

RUFFER INVESTMENT COMPANY LIMITED

Half-yearly financial report

31 December 2011

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 2011) 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

| | 31.12.11 | |
|--|-------------|-----------------|
| | Offer Price | Net Asset Value |
| | £ | £ |
| Redeemable participating preference shares | 1.980† | 1.935* |

† 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 31.12.11. The Fund is valued weekly and at month end.

Company Information

| | | |
|-------------------------|-------------------------------------|-----------|
| Incorporation Date | 01.06.04 | |
| Launch Date | 08.07.04 (C shares: 29.09.05) | |
| Initial Net Asset Value | 98p per share (98p per 'C' share)** | |
| Launch Price | 100p per share (100p per 'C' share) | |
| Accounting dates | Interim | Final |
| | 31 December | 30 June |
| | (Unaudited) | (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 2011 to 31 December 2011

In the six month period from 1 July 2011 to 31 December 2011, the net asset value per share of the Company fell in capital terms from 195.6* to 193.5p* which, together with a dividend of 1.5p, represents a total return of -0.3%, compared to the target return of 0.5%, being twice the Bank of England base rate over the period. Over the same period the FTSE All Share fell 6.2% on a total return basis.

Since launch on 8 July 2004 the NAV of the Company has risen by 120.2%**; including dividends and over the same period the FTSE All Share has produced a total return of 69.3%.

Despite a small decline in value during the six months this was a period "to be got through" and that has by-and-large been achieved. Markets experienced a high level of volatility (the FTSE All Share declined 18% from its peak in July to its trough in October) and the net asset value of the Company was pleasingly steady throughout. Our offsetting assets came into their own in the dark days of August and September. Both the US dollar and our Australian dollar put options proved their worth but index-linked bonds stole the show giving a positive contribution of over 4% and offsetting the losses experienced in the equity portfolio. The long dated bonds were the best performers and some profits were taken during the period in a reverse twist operation; we sold the better performing 2040 TIPS and reinvested the proceeds in the 2015 TIPS thus maintaining our USD exposure but reducing the duration (and volatility) of the US index-linked bonds. The buyer of our long bonds was the US Federal Reserve in its quantitative easing programme playing out the opposite version of our "twist" and unsurprisingly, given that the objective is to lower long term interest rates, the prices were well bid!

There were no tectonic shifts in asset allocation. Equity trades within the company were biased to the buy side as we invested the proceeds from new share issuance. We maintain a preference for large, defensive and typically high and well-covered dividend paying companies and these stocks rode through the volatility better than their smaller and more cyclical counterparts. In the case of the US equity holdings we made positive returns in local and base currencies.

We wrote in June that the price of safety had risen considerably in the preceding twelve months and this was well exemplified in the cost of assets such as gold, the Swiss franc and even cash when considered in real terms. Index-linked bonds have been a beneficiary of this continuing trend but this leaves us in a quandary; they are expensive relative to any point in their (quite short) history and it is therefore tempting to take profits but if our outlook is correct in terms of real interest rates then we may only be in the foothills of what this asset class can do for us. We believe that firmly negative real interest rates will be the solution to this credit fuelled crisis and now that a large proportion of the accumulated debt has moved from the private sector onto sovereigns the likely road is to default, but this will now be an inflationary one rather than an outright default. Do we sell our index-linked bonds? No, but we need to ensure that there are other assets in the portfolio that will benefit from a reversal of the safe-haven buying that has taken place and this means keeping up our equity weightings.

Europe must of course be mentioned given the magnitude of the crisis that is unfolding but we do not feel that there is much that we can add to an already crowded debate. Our approach thus far has been one of avoidance (with the exception of the German property stocks which could prove to be a direct beneficiary). We are hedged on the currency, we have avoided direct exposure to peripheral sovereign debt or companies which may hold that debt (i.e. financials) and most of our European equities are global rather than euro-centric businesses. It is of course impossible to avoid the secondary effects entirely.

On an administrative note, after reviewing the custodial arrangements, the Company's board decided on 24 November to change custodian from RBC Dexia and on 14 December 2011 this change was effected with the appointment of Northern Trust (Guernsey) Limited.

