



**RUFFER
INVESTMENT
COMPANY LIMITED**

Half-yearly financial report

31 December 2012

RUFFER INVESTMENT COMPANY LIMITED

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RUFFER INVESTMENT COMPANY LIMITED

Investment Objective and Policy

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

The principal objective of the Company is to achieve a positive total annual return, after all expenses, of at least twice the Bank of England base rate (0.5% for the period ended 31 December 2012).

The Company predominantly invests 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

	31.12.12	Offer Price	Net Asset Value
		£	£
Redeemable participating preference shares		2.000†	1.968*

† 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 31.12.12. 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 2012 to 31 December 2012

In the six months from 1 July 2012 to 31 December 2012, the net asset value per share of the Company rose from 191.93p to 196.78p which, together with a dividend of 1.6p, represents a total return of 3.4%. The target return of twice the Bank of England base rate was 0.5% over the period.

Since launch on 8 July 2004, the net asset value of the company has risen by 127%* including dividends, compared with a rise of 61% in the target return. The FTSE All Share Total Return index has risen 89% over the same period.

During the last five years we have had a run of either good, or at least half decent returns: in 2008 we made good money in difficult markets, in 2009-10 we were able to spot the shift in markets and capture a decent amount of the recovery, which compounded healthily on the gains made during the financial crisis, and in 2011 we held our own as equity markets fell back again. However, for much of 2012 we made painfully slow progress, like a tractor on the motorway as sportier vehicles flashed past on the outside lane. Nevertheless, a tractor is exactly the vehicle we aspire to be; progress may at times be slow, but when the going gets heavy the tractor proves to be a superior mode of transport to the Ferrari.

After the Euro-induced wobble in equity markets in April and May 2012, the last 6 months have largely proved to be a period of plain sailing. The key to performing well in the second half of 2012 was to close one's eyes to the dangers facing a brittle financial world and invest on the basis that central banks would ride to the rescue and their accommodative policies would push asset prices higher – this is not really our style. Our primary aim is to avoid losing money for investors and this means behaving like the antelope of the investment world. We have to be alert to potential dangers in the long grass and position the company's investments accordingly. The secondary objective is to achieve consistent positive returns and in benign markets it is the job of "greed" assets to participate in the rise in equity markets.

In the last 6 months our investments in "greed" (mainly equities) have done well and Japan in particular has performed strongly. The market initially rose in November on the announcement of a general election in Japan and the subsequent result of a decisive victory for Shinzo Abe gave further support. Since coming to power he has upped the ante to push through his economic reforms. The yen has weakened by 9% since the middle of November, which is good for our equities and does not dilute the sterling returns for the Company as we hedged the currency exposure. During the period under review it was our protective holdings, our investments in "fear", that held us back. Insurance policies in the form of the US dollar and put options were not required. Long dated index-linked gilts also lost a little ground as the Treasury considered tinkering with the calculation of the inflation index; an irrelevance in the longer term but this created a nasty whiff of uncertainty in the short term (but was favourably resolved in January). Rather than reducing our protective investments and increasing the level of risk in the portfolio our answer is to ensure that the "greed" assets are pulling their weight. This happened in the last two months of the year but was lacking between July and October.

Despite a healthy rise in equities over the last six months, the financial world is far from healthy. Government and central bank policies are directed at pain deferral rather than permanent solutions. This has been the case in Europe for some time and is also evident in the US fiscal cliff negotiations. History shows us that putting off a problem today merely results in a bigger problem tomorrow. Stimulus packages are becoming bigger and bolder; the European Central Bank will do "whatever it takes", the Federal Reserve (the "Fed") has increased quantitative easing to a massive \$85bn a month and monetary stimulus is now anticipatory rather than waiting for evidence of an economic slowdown.

