



**RUFFER  
INVESTMENT  
COMPANY LIMITED**

**Half-yearly financial report**

**31 December 2010**



# **RUFFER INVESTMENT COMPANY LIMITED**

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# RUFFER INVESTMENT COMPANY LIMITED

## Investment Objective and Policy

To achieve a positive total annual return, after all expenses, of at least twice the Bank of England base rate (0.5% for the period ended 31 December 2010) by investing in internationally listed or quoted equities or equity related securities (including convertibles) and bonds which are issued by corporate issuers, supra-nationals or government organisations.

## Financial Highlights

	<b>31.12.10</b>	<b>Offer Price</b>	<b>Net Asset Value</b>
		£	£
Redeemable participating preference shares		2.080†	1.952*

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

\* This is the Net Asset Value for valuation purposes as at 31.12.10. The Fund is valued weekly and at month end.

## Company Information

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

## Investment Manager's Report

### For the period from 1 July 2010 to 31 December 2010

In the six month period from 1 July to 31 December 2010, the net asset value per share of the Company rose in capital terms from 182.6p\* to 195.2p\*; which, together with a dividend of 1.50p, represents a total return of 7.8% compared to the target return of 0.5%, twice the Bank of England base rate over the period. The base rate was unchanged at 0.5% throughout the period. Since launch on 8 July 2004 the Company has returned 118.8%\*\* on a total return basis (12.8% annualised).

During the period the Company raised £50 million of additional capital through the issue of 26,595,774 Redeemable participating preference shares. The new Redeemable participating preference shares were issued at 188p per share which represented a 2% premium over the prevailing Net Asset Value at that date, with the result that net of placing costs there was no dilution for existing shareholders. The proceeds of the issue were immediately invested by the manager.

The reporting period started against a backdrop of a continued flight from risk assets. Sovereign debt concerns in Greece had escalated into a full blown European crisis, culminating at the end of the year in a joint EU/International Monetary Fund (IMF) bailout for Ireland, and a witch hunt for the next victim. The predicament affecting sovereigns and banking systems alike is not over by any stretch, but as a new year begins, the global economy has a spring in its step on the back of renewed confidence about the strength of the global recovery (UK manufacturing numbers reaching levels not seen since 1994).

The defining moment of the period came at the end of August in Ben Bernanke's Jackson Hole speech. The Chairman of the Federal Reserve stated that the Federal Reserve would do "all it can to ensure the continuation of the economic recovery," and all but announced another round of Quantitative Easing (dubbed QE2). As back in March 2009, risk assets responded with rapturous applause and, spurred on by more encouraging macroeconomic data, major equity markets bounced off their 2010 lows and finished the year with double digit returns. We used the early stages of the rally to take profits in some of our Western equity positions (Texas Instruments, BT), and further increase the exposure to Japanese financials and life insurers.

Another noteworthy occasion came back in October, when the US Treasury auctioned 5 year TIPS (US government inflation linked bonds) on a negative real yield for the first time in its short history. That is, investors at the prevailing price were willing to accept a negative return in real terms right up until 2015. This new phenomenon is by no means unique to the US, and we feel it is only the beginning. Despite the market's current mood of optimism, the threat of deflation has not disappeared (US housing market, intractable unemployment and problems in the Eurozone). We continue to believe such deflationary pressures will ensure that the central authorities keep their foot on the pedal and the show on the road. As the printing presses (and with it currency debasement) help generate a prolonged environment of negative real interest rates so this will produce the ultimate resolution to the crisis. To protect against this outcome, we have maintained our substantial holding in index-linked bonds and gold mining stocks.

The strategic shape of the Company remains broadly unchanged over the period. The most significant change came from initiating a position in German property (Deutsche Wohnen, TAG Immobilien and Conwert). The recent problems in Europe are likely to have a disproportionately beneficial impact on the German economy, and with it the German property sector. In a flight to safety, liquidity has flown out of the European periphery and into the core (Germany), with bund yields driven to record lows as a result. In addition, weakness of the Euro will aid German exporters and boost the domestic economy.

## RUFFER INVESTMENT COMPANY LIMITED

### Investment Manager's Report (continued)

German property could benefit on both accounts. Having not participated in the global property bubble in the last decade, properties are affordable, offer a decent yield and are a real asset when the German populace are likely to have less faith in money than in the past.

Stand out performers over the period included BT (+41%), Vodafone (+20%), and the CF Ruffer Baker Steel Gold Fund (+43%), the latter being a beneficiary of the problems unfolding in Europe and escalating fears of global currency debasement.

However, it was the Japanese equities (accounting for over 40% of the overall equity exposure) and in particular the financials, that stole the show towards the end of the period. These equities have the added benefit of acting as an uncorrelated offset at a time of rising real yields, in addition to being considerably cheaper on valuation grounds relative to their international peers. Throw into this mix the potential for further domestic stimulation and a weakening Yen, and the arguments in favour of Japan remain compelling.