Ruffer LLP
16 January 2012

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

** The calculation of the Total Return includes an amount of 6.33 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 31.12.11 | | Change in Bid Price | |
|--------|----------------------|----------------|------------------------|------------------|
| | Bid Price | Offer Price | From Launch | From 30.06.11 |
| | £ | £ | % | % |
| Shares | 1.970 | 1.980 | + 97.00 | -2.48 |

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 |
|----------|-------------------------|-----------------------------------|------------------------------|
| 31.12.11 | 257,398,528 | 1.930 * | 133,338,416 |
| 30.06.11 | 248,248,134 | 1.953 | 127,138,416 |
| 30.06.10 | 178,695,014 | 1.823 | 98,042,672 |
| 30.06.09 | 135,603,281 | 1.521 | 89,129,703 |
| 30.06.08 | 116,617,351 | 1.308 | 89,129,703 |
| 30.06.07 | 123,690,774 | 1.166 | 106,117,074 |

* Net Asset Value per share reported to the London Stock Exchange was 1.935 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 £ |
|--------------------------|-----------------------------|--------------------------|
| 31.12.11 | 2.070 | 1.900 |
| 30.06.11 | 2.110 | 1.850 |
| 30.06.10 | 2.005 | 1.555 |
| 30.06.09 | 1.570 | 1.250 |
| 30.06.08 | 1.300 | 1.085 |
| 30.06.07 | 1.260 | 1.110 |

Net Asset Value Range

| Accounting Period to: | Highest NAV £ | Lowest NAV £ |
|--------------------------|---------------------|--------------------|
| 31.12.11 | 1.991 | 1.871 |
| 30.06.11 | 1.960 | 1.810 |
| 30.06.10 | 1.897 | 1.518 |
| 30.06.09 | 1.526 | 1.266 |
| 30.06.08 | 1.333 | 1.176 |
| 30.06.07 | 1.211 | 1.166 |

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

| Stock name | Currency | Holding at 31.12.2011 | Fair Value £ | % of Total Net Assets |
|--|----------|--------------------------|--------------------|-----------------------------|
| UK Index-Linked Gilt 1.25% 22/11/2017 | GBP | 13,700,000 | 19,415,558 | 7.54 |
| UK Index-Linked Gilt 1.25% 22/11/2055 | GBP | 8,430,000 | 16,852,598 | 6.55 |
| US Treasury Inflation Indexed 1.625% Bond 15/01/2018 | USD | 16,300,000 | 12,910,248 | 5.02 |
| US Treasury Inflation Indexed 1.625% Bond 15/01/2015 | USD | 15,000,000 | 12,345,402 | 4.79 |
| Vodafone Group Plc | GBP | 5,050,000 | 9,034,450 | 3.51 |
| US Treasury Inflation Indexed 2.125% Bond 15/02/2040 | USD | 9,691,000 | 8,767,343 | 3.41 |
| US Treasury Inflation Indexed 1.875% Bond 15/07/2015 | USD | 10,100,000 | 8,344,089 | 3.24 |
| CF Ruffer Japanese Fund* | GBP | 7,500,000 | 7,377,750 | 2.87 |
| CF Ruffer Baker Steel Gold Fund* | GBP | 2,830,683 | 7,205,222 | 2.80 |
| UK Index-Linked Gilt 2.50% 26/07/2016 | GBP | 2,005,000 | 6,839,282 | 2.66 |

* CF Ruffer Baker Steel Gold Fund and CF Ruffer Japanese Fund are classed as related parties as they share the same Investment Manager as the Company.

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

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,

Ashe Windham
Chairman

23 February 2012

Christopher Spencer
Director

23 February 2012

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 2011 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.

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 2011 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
23 February 2012

RUFFER INVESTMENT COMPANY LIMITED

Condensed Statement of Financial Position (Unaudited)

| | | (Unaudited) 31.12.2011 | (Audited) 30.06.11 |
|--|-------|---------------------------|-----------------------|
| | Notes | £ | £ |
| ASSETS | | | |
| Cash and cash equivalents | | 5,045,766 | 10,760,249 |
| Unrealised gain on open forward foreign currency contracts | | 130,094 | 360,891 |
| Receivables | | 1,010,179 | 3,712,244 |
| Financial assets at fair value through profit or loss | | 252,377,425 | 235,966,572 |
| Total assets | | 258,563,464 | 250,799,956 |
| EQUITY | | | |
| Capital and reserves attributable to the Company's shareholders | | | |
| Management share capital | 3 | 2 | 2 |
| Net assets attributable to holders of Redeemable participating preference shares | | 257,398,528 | 248,248,134 |
| Total equity | | 257,398,530 | 248,248,136 |
| LIABILITIES | | | |
| Payables | | 373,356 | 1,413,465 |
| Unrealised loss on open forward foreign currency contracts | | 791,578 | 1,138,355 |
| Total liabilities | | 1,164,934 | 2,551,820 |
| Total Equity and Liabilities | | 258,563,464 | 250,799,956 |
| Net assets attributable to holders of Redeemable participating preference shares (per share) | | 1.930 | 1.953 |