RUFFER INVESTMENT COMPANY LIMITED

Investment Manager's Report (continued)

We mentioned in the annual report that there was a repeating cycle of stimulus-recovery-deterioration-stimulus. The nature and timing of the Fed's latest programme is designed to break this cycle and measuring the success of this policy by monitoring job creation is also something of a crossing of a Rubicon in monetary policy. Bill Dudley, head of the New York Fed, exemplified the ramping-up of central bank rhetoric in the last 6 months. He declared that when a car is stuck in the mud you don't stop pushing when the wheels start to turn; you keep pushing until you are on firm ground. I am sure that after the summer of 2012 our investors will be familiar with the physics of bogged vehicles. The message from the Fed is that an inflationary overshoot is an acceptable price for restoring nominal economic growth. Sir Mervyn King gave a similar message in the UK.

Against this backdrop we feel that the deflationary risks, which are considerable, are underwritten by central banks and we need to ensure that we protect investors from the deleterious effects of an inflationary overshoot and subsequent negative real interest rates. Index-linked bonds (and possibly gold) will do this for us and the only equity market in the developed world which will benefit from inflation is Japan.

Ruffer LLP
11 January 2013

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

** The calculation of the Total Return includes an amount of 7.13 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 31.12.12		Change in Bid Price	
	Bid Price £	Offer Price £	From Launch %	From 30.06.12 %
Shares	1.985	2.000	+ 98.50	+ 0.76

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
	31.12.12	281,650,161	1.965*
30.06.12	270,884,661	1.915	141,488,416
30.06.11	248,248,134	1.953	127,138,416
30.06.10	178,695,014	1.823	98,042,672
30.06.09	135,603,281	1.521	89,129,703
30.06.08	116,617,351	1.308	89,129,703

* Net Asset Value per share reported to the London Stock Exchange was £1.968 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 £
31.12.12	2.020	1.915
30.06.12	2.070	1.900
30.06.11	2.110	1.850
30.06.10	2.005	1.555
30.06.09	1.570	1.250
30.06.08	1.300	1.085

Net Asset Value Range

Accounting Period to:	Highest NAV £	Lowest NAV £
31.12.12	1.968	1.903
30.06.12	1.991	1.871
30.06.11	1.960	1.810
30.06.10	1.897	1.518
30.06.09	1.526	1.266
30.06.08	1.333	1.176

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

RUFFER INVESTMENT COMPANY LIMITED
Top Ten Holdings

Stock name	Currency	Holding at 31.12.12	Fair Value £	% of Total Net Assets*
UK Index-Linked Gilt 1.25% 22/11/2017	GBP	15,604,400	22,609,933	8.03
UK Index-Linked Gilt 1.25% 22/11/2055	GBP	8,430,000	15,771,569	5.60
US Treasury Inflation Indexed 1.625%				
Bond 15/01/2018	USD	16,300,000	12,841,239	4.56
Gold Bullion Securities	USD	122,400	12,066,057	4.28
US Treasury Inflation Indexed 0.125%				
Bond 15/01/2022	USD	16,000,000	10,924,502	3.87
UK Index-Linked Gilt 0.375% 22/03/2062	GBP	8,000,000	9,303,720	3.30
CF Ruffer Japanese Fund*	GBP	7,500,000	8,475,750	3.01
T&D Holdings	JPY	1,134,000	8,383,035	2.97
Johnson & Johnson Common Stock	USD	153,700	6,628,342	2.35
BT Group Plc	GBP	2,800,000	6,470,800	2.30

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

RUFFER INVESTMENT COMPANY LIMITED
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

26 February 2013

Christopher Spencer
Director

26 February 2013

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 2012 which comprises the condensed statement of financial position, condensed statement of comprehensive income, condensed statement of changes in equity, condensed statement of cash flows 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 2012 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