As a new year begins, economies in both the emerging and developed world appear to be having something of a renaissance. However underneath the market's impressive facade, the foundations of the recovery have in reality been built on unstable ground. To prevent collapse from deflationary tremors (Europe, fiscal tightening, stubborn unemployment and the US housing market), it is our continued belief that central banks will continue to cement money into the cracks, and in so doing engineer an end game through negative real rates and the compromise of currencies. We remain positioned for such an outcome. However, the double digit returns of the Company over the last few years may not be repeatable.

Ruffer LLP  
10 January 2011

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

\*\* The calculation of the Total Return includes an amount of 6.19 pence per Share which represents the notional amount by which dividends paid to date would have grown if they had not been paid out as dividends but reinvested within the Company.

# RUFFER INVESTMENT COMPANY LIMITED

## Company Performance

	Price at 31.12.10		Change in Bid Price	
	Bid Price £	Offer Price £	From Launch %	From 30.06.10 %
Shares	2.058	2.080	+ 105.80	+ 5.00

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
	31.12.10	242,623,213	1.947*
30.06.10	178,695,014	1.823	98,042,672
30.06.09	135,603,281	1.521	89,129,703
30.06.08	116,617,351	1.308	89,129,703
30.06.07	123,690,774	1.166	106,117,074
30.06.06	126,375,613	1.191	106,117,074

\* Value reported to the London Stock Exchange was £1.952 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 £
31.12.10	2.085	1.853
30.06.10	2.005	1.555
30.06.09	1.570	1.250
30.06.08	1.300	1.085
30.06.07	1.260	1.110
30.06.06	1.300	1.120

### Net Asset Value Range

Accounting Period to:	Highest NAV £	Lowest NAV £
31.12.10	1.955	1.809
30.06.10	1.897	1.518
30.06.09	1.526	1.266
30.06.08	1.333	1.176
30.06.07	1.211	1.166
30.06.06	1.234	1.122

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

**RUFFER INVESTMENT COMPANY LIMITED**  
**Top Ten Holdings**

<b>Stock name</b>	<b>Currency</b>	<b>Holding at 31.12.10</b>	<b>Fair Value £</b>	<b>% of Total Net Assets*</b>
UK Index-Linked Gilt 1.25% 22/11/2017	GBP	11,500,000	14,589,866	6.02
UK Index-Linked Gilt 1.25% 22/11/2055	GBP	8,430,000	13,089,387	5.39
US Treasury Inflation Indexed 2.375%				
Bond 15/01/2025	USD	15,700,000	12,947,163	5.34
US Treasury Inflation Indexed 1.625%				
Bond 15/01/2015	USD	15,000,000	11,701,276	4.82
US Treasury Inflation Indexed 1.625%				
Bond 15/01/2018	USD	16,300,000	11,630,113	4.79
CF Ruffer Baker Steel Gold Fund**	GBP	2,830,683	10,671,394	4.40
T&D Holdings Inc	JPY	567,000	9,193,845	3.80
Vodafone Group Plc	GBP	5,250,000	8,704,500	3.58
CF Ruffer Japanese Fund**	GBP	7,500,000	7,974,750	3.29
Ruffer Illiquid Strategies Fund of Funds 2009 Limited**	GBP	6,725,000	7,218,407	2.98

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

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

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

**RUFFER INVESTMENT COMPANY LIMITED**  
**Responsibility Statement**

**Responsibility statement of the Directors in respect of the half-yearly financial report**

We confirm that to the best of our knowledge:

- the condensed set of half-yearly financial report has been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting;”
- the Investment Manager’s Report meets the requirements of an interim management report and includes a fair review of the information required by:
  - (a) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of principal risks and uncertainties for the remaining six months of the year; and
  - (b) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

On behalf of the Board,

Christopher Spencer  
*Director*

24 February 2011

Wayne Bulpitt  
*Director*

24 February 2011

# **RUFFER INVESTMENT COMPANY LIMITED**

## **Independent Review Report**

### **To the Members of Ruffer Investment Company Limited**

#### **Introduction**

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 December 2010 which comprises the condensed statement of financial position, condensed statement of comprehensive income, condensed statement of changes in equity, condensed statement of cash flow and summary of significant accounting policies and other explanatory notes.

We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

#### **Directors' Responsibilities**

The half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 1, the annual financial statements of the Company are prepared in accordance with International Financial Reporting Standards. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting".

#### **Our Responsibility**

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

#### **Scope of Review**

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom.

A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## **RUFFER INVESTMENT COMPANY LIMITED**

### **Independent Review Report (continued)**

#### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 December 2010 is not prepared, in all material respects, in accordance with International Accounting Standard 34 and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

#### **MOORE STEPHENS**

Chartered Accountants

Town Mills South

La Rue Du Pre

St Peter Port

Guernsey GY1 3HZ.