The financial statements on pages 8 to 16 were approved on 23 February 2012 and signed on behalf of the Board of Directors by:

Ashe Windham
Chairman

Christopher Spencer
Director

The notes on pages 12 to 16 form an integral part of the interim condensed financial statements.

RUFFER INVESTMENT COMPANY LIMITED

Condensed Statement of Comprehensive Income (Unaudited)

| | | | 01.07.2011 to 31.12.2011 | 01.07.10 to 31.12.10 |
|---|------------------|--------------------|-----------------------------|-------------------------|
| | Revenue £ | Capital £ | Total £ | Total £ |
| Bank interest income | 5,362 | - | 5,362 | 6,572 |
| Fixed interest income | 477,401 | - | 477,401 | 919,746 |
| Dividend income | 2,134,634 | - | 2,134,634 | 1,666,505 |
| Net gains on financial assets at fair value through profit or loss | - | 860,994 | 860,994 | 17,921,449 |
| Other losses | - | (2,738,371) | (2,738,371) | (2,160,562) |
| Total income | 2,617,397 | (1,877,377) | 740,020 | 18,353,710 |
| Management fees | - | (1,146,083) | (1,146,083) | (955,901) |
| Expenses | (452,434) | (111,195) | (563,629) | (568,224) |
| Total expenses | (452,434) | (1,257,278) | (1,709,712) | (1,524,125) |
| (Loss)/profit for the period before tax | 2,164,963 | (3,134,655) | (969,692) | 16,829,585 |
| Withholding tax | (226,894) | - | (226,894) | (212,883) |
| (Loss)/profit for the period after tax | 1,938,069 | (3,134,655) | (1,196,586) | 16,616,702 |
| Total comprehensive (expense)/income for the period | 1,938,069 | (3,134,655) | (1,196,586) | 16,616,702 |
| Basic and diluted (loss)/earnings per share * | 1.48p | (2.40p) | (0.92p) | 14.73p |

*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 130,585,970 (30.06.2011: 118,922,387).

The notes on pages 12 to 16 form an integral part of the interim condensed financial statements.

RUFFER INVESTMENT COMPANY LIMITED

Condensed Statement of Changes in Equity (Unaudited)

| | Share capital £ | Distributable reserves £ | Total 01.07.2011 to 31.12.2011 £ |
|---|-----------------------|--------------------------------|---|
| Balance at 30 June 2011 | 69,663,683 | 178,584,451 | 248,248,134 |
| Total comprehensive income for the period | - | (1,196,586) | (1,196,586) |
| Transactions with Shareholders: | | | |
| Share capital issued | 12,310,306 | - | 12,310,306 |
| Distribution for the period | - | (1,963,326) | (1,963,326) |
| Balance at 31 December 2011 | 81,973,989 | 175,424,539 | 257,398,528 |
| Net Assets attributable to holders of Redeemable participating preference shares at the end of the period | | | 257,398,528 |

| | Share capital £ | Distributable reserves £ | Total 01.07.2011 to 31.12.2011 £ |
|---|-----------------------|--------------------------------|---|
| Balance at 30 June 2010 | 15,897,171 | 162,797,843 | 178,695,014 |
| Total comprehensive income for the period | - | 16,616,702 | 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 | 64,679,308 | 177,943,905 | 242,623,213 |
| Net Assets attributable to holders of Redeemable participating preference shares at the end of the period | | | 242,623,213 |

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

The notes on pages 12 to 16 form an integral part of the interim condensed financial statements.