26 February 2013

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

	(Unaudited) 31.12.12	(Audited) 30.06.12
	<i>Notes</i>	£
ASSETS		
Cash and cash equivalents	3,662,588	2,478,694
Unrealised gain on open forward foreign currency contracts	2,474,665	758,345
Receivables	640,497	12,932,211
Financial assets at fair value through profit or loss	275,533,582	256,155,624
Total assets	<u>282,311,332</u>	<u>272,324,874</u>
EQUITY		
Capital and reserves attributable to the Company's shareholders		
Management share capital	3	2
Net assets attributable to holders of Redeemable participating preference shares	<u>281,650,161</u>	<u>270,884,661</u>
Total equity	<u>281,650,163</u>	<u>270,884,663</u>
LIABILITIES		
Payables	390,420	869,925
Unrealised loss on open forward foreign currency contracts	270,749	570,286
Total liabilities	<u>661,169</u>	<u>1,440,211</u>
Total Equity and Liabilities	<u>282,311,332</u>	<u>272,324,874</u>
Net assets attributable to holders of Redeemable participating preference shares (per share)	<u>1.965</u>	<u>1.915</u>

The financial statements on pages 9 to 18 were approved on 26 February 2013 and signed on behalf of the Board of Directors by:

Ashe Windham
Chairman

Christopher Spencer
Director

The notes on pages 13 to 18 form an integral part of the interim condensed financial statements.

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

		01.07.12 to 31.12.12	01.07.11 to 31.12.11
	Revenue £	Capital £	Total £
Bank interest income	3	–	3
Fixed interest income	466,159	–	466,159
Dividend income	2,169,753	–	2,169,753
Net gains on financial assets at fair value through profit or loss	–	3,327,540	3,327,540
Other gains/(losses)	–	5,536,043	5,536,043
Total income	2,635,915	8,863,583	11,499,498
Management fees	–	(1,301,347)	(1,301,347)
Expenses	(376,504)	(148,919)	(525,423)
Total expenses	(376,504)	(1,450,266)	(1,826,770)
Profit/(loss) for the period before tax	2,259,411	7,413,317	9,672,728
Withholding tax	(243,678)	–	(243,678)
Profit/(loss) for the period after tax	2,015,733	7,413,317	9,429,050
Total comprehensive income/ (expense) for the period	2,015,733	7,413,317	9,429,050
Basic and diluted (loss)/earnings per share *	1.41p	5.18p	6.59p
			(0.79p)

* Basic and diluted earnings/(loss) 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 143,042,220 (30.06.2012: 133,680,223).

The notes on pages 13 to 18 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 £	01.07.2012 to 31.12.2012 £	Total
Balance at 30 June 2012	97,982,885	172,901,776	270,884,661	
Total comprehensive income for the period	–	9,429,050	9,429,050	
Transactions with Shareholders:				
Share capital issued	3,672,350	–	3,672,350	
Share issue costs	(42,485)	–	(42,485)	
Distribution for the period	–	(2,293,415)	(2,293,415)	
Balance at 31 December 2012	<u>101,612,750</u>	<u>180,037,411</u>	<u>281,650,161</u>	
Net Assets attributable to holders of redeemable participating preference shares at the end of the period			<u>281,650,161</u>	
	Share capital £	Distributable reserves £	01.07.2011 to 31.12.2011 £	Total
Balance at 30 June 2011	69,663,683	178,584,451	248,248,134	
Total comprehensive income for the period	–	(1,032,595)	(1,032,595)	
Transactions with Shareholders:				
Share capital issued	12,310,306	–	12,310,306	
Share issue costs	(163,991)	–	(163,991)	
Distribution for the period	–	(1,963,326)	(1,963,326)	
Balance at 31 December 2011	<u>81,809,998</u>	<u>175,588,530</u>	<u>257,398,528</u>	
Net Assets attributable to holders of Redeemable participating preference shares at the end of the period			<u>257,398,528</u>	

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

The notes on pages 13 to 18 form an integral part of the interim condensed financial statements.