24 February 2011

**RUFFER INVESTMENT COMPANY LIMITED**  
**Condensed Statement of Financial Position (Unaudited)**

	(Unaudited) 31.12.10	(Audited) 30.06.10
	<i>Notes</i>	£
<b>ASSETS</b>		
Cash and cash equivalents	4,578,976	9,404,633
Unrealised gain on open forward foreign currency contracts	34,143	243,203
Receivables	871,858	2,777,816
Financial assets at fair value through profit or loss	238,807,272	168,185,441
<b>Total assets</b>	<u>244,292,249</u>	<u>180,611,093</u>
<b>EQUITY</b>		
<b>Capital and reserves attributable to the Company's shareholders</b>		
Management share capital	3	2
Net assets attributable to holders of Redeemable participating preference shares	242,623,213	<u>178,695,014</u>
<b>Total equity</b>	<u>242,623,215</u>	<u>178,695,016</u>
<b>LIABILITIES</b>		
Payables	376,182	1,505,112
Unrealised loss on open forward foreign currency contracts	1,292,852	410,965
<b>Total liabilities</b>	<u>1,669,034</u>	<u>1,916,077</u>
<b>Total Equity and Liabilities</b>	<u>244,292,249</u>	<u>180,611,093</u>
Net assets attributable to holders of Redeemable participating preference shares (per share)	<u>1.947</u>	<u>1.823</u>

The financial statements on pages 9 to 19 were approved on 24 February 2011 and signed on behalf of the Board of Directors by:

Christopher Spencer  
*Director*

Wayne Bulpitt  
*Director*

The notes on pages 13 to 19 form an integral part of the interim condensed financial statements.

**RUFFER INVESTMENT COMPANY LIMITED**  
**Condensed Statement of Comprehensive Income (Unaudited)**

		<b>01.07.10 to 31.12.10</b>	<b>01.07.09 to 31.12.09</b>
	<b>Revenue £</b>	<b>Capital £</b>	<b>Total £</b>
Bank interest income	6,572	–	6,572
Fixed interest income	919,746	–	919,746
Dividend income	1,666,505	–	1,666,505
Net gains on financial assets at fair value through profit or loss	–	17,921,449	17,921,449
Other losses	–	(2,160,562)	(2,160,562)
<b>Total income</b>	<b>2,592,823</b>	<b>15,760,887</b>	<b>18,353,710</b>
Management fees	–	(955,901)	(955,901)
Expenses	(322,365)	(245,859)	(568,224)
<b>Total expenses</b>	<b>(322,365)</b>	<b>(1,201,760)</b>	<b>(1,524,125)</b>
<b>Profit for the period before tax</b>	<b>2,270,458</b>	<b>14,559,127</b>	<b>16,829,585</b>
Withholding tax	(212,883)	–	(212,883)
<b>Profit for the period after tax</b>	<b>2,057,575</b>	<b>14,559,127</b>	<b>16,616,702</b>
<b>Total comprehensive income for the period</b>	<b>2,057,575</b>	<b>14,559,127</b>	<b>16,616,702</b>
Basic and diluted earnings per share *	1.82p	12.91p	14.73p
			18.89p

\* Basic and diluted earnings per share are calculated by dividing the profit after taxation and increase in net assets attributable to holders of Redeemable participating preference shares by the weighted average number of Redeemable participating preference shares. The weighted average number of shares for the period was 112,785,965 (30.06.2010: 89,518,018).

The notes on pages 13 to 19 form an integral part of the interim condensed financial statements.

# RUFFER INVESTMENT COMPANY LIMITED

## Condensed Statement of Changes in Equity (Unaudited)

	Non-distributable reserves			Distributable reserves			Total	
	Share capital	Capital reserve	Foreign exchange	Foreign exchange	Revenue reserves	Other reserves	01.07.10	31.12.10
	£	£	£	£	£	£	£	£
Balance at 30 June 2010	15,897,171	61,323,270	4,026,823	632,722	12,304,896	84,510,132	178,695,014	
Total comprehensive income for the period	–	16,719,689	(2,164,002)	3,440	2,057,575	–	16,616,702	
Transactions with Shareholders:								
Share capital issued	50,000,000	–	–	–	–	–	50,000,000	
Share issue costs	(1,217,863)	–	–	–	–	–	(1,217,863)	
Distribution for the period	–	–	–	–	–	(1,470,640)	(1,470,640)	
Balance at								
31 December 2010	<u>64,679,308</u>	<u>78,042,959</u>	<u>1,862,821</u>	<u>636,162</u>	<u>14,362,471</u>	<u>83,039,492</u>	<u>242,623,213</u>	
Net Assets attributable to holders of Redeemable participating preference shares at the end of the period							<u>242,623,213</u>	