RUFFER INVESTMENT COMPANY LIMITED

Condensed Statement of Cash Flows (Unaudited)

| | 01.07.2011 to 31.12.2011 £ | 01.07.10 to 31.12.10 £ |
|--|----------------------------------|------------------------------|
| Cash flows from operating activities | | |
| Purchase of financial assets at fair value through profit or loss | (61,182,312) | (88,250,624) |
| Proceeds from sale of financial assets at fair value through profit or loss (including realised gains) | 44,476,478 | 36,810,845 |
| Transaction costs paid to brokers | (111,195) | (245,859) |
| Bank interest received | 5,362 | 6,572 |
| Fixed interest income received | 532,602 | 362,775 |
| Dividends received | 2,231,867 | 1,660,876 |
| Withholding tax | (228,042) | (203,202) |
| Operating expenses paid | (1,598,121) | (1,207,722) |
| Foreign exchange losses | (2,854,352) | (1,070,816) |
| Net cash used in operating activities | <u>(18,727,713)</u> | <u>(52,137,155)</u> |
| Cash flows from financing activities | | |
| Dividends paid | (1,963,326) | (1,470,640) |
| Proceeds from issue of Redeemable participating preference shares | 14,976,556 | 50,000,000 |
| Share issue costs | - | (1,217,862) |
| Net cash generated from financing activities | <u>13,013,230</u> | <u>47,311,498</u> |
| Net decrease in cash and cash equivalents | (5,714,483) | (4,825,657) |
| Cash and cash equivalents at beginning of the period | <u>10,760,249</u> | <u>9,404,633</u> |
| Cash and cash equivalents at end of the period | <u>5,045,766</u> | <u>4,578,976</u> |

The notes on pages 12 to 16 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 preparation

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 2011 to 31 December 2011, 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 Condensed 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 2011. 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 2011. 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 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 2013)

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

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

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

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

Amendments to IFRS 1 – Presentation of Items of Other Comprehensive Income (effective date - 1 July 2012)

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

2. Dividends to shareholders

Dividends, if any, will be declared semi-annually usually in September and March each year. An interim dividend of 1.5p per share (£1,963,326) was approved on 23 September 2011 and paid on 28 October 2011, in respect of the period from 1 January 2011 until 30 June 2011. An interim dividend of 1.6p per share in respect of the half year ending 31 December 2011 was declared on 23 February 2012. The dividend is payable on 23 March 2012 to shareholders on record at 2 March 2012.

RUFFER INVESTMENT COMPANY LIMITED

Notes to the Unaudited Interim Condensed Financial Statements (continued)

3. Share capital account

| | 31.12.2011 | 30.06.11 |
|---|---------------|---------------|
| | £ | £ |
| 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> |

| | Number of shares | | Share capital | |
|---|--------------------|--------------------|-------------------|-------------------|
| | 31.12.2011 | 30.06.11 | 31.12.2011 | 30.06.11 |
| | | | £ | £ |
| Issued share capital | | | | |
| Management shares | | | | |
| Management Shares of £1.00 each | <u>2</u> | <u>2</u> | <u>2</u> | <u>2</u> |
| Equity shares | | | | |
| Redeemable Participating Preference Shares of 0.01p each: | | | | |
| Balance at start of period/year | 127,138,416 | 98,042,672 | 69,663,683 | 15,897,171 |
| Issued during the period/year | 6,200,000 | 29,095,744 | 12,310,306 | 54,984,375 |
| Share issues costs written off | - | - | - | (1,217,863) |
| Balance as at end of period/year | <u>133,338,416</u> | <u>127,138,416</u> | <u>81,973,989</u> | <u>69,663,683</u> |

Blocklisting and additional shares issued

During the period the Company made an application to the Financial Services Authority and to the London Stock Exchange for 13,193,841 redeemable participating preference shares of 0.01pence each to be admitted to the Official List under a general corporate purposes blocklisting facility. Under the blocklisting facility, 6,200,000 new redeemable participating preference shares of 0.01 pence each were allotted and issued during the period. These new redeemable participating preference shares rank pari passu with the existing shares in issue.

As at 31 December 2011, the Company had the ability to issue a further 16,957,682 redeemable participating preference shares under the blocklisting facility.

Redeemable participating preference shares in issue

As at 31 December 2011 the Company had 133,138,416 redeemable participating preference shares of 0.01 pence each and 2 Management shares of £1.00 each in issue. Therefore, the total voting rights in the Company at 31 December 2011 were 133,138,418.

