Hamish Baillie, who acquired a further 43,000 shares on 18 August 2014.

Earnings and Dividends

Earnings for the year were 3.35p per share on the revenue account and (7.58)p per share on the capital account. In the course of the year dividends totalling 3.40p per share were paid. A third interim dividend of 1.7p per share in respect of the year to 30 June 2014 was approved on 25 September 2014 and will be paid on 24 October 2014. Shareholders might note that, although this interim dividend is marginally uncovered, the Company still has a surplus of distributable income carried over from previous years.

Share Issuance

At the start of the year, the Company had the ability to issue 15,441,552 redeemable participating shares under a blocklisting facility. On 21 November 2013, at the Company's Annual General Meeting ("AGM"), a resolution to issue up to a further 10% of the Company's share capital by way of a block listing facility was passed. As at 25 September 2014, the date of this report, out of a possible total of 18,906,342 shares, 4,825,000 had been issued at a 3% or higher premium to the Company's prevailing NAV. All of these new shares were issued during the year ended 30 June 2014. 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. Your Board is happy to continue to grow the company organically, when the opportunity presents itself, as spreading the overheads over a larger number of shares usually has the effect of reducing the Total Expense Ratio (TER) thus benefitting all shareholders.

As at the date of this report the Company had 154,013,416 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 154,013,418.

Annual General Meeting

The AGM of the Company will be held at 10.30 a.m. on 19 November 2014 at the Company's registered office at Trafalgar Court, Les Banques, St Peter Port, Guernsey.

Board Governance

The Board of Directors takes note of the small number of shareholders who have voted against the re-election of those Directors who have served on the Company's board for more than nine years. Given the fact that the Company was launched on 8 July 2004 it is perhaps not surprising that there are still four of the original Directors still serving, for it would be unrealistic to expect the whole board to be replaced en masse at the nine year point. Whilst replacing the whole board at the nine year point might meet the best practice guidelines it

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Chairman's Review (continued)

Board Governance (continued)

would certainly not be in our shareholders' best interests. The difficulty of recruiting suitable overseas Directors and the non-traditional nature of the Company's asset manager makes it desirable, in my opinion, to have experienced Directors who are capable of challenging the manager in a robust fashion on a whole range of issues. I am convinced that the current slate of Directors do an excellent job in holding the manager accountable in the shareholders' best interests. Nevertheless we are planning to refresh the board in a gentle fashion over the next few years. In the interim we have decided that all the Directors will offer themselves up for re-election every year at the AGM.

Share Buyback Authority

Your company's shares have traded at a premium to NAV for most of the year to 30 June 2014, although since May they have drifted to a small but persistent discount. The Board has resolved to seek, at the AGM on 19 November 2014, a renewal of its authority to buy back shares at a discount to NAV under terms to be stated in a Special Resolution. No shares have yet been bought back under authorisations granted at previous AGMs.

Share Redemption Facility

The Company has a Redemption Facility operable in November each year. Given the fact that the Company has been trading at a premium to its NAV for most of the previous year, and that, in the Board's opinion, the current discount remains manageable through share re-purchases the Board has resolved not to offer this Facility in November 2014.

Ashe Windham

Chairman

25 September 2014

- * The calculation of the Company's Total Return includes an amount of 33.2 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

Business Model and Strategy

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

Board

The Board of Directors are responsible for the overall stewardship of the Company, including general management, structure, finance, corporate governance, marketing, risk management, compliance, asset allocation and gearing, contracts and performance. Biographical details of the Directors, all of whom are non-executive, are listed on page 11. The Company has no executive directors or employees.

The Board has contractually delegated to external parties various functions as disclosed in the Report of the Directors on page 12.

Investment Strategy

The Company’s investment strategy is set out in its objective and investment policy below.

Investment objective

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

The 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.

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Business Model and Strategy (continued)

Investment restrictions and guidelines (continued)

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

General

In accordance with the requirements of the United Kingdom Financial Conduct Authority (the "FCA"), any material changes in the Investment Policy of the Company may only be made with the approval of shareholders.

Investment of Assets

At each quarterly Board meeting, the Board receives a detailed presentation from Ruffer LLP (the "Investment Manager") which includes a review of investment performance, recent portfolio activity and a market outlook. It also considers compliance with the investment policy and other investment restrictions during the reporting period. The Company's Top Ten holdings and Portfolio Statement are on page 10 and pages 53 to 56 respectively.

Environmental Policy

Due to the Company's listing on the LSE, the Company is required to disclose its Environmental Policy but this is not applicable due to the nature of its operations. Ruffer LLP's Environmental, Social and Governance Policy is available upon request from the manager.

Shareholder Value

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

Principal Risks and Uncertainties and their Management

As stated within the Report of the Audit Committee on page 23, The Board with the assistance of the Administrator and the Investment Manager has drawn up a risk assessment matrix, which identifies the key risks to the Company. The principal risks and uncertainties faced by the Company are described below. Note 20 of the Financial Statements on pages 43 to 51 provides detailed explanations of the risks associated with the Company's financial instruments:

- **Investment Risks:** The Company is exposed to the risk that its portfolio fails to perform in line with the Company's objectives if it is inappropriately invested or markets move adversely. The Board reviews reports from the Investment Manager at each quarterly Board meeting, paying particular attention to the diversification of the portfolio and to the performance and volatility of underlying investments;
- **Operational Risks:** The Company is exposed to the risks arising from any failure of systems and controls in the operations of the Manager or the Administrator. The Board receives reports annually from the Manager and Administrator on their internal controls and reviews pricing reports covering the valuations of underlying investments at each quarterly Board meeting;

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Business Model and Strategy (continued)

Principal Risks and Uncertainties and their Management (continued)

- **Accounting, Legal and Regulatory Risks:** The Company is exposed to risk if it fails to comply with the regulations of the UK Listing Authority or the Guernsey Financial Services Commission or if it fails to maintain accurate accounting records. The Administrator provides the Board with regular reports on changes in regulations and accounting requirements; and
- **Financial Risks:** The financial risks faced by the Company include market, credit and liquidity risk. These risks and the controls in place to mitigate them are reviewed at each quarterly Board meeting. Further details on financial risks are discussed in note 20 of the Financial Statements on pages 43 to 51.

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

Key Performance Indicators

The Board uses a number of performance measures to assess the Company's success in meeting its objectives. The key performance indicators are as follows:

- NAV return and total return NAV versus twice Bank of England Bank Rate;
- Premium/discount of share price to NAV;
- Dividends per share and dividend yield;
- Total expenses as a ratio of net assets.

RUFFER INVESTMENT COMPANY LIMITED

Investment Manager's Report

For the year ended 30 June 2014

At 30 June 2014 the net asset value per share was 206.5p. This represents a fall of 7.4p per share between 1 July 2013 and 30 June 2014. After allowing for dividends totalling 3.4p paid during the period this represents a fall in value of 1.9%. The target return is +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 144%*, including dividends. By way of context over the same period the FTSE All Share has produced a total return of 134% and the target return of twice Bank of England base rate was 64%. The maximum drawdown of the equity market was 45.3% and that of the company's NAV TR was 7.4%.

With the regular publication of monthly updates and interim management statements the compilation of the Annual Financial Report is always a useful moment for introspection, not least in a year when we have failed to achieve our investment objective and when the shares have moved from a small premium of 0.6% to a discount of 1.8%. The questions we ask are: "Is there something broken?", "Are we wrong?", "Are we right but far too early?" Of course, definitive answers cannot be reached but the answers sound something like "Hopefully not – nothing has changed in the way we do things", "This is always possible but the macro-economic backdrop continues to support our core view", "Who knows but the evidence suggests that we are moving towards our expected denouement rather than away from it".

So what has happened in the portfolio over the last 12 months? Our equity book performed well; western equities (US, UK and Europe) added 2.6% to the return. Japan was less impressive but still made a positive contribution of 0.9% and a much smaller allocation to Asian equities added 0.7%. Index-linked bonds, making up roughly a third of our asset allocation, contributed 1.6%. It was the company's other protective investments which pulled us into negative territory; the US dollar, options and for some of the year we were partially unhedged on the yen. The theme here is that with the exception of the linkers and gold investments (which broke even) protection came at a heavy price over the last 12 months and the best rewards came from what an investor described to us as the 'ostrich approach to investing' – buy equities and ignore the risks at large in the world. This is not an easy environment for our style of investing.

Many commentators and investors are characterising 2014 as a year of normalisation for the global economy. In contrast, we believe we are moving deeper into uncharted territory in terms of government intervention with free markets and manipulations to the price of money. Using the UK as an example, GDP growth and unemployment are back at 10 year averages and property prices are booming; but interest rates are at 300 year lows supplemented by additional expansionary policies. Central Bankers around the world have been explicit that they are unhappy with current trend growth and are willing to pursue all available options to achieve a higher rate – specifically this includes tolerating higher inflation as a consequence. The preferred tools have shifted from QE and low interest rates, the benefits of which seem to accrue mostly to the rich, to "supporting the real economy" via state directed lending such as Help to Buy or Funding for Lending. Even the previously recalcitrant ECB has joined in on the act, targeting lending to small and medium sized businesses and enforcing a negative deposit rate to encourage/force banks to lend – the lines between carrot and stick are blurred. It seems to us that the wanton stimulus of policymakers will become more extreme and experimental in an effort to achieve escape velocity. All the while they are walking the tightrope of monetary instability with deflation on one side and inflation on the other – the teetering funambulist is wobbling in the latter direction.