	Non-distributable reserves			Distributable reserves			Total	
	Share capital	Capital reserve	Foreign exchange	Foreign exchange	Revenue reserves	Other reserves	01.07.09	31.12.09
	£	£	£	£	£	£	£	£
Balance at 30 June 2009	8,913	31,542,216	6,083,289	599,752	10,098,838	87,270,273	135,603,281	
Total comprehensive income for the period		16,856,996	(1,016,995)	(5,409)	1,077,404	–	16,911,996	
Transactions with Shareholders:								
Share capital issued	4,324,775	–	–	–	–	–	4,324,775	
Distribution for the period	–	–	–	–	–	(1,336,946)	(1,336,946)	
Balance at								
31 December 2009	<u>4,333,688</u>	<u>48,399,212</u>	<u>5,066,294</u>	<u>594,343</u>	<u>11,176,242</u>	<u>85,933,327</u>	<u>155,503,106</u>	
Net Assets attributable to holders of Redeemable participating preference shares at the end of the period							<u>155,503,106</u>	

The notes on pages 13 to 19 form an integral part of the interim condensed financial statements.

# RUFFER INVESTMENT COMPANY LIMITED

## Condensed Statement of Cash Flows (Unaudited)

	01.07.10 to 31.12.10	01.07.09 to 31.12.09
	£	£
<b>Cash flows from operating activities</b>		
Purchase of financial assets at fair value through profit or loss	(88,250,624)	(60,251,539)
Proceeds from sale of financial assets at fair value through profit or loss (including realised gains)	36,810,845	47,226,655
Other receivables	(245,859)	6,725,000
Transaction costs paid to brokers	6,572	(157,178)
Bank interest received	362,775	3,002
Dividends received	1,660,876	451,026
Withholding tax	(203,202)	1,313,896
Operating expenses paid	(1,207,722)	(877,994)
Foreign exchange (losses)/gains	(1,070,816)	1,411,934
<b>Net cash used in operating activities</b>	<b>(52,137,155)</b>	<b>(4,301,753)</b>
<b>Cash flows from financing activities</b>		
Dividends paid	(1,470,640)	(1,336,946)
Proceeds from issue of Redeemable participating preference shares	50,000,000	4,324,775
Share issue costs	(1,217,862)	–
<b>Net cash generated from financing activities</b>	<b>47,311,498</b>	<b>2,987,829</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(4,825,657)</b>	<b>(1,313,924)</b>
Cash and cash equivalents at beginning of the period	<u>9,404,633</u>	<u>4,960,204</u>
<b>Cash and cash equivalents at end of the period</b>	<b><u>4,578,976</u></b>	<b><u>3,646,280</u></b>

The notes on pages 13 to 19 form an integral part of the interim condensed financial statements.

# RUFFER INVESTMENT COMPANY LIMITED

## Notes to the Unaudited Interim Condensed Financial Statements

### 1. Significant accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered to be material in relation to the Company's interim condensed financial statements.

#### Basis of accounting

The unaudited interim condensed financial statements have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") and in accordance with International Accounting Standard 34 "Interim Financial Reporting" and the Disclosure and Transparency Rules ("DTR's") of the UK's Financial Services Authority.

They have been prepared on a going concern basis and under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities held at fair value through profit or loss, and in accordance with the Principal Documents and applicable Guernsey Law.

This half-yearly financial report, covering the period from 1 July 2010 to 31 December 2010, is not audited.

In order to better reflect the activities of an investment company supplementary information which analyses the income statement between items of revenue and capital nature has been presented within the Statement of Comprehensive Income.

The same accounting policies and methods of computation have been applied to the interim condensed financial statements as in the annual financial report at 30 June 2010. The presentation of the interim condensed financial statements is consistent with the Annual Financial Report.

The interim condensed financial statements do not include all the information and disclosures required in the annual financial report and should be read in conjunction with the annual financial report for the year ended 30 June 2010. The Audit Report on those accounts was not qualified.

The preparation of the interim condensed financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities at the date of the interim financial statements. If in the future such estimates and assumptions, which are based on management's best judgement at the date of the interim financial statements, deviate from the actual circumstances, the original estimates and assumptions will be modified as appropriate in the period in which the circumstances change.

#### Standards, amendments and interpretations issued but not yet effective

The following interpretations are mandatory for accounting periods beginning on or after 1st January 2011.

- IFRS 9 Financial Instruments: Classification and Measurement – (effective 1 January 2013).

IFRS 9 will change the way the Company classifies and measures certain of its financial assets. The Company is currently in the process of evaluating the potential effect of this standard. The standard is not expected to have a significant impact on the financial statements since majority of the Company's financial assets are designated at fair value through profit and loss.