RUFFER INVESTMENT COMPANY LIMITED

Condensed Statement of Cash Flows (Unaudited)

	01.07.12 to 31.12.12	01.07.11 to 31.12.11
	£	£
Cash flows from operating activities		
Purchase of financial assets at fair value through profit or loss	(86,911,384)	(61,182,312)
Proceeds from sale of financial assets at fair value through profit or loss (including realised gains)	81,750,397	44,476,478
Transaction costs paid to brokers	(148,919)	(111,195)
Bank interest received	3	5,362
Fixed interest income received	626,693	532,602
Dividends received	2,082,526	2,003,825
Operating expenses paid	(1,663,058)	(1,434,130)
Foreign exchange gains/(losses)	<u>3,520,186</u>	<u>(2,854,352)</u>
Net cash used in operating activities	<u>(743,556)</u>	<u>(18,563,722)</u>
Cash flows from financing activities		
Dividends paid	(2,293,415)	(1,963,326)
Proceeds from issue of redeemable participating preference shares	4,263,350	14,976,556
Share issue costs	<u>(42,485)</u>	<u>(163,991)</u>
Net cash generated from financing activities	<u>1,927,450</u>	<u>12,849,239</u>
Net increase/(decrease) in cash and cash equivalents	1,183,894	(5,714,483)
Cash and cash equivalents at beginning of the period	<u>2,478,694</u>	<u>10,760,249</u>
Cash and cash equivalents at end of the period	<u>3,662,588</u>	<u>5,045,766</u>

The notes on pages 13 to 18 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 2012 to 31 December 2012, 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 2012. 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 2012. 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 2015)

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

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

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

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

RUFFER INVESTMENT COMPANY LIMITED

Notes to the Unaudited Interim Condensed Financial Statements (continued)

1. Significant accounting policies (continued)

Standards, amendments and interpretations that are not yet effective (continued)

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 1.6p per share (£2,293,415) was approved on 20 September 2012 and paid on 19 October 2012, in respect of the period from 1 January 2012 until 30 June 2012. An interim dividend of 1.6p per share in respect of the half year ending 31 December 2012 was declared on 26 February 2013. The dividend is payable on 28 March 2013 to shareholders on record at 8 March 2013.

3. Share capital account

	31.12.12	30.06.12
	£	£
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	
	31.12.12	30.06.12	31.12.12	30.06.12
	£	£	£	£
Issued share capital				
Management shares				
Management Shares of £1.00 each	2	2	2	2
Equity shares				
Redeemable Participating Preference				
Shares of 0.01p each:				
Balance at start of period/year	141,488,416	127,138,416	97,982,885	69,663,683
Issued during the period/year	1,850,000	14,350,000	3,672,350	28,632,348
Share issues costs written off	–	–	(42,485)	(313,146)
Balance as at end of period/year	<u>143,338,416</u>	<u>141,488,416</u>	<u>101,612,750</u>	<u>97,982,885</u>

RUFFER INVESTMENT COMPANY LIMITED

Notes to the Unaudited Interim Condensed Financial Statements (continued)

3. Share capital account (continued)

Blocklisting and additional shares issued

At the start of the period, the Company had the ability to issue 8,807,682 redeemable participating shares under a blocklisting facility. During the period the Company made a further application to the Financial Services Authority and to the London Stock Exchange for 14,333,840 (30.06.12: 13,193,841) redeemable participating preference shares of 0.01 pence each to be admitted to the Official List under a general corporate purposes blocklisting facility. Under the blocklisting facility, 1,850,000 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 2012, the Company had the ability to issue a further 21,291,522 redeemable participating preference shares under the blocklisting facility.

Redeemable participating preference shares in issue

As at 31 December 2012 the Company had 143,338,416 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 2012 were 143,338,418.

Purchase of Own Shares by the Company

An ordinary resolution was granted on 21 November 2012 which authorised the Company in accordance with The Companies (Guernsey) Law, 2008 to make purchases of its own shares as defined in that Ordinance of its 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;
- (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 2013 or, if earlier, on the expiry of 15 months from the passing of this resolution, unless such authority is renewed prior to such time; and
- (vi) the Company may make a contract to purchase Shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiration of such authority and may make a purchase of Shares pursuant to any such contract.