Purchase of Own Shares by the Company

An ordinary resolution was granted on 24 November 2011 which authorised the Company in accordance with The Companies (Guernsey) Law, 2008 to make purchases of its own shares as defined in that Ordinance of its Participating Shares of 0.01 pence each, provided that:

- (i) the maximum number of Shares the Company can purchase is no more than 14.99% of the Company's issued share capital:

RUFFER INVESTMENT COMPANY LIMITED

Notes to the Unaudited Interim Condensed Financial Statements (continued)

3. Share capital account (continued)

Purchase of Own Shares by the Company (continued)

- (ii) the minimum price (exclusive of expenses) which may be paid for a Share is 0.01 pence, being the nominal value per share;
- (iii) the maximum price (exclusive of expenses) which may be paid for the Share is an amount equal to the higher of (i) 105 % of the average of the middle market quotations for a Share taken from the London Stock Exchange Daily Official List for the 5 business days immediately preceding the day on which the Share is purchased and (ii) the price stipulated in Article 5(i) of the Buy-back and Stabilisation Regulation (No 2237 of 2003);
- (iv) 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 2012 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 is managed by Ruffer LLP, an independent business incorporated in England and Wales as a limited liability partnership. The Company and the Investment Manager have entered into an Investment Management Agreement under which the Investment Manager has been given responsibility for the day-to-day discretionary management of the Company's assets (including uninvested cash) in accordance with the Company's investment objective and policy, subject to the overall supervision of the Directors and in accordance with the investment restrictions in the Investment Management Agreement and the Company's Articles of Association. The Investment Management Agreement will continue in force until determined by the Investment Manager or the Company giving to the other party thereto not less than 12 months notice.

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

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 2011, management fees of £1,146,083 (31.12.10: £955,901) were charged to the Company, of which £1,146,083 (31.12.10: £955,901) was charged to the capital reserves of the Company. The amount of £193,284 (30.06.11: £180,821) remained payable at the period/year end.

Shares held in the Managing Member of the Investment Manager

As at 31 December 2011, an immediate family member of the Chairman Ashe Windham owned 100 (30.06.11: 100) shares in the Managing Member of the Investment Manager.

RUFFER INVESTMENT COMPANY LIMITED

Notes to the Unaudited Interim Condensed Financial Statements (continued)

4. Related party transactions (continued)

Directors

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

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

The Directors of the Company are remunerated for their services at such a rate as the Directors determine provided that the aggregate amount of such fees does not exceed £170,000 (30.06.11: £170,000) per annum.

Each Director was paid a fee of £20,000 (30.06.11: £20,000) per annum, except for the Chairman who was paid £28,500 (30.06.11: £28,500).

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

| | 01.07.2011 to 31.12.2011 | 01.07.10 to 31.12.10 |
|--------------------------------|-----------------------------|-------------------------|
| | £ | £ |
| Directors' fees for the period | 63,578 | 64,250 |
| Payable at end of the period | 32,125 | 37,125 |

Shares held by related parties

As at 31 December 2011, Directors of the Company held the following numbers of shares beneficially:-

| | 31.12.11 Shares | 30.06.11 Shares |
|---------------------|--------------------|--------------------|
| <i>Directors</i> | | |
| Peter Luthy | 120,000 | - |
| Wayne Bulpitt | 20,000 | 20,000 |
| Jeannette Etherden | 36,627 | 36,627 |
| Christopher Spencer | 14,157 | 14,157 |
| Ashe Windham | 68,000 | 68,000 |

As at 31 December 2011, Jonathan Ruffer, Chief Executive Officer of the Investment Manager and his immediate family owned 981,635 (30.06.11: 981,635) shares in the Company.

As at 31 December 2011, Hamish Baillie, Investment Director of the Investment Manager owned 20,000 (30.06.11: Nil) shares in the Company.

As at 31 December 2011, Steve Russell, Investment Director of the Investment Manager owned 6,450 (30.06.11: 6,450) shares in the Company.

As at 31 December 2011, the Investment Manager held 13,660,853 (30.06.2011: 14,221,788) shares on behalf of its discretionary clients in the Company.

Investments in related funds

As at 31 December 2011, the Company held investments in three (30.06.11: three) related investment funds valued at £21,108,121 (30.06.11: £23,748,502). Refer to the Portfolio Statement on pages 17 to 20 for details.