# RUFFER INVESTMENT COMPANY LIMITED

## Notes to the Unaudited Interim Condensed Financial Statements (continued)

### 1. Significant accounting policies (continued)

#### Standards, amendments and interpretations issued but not yet effective (continued)

- IAS 24 Related Party Disclosures (Amendments) – (effective date – 1 January 2011);  
IAS 24 clarifies the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application.
- IFRIC 14 Prepayments of a minimum funding requirement (Amendments) – (effective date – 1 January 2011).

The Company does not expect any impact on its financial position or performance from the adoption of the amendments to IAS 24 and IFRIC 14.

#### Improvements to IFRSs

The International Accounting Standards Board (“IASB”) issued improvements to IFRS, an omnibus of amendments to its IFRS standards. The amendments have not been adopted as they become effective for annual periods on or after 1 January 2011. The Company expects no impact from the adoption of the amendments on its financial position or performance. The adoption of the amendment to IFRS 7 Financial Instruments: Disclosures, is expected to have a limited impact on the disclosure of credit risk.

### 2. Dividend to shareholders

Any dividend will be declared semi-annually usually in September and March each year. An interim dividend of 1.50p per share (£1,470,640) was declared on 25 August 2010 and paid on 24 September 2010 in respect of the period from 1 January 2010 to 30 June 2010. An interim dividend of 1.50p per share in respect of the half year ended 31 December 2010 was declared on 24 February 2011. The dividend is payable on 25 March 2011 to shareholders on record at 4 March 2011.

### 3. Share capital

	<b>31.12.10</b>	<b>30.06.10</b>
	£	£
<b>Authorised share capital</b>		
100 Management Shares of £1.00 each	100	100
200,000,000 Unclassified Shares of 0.01p each	20,000	20,000
75,000,000 C Shares of 0.1p each	<u>75,000</u>	<u>75,000</u>
	<u>95,100</u>	<u>95,100</u>

## RUFFER INVESTMENT COMPANY LIMITED

### Notes to the Unaudited Interim Condensed Financial Statements (continued)

#### 3. Share capital (continued)

	Number of shares		Share capital	
	31.12.10	30.06.10	31.12.10	30.06.10
		£	£	
<b>Issued share capital</b>				
<b>Management shares</b>				
Management Shares of £1.00 each	2	2	2	2
<b>Equity shares</b>				
Redeemable Participating Preference				
Shares of 0.01p each:				
Balance at start of period/year	98,042,672	89,129,703	15,897,171	8,913
Issued during the period/year	26,595,744	8,912,969	50,000,000	15,888,258
Share issues costs written off	—	—	(1,217,863)	—
Balance as at end of period/year	<u>124,638,416</u>	<u>98,042,672</u>	<u>64,679,308</u>	<u>15,897,171</u>

#### *New Redeemable participating preference shares*

During the period the Company raised £50 million of additional capital through the issue of 26,595,774 Redeemable participating preference shares. The new Redeemable participating preference shares were issued at 188p per share which represented a 2% premium over the prevailing Net Asset Value at that date.

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

#### *Blocklisting and additional shares issued*

During the period the Company made an application to the UK Financial Services Authority and to the London Stock Exchange for the blocklisting of 12,463,841 Redeemable participating preference shares of 0.01pence each. No new Redeemable participating preference shares had been allotted or issued as at 31 December 2010 under this blocklisting facility. These new Redeemable participating preference shares will, when issued, rank *pari passu* with the existing equity shares of the Company.

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

As at 31 December 2010 the Company had 124,638,416 Redeemable participating preference shares of 0.01p in issue. Therefore, the total voting rights in issue in the Company were 124,638,416.

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

An ordinary resolution was granted on 23 November 2010 which authorised the Company in accordance with The Companies (Guernsey) Law 2008 to make purchases of its own shares as defined in that Ordinance of its Participating Shares of 0.01p 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 0.01p, being the nominal value per share;

## RUFFER INVESTMENT COMPANY LIMITED

### Notes to the Unaudited Interim Condensed Financial Statements (continued)

#### 3. Share capital (continued)

##### *Purchase of Own Shares by the Company (continued)*

- (iii) the maximum price (exclusive of expenses) which may be paid for the Share is an amount equal to the higher of (i) 105% of the average of the middle market quotations for a Share taken from the London Stock Exchange Daily Official List for the 5 business days immediately preceding the day on which the Share is purchased and (ii) the price stipulated in Article 5(i) of the Buy-back and Stabilisation Regulation (No 2237 of 2003);
- (iv) 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 Net Asset Value;
- (v) the authority conferred shall expire at the conclusion of the Annual General Meeting (“AGM”) of the Company in 2011 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.