Japanese equities have represented a large weighting in the portfolio reflecting our high conviction in this asset class. Japan has been a key contributor to performance; positively in the financial year to 30 June 2013 but they have not done enough for us in the last year. After a short period in the sun, Japan is once again unloved. The same foreign investors who surged into Japan a year ago have demonstrated short attention spans and are beginning to question the substance to Prime Minister Abe's reform agenda. At odds with this view, we see change continuing to gain traction as tough decisions have been made in pushing through an increase in the consumption tax from 5% to 8% and with exciting reforms to the government pension fund around the corner. We have also seen positive wage growth for the first time in 15 years (this is a key piece of Abe's jigsaw) and inflation has been positive for 12 consecutive months – quite a boast in Japan. Although we have made money in Japanese equities over the year, from its peak in December, the Nikkei fell more than 10% before its recent recovery. This made life hard for us in the first quarter of 2014.

RUFFER INVESTMENT COMPANY LIMITED

Investment Manager's Report (continued)

For the year ended 30 June 2014 (continued)

Protection continues to cost us but unlike last year this has not been offset by gains elsewhere. Interestingly this problem afflicted us in 2006 when the market was at its most exuberant prior to the financial crisis. A broker friend regularly reminds us that he sells his equity holdings when RIC moves to a discount. Putting aside the smooth-talking flattery of the sell-side, the basis of his assessment holds some water. Record low volatility, narrowing credit spreads, high valuations and investor complacency all suggest that the market is riding for a fall and the flip side of this coin is that there is no appetite for protection – risk is the only game in town. Where the broker's analysis falls short is that he puts too much faith in RIC succeeding in being a safe port in a storm – despite our best efforts this is far from being a certainty.

Of course what we would like to do for investors is to produce a consistent positive return in all market conditions but, alas, this is not always possible. Looking forward, we will continue to try to find parts of the equity market which offer reasonable value (although this is becoming increasingly hard to do even if you believe in lower-for-longer interest rates). The current allocation to equities is 50%. In a world of stimulated asset prices the line of least resistance is up but we think that the role of our protective instruments – the index-linked bonds, gold, US dollar and options – is as important now as it has ever been. Our intention is to guard against the risks we see in the world but hopefully also make a positive return at the same time. The ostriches may be having their day in the sun but we doubt this will last.

Ruffer LLP
16 July 2014

* The calculation of the Total Return includes an amount of 33.2 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

Top Ten Holdings

Investments	Currency	Holding at 30.06.14	Fair Value £	% of Total Net Assets
UK Index-Linked Gilt 1.25% 22/11/2017	GBP	15,604,400	22,400,647	7.04
UK Index-Linked Gilt 1.25% 22/11/2055	GBP	8,430,000	17,497,932	5.50
US Treasury Inflation Indexed 0.625% Bond 15/07/2021	USD	19,350,000	12,537,407	3.94
US Treasury Inflation Indexed 1.625% Bond 15/01/2018	USD	16,300,000	11,764,965	3.70
UK Index-Linked Gilt 0.375% 22/03/2062	GBP	8,000,000	10,612,736	3.34
BP Plc	GBP	2,000,000	10,298,000	3.24
T&D Holdings	JPY	1,134,000	9,014,841	2.83
US Treasury Inflation Indexed 0.625% Bond 15/02/2043	USD	15,977,000	8,745,898	2.75
CF Ruffer Japanese Fund*	GBP	4,500,000	7,538,400	2.38
US Treasury Inflation Indexed 2.125% Bond 15/02/2041	USD	9,000,000	7,306,289	2.30

* CF Ruffer Japanese Fund is classed as a related party as it shares the same Investment Manager as the Company.

RUFFER INVESTMENT COMPANY LIMITED

Directors

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

Ashe Windham, CVO, aged 57 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 53 and a resident of Guernsey. He is Managing Director and Principal of Active Group Limited and Chairman of BlueCrest BlueTrend Limited. He was formerly Head of Offshore Investment Services for Canadian Imperial Bank of Commerce, Global Private Banking & Trust division (1998-2001) and Managing Director of CIBC Fund Managers (Guernsey) Limited (1992-1998). He is also a Director of Ruffer Illiquid Strategies Fund of Funds 2009 Limited 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 54 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 63 and a resident of the United Kingdom. He has worked in the fixed income market for 25 years. In 1990, he co-founded a credit focussed bond broker, Luthy Baillie Dowsett Pethick and Co. Limited (“LBDP”). Dresdner Kleinwort Benson acquired LBDP in 1996 where he was global head of credit products. In 1998 he became global head of investment banking at Barclays Capital and, after 2001, acted as a consultant on bank credit portfolios. He was a Managing Partner of Banquo Credit Management LLP. Currently 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 64 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 64 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 (the “Financial Statements”) for the year ended 30 June 2014 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 LSE. The principal objective of the Company is detailed on page 5 of the Financial Statements.

Going Concern

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

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

Blocklisting Facility

At the start of the year, the Company had the ability to issue 15,441,522 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 3,464,820 (30.06.13: 14,333,840) 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 14,081,342 redeemable participating preference shares under the blocklisting facility.

As at the date of this report the Company had 154,013,416 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 154,013,418.

Purchase of Own Shares by the Company

The Company operates a Share Buyback Facility whereby it may purchase, subject to various terms as set out in its Articles and in accordance with the Companies (Guernsey) Law, 2008, up to 14.99 per cent. of the Company’s shares in issue following the admission of shares trading on the LSE’s market for listed securities. For additional information refer to note 21 on page 51.

The Company did not buyback any shares during the year (30.06.13: Nil).

Results and Dividends

The results for the year are set out in the Statement of Comprehensive Income on page 30. A first interim dividend of 1.7p per share (£2,584,228) was declared on 25 September 2013 and paid on 25 October 2013 in respect of the period from 1 January 2013 to 30 June 2013. A second interim dividend of 1.7p per share (£2,618,228) was declared on 26 February 2014 and paid on 28 March 2014 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 2014,

RUFFER INVESTMENT COMPANY LIMITED

Report of the Directors (continued)

Results and Dividends (continued)

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 key terms of the Investment Management Agreement and specifically the fee charged by the Investment Manager are set out in notes 9 and 16 of the Financial Statements. The Board believes that the investment management fee is competitive with other investment companies with similar investment mandates.

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

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

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

Directors

The details of the Directors of the Company during the year and at the date of this Report are set out on page 11 and on the Management and Administration summary on page 58.

Directors' Interests

The details of the number of redeemable participating preference shares held beneficially by the Directors who held office at 30 June 2014 and up to the date of this Report are set out on in note 16 on page 41.

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.

Foreign Account Tax Compliance Act

Guernsey, the Isle of Man, and Jersey have recently issued updated joint guidance notes on intergovernmental agreements to improve tax compliance that the crown dependencies signed in 2013 with the United Kingdom and the United States ("US"). This guidance clarifies the impact on the company, and the Board will take the necessary actions to ensure that the company is compliant with Guernsey regulations and guidance.

For purposes of the US Foreign Accounts Tax Compliance Act, the company registered with the US Internal Revenue Service ("IRS") as a Guernsey reporting Foreign Financial Institution ("FFI") in June 2014, received a Global Intermediary Identification Number, and can be found on the IRS FFI list under the link <http://apps.irs.gov/app/fatcaFfiList/flu.jsf>.

RUFFER INVESTMENT COMPANY LIMITED

Report of the Directors (continued)

UK-Guernsey Intergovernmental Agreement

The States of Guernsey signed an intergovernmental agreement with the UK (“UK-Guernsey IGA”) on 22 October 2013, under which mandatory disclosure requirements will be required in respect of shareholders who have a UK connection. The UK-Guernsey IGA has been ratified by Guernsey’s States of Deliberation and the relevant legislation introduced. The impacts of the UK-Guernsey IGA on the Company and the Company’s reporting responsibilities pursuant to the UK-Guernsey IGA are not currently in final form. The Board is monitoring implementation of the UK-Guernsey IGA with the assistance of its professional advisers.

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 these 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:

- these Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for the shareholders to assess the Company’s performance, business model and strategy;
- The Annual Financial Report, prepared in accordance with IFRS, gives a true and fair view of the assets, liabilities, financial position and profit of the Company; and
- 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.

RUFFER INVESTMENT COMPANY LIMITED

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.