RUFFER INVESTMENT COMPANY LIMITED

Notes to the Unaudited Interim Condensed Financial Statements (continued)

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.

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 Condensed Statement of Comprehensive Income as dividend income received from equities, and interest income received from fixed interest securities and bank deposits.

The Condensed 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 an 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 53.17% 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 27.30% in US Dollar denominated assets, 34.69% in government index-linked bonds and 5.00% in gold and gold equities.

7. Subsequent events

These financial statements were approved for issuance by the Board on 23 February 2012. Subsequent events have been evaluated until this date.

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

| Date | Shares | Price per share £ | Total £ |
|------------------|------------------|----------------------|------------------|
| 31 January 2012 | 250,000 | 2.0100 | 502,500 |
| 07 February 2012 | 150,000 | 2.0200 | 303,000 |
| 14 February 2012 | 400,000 | 2.0230 | 809,200 |
| 21 February 2012 | 400,000 | 2.0400 | 816,000 |
| | <u>1,200,000</u> | | <u>2,430,700</u> |

At the date of this report the Company had the ability to issue a further 15,757,982 redeemable preference shares under the blocklisting facility.

As at the date of this report, the Company had 134,538,416 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 134,538,418.

RUFFER INVESTMENT COMPANY LIMITED

Portfolio Statement (Unaudited)

| | Currency | Holding at 31.12.2011 | Fair Value £ | % of Total Net Assets* |
|--|----------|-----------------------------|--------------------|------------------------------|
| Government Index-Linked Bonds 34.64% | | | | |
| <i>(30.06.11 - 29.53%)</i> | | | | |
| United Kingdom | | | | |
| UK Index-Linked Gilt 2.50% 16/08/2013 | GBP | 1,300,000 | 3,682,953 | 1.43 |
| UK Index-Linked Gilt 2.50% 26/07/2016 | GBP | 2,005,000 | 6,839,282 | 2.66 |
| UK Index-Linked Gilt 1.25% 22/11/2017 | GBP | 13,700,000 | 19,415,558 | 7.54 |
| UK Index-Linked Gilt 1.25% 22/11/2055 | GBP | 8,430,000 | 16,852,598 | 6.55 |
| | | | 46,790,391 | 18.18 |
| United States | | | | |
| US Treasury Inflation Indexed 1.625% Bond 15/01/2015 | USD | 15,000,000 | 12,345,402 | 4.79 |
| US Treasury Inflation Indexed 1.875% Bond 15/07/2015 | USD | 10,100,000 | 8,344,089 | 3.24 |
| US Treasury Inflation Indexed 1.625% Bond 15/01/2018 | USD | 16,300,000 | 12,910,248 | 5.02 |
| US Treasury Inflation Indexed 2.125% Bond 15/02/2040 | USD | 9,691,000 | 8,767,343 | 3.41 |
| | | | 42,367,082 | 16.46 |
| Total Government Indexed-Linked Bonds | | | 89,157,473 | 34.64 |
| Warrants 0.20% | | | | |
| <i>(30.06.11 - 0.23%)</i> | | | | |
| Luxembourg | | | | |
| CAD\$ Protection Warrant 1.04 21/03/2012 | USD | 1,083 | 511,500 | 0.20 |
| Total Warrants | | | 511,500 | 0.20 |
| Equities 53.87% | | | | |
| <i>(30.06.11 - 55.21%)</i> | | | | |
| Europe | | | | |
| Austria | | | | |
| Conwert Immobilien Invest | EUR | 168,401 | 1,179,066 | 0.46 |
| | | | 1,179,066 | 0.46 |
| Belgium | | | | |
| Groupe Bruxelles Lambert | EUR | 20,150 | 866,987 | 0.34 |
| | | | 866,987 | 0.34 |
| Germany | | | | |
| Fresenius Medical Care | EUR | 63,500 | 2,787,886 | 1.08 |
| TAG Immobilien AG | EUR | 143,300 | 730,765 | 0.29 |
| | | | 3,518,651 | 1.37 |