#### 4. 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's Investment Manager is Ruffer LLP (the “Investment Manager”), an independent business incorporated in England and Wales as a limited liability partnership. The Company and the Investment Manager have entered into a 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 Management Agreement and the Articles of Association. The Investment Management Agreement will continue in force until determined by the Investment Manager or the Company giving to the other party thereto not less than 12 months notice. The market value of all related investment funds are deducted from the Net Asset Value of the Company before the calculation of management fees on a monthly basis.

The Investment Manager receives an annual fee, payable monthly in arrears, at the rate of 1 per cent. per annum of the Net Asset Value of the Company on a mid-market basis.

During the period ended 31 December 2010, management fees of £955,901 (31.12.09: £667,572) were charged to the Company, of which £955,901 (31.12.09: £500,679) was charged to the capital reserves of the Company. The amount of £183,965 (30.06.10: £147,539) remained payable at the period/year end.

## RUFFER INVESTMENT COMPANY LIMITED

### Notes to the Unaudited Interim Condensed Financial Statements (continued)

#### 4. Related party transactions (continued)

##### Shares held in the investment manager

As at 31 December 2010, an immediate family member of Ashe Windham, Director, owned 100 shares (30.06.10: 100 shares) in the Investment Manager.

##### 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, a Guernsey registered investment company managed by the same Investment Manager as the Company.

The Directors of the Company are remunerated for their services at such a rate as the Directors determine provided that the aggregate amount of such fees does not exceed £170,000 (30.06.10: £150,000) per annum.

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

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

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

	<i>01.07.10 to 31.12.10</i>	<i>01.07.09 to 31.12.09</i>
	£	£
Directors' fees for the period	64,250	64,250
Payable at end of the period	<u>37,125</u>	<u>32,125</u>

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

##### Shares held by related parties

As at 31 December 2010, Directors of the Company held the following numbers of shares beneficially:

	<i>31.12.10</i>	<i>30.06.10</i>
	<i>Shares</i>	<i>Shares</i>
<i>Directors</i>		
Wayne Bulpitt	20,000	20,000
Jeannette Etherden	36,627	36,627
Christopher Spencer	14,157	14,157
Ashe Windham	62,906	62,906

## RUFFER INVESTMENT COMPANY LIMITED

### Notes to the Unaudited Interim Condensed Financial Statements (continued)

#### 4. Related party transactions (continued)

##### *Shares held by related parties (continued)*

As at 31 December 2010, Jonathan Ruffer, Chief Executive Officer of the Investment Manager and his immediate family owned 1,002,900 (30.06.10: 384,800) shares in the Company.

As at 31 December 2010, the Investment Manager held 16,085,089 (30.06.10: 17,705,528) shares on behalf of its discretionary clients in the Company.

##### *Investments in related funds*

As at 31 December 2010 the Company held investments in three (30.06.2010: three) related investment funds valued at £25,864,551 (30.06.10: £18,095,233). Refer to the Portfolio Statement on pages 20 to 23 for details.

#### 5. 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.

The internal reporting provided to the Board for the Company's assets, liabilities and performance is prepared on a consistent basis with the measurement and recognition principles of IFRS.

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

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

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

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

#### 6. Principle risks and uncertainties

In general terms these may be highlighted as including unexpected and sharp appreciation of sterling against the US Dollar and other currencies held in the portfolio. A sudden decline in inflation expectations or a prolonged period of outright deflation across developed economies could also have an adverse impact on the portfolio, as could a sudden rise in real interest rates in the UK or US. Other potential risks include a sharp fall in the price of gold and unexpected stock specific declines in the share prices of the portfolio's equity investments. Equities currently constitute 53.36% of the Company's Net Asset Value, with no single exposure greater than 5.00%. The above risks could specifically affect, among other things, the Company's 25.14% in US Dollar denominated assets, 31.35% in government index-linked bonds and 7.18% in gold and gold equities.

## **RUFFER INVESTMENT COMPANY LIMITED**

### **Notes to the Unaudited Interim Condensed Financial Statements (continued)**

#### **7. Subsequent events**

These financial statements were approved for issuance by the Board on 24 February 2011. Subsequent events have been evaluated until this date.

John Baldwin was appointed to the Board of Directors on 24 February 2011.