Auditor

The Auditor, Moore Stephens, have indicated their willingness to continue in office as the Company's auditor. Accordingly, a resolution for their reappointment will be proposed at the forth coming Annual General Meeting (the "AGM").

On behalf of the Board

Ashe Windham

Chairman

25 September 2014

Christopher Spencer

Director

RUFFER INVESTMENT COMPANY LIMITED

Corporate Governance Statement

Corporate Governance

The Board recognises the importance of a sound corporate governance culture that meets the listing requirements. All Directors contribute to Board discussions and debates. The Board considers that reporting against the principles and recommendations of the UK Corporate Governance Code (the “UK Code”) will provide better information to shareholders.

The UK Code is available in the Financial Reporting Council’s website (the “FRC”), www.frc.org.uk.

The Board, having reviewed the UK Code, considers that it has maintained procedures during the year ended 30 June 2014 and up to the date of this report to ensure that it complies with the UK Code except as explained elsewhere in the Corporate Governance Statement.

Guernsey Regulatory Environment

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

Composition and Independence of the Board

The Board currently comprises six non-executive Directors, all of whom are independent with the exception of Wayne Bulpitt and Peter Luthy. The Directors of the Company are listed on pages 11 and 58.

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

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

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

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

The Board is responsible to Shareholders for the overall management of the Company.

The Board’s responsibilities for the Financial Statements are set out in the Directors’ Responsibility Statement on page 14.

The Board is also responsible for issuing half yearly reports, interim management statements and other price sensitive public reports.

RUFFER INVESTMENT COMPANY LIMITED

Corporate Governance Statement (continued)

Composition and Independence of the Board (continued)

The Board does not consider it appropriate to appoint a Senior Independent Director because the Board are all deemed to be independent by the Company except for Wayne Bulpitt and Peter Luthy. The Company has no employees and therefore there is no requirement for a chief executive. The Board believes it has a good balance of skills and experience to ensure it operates effectively. The Chairman, Ashe Windham, is responsible for leadership of the Board and ensuring its effectiveness.

The Board has engaged external companies to undertake the investment management, administrative and custodial activities of the Company. Documented contractual arrangements are in place with these companies which define the areas where the Board has delegated responsibility to them. For additional information refer to page 19.

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

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

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

	Number of Meetings held	Wayne Bulpitt	Jeannette Etherden	Peter Luthy	Christopher Spencer	Ashe Windham	John V Baldwin
Board Meetings	3*	3	3	3	3	3	3
Audit Committee Meetings	2	2	2	2	2	2	2
Management Engagement Committee Meetings	1	N/A	1	N/A	1	1	1
Ad-hoc Board Meetings	1	0	1	1	1	0	1

* The final scheduled Board Meeting for the year was delayed until 10 July 2014.

Directors' indemnity

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

Re-election

At each AGM all of the Directors shall retire from office and may offer themselves for re-election. For additional information refer to the Chairman's Review on page 3.

On 21 November 2013 at the 9th AGM of the Company, Christopher Spencer 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.

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.

RUFFER INVESTMENT COMPANY LIMITED

Corporate Governance Statement (continued)

Board evaluation and succession planning

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

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

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

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

Committees of the Board

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

Audit Committee

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

The table on page 17 sets out the number of Audit Committee Meetings held during the year ended 30 June 2014 and the number of such meetings attended by each Audit Committee member.

A report of the Audit Committee detailing responsibilities and activities is presented on pages 22 to 25.

Management Engagement Committee

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

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

During the year the Management Engagement Committee has reviewed the services provided by the Investment Manager as well as the other service providers and have recommended to the Board that their continuing appointments is in the best interests of the Shareholders. The last meeting was held on 10 July 2014.

The table on page 17 sets out the number of Management Engagement Committee Meetings held during the year and the number of such meetings attended by each Management Engagement Committee member.

RUFFER INVESTMENT COMPANY LIMITED

Corporate Governance Statement (continued)

Nomination Committee

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

Remuneration Committee

In view of its non-executive and independent nature, the Board considers that it is not appropriate for there to be a Remuneration Committee as anticipated by the UK Code because this function is carried out as part of the regular Board business. A Remuneration Report prepared by the Board is on page 21.

Terms of Reference

All Terms of Reference for Committees are available from the Company Secretary upon request.

Internal Control

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

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

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

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

Internal Control

- 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.

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

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

RUFFER INVESTMENT COMPANY LIMITED

Corporate Governance Statement (continued)

Principal Risks and Uncertainties

Principal risks and uncertainties are disclosed on page 6.

Relations with Shareholders

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

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

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

On behalf of the Board

Ashe Windham

Chairman

25 September 2014

Christopher Spencer

Director

RUFFER INVESTMENT COMPANY LIMITED

Directors' Remuneration Report

Introduction

An ordinary resolution for the approval of the annual remuneration report will be put to the shareholders at the AGM to be held in 2014.

Remuneration policy

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

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

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

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

Remuneration

The Directors of the Company are remunerated for their services at such a rate as the Directors determine provided that the aggregate amount of such fees does not exceed £200,000 (30 June 2013: £200,000) per annum.

Directors are remunerated in the form of fees, payable quarterly in arrears, to the Director personally. No Directors have been paid additional remuneration outside their normal Directors' fees and expenses. Directors fees have not increased during the year (2013: no increase during the year).

	30.06.14	30.06.13
	£	£
Ashe Windham	35,000	35,000
Christopher Spencer	25,000	25,000
Jeannette Etherden	25,000	25,000
Peter Luthy	25,000	25,000
Wayne Bulpitt	25,000	25,000
John V Baldwin	25,000	25,000
	160,000	160,000

During the year ended 30 June 2014 Director fees of £160,000 (30 June 2013: £160,000) were charged to the Company of which £40,000 (30 June 2013: £40,000) remained payable at the year end.

Signed on behalf of the Board by:

Ashe Windham

Chairman

25 September 2014

Christopher Spencer

Director

RUFFER INVESTMENT COMPANY LIMITED

Audit Committee Report

On the following pages, we present the Audit Committee's Report for the year ended 30 June 2014, setting out the responsibilities of the Audit Committee and its key activities for the year from 1 July 2013 to 30 June 2014. As in previous years, the Committee has reviewed the Company's financial reporting, the independence and effectiveness of the independent external auditor and the internal control and risk management systems of service providers. In order to assist the Audit Committee in discharging these responsibilities, regular reports are received from the Investment Manager, Administrator and independent external auditor. Following its review of the independence and effectiveness of the Company's external auditors, the Audit Committee has recommended to the Board that Moore Stephens be reappointed as auditors, which the Board has submitted for approval to the Company's Members at the forthcoming AGM.

A member of the Audit Committee will continue to be available at each AGM to respond to any shareholder questions on the activities of the Audit Committee.

Responsibilities

The Audit Committee reviews and recommends to the Board, the Financial Statements of the Company and is the forum through which the independent external auditor reports to the Board of Directors. The independent external auditor and the Audit Committee will meet together without representatives of either the Administrator or Manager being present if either considers this to be necessary.

The role of the Audit Committee includes:

- monitoring the integrity of the Financial Statements of the Company and any formal announcements relating to the Company's financial performance, and reviewing significant financial reporting judgements;
- reviewing and reporting to the Board on the significant issues and judgements made in the preparation of the Company's published Financial Statements, (having regard to matters communicated by the external auditors) preliminary announcement, significant financial returns to regulators and other financial information;
- considering the appropriateness of accounting policies and practices including critical judgement areas;
- reviewing and considering the UK Code and FRC Guidance on Audit Committees;
- monitoring and reviewing the quality and effectiveness of the external auditors and their independence. This includes meeting regularly with the external auditors to discuss the audit plan, the subsequent audit report and considering the level of fees for both audit and non-audit work, and monitoring and reviewing the auditor independence, objectivity, expertise, resources and qualifications;
- considering and making recommendations to the Board on the appointment, reappointment, replacement and remuneration to the Company's external auditor;
- reviewing the Company's procedures for prevention, detection and reporting of fraud, bribery and corruption;
- monitoring and reviewing the internal control and risk management systems of the service providers together with the need for an Internal Audit function; and

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

RUFFER INVESTMENT COMPANY LIMITED

Audit Committee Report (continued)

Key Activities of the Audit Committee

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

Financial Reporting:

The Audit Committee's review of the Half Yearly Financial Report and Audited Annual Financial Report focused on the following significant risks; valuation and ownership of investments. The investments comprise the majority of NAV value and hence form part of the Key Performance Indicator ("KPI") NAV per share. Hence any significant error in valuation or overstatement of holdings could significantly impact the NAV and hence the reported NAV per share of the Company.

Valuation of Investments

The Company's investments had a fair value of £300,291,140 as at 30 June 2014 and represented the majority of the net assets of the Company. The investments are predominantly all listed except for investments in investment funds and the valuation of the investments is in accordance with the requirements of IFRS as adopted in the European Union. The Audit Committee considered the fair value of the investments held by the Company as at 30 June 2014 to be reasonable based on information provided by the Investment Manager and Administrator. All prices are confirmed to independent pricing sources as at 30 June 2014 by the Administrator and are subject to review process at the Administrator and oversight at the Investment Manager.