RUFFER INVESTMENT COMPANY LIMITED

Portfolio Statement (Unaudited) (continued)

| | Currency | Holding at 31.12.2011 | Fair Value £ | % of Total Net Assets* |
|----------------------------------|----------|-----------------------------|--------------------|------------------------------|
| Netherlands | | | | |
| Koninklijke KPN | EUR | 812,000 | 6,270,596 | 2.44 |
| | | | 6,270,596 | 2.44 |
| Sweden | | | | |
| Ericsson (LM) Telecom | SEK | 500,000 | 3,287,552 | 1.28 |
| | | | 3,287,552 | 1.28 |
| Switzerland | | | | |
| Novartis ADR | USD | 144,000 | 5,295,412 | 2.06 |
| Swisscom | CHF | 5,900 | 1,441,669 | 0.56 |
| | | | 6,737,081 | 2.62 |
| United Kingdom | | | | |
| Better Capital Ltd | GBP | 1,727,800 | 2,090,638 | 0.81 |
| Better Capital Sub Shares | GBP | 345,560 | - | - |
| Booker Group Plc | GBP | 2,500,000 | 1,850,000 | 0.72 |
| BT Group Plc | GBP | 3,333,000 | 6,362,697 | 2.47 |
| Carphone Warehouse Group Plc | GBP | 330,000 | 1,019,700 | 0.40 |
| Charles Taylor Consulting Plc | GBP | 952,936 | 1,191,170 | 0.46 |
| Colt Group | GBP | 645,225 | 587,155 | 0.23 |
| Invensys Plc | GBP | 1,000,000 | 2,105,000 | 0.82 |
| London & Stamford Property Plc | GBP | 290,300 | 313,524 | 0.12 |
| Oakley Capital Investments Ltd | GBP | 2,825,794 | 3,645,274 | 1.41 |
| Ocado Group Plc | GBP | 1,000,000 | 544,000 | 0.21 |
| RSA Insurance Group Plc | GBP | 4,897,000 | 5,151,644 | 2.00 |
| Seaenergy Plc | GBP | 300,000 | 75,000 | 0.03 |
| ServicePower Technology Plc | GBP | 8,860,000 | 620,200 | 0.24 |
| Tesco Plc | GBP | 750,000 | 3,025,875 | 1.17 |
| Vodafone Group Plc | GBP | 5,050,000 | 9,034,450 | 3.51 |
| | | | 37,616,327 | 14.60 |
| Total European Equities | | | 59,476,260 | 23.11 |
| Australia | | | | |
| Newcrest Mining Ltd | AUD | 48,946 | 955,737 | 0.37 |
| Total Australian Equities | | | 955,737 | 0.37 |
| Canada | | | | |
| Barrick Gold Corp | USD | 70,000 | 2,038,607 | 0.79 |
| Total Canadian Equities | | | 2,038,607 | 0.79 |

RUFFER INVESTMENT COMPANY LIMITED

Portfolio Statement (Unaudited) (continued)

| | Currency | Holding at 31.12.2011 | Fair Value £ | % of Total Net Assets* |
|---------------------------------------|----------|-----------------------------|--------------------|------------------------------|
| United States | | | | |
| Clean Diesel Technology Inc | USD | 33,536 | 59,774 | 0.02 |
| Johnson & Johnson | USD | 132,700 | 5,597,120 | 2.17 |
| Kraft Foods Inc | USD | 170,000 | 4,085,644 | 1.59 |
| Merck & Co Inc | USD | 150,000 | 3,637,797 | 1.41 |
| Wal-Mart Stores Inc | USD | 156,810 | 6,026,807 | 2.35 |
| Total United States Equities | | | 19,407,142 | 7.54 |
| Asia | | | | |
| Japan | | | | |
| Daiei Inc | JPY | 990,000 | 2,293,421 | 0.89 |
| Inpex Corp | JPY | 1,400 | 5,666,857 | 2.20 |
| Japan Real Estate Investment Corp | JPY | 945 | 4,718,185 | 1.83 |
| Japan Residential Investment Co Ltd | GBP | 8,330,000 | 4,498,200 | 1.75 |
| Kao Corp | JPY | 255,000 | 4,472,058 | 1.74 |
| Mitsubishi UFJ Financial Group | JPY | 920,000 | 2,500,576 | 0.97 |
| Nippon Telegraph & Telephone Corp | JPY | 200,000 | 6,565,057 | 2.55 |
| Nomura Research Institute Ltd | JPY | 210,000 | 3,045,350 | 1.19 |
| NTT Data Corp | JPY | 2,000 | 4,106,297 | 1.60 |
| Resona Holdings Inc | JPY | 938,000 | 2,651,480 | 1.03 |
| Sumitomo Mitsui Financial Group Inc | JPY | 210,000 | 3,761,903 | 1.46 |
| Toshiba Plant Systems & Services Corp | JPY | 420,000 | 2,732,736 | 1.06 |
| T&D Holdings Inc | JPY | 1,134,000 | 6,771,425 | 2.63 |
| | | | 53,783,545 | 20.90 |
| Hong Kong | | | | |
| Esprit Holdings Ltd | HKD | 417,000 | 345,483 | 0.13 |
| | | | 345,483 | 0.13 |
| Total Asian Equities | | | 54,129,028 | 21.03 |
| Africa | | | | |
| South Africa | | | | |
| Gold Fields Ltd | ZAR | 120,000 | 1,177,537 | 0.46 |
| Gold Fields ADR Rep | USD | 150,000 | 1,473,843 | 0.57 |
| Total African Equities | | | 2,651,380 | 1.03 |
| Total Equities | | | 138,658,154 | 53.87 |