# RUFFER INVESTMENT COMPANY LIMITED

## Portfolio Statement (Unaudited)

	Currency	Holding at 31.12.10	Fair Value £	% of Total Net Assets*
<b>Government Index-Linked Bonds 31.62%</b>				
<i>(30.06.10 – 32.95%)</i>				
<b>United Kingdom</b>				
UK Index-Linked Gilt 2.50% 26/07/2016	GBP	2,005,000	6,292,091	2.59
UK Index-Linked Gilt 1.25% 22/11/2055	GBP	8,430,000	13,089,387	5.39
UK Index-Linked Gilt 1.25% 22/11/2017	GBP	11,500,000	14,589,866	6.02
			33,971,344	14.00
<b>Japan</b>				
Japan Index-Linked Bond 1.20% 10/03/2017	JPY	825,000,000	6,480,668	2.67
			6,480,668	2.67
<b>United States</b>				
US Treasury Inflation Indexed 1.625%				
Bond 15/01/2018	USD	16,300,000	11,630,113	4.79
US Treasury Inflation Indexed 1.625%				
Bond 15/01/2015	USD	15,000,000	11,701,276	4.82
US Treasury Inflation Indexed 2.375%				
Bond 15/01/2025	USD	15,700,000	12,947,163	5.34
			36,278,552	14.95
<b>Total Government Indexed-Linked Bonds</b>			<b>76,730,564</b>	<b>31.62</b>
<b>Options 0.14%</b>				
<i>(30.06.10 – 0.89%)</i>				
<b>United States</b>				
Morgan Stanley S&P 500 Put Options				
1200 18/02/2011	USD	23,854	215,206	0.09
Nomura S&P 500 Put Options				
1200 21/01/2011	USD	87,700	128,835	0.05
<b>Total Options</b>			<b>344,041</b>	<b>0.14</b>

# RUFFER INVESTMENT COMPANY LIMITED

## Portfolio Statement (Unaudited) (continued)

	Currency	Holding at 31.12.10	Fair Value £	% of Total Net Assets*
<b>Equities 55.46%</b>				
<i>(30.06.10 – 49.54%)</i>				
<b>Europe</b>				
<b>Austria</b>				
Conwert Immobilien Invest	EUR	210,000	1,939,770	0.80
			1,939,770	0.80
<b>Germany</b>				
Deutsche Wohnen AG	EUR	235,000	2,095,184	0.86
Fresenius Medical Care	EUR	63,500	2,357,625	0.97
TAG Immobilien	EUR	80,300	435,543	0.18
			4,888,352	2.01
<b>Netherlands</b>				
Koninklijke KPN NV	EUR	380,000	3,555,646	1.47
			3,555,646	1.47
<b>Spain</b>				
Ebro Foods	EUR	108,700	1,474,425	0.61
			1,474,425	0.61
<b>Sweden</b>				
LM Ericsson	SEK	500,000	3,712,367	1.53
			3,712,367	1.53
<b>United Kingdom</b>				
Better Capital Ltd	GBP	1,727,800	1,969,692	0.81
Booker Group Plc	GBP	5,631,000	3,378,600	1.39
BT Group Plc	GBP	3,810,000	6,888,480	2.84
Charles Taylor (Consulting) Plc	GBP	952,936	1,572,344	0.65
Colt Telecom Group Ltd	GBP	495,225	681,925	0.28
Electrocomponents Plc	GBP	500,000	1,329,000	0.55
Environmental Recycling Technologies Plc	GBP	500,000	21,250	0.01
GlaxoSmithKline Plc	GBP	200,000	2,480,000	1.02
Invensys Plc	GBP	1,000,000	3,542,000	1.46
London & Stamford Property Ltd	GBP	290,300	380,293	0.16
Mecom Group Plc	GBP	361,161	708,778	0.29
Carphone Warehouse Group Plc	GBP	270,000	1,066,500	0.44
Oakley Capital Investments Ltd	GBP	2,825,794	4,040,885	1.67
RSA Insurance Group Plc	GBP	3,124,000	3,911,248	1.61
Seaenergy Plc	GBP	350,000	80,500	0.03
ServicePower Technologies Plc	GBP	8,860,000	265,800	0.11
Vodafone Group Plc	GBP	5,250,000	8,704,500	3.58
Yell Group Plc	GBP	3,635,781	527,188	0.22
			41,548,983	17.12
<b>Total European Equities</b>			<b>57,119,543</b>	<b>23.54</b>