Ownership of Investments

The Company's investment holdings are reconciled to independent reports from the Custodian by the Administrator with any discrepancies being fully investigated and reconciled by the Administrator. The Audit Committee therefore consider the ownership of the investments held by the Company as at 30 June 2014 to be reasonable based on a review of information provided by the Investment Manager, Custodian and Administrator.

The independent external auditor reported to the Audit Committee any misstatements found in the course of its work, however no material misstatements were found. Furthermore, the Investment Manager and Administrator confirmed to the Committee that they were not aware of any material misstatements including matters relating to presentation.

The Audit Committee confirms that it is satisfied that the independent external auditor has fulfilled its responsibilities with diligence and professional scepticism.

The Audit Committee advised the Board that these Financial Statements, taken as a whole, are fair, balanced and understandable.

The Audit Committee has assessed the appropriateness of the accounting policies and practices adopted by the Company together with the clarity of disclosures included in the Financial Statements. Following a review of the presentations and reports from the Administrator and consulting where necessary with the independent external auditor, the Audit Committee is satisfied that the Financial Statements appropriately address the critical judgements and key estimates (both in respect to the amounts reported and the disclosures). The Audit Committee is also satisfied that the significant assumptions used for determining the value of assets and liabilities have been appropriately scrutinised, challenged and are sufficiently robust.

Risk Management

The Audit Committee considered the process for managing the risk of the Company and its service providers. Risk management procedures for the Company, as detailed in the Company's risk assessment matrix, were reviewed and approved by the Audit Committee. Regular reports are received from the Investment Manager and Administrator on the Company's risk evaluation process and reviews.

Fraud, Bribery and Corruption

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

RUFFER INVESTMENT COMPANY LIMITED

Audit Committee Report (continued)

Key Activities of the Audit Committee (continued)

The independent external auditor

Moore Stephens has been the independent external auditor from the date of the initial listing on the London Stock Exchange.

Independence, objectivity and fees

The independence and objectivity of the independent external auditor is reviewed by the Audit Committee which also reviews the terms under which the independent external auditor is appointed to perform non-audit services. The Audit Committee has established pre-approval policies and procedures for the engagement of Moore Stephens to provide audit, assurance and tax services. No tax services were provided during the year. It is Audit Committee policy that the external auditors may not provide a service which:

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

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

The following table summarises the remuneration paid to Moore Stephens for audit and non-audit services during the years ended 30 June 2014 and 30 June 2013:

	30.06.14	30.06.13
	£	£
Statutory Audit	21,850	21,000
Total Audit fees	21,850	21,000
Interim Review	7,513	7,298
Total non-audit related fees	7,513	7,298

Moore Stephens has been the independent external auditor from the date of the initial listing on the London Stock Exchange. The recent revisions to the UK Code introduced a recommendation that the external audit be put out to tender every ten years. The Audit Committee has noted this and is developing a plan for tendering by March 2015.

When considering the effectiveness and independence of the independent external auditors, the Audit Committee also takes account of factors such as:

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

RUFFER INVESTMENT COMPANY LIMITED

Audit Committee Report (continued)

Key Activities of the Audit Committee (continued)

Independence, objectivity and fees (continued)

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

Reappointment of external auditors:

Consequent to this review process, the Audit Committee has recommended to the Board that a resolution be put to the 2014 AGM for the reappointment of Moore Stephens as independent external auditor. The Board has accepted this recommendation.

Internal control and risk management systems

The Company's investment objective is to provide Shareholders with an attractive total return, by investing in internationally listed or quoted equities or equity related securities (including convertibles) and/or bonds which are issued by corporate issuers, supra-nationals or government organisations. The Audit Committee, after consultation with the Investment Manager and independent external auditor, considers the key risk of misstatement in its Financial Statements to be the override of controls by its service providers, the Investment Manager and Administrator.

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

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

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

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

Christopher Spencer

Chairman, Audit Committee

25 September 2014

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 2014 – 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 and to identify and information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.

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 2014 and of its loss 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.

Our assessment of risks of material misstatement

The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team. Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole, and not to express an opinion on individual accounts or disclosures. Our opinion on the financial statements is not modified with respect to any of the risks described above, and we do not express an opinion on these individual matters.

RUFFER INVESTMENT COMPANY LIMITED

Independent Auditor's Report to the shareholders of Ruffer Investment Company Limited (continued)

Valuation of investments

Investment assets represent the most significant number on the statement of financial position and the valuation of investments is the main component in the company's financial performance.

We tested 100% of investment valuations to an independent pricing source and investigated any differences of 1% or more.

Ownership of investments

Ownership of investments was vouched to the records of the custodian and any discrepancies were investigated. We also reviewed the AAF/01 report on the controls of the custodian, which included an opinion by the independent service auditor that controls were fairly presented and suitably designed to provide reasonable assurance that control objectives had been met, and had operated effectively in the period under review.

Risk of management override of internal controls

In accordance with ISAs (UK and Ireland) we have considered the risk of management override of controls.

We carried out analytical procedures and journal entry testing in order to identify and test the risk of fraud arising from management override of controls. We also included an element of unpredictability into our testing by testing some immaterial items.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements on our audit and on the financial statements. For the purposes of determining whether the financial statements are free from material misstatement we define materiality as the level of misstatement that would probably influence the economic decisions of a reasonably knowledgeable person.

When establishing our overall audit strategy, we determined what level of uncorrected misstatements would be material for the financial statements as a whole. We considered that total assets was one of the principal considerations for shareholders in assessing the financial performance of the company and determined planning materiality to be £3,150,000, which is approximately 1% of total assets.

We agreed with the Audit Committee that we would report to them all audit differences in excess of £150,000, and also any other differences that, in our view, should be reported on qualitative grounds.

An overview of scope of our audit

The company is one entity, in one location, which was subject to a full scope audit for the year ended 30 June 2014 using the materiality figure described above.

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 (continued)

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 2014

RUFFER INVESTMENT COMPANY LIMITED

Statement of Financial Position

	<i>Notes</i>	30.06.14 £	30.06.13 £
ASSETS			
Cash and cash equivalents		15,193,265	21,095,015
Derivative financial assets	19, 20	850,868	35,184
Receivables	11	3,547,454	3,142,888
Investment assets at fair value through profit or loss	10	300,291,140	298,656,047
Total assets		<u>319,882,727</u>	<u>322,929,134</u>
EQUITY			
Capital and reserves attributable to the Company's shareholders			
Management share capital	13	2	2
Net assets attributable to holders of Redeemable participating preference shares		318,040,568	319,114,093
Total equity		<u>318,040,570</u>	<u>319,114,095</u>
LIABILITIES			
Payables	12	1,842,157	3,323,044
Derivative financial liability	20	–	491,995
Total liabilities		<u>1,842,157</u>	<u>3,815,039</u>
Total equity and liabilities		<u>319,882,727</u>	<u>322,929,134</u>
Net assets attributable to holders of Redeemable participating preference shares (per share)	14	<u>2.065</u>	<u>2.139</u>

The financial statements on pages 29 to 52 were approved on 25 September 2014 and signed on behalf of the Board of Directors by:

Ashe Windham
Chairman

Christopher Spencer
Director

RUFFER INVESTMENT COMPANY LIMITED

Statement of Comprehensive Income

			01.07.2013 to 30.06.2014	01.07.2012 to 30.06.2013
	Notes	Revenue £	Capital £	Total £
Fixed interest income		938,916	–	938,916
Dividend income		5,585,969	–	5,585,969
Net changes in fair value on financial assets at fair value through profit or loss	6	–	(13,973,194)	(13,973,194)
Other gains	7	–	5,692,211	5,692,211
Total income		6,524,885	(8,280,983)	(1,756,098)
Management fees		–	(3,069,320)	(3,069,320)
Expenses		(738,439)	(220,639)	(959,078)
Total expenses		(738,439)	(3,289,959)	(4,028,398)
(Loss)/profit for the year before tax		5,786,446	(11,570,942)	(5,784,496)
Withholding tax		(669,054)	–	(669,054)
(Loss)/profit for the year after tax		5,117,392	(11,570,942)	(6,453,550)
Total comprehensive (expense)/income for the year		5,117,392	(11,570,942)	(6,453,550)
Basic and diluted (loss)/earnings per share*		3.35p	(7.58p)	(4.23p)

* Basic and diluted (loss)/earnings per share are calculated by dividing the profit after taxation by the weighted average number of redeemable participating preference shares. The weighted average number of shares for the year was 152,720,745 (30.06.2013: 144,391,152).