RUFFER INVESTMENT COMPANY LIMITED

Portfolio Statement (Unaudited) (continued)

| | Currency | Holding at 31.12.2011 | Fair Value £ | % of Total Net Assets* |
|--|----------|-----------------------------|--------------------|------------------------------|
| Investment Funds 9.34% | | | | |
| <i>(30.06.11 - 10.09%)</i> | | | | |
| United Kingdom | | | | |
| CF Ruffer Baker Steel Gold Fund** | GBP | 2,830,683 | 7,205,222 | 2.80 |
| CF Ruffer Japanese Fund** | GBP | 7,500,000 | 7,377,750 | 2.87 |
| Herald Worldwide Fund | GBP | 64,341 | 1,212,177 | 0.46 |
| Renn Universal Growth Trust Ltd | GBP | 1,000,000 | 1,730,000 | 0.67 |
| Ruffer Illiquid Strategies Fund of Funds 2009 Limited** | GBP | 5,581,750 | 6,525,149 | 2.54 |
| | | | 24,050,298 | 9.34 |
| Total Investment Funds | | | 24,050,298 | 9.34 |
| Total financial assets at fair value through profit or loss | | | 252,377,425 | 98.05 |
| Other net current | | | 5,021,105 | 1.95 |
| Management share capital | | | (2) | - |
| Total Value of Company (attributable to redeemable participating preference shares) | | | 257,398,528 | 100.00 |

* All percentages relate to net assets attributable to holders of redeemable participating preference shares

**CF Ruffer Baker Steel Gold Fund, CF Ruffer Japanese Fund and Ruffer Illiquid Strategies Fund 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 redeemable participating shares are listed on the London Stock Exchange.

The accounting date of the Company is 30 June in each year. These interim financial statements were authorised for issue on 23 February 2012 by the Directors.

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

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

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

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

On 14 December 2011, the Company changed Custodian from RBC Dexia to Northern Trust (Guernsey) Limited. 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.

Prior to 14 December 2011, RBC Dexia was entitled to receive an annual fee equal to agreed safekeeping fees calculated on the basis of a percentage of the NAV of each holding of securities (which vary dependent on the location of the market on which those securities are traded) together with fixed transaction fees which similarly vary on a market by market basis.

RUFFER INVESTMENT COMPANY LIMITED

Management and Administration

Directors

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

Registered Office

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Channel Islands, GY1 3QL

Auditor

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Moore Stephens,
Town Mills South,
La Rue du Pre,
St. Peter Port,
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Sponsor and Broker

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London, EC2R 7AS

**Solicitors to the Company
as to UK law**

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4 More London Riverside,
London, SE1 2AU

**Company Secretary,
Administrator and Registrar**

Northern Trust International
Fund Administration Services
(Guernsey) Limited,
Trafalgar Court,
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St. Peter Port,
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CREST Agent

Computershare Investor
Services (Jersey)
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**Advocates to the Company
as to Guernsey law**

Mourant Ozannes,
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Channel Islands, GY1 4HP

Custodian *

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

* Appointed on 14 December 2011. Prior to this date, the Custodian for the Company was RBC Dexia Investor Services Trust, 155 Wellington St W, Toronto, Ontario, M5V 3L3 Canada.