# RUFFER INVESTMENT COMPANY LIMITED

## Portfolio Statement (Unaudited) (continued)

	Currency	Holding at 31.12.10	Fair Value £	% of Total Net Assets*
<b>Australia</b>				
Newcrest Mining Ltd	AUD	48,946	1,294,640	0.53
<b>Total Australian Equities</b>			<b>1,294,640</b>	<b>0.53</b>
<b>Canada</b>				
Barrick Gold Corp	USD	70,000	2,377,671	0.98
<b>Total Canadian Equities</b>			<b>2,377,671</b>	<b>0.98</b>
<b>United States</b>				
Clean Diesel Technologies Inc	USD	33,536	202,632	0.08
Johnson & Johnson	USD	60,000	2,369,878	0.98
Kraft Foods Inc	USD	340,000	6,842,781	2.81
Kroger Co	USD	351,000	5,012,845	2.07
Pfizer Inc	USD	461,000	5,155,757	2.13
Wal-Mart Stores Inc	USD	86,000	2,962,335	1.22
<b>Total United States Equities</b>			<b>22,546,228</b>	<b>9.29</b>
<b>Asia</b>				
<b>Japan</b>				
Daiei Inc	JPY	990,000	2,502,637	1.03
Daiwa Securities Group Inc	JPY	1,400,000	4,597,501	1.89
Impex Corp	JPY	1,400	5,236,961	2.16
Japan Residential Investment Co Ltd	JPY	8,330,000	3,706,850	1.53
Kao Corp	JPY	255,000	4,391,842	1.81
Nippon Building Fund REIT	JPY	490	3,210,533	1.32
Nippon Telegraph & Telephone Corp	JPY	187,000	5,411,986	2.24
Nomura Holdings Inc	JPY	700,000	2,838,984	1.17
Nomura Research Institute	JPY	60,000	854,294	0.35
NTT Data	JPY	2,000	4,419,523	1.82
T&D Holdings Inc	JPY	567,000	9,193,845	3.80
			46,364,956	19.12
<b>Singapore</b>				
M1 Ltd	EUR	1,463,000	1,714,160	0.71
			1,714,160	0.71
<b>Total Asian Equities</b>			<b>48,079,116</b>	<b>19.83</b>

# RUFFER INVESTMENT COMPANY LIMITED

## Portfolio Statement (Unaudited) (continued)

	Holding at 31.12.10	Fair Value £	% of Total Net Assets*
Currency			
<b>Africa</b>			
<b>South Africa</b>			
Gold Fields Ltd	ZAR	120,000	1,397,188
Gold Fields ADR Rep	USD	150,000	1,734,104
<b>Total African Equities</b>		<b>3,131,292</b>	<b>1.29</b>
<b>Total Equities</b>		<b>134,548,490</b>	<b>55.46</b>
<b>Investment Funds 11.21%</b>			
<i>(30.06.10 - 10.74%)</i>			
<b>United Kingdom</b>			
CF Ruffer Baker Steel Gold Fund**	GBP	2,830,683	10,671,394
CF Ruffer Japanese Fund**	GBP	7,500,000	7,974,750
Herald Worldwide Fund	GBP	64,341	1,319,626
Ruffer Illiquid Strategies Fund of Funds 2009 Limited**	GBP	6,725,000	7,218,407
		27,184,177	11.21
<b>Total Investment Funds</b>		<b>27,184,177</b>	<b>11.21</b>
<b>Total financial assets at fair value through profit or loss</b>		<b>238,807,272</b>	<b>98.43</b>
Other net current		3,815,943	1.57
Management share capital		(2)	-
<b>Total Value of Company</b>			
<b>(attributable to redeemable participating preference shares)</b>		<b>242,623,213</b>	<b>100.00</b>

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

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

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

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

The accounting date of the Company is 30 June in each year. This half-yearly financial report, covering the period from 1 July 2010 to 31 December 2010 was authorised for issue on 24 February 2011 by the Board of 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 Net Asset Value of the Company on a mid market basis.

The Administrator is entitled to receive an annual fee equal to 0.15 per cent. per annum on the first £100 million and 0.10 per cent. per annum thereafter on the Net Asset Value of the Company on a mid market basis, subject to a minimum fee of £60,000 per annum.

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

# RUFFER INVESTMENT COMPANY LIMITED

## Management and Administration

<b>Directors</b>	<b>Registered Office</b>	<b>Auditors</b>
John de Havilland (Chairman)	Trafalgar Court,	Moore Stephens,
Wayne Bulpitt	Les Banques,	Town Mills South,
Jeannette Etherden	St. Peter Port,	La Rue du Pre,
Peter Luthy	Guernsey,	St. Peter Port,
Christopher Spencer	Channel Islands, GY1 3QL	Guernsey,
Ashe Windham		Channel Islands, GY1 3HZ
John Baldwin (Appointed 24 February 2011)		
<b>Investment Manager</b>	<b>Sponsor and Broker</b>	<b>Solicitors to the Company as to UK law</b>
Ruffer LLP, 80 Victoria Street, London, SW1E 5JL	Cenkos Securities Plc, 6.7.8 Tokenhouse Yard, London, EC2R 7AS	Lawrence Graham LLP, 4 More London Riverside, London, SE1 2AU
<b>Company Secretary, Administrator and Registrar</b>	<b>CREST Agent</b>	<b>Advocates to the Company as to Guernsey law</b>
Northern Trust International Fund Administration Services (Guernsey) Limited, Trafalgar Court, Les Banques, St. Peter Port, Guernsey, Channel Islands, GY1 3QL	Computershare Investor Services (Channel Islands) Limited, Ordnance House, 31 Pier Road, St. Helier, Jersey, JE4 8PW	Mourant Ozannes, 1 Le Marchant Street, St. Peter Port, Guernsey, Channel Islands, GY1 4HP

### **Custodian**

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



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