RUFFER INVESTMENT COMPANY LIMITED

Statement of Changes in Equity

	Share capital £	Distributable reserves £	Total 01.07.2013 to 30.06.2014 £
Balance at 30 June 2013	114,304,639	204,809,454	319,114,093
Total comprehensive expense for the year	–	(6,453,550)	(6,453,550)
Transactions with Shareholders:			
Share capital issued	10,689,375	–	10,689,375
Share issue costs	(106,894)	–	(106,894)
Distribution for the year	–	(5,202,456)	(5,202,456)
Balance at 30 June 2014	<u>124,887,120</u>	<u>193,153,448</u>	<u>318,040,568</u>
Net Assets attributable to holders of redeemable participating preference shares at the end of the year			<u>318,040,568</u>

	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	<u>114,304,639</u>	<u>204,809,454</u>	<u>319,114,093</u>
Net Assets attributable to holders of redeemable participating preference shares at the end of the year			<u>319,114,093</u>

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

	01.07.2013 to 30.06.2014 £	01.07.2012 to 30.06.2013 £
Cash flows from operating activities		
Purchase of financial assets at fair value through profit or loss	(113,427,911)	(144,896,155)
Proceeds from sale of financial assets at fair value through profit or loss (including realised gains)	94,899,199	142,241,600
Other receivables	(1,794)	(2,701)
Transaction costs paid to brokers	(220,639)	(332,910)
Fixed interest income received	879,208	910,840
Dividends received	5,395,419	5,592,059
Operating expenses paid	(3,511,886)	(3,378,003)
Foreign exchange gains	4,384,532	6,477,763
Cash (used in)/generated from operating activities	(11,603,872)	6,612,493
Cash flows from financing activities		
Dividends paid	(5,202,456)	(4,586,829)
Proceeds from issue of redeemable participating preference shares	11,014,725	16,758,090
Share issue costs	(110,147)	(167,433)
Net cash generated from financing activities	5,702,122	12,003,828
Net (decrease)/increase in cash and cash equivalents	(5,901,750)	18,616,321
Cash and cash equivalents at beginning of the year	21,095,015	2,478,694
Cash and cash equivalents at end of the year	15,193,265	21,095,015

RUFFER INVESTMENT COMPANY LIMITED

Notes to the Financial Statements

1. The Company

The Company was incorporated with limited liability in Guernsey on 1 June 2004 as a company limited by shares and as an authorised closed-ended investment company. As an existing closed-ended fund the Company is deemed to be granted an authorised declaration in accordance with section 8 of the Protection of Investors (Bailiwick of Guernsey) Law, 1987, as amended and rule 6.02 of the Authorised Closed-ended Investment Schemes Rules 2008 on the same date as the Company obtained consent under the Control of Borrowing (Bailiwick of Guernsey) Ordinance 1959 to 1989.

2. Significant accounting policies

a) Statement of Compliance

The Financial Statements of the Company for the year from 1 July 2013 to 30 June 2014 have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the European Union and the Listing Rules of the London Stock Exchange. They give a true and fair view and are in compliance with the Companies (Guernsey) Law, 2008.

b) Basis of preparation

The Financial Statements are prepared in pounds sterling (£), which is the Company's functional and presentation currency. The financial statements have been prepared 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 2013 to 30 June 2014, has been audited.

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

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

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

IAS 32 – Financial Instruments: Presentation (effective date – 1 January 2014)

IFRS 9 as issued reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after 1 January 2013, but Amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures, issued in December 2011, moved the mandatory effective date to 1 January 2018. This standard has not yet been adopted by the European Union.

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

d) Financial instruments

i) Classification

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

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

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

RUFFER INVESTMENT COMPANY LIMITED

Notes to the Financial Statements (continued)

2. Significant accounting policies (continued)

d) Financial instruments (continued)

ii) Recognition

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

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

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

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

Derivatives

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

Offsetting of financial instruments

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

iii) Measurement

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

Derecognition of financial instruments

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

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

Realised and unrealised gains and losses

Realised gains and losses arising on disposal of investments are calculated by reference to the proceeds received on disposal and the average cost attributable to those investments, and are recognised in the Statement of Comprehensive Income. Unrealised gains and losses on investments are recognised in the Statement of Comprehensive Income.

RUFFER INVESTMENT COMPANY LIMITED

Notes to the Financial Statements (continued)

2. Significant accounting policies (continued)

d) Financial instruments (continued)

iii) Measurement (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.

e) Income

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

f) Expenses

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

g) Cash and cash equivalents

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

h) Translation of foreign currency

Functional and presentation currency

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

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

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

i) Share issue costs

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

RUFFER INVESTMENT COMPANY LIMITED

Notes to the Financial Statements (continued)

2. Significant accounting policies (continued)

j) Redeemable participating preference shares

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

k) Receivables

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

l) Payables

Payables are obligations to pay for services that have been acquired in the ordinary course of business. Payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

3. Significant accounting judgements, estimates and assumptions

The preparation of the Financial Statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expense and the accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

Judgements

In the process of applying the Company's accounting policies, management has made the following judgement, which have the most significant effect on the amounts recognised in the Financial Statements:

Functional currency

As disclosed in note 2(h), the Company's functional currency is Sterling. Sterling is the currency in which the original capital was raised, distributions are made and ultimately the currency in which capital would be returned in a liquidation.

4. Taxation

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

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

5. Dividends to shareholders

Dividends, if any, are declared semi-annually, usually in September and March each year. A first interim dividend of 1.7p (2012: 1.6p) per share (£2,584,228) (2012: (£2,293,415)) was declared on 25 September 2013 and paid on 25 October 2013 in respect of the period from 1 January 2013 to 30 June 2013. A second interim dividend of 1.7p (2013: 1.6p) per share (£2,618,228) (2013: (£2,293,415)) was declared on 26 February 2014 and paid on 28 March 2014 in respect of the period covered by this annual financial report. A third interim dividend of 1.7p (2013: 1.7p) per share was approved on 25 September 2014, also in respect of the period covered by this report. The financial impact of the dividend is not included in these financial statements.

RUFFER INVESTMENT COMPANY LIMITED

Notes to the Financial Statements (continued)

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

	01.07.2013 to 30.06.2014	01.07.2012 to 30.06.2013
	£	£
Net changes on financial assets at fair value through profit or loss during the year comprise:		
Gains realised on investments sold during the year	3,750,824	6,281,624
Unrealised (losses)/gains arising from changes in fair value	<u>(17,724,018)</u>	<u>21,598,899</u>
Net changes in fair value on financial assets at fair value through profit or loss	<u>(13,973,194)</u>	<u>27,880,523</u>

7. Other gains

	01.07.2013 to 30.06.2014	01.07.2012 to 30.06.2013
	£	£
Unrealised gains/(losses) on forward foreign currency contracts	1,307,679	(644,870)
Realised gains on forward foreign currency contracts	5,310,222	6,894,097
Other realised and unrealised foreign exchange losses	<u>(925,690)</u>	<u>(416,334)</u>
	<u>5,692,211</u>	<u>5,832,893</u>

8. 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 2014, management fees of £3,069,320 (30.06.13: £2,711,607) were charged to the Company, of which £3,069,320 (30.06.13: £2,711,607) was charged to the capital reserves of the Company. The amount of £504,487 (30.06.13: £227,050) remained payable at the year end.

9. Expenses

	01.07.2013 to 30.06.2014	01.07.2012 to 30.06.2013
	£	£
Administration fee	374,088	340,623
Transaction costs	220,639	332,910
Directors' fees	160,000	160,000
General expenses	138,700	127,427
Custodian and trustee charges	36,254	31,144
Audit fee	21,884	21,126
Auditors' remuneration for non-audit services*	<u>7,513</u>	<u>7,298</u>
	<u>959,078</u>	<u>1,020,528</u>

* Fees of £7,513 (30.06.2013: £7,298) were paid to the auditors, Moore Stephens, in respect of non-audit services in relation to the interim review.

All expenses were charged to revenue apart from transaction costs of £220,639 (30.06.13: £332,910) which were charged to the capital reserves of the Company.

RUFFER INVESTMENT COMPANY LIMITED

Notes to the Financial Statements (continued)

10. Investment assets at fair value through profit or loss

	30.06.2014 £	30.06.2013 £
Cost of investments held at end of the year	280,355,440	260,996,330
Fair value movement	19,935,700	37,659,717
Investments designated at fair value through profit or loss	<u>300,291,140</u>	<u>298,656,047</u>

11. Receivables

	30.06.2014 £	30.06.2013 £
Amounts falling due within one year:		
Sales of investments awaiting settlement	3,002,386	1,819,826
Investment income receivable	270,778	784,924
Fixed interest income receivable	269,793	210,085
Due on issue of redeemable participating preference shares	–	325,350
Other receivables	4,497	2,703
	<u>3,547,454</u>	<u>3,142,888</u>

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

12. Payables

	30.06.2014 £	30.06.2013 £
Amounts falling due within one year:		
Purchases of investments awaiting settlement	1,160,280	2,898,146
Management fees payable	504,487	227,050
Withholding taxes payable	49,659	85,301
Directors' fees payable	40,000	40,000
Other payables	87,731	72,547
	<u>1,842,157</u>	<u>3,323,044</u>

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

13. Share capital account

	30.06.2014 £	30.06.2013 £
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
	<u>95,100</u>	<u>95,100</u>

RUFFER INVESTMENT COMPANY LIMITED

Notes to the Financial Statements (continued)

13. Share capital account (continued)

	Number of Shares		Share Capital	
	30.06.2014	30.06.2013	30.06.2014 £	30.06.2013 £
Issued Share Capital				
Management Shares				
Management Shares of £1.00 each	2	2	2	2
Equity Shares				
Redeemable Participating Preference Shares of 0.01p each:				
Balance at start of year	149,188,416	141,488,416	114,304,639	97,982,885
Issued during the year	4,825,000	7,700,000	10,689,375	16,492,440
Share issue costs	—	—	(106,894)	(170,686)
Balance as at end of year	154,013,416	149,188,416	124,887,120	114,304,639

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 (30.06.13: Nil).

Blocklisting and additional shares issued

At the start of the year, the Company had the ability to issue 15,441,522 redeemable participating shares under a blocklisting facility. During the year the Company made a further application to the Financial Conduct Authority and to the London Stock Exchange for 3,464,820 (30.06.13: 14,333,840) redeemable participating preference shares of 0.01 pence each to be admitted to the Official List under a general corporate purposes blocklisting facility. Under the blocklisting facility, 4,825,000 new redeemable participating preference shares of 0.01 pence each were allotted and issued during the year. These new redeemable participating preference shares rank *pari passu* with the existing shares in issue.

As at 30 June 2014, the Company had the ability to issue a further 14,081,342 redeemable participating preference shares under the blocklisting facility.

RUFFER INVESTMENT COMPANY LIMITED

Notes to the Financial Statements (continued)

13. Share capital account (continued)

Redeemable participating preference shares in issue

As at 30 June 2014 the Company had 154,013,416 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 2014 were 154,013,418.

Purchase of Own Shares by the Company

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

During the year the Company did not purchase any of its own shares (2013: Nil). For additional information refer to note 21 on page 52.

14. NAV reconciliation

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

	30.06.2014	30.06.2013
	£	£
NAV per share for valuation purposes	2.061	2.150
IAS 39 valuations (MID to BID)	(0.002)	(0.004)
Adjustment to accruals and receivables*	—	(0.007)
Adjustment to valuation**	0.006	—
Net assets attributable to holders of redeemable participating preference shares (per share)	2.065	2.139

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

** This was an adjustment to the valuation which had been undervalued in the NAV at 30 June 2014.

15. Contingent liabilities

There were no contingent liabilities as at 30 June 2014 and 2013.

16. Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

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

Investment Management Agreement

The Company was managed by Ruffer LLP up to 22 July 2014, a privately owned 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.

RUFFER INVESTMENT COMPANY LIMITED

Notes to the Financial Statements (continued)

16. Related party transactions (continued)

Investment Management Agreement (continued)

The Investment Manager received 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.

Ruffer AIFM Limited was appointed as Investment Manager on 22 July 2014. For additional information refer to note 22 on page 52.

The market value of CF Ruffer Japanese Fund, CF Ruffer Baker Steel Gold Fund and Ruffer Illiquid Strategies Fund of Funds 2009 Limited are deducted from the NAV of the Company before the calculation of management fees on a monthly basis. For additional information refer to the Portfolio Statement on pages 53 to 56.

Shares held in the Investment Manager

As at 30 June 2014, an immediate family member of the Chairman Ashe Windham owned 100 (30.06.13: 100) shares in the Managing Member of the Investment Manager. This amounts to less than 5% (30.06.13: 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.

During the year ended 30 June 2014 Director fees of £160,000 (30 June 2013: £160,000) were charged to the Company of which £40,000 (30 June 2013: £40,000) remained payable at the year end. For additional information refer to the Directors' Remuneration Report on page 21.

Shares held by related parties

As at 30 June 2014, Directors of the Company held the following numbers of shares beneficially:

	30.06.2014	30.06.2013
Directors	Shares	Shares
Ashe Windham*	80,000	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 holds 63,500 shares whilst his wife holds 16,500.

** Peter Luthy holds these shares jointly with his wife.

Shares held by related parties

As at 30 June 2014, Hamish Baillie, Investment Director of the Investment Manager owned 100,000 (30.06.13: 70,000) shares in the Company. Hamish Baillie acquired a further 43,000 shares on 18 August 2014.

As at 30 June 2014, Steve Russell, Investment Director of the Investment Manager owned 6,450 (30.06.13: 6,450) shares in the Company.

As at 30 June 2014, the Investment Manager held 9,651,004 (30.06.2013: 8,499,292) shares on behalf of its discretionary clients in the Company.

RUFFER INVESTMENT COMPANY LIMITED

Notes to the Financial Statements (continued)

16. Related party transactions (continued)

Investments in related funds

As at 30 June 2014, the Company held investments in six (30.06.13: six) related investment funds valued at £26,042,209 (30.06.13: £37,868,186). For additional information refer to the Portfolio Statement on pages 53 to 56.

17. 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.

18. Operating segment reporting

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

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

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

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

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

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

19. Financial instruments

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

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

Terms, conditions and accounting policies

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

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

RUFFER INVESTMENT COMPANY LIMITED

Notes to the Financial Statements (continued)

19. Financial instruments (continued)

Terms, conditions and accounting policies (continued)

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

	30.06.2014 Fair Value £	30.06.2013 Fair Value £
Financial assets		
Listed securities	280,066,780	280,135,856
UCITS funds	20,224,360	18,520,191
Derivative financial asset	850,868	35,184
Total financial assets at fair value through profit and loss	301,142,008	298,691,231
Other financial assets*	18,740,719	24,237,903

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

	30.06.2014 Fair Value £	30.06.2013 Fair Value £
Financial liabilities		
Payables	1,842,157	3,323,044
Derivative financial liability	–	491,995
	1,842,157	3,815,039

20. Financial risk management and associated risks

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

Market risk

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

Market price risk

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

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

Market price sensitivity analysis

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

A 10% (30.06.13: 10%) increase in the market prices of equity related investments as at 30 June 2014 would have increased the net assets attributable to holders of redeemable participating preference shares by

RUFFER INVESTMENT COMPANY LIMITED

Notes to the Financial Statements (continued)

20. Financial risk management and associated risks (continued)

Market risk (continued)

Market price risk (continued)

£19,269,921 (30.06.13: £20,863,058) 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 2014 has been considered under Interest rate risk on page 46.

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

Foreign currency risk

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

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

As at 30 June 2014, the Company had four (30.06.13: twelve) open forward foreign currency contracts.

Forward contracts

Expiration	Underlying	Notional amount of contracts outstanding	30.06.2014
			Fair value assets/ (liabilities) £
02 July 2014	Foreign currency (Purchase of USD)	US\$2,538,376	7,239
14 July 2014	Foreign currency (Purchase of USD)	US\$25,096,800	412,383
15 August 2014	Foreign currency (Purchase of EUR)	€10,042,000	180,260
12 September 2014	Foreign currency (Purchase of JPY)	¥4,379,336,200	247,178
			847,060

RUFFER INVESTMENT COMPANY LIMITED

Notes to the Financial Statements (continued)

20. Financial risk management and associated risks (continued)

Forward contracts (continued)

<i>Expiration</i>	<i>Underlying</i>	<i>Notional amount of contracts outstanding</i>	<i>30.06.2013 Fair value assets/ (liabilities) £</i>
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)	R2,212,312	(1,293)
05 July 2013	Foreign currency (Purchase of ZAR)	R7,614,540	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
			<u>(456,811)</u>

As at 30 June 2014, the Company had one (30.06.13: Nil) open spot foreign currency contract.

Spot contract

<i>Expiration</i>	<i>Underlying</i>	<i>Notional amount of contracts outstanding</i>	<i>30.06.2014 Fair value assets £</i>
2 July 2014	Foreign currency (Sale of USD)	US\$2,595,254	3,808
			<u>3,808</u>

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

As at 30 June 2014 and 2013, the Company held the following assets and liabilities in currencies other than the functional currency:

	<i>30.06.2014 Assets £</i>	<i>30.06.2014 Liabilities £</i>	<i>30.06.2013 Assets £</i>	<i>30.06.2013 Liabilities £</i>
Japanese Yen	43,376,209	–	52,258,815	2,968,342
United States Dollar	64,038,696	33,872	73,026,174	274,077
Euro	9,875,352	–	27,186,047	172,274
Canadian Dollar	6,396,711	–	1,460,211	1,157
South African Rand	–	–	653,722	1,293
Australian Dollar	1,242,410	–	1,273,118	–
Hong Kong Dollar	6,169,541	–	5,466,120	–
Singapore Dollar	4,610,654	–	5,146,518	–

RUFFER INVESTMENT COMPANY LIMITED

Notes to the Financial Statements (continued)

20. Financial risk management and associated risks (continued)

Foreign currency sensitivity

As at 30 June 2014, if the foreign exchange rates had weakened 10% (30.06.13: 10%) against Sterling with all other variables held constant, net assets attributable to holders of redeemable participating preference shares would be £19,674,339 (30.06.13: £20,444,360) 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 2014, a 10% (30.06.13: 10%) strengthening of the foreign exchange rates against Sterling would have resulted in an equal but opposite effect on the net assets attributable to holders of redeemable participating preference shares. Any changes in the foreign exchange rate will directly affect the profit and loss, allocated to the capital column of the Statement of Comprehensive Income.

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

Interest rate risk

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

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

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

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 2014 and 30 June 2013.

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 2014

	Floating rate £	Fixed rate £	Non-Interest bearing £	Total 30.06.2014 £
Financial Assets				
Cash and cash equivalents	15,193,265	—	—	15,193,265
Investments designated at fair value through profit or loss	—	107,591,933	192,699,207	300,291,140
Unrealised gain on open forward foreign currency contracts	—	—	850,868	850,868
Receivables	—	—	3,547,454	3,547,454
	<u>15,193,265</u>	<u>107,591,933</u>	<u>197,097,529</u>	<u>319,882,727</u>

RUFFER INVESTMENT COMPANY LIMITED

Notes to the Financial Statements (continued)

20. Financial risk management and associated risks (continued)

Interest rate risk (continued)

As at 30 June 2014 (continued)

	Floating rate £	Fixed rate £	Non-Interest bearing £	Total 30.06.2014 £
Financial Liabilities				
Payables	—	—	1,842,157	1,842,157
	—	—	1,842,157	1,842,157

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

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

	30.06.2014 % p.a.	Weighted average period for which rate/ yield is fixed	30.06.2013 % p.a.	Weighted average period for which rate/ yield is fixed
United Kingdom government bonds	-0.5971%	24.47 years	-0.4514%	24.79 years
United States government bonds	-0.0523%	12.15 years	0.1822%	11.45 years

Interest rate sensitivity analysis

An increase of 100 basis points (30.06.13: 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 £17,474,743 (30.06.13: £15,119,449) and a decrease of 25 basis points (30.06.13: 25 basis points) in interest rates would have increased the net assets attributable to holders of redeemable participating preference shares by £4,368,686 (30.06.13: £3,779,862).

RUFFER INVESTMENT COMPANY LIMITED

Notes to the Financial Statements (continued)

20. Financial risk management and associated risks (continued)

Interest rate risk (continued)

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

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

Credit risk

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

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

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

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

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

Credit risk analysis

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

	30.06.2014	30.06.2013
	£	£
Cash and cash equivalents	15,193,265	21,095,015
Unrealised gain in open forward foreign currency contracts	850,868	35,184
Receivables	3,547,454	3,142,888
Financial assets at fair value through profit or loss	300,291,140	298,656,047
	<u>319,882,727</u>	<u>322,929,134</u>

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

NTGL is a wholly owned subsidiary of The Northern Trust Corporation ("TNTC"). TNTC is publicly traded and a constituent of the S&P 500. TNTC has a credit rating of A+ (30.06.13: A+) from Standard & Poor's and A2 (30.06.13: A1) from Moody's.

RUFFER INVESTMENT COMPANY LIMITED

Notes to the Financial Statements (continued)

20. 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 2014 were as follows:

	S&P	30.06.2014 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 1.875% Bond 15/07/2019	AA+	Aaa
US Treasury Inflation Indexed 0.625% Bond 15/07/2021	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
US Treasury Inflation Indexed 0.625% Bond 15/02/2043	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)

20. Financial risk management and associated risks (continued)

Fair value (continued)

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

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

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 £	30.06.13 Total £
Financial assets at fair value through profit or loss:				
Government Indexed-Linked Bonds	90,025,463	—	—	90,025,463
Preference Shares	4,495,825	—	—	4,495,825
Options	14,304,406	—	—	14,304,406
Equities	177,590,340	—	—	177,590,340
Investment Funds	—	12,240,013	—	12,240,013
Derivative financial asset	—	35,184	—	35,184
Total assets	286,416,034	12,275,197	—	298,691,231
Financial liabilities at fair value through profit or loss:				
Derivative financial liability	—	491,995	—	491,995
Total liabilities	—	491,995	—	491,995

The Company recognises transfers between levels of fair value hierarchy as of the end of the reporting period during which the transfer has occurred. There were no transfers between levels during the year.

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 2014 and 2013.

RUFFER INVESTMENT COMPANY LIMITED

Notes to the Financial Statements (continued)

20. 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 2014 and 2013, the Company had no significant financial liabilities other than short-term payables arising directly from investing activity.

21. 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.

	30.06.2014 £	30.06.2013 £
Total assets	319,882,727	322,929,134
Less: total liabilities	(1,842,157)	(3,815,039)
Total equity	318,040,570	319,114,095
Gearing ratio	0.58%	1.20%

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:

- purchase shares when deemed appropriate; and
- 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)

21. Capital risk management (continued)

Redemption Facility (continued)

Purchase of Own Shares by the Company

An ordinary resolution was granted on 21 November 2013 which authorised the Company in accordance with The Companies (Guernsey) Law, 2008 to make purchases of its own shares as defined in that Ordinance of its redeemable participating preference shares of 0.01p each, provided that:

- (i) the maximum number of Shares the Company can purchase is no more than 14.99% of the Company's issued share capital;
- (ii) the minimum price (exclusive of expenses) which may be paid for a Share is 0.01 pence, being the nominal value per share;
- (iii) the maximum price (exclusive of expenses) which may be paid for the Share is an amount equal to the higher of (i) 105% of the average of the middle market quotations for a Share taken from the London Stock Exchange Daily Official List for the 5 business days immediately preceding the day on which the Share is purchased and (ii) the price stipulated in Article 5(i) of the Buyback and Stabilisation Regulation (No 2237 of 2003);
- (iv) purchases may only be made pursuant to this authority if the Shares are (at the date of the proposed purchase) trading on the London Stock Exchange at a discount to the lower of the undiluted or diluted NAV;
- (v) the authority conferred shall expire at the conclusion of the AGM of the Company in 2014 or, if earlier, on the expiry of 15 months from the passing of this resolution, unless such authority is renewed prior to such time; and
- (vi) the Company may make a contract to purchase Shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiration of such authority and may make a purchase of Shares pursuant to any such contract.

22. Subsequent events

These financial statements were approved for issuance by the Board on 25 September 2014. Subsequent events have been evaluated until this date.

As at the date of this report the Company had 154,013,416 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 154,013,418.

Due to the recent changes introduced by virtue of the Alternative Investment Fund Managers Directive ("AIFMD"), the Company terminated the Investment Management Agreement with Ruffer LLP and appointed Ruffer AIFM Limited (the "AIFM") as the new Investment Manager with effect from 22 July 2014. The new Investment Manager is entitled to an investment management fee payable to the AIFM monthly in arrears at a rate of 1% of the Net Asset Value per annum. The AIFM is authorised and regulated by the United Kingdom Financial Conduct Authority as a full-scope alternative investment fund manager. Pursuant to the AIFMD and its implementing legislation, the AIFM is subject to a new supervisory regime, and new rules governing its portfolio and risk management activities.

The Company entered into an agreement with Northern Trust (Guernsey) Limited for the provision of depository services with effect from 22 July 2014. The Depositary is entitled to an annual Depositary fee payable to Northern Trust (Guernsey) Limited monthly in arrears at a rate of 0.01% of the Net Asset Value of the Company below £100 million, 0.008% on Net Assets between £100 million and £200 million and 0.006% in excess of £200 million as at the last business day of the month subject to a minimum fee of £20,000 per annum.

Due to the recent changes introduced by virtue of the AIFMD, the Company and the Administrator have amended and restated the existing Administration Agreement to include the AIFM as a party in accordance with the terms of the Administration Agreement with effect from the 22 July 2014. The Administrator is entitled to an administration fee payable to Northern Trust International Fund Administration Services (Guernsey) Limited quarterly in arrears at a rate of 0.15% of the Net Asset Value of the Company below £100 million and 0.10% in excess of £100 million subject to a minimum fee of £60,000 per annum.

RUFFER INVESTMENT COMPANY LIMITED

Portfolio Statement as at 30 June 2014

	Currency	Holding at 30.06.14	Fair Value £	% of Total Net Assets*
Government Index-Linked Bonds 33.83%				
<i>(30.06.13 – 28.22%)</i>				
United Kingdom				
UK Index-Linked Gilt 1.25% 22/11/2017	GBP	15,604,400	22,400,647	7.04
UK Index-Linked Gilt 1.875% 22/11/2022	GBP	3,000,000	4,477,107	1.41
UK Index-Linked Gilt 1.25% 22/11/2055	GBP	8,430,000	17,497,932	5.50
UK Index-Linked Gilt 0.375% 22/03/2062	GBP	8,000,000	10,612,736	3.34
			54,988,422	17.29
United States				
US Treasury Inflation Indexed 0.125% Bond 15/04/2016	USD	5,000,000	3,223,433	1.01
US Treasury Inflation Indexed 1.625% Bond 15/01/2018	USD	16,300,000	11,764,965	3.70
US Treasury Inflation Indexed 1.875% Bond 15/07/2019	USD	5,600,000	4,092,805	1.29
US Treasury Inflation Indexed 0.625% Bond 15/07/2021	USD	19,350,000	12,537,407	3.94
US Treasury Inflation Indexed 0.125% Bond 15/01/2022	USD	8,000,000	4,932,714	1.55
US Treasury Inflation Indexed 2.125% Bond 15/02/2041	USD	9,000,000	7,306,289	2.30
US Treasury Inflation Indexed 0.625% Bond 15/02/2043	USD	15,977,000	8,745,898	2.75
			52,603,511	16.54
Total Government Indexed-Linked Bonds			107,591,933	33.83
Preference Shares 0.23%				
<i>(30.06.13 – 1.41%)</i>				
United Kingdom				
Raven Russia Preference Shares	GBP	466,474	716,038	0.23
Total Preference Shares			716,038	0.23
Equities 49.55%				
<i>(30.06.13 – 49.14%)</i>				
Europe				
Germany				
Deutsche Wohnen	EUR	126,217	1,594,337	0.50
Heliocentris Energy Solutions AG	EUR	400,000	1,649,530	0.52
TAG Immobilien AG	EUR	315,180	2,244,651	0.71
			5,488,518	1.73
Spain				
Ebro Foods	EUR	178,000	2,284,791	0.72
			2,284,791	0.72

RUFFER INVESTMENT COMPANY LIMITED

Portfolio Statement as at 30 June 2014 (continued)

Equities (continued)

	Currency	Holding at 30.06.14	Fair Value £	% of Total Net Assets*
United Kingdom				
Antofagasta Plc	GBP	400,000	3,052,000	0.96
Better Capital Ltd	GBP	1,727,800	1,900,580	0.60
Better Capital PCC Ltd	GBP	3,088,700	3,088,700	0.97
BP Plc	GBP	2,000,000	10,298,000	3.24
BT Group Plc	GBP	979,500	3,770,096	1.19
Cape Plc	GBP	850,000	2,501,125	0.79
Colt Group	GBP	645,225	887,184	0.28
Games Workshop Group Plc	GBP	250,000	1,551,250	0.49
IP Group Plc	GBP	454,546	904,547	0.28
ITV Plc	GBP	1,820,000	3,243,240	1.02
Lloyds Banking Group Plc	GBP	3,956,300	2,937,553	0.92
Oakley Capital Investments Ltd	GBP	2,825,794	4,521,270	1.42
P2P Global Investments Plc	GBP	217,740	2,329,818	0.73
Raven Russia Ltd	GBP	1,814,944	1,379,357	0.43
Renn Universal Growth Trust Ltd	GBP	937,500	2,475,000	0.78
Seaenergy Plc	GBP	300,000	111,000	0.03
Secure Trust Bank	GBP	48,345	1,153,028	0.36
The Royal Bank of Scotland Group Plc	GBP	688,400	2,260,706	0.71
Vodafone Group Plc	GBP	1,232,727	2,403,201	0.76
			50,767,655	15.96
Total European Equities			58,540,964	18.41
Canada				
Thomson Reuters	USD	117,928	2,507,742	0.79
Total Canadian Equities			2,507,742	0.79
United States				
Chimera Investment Corp	USD	650,000	1,208,878	0.38
International Business Machines Corp	USD	55,000	5,829,225	1.83
JPM Chase Com	USD	95,000	3,199,169	1.01
Leucadia National Corp	USD	237,580	3,641,823	1.15
Lockheed Martin	USD	55,000	5,168,523	1.63
MRC Global Inc	USD	91,000	1,505,623	0.47
Oracle Corp	USD	99,717	2,363,092	0.74
Qualcomm Inc	USD	106,611	4,937,582	1.55
Wal-Mart Stores Inc	USD	55,000	2,413,457	0.76
Total United States Equities			30,267,372	9.52

RUFFER INVESTMENT COMPANY LIMITED

Portfolio Statement as at 30 June 2014 (continued)

Equities (continued)

	Currency	Holding at 30.06.14	Fair Value £	% of Total Net Assets*
Asia				
China				
Anton Oilfield Services Group	HKD	5,500,000	2,183,077	0.69
Hopewell Highway Infrastructure	HKD	8,126,000	2,366,927	0.74
Samsonite International	HKD	840,000	1,619,537	0.51
			6,169,541	1.94
Japan				
CF Ruffer Japanese Fund**	GBP	4,500,000	7,538,400	2.38
Daiei Inc	JPY	990,000	1,743,196	0.55
East Japan Railway Company	JPY	30,000	1,380,008	0.43
Fujitsu Ltd	JPY	450,000	1,969,214	0.62
Japan Residential Investment Co Ltd	GBP	8,330,000	4,810,575	1.51
Mitsubishi UFJ Financial Group	JPY	1,950,000	6,979,710	2.19
NTT Data Corp	JPY	200,000	4,485,719	1.41
NTT Urban Development Corp	JPY	419,000	2,755,173	0.87
Orix Corp	JPY	450,000	4,356,690	1.37
Resona Holdings Inc	JPY	1,080,000	3,672,401	1.15
Sumitomo Mitsui Financial Group Inc	JPY	200,000	4,895,611	1.54
T&D Holdings	JPY	1,134,000	9,014,841	2.83
Yamato Holdings Co Ltd	JPY	155,000	1,876,468	0.59
			55,478,006	17.44
Singapore				
M1 Ltd	SGD	2,800,000	4,610,654	1.45
			4,610,654	1.45
Total Asian Equities			66,258,201	20.83
Total Equities			157,574,279	49.55

Investment Funds 5.14%

(30.06.13 – 3.84%)

United Kingdom

Herald Worldwide Fund	GBP	64,341	1,591,143	0.50
Ruffer Illiquid Strategies Fund of Funds 2009 Ltd**	GBP	2,535,409	4,792,653	1.51
Ruffer SICAV Global Smaller Companies Fund**	GBP	45,129	6,366,283	2.00
Ruffer SICAV UK Mid & Smaller Companies Fund**	GBP	13,235	2,110,718	0.66
Weiss Korea Opportunity Fund Ltd	GBP	1,100,000	1,496,000	0.47
			16,356,797	5.14
Total Investment Funds			16,356,797	5.14

RUFFER INVESTMENT COMPANY LIMITED

Portfolio Statement as at 30 June 2014 (continued)

	Currency	Holding at 30.06.14	Fair Value £	% of Total Net Assets*
Gold & Gold Mining Equities 4.85%				
<i>(30.06.13 – 6.50%)</i>				
Australia				
Newcrest Mining Ltd	AUD	213,946	1,242,410	0.39
			1,242,410	0.39
United Kingdom				
CF Ruffer Baker Steel Gold Fund**	GBP	2,830,683	2,617,816	0.82
Gold Bullion Securities	USD	70,000	5,178,817	1.63
			7,796,633	2.45
Canada				
Barrick Gold Corp	CAD	280,000	2,996,754	0.94
Goldcorp Inc	CAD	208,000	3,399,957	1.07
			6,396,711	2.01
Total Gold & Gold Mining Equities			15,435,754	4.85
Options 0.82%				
<i>(30.06.13 – 4.48%)</i>				
United Kingdom				
Ruffer Protection Strategies International**	GBP	1,804,371	2,616,339	0.82
			2,616,339	0.82
Total financial assets at fair value through profit or loss			300,291,140	94.42
Other net current assets			17,749,430	5.58
Management share capital			(2)	–
Total Value of Company (attributable to redeemable participating preference shares)			318,040,568	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 Fund 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 2014 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. Due to the recent changes introduced by virtue of the Alternative Investment Fund Management Directive, the Company terminated the Investment Management Agreement with Ruffer LLP and appointed Ruffer AIFM Limited (the "AIFM") as the new Investment Manager with effect from 22 July 2014. For additional information refer to note 22 on page 52.

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. Due to the recent changes introduced by virtue of the Alternative Investment Fund Management Directive, the Company and the Administrator have amended and restated the existing Administration Agreement to include Ruffer AIFM Limited as a party in accordance with the terms of the Administration Agreement with effect from the 22 July 2014. For additional information refer to note 22 on page 52.

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.

The Company entered into an agreement with Northern Trust (Guernsey) Limited for the provision of depository services with effect from 22 July 2014. For additional information refer to note 22 on page 52.

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,
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Channel Islands, GY1 3HZ

Investment Manager

Ruffer LLP (Investment
Management Agreement
terminated
22 July 2014),
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

Depository

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

Investment Manager and Alternative Investment Fund Manager

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