RUFFER INVESTMENT COMPANY LIMITED

Notes to the Unaudited Interim Condensed Financial Statements (continued)

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

The market value of CF Ruffer Japanese Fund, CF Ruffer Baker Steel Gold Fund and Ruffer Illiquid Strategies Fund of Funds 2009 Limited are deducted from the NAV of the Company before the calculation of management fees on a monthly basis. For additional information refer to the Portfolio Statement on pages 19 to 22.

During the period ended 31 December 2012, management fees of £1,301,347 (31.12.11: £1,146,083) were charged to the Company, of which £1,301,347 (31.12.11: £1,146,083) was charged to the capital reserves of the Company. The amount of £220,683 (30.06.12: £198,724) remained payable at the period/year end.

Shares held in the Managing Member of the Investment Manager

As at 31 December 2012, an immediate family member of the Chairman Ashe Windham owned 100 (30.06.12: 100) shares in the Managing Member of 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 and Ruffer Illiquid Strategies Fund of Funds 2011 Limited, two Guernsey registered investment companies managed by the Company's Investment Manager.

The Directors of the Company are remunerated for their services at such a rate as the Directors determine provided that the aggregate amount of such fees does not exceed £170,000 (30.06.12: £170,000) per annum.

RUFFER INVESTMENT COMPANY LIMITED

Notes to the Unaudited Interim Condensed Financial Statements (continued)

4. Related party transactions (continued)

Directors (continued)

Each Director was paid a fee of £25,000 (30.06.12: £25,000) per annum, except for the Chairman who paid £35,000 (30.06.12: £35,000) per annum.

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

	01.07.12 to 31.12.12	01.07.11 to 31.12.11
	£	£
Directors' fees for the period	80,000	63,578
Payable at end of the period	<u>40,000</u>	<u>32,125</u>

Shares held by related parties

As at 31 December 2012, Directors of the Company held the following numbers of shares beneficially:

	31.12.12	30.06.12
	Shares	Shares
<i>Directors</i>		
Peter Luthy*	120,000	120,000
Wayne Bulpitt	20,000	20,000
Jeannette Etherden	36,627	36,627
Christopher Spencer	14,157	14,157
Ashe Windham**	70,000	70,000

* Peter Luthy holds these shares jointly with his wife.

** Ashe Windham holds 53,500 shares whilst his wife holds 16,500.

As at 31 December 2012, Hamish Baillie, Investment Director of the Investment Manager owned 20,000 (30.06.12: 20,000) shares in the Company.

As at 31 December 2012, Steve Russell, Investment Director of the Investment Manager owned 6,450 (30.06.12: 6,450) shares in the Company.

As at 31 December 2012, the Investment Manager held 9,357,441 (30.06.2012: 11,258,895) shares on behalf of its discretionary clients in the Company.

Investments in related funds

As at 31 December 2012, the Company held investments in six (30.06.12: five) related investment funds valued at £25,949,519 (30.06.12: £21,589,957). Refer to the Portfolio Statement on pages 19 to 22 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 51.9% of the Company's Net Asset Value, with no single exposure greater than 3.0%. The above risks could specifically affect, among other things, the Company's 19.9% in US Dollar denominated assets, 28.2% in government index-linked bonds and 8.9% in gold and gold equities.

7. Subsequent events

These financial statements were approved for issuance by the Board on 26 February 2013. Subsequent events have been evaluated until this date.

RUFFER INVESTMENT COMPANY LIMITED

Portfolio Statement (Unaudited)

	Currency	Holding at 31.12.12	Fair Value £	% of Total Net Assets*
Government Index-Linked Bonds 28.20%				
<i>(30.06.12 – 31.01%)</i>				
United Kingdom				
UK Index-Linked Gilt 1.25% 22/11/2017	GBP	15,604,400	22,609,933	8.03
UK Index-Linked Gilt 1.875% 22/11/2022	GBP	3,000,000	4,592,970	1.63
UK Index-Linked Gilt 1.25% 22/11/2055	GBP	8,430,000	15,771,569	5.60
UK Index-Linked Gilt 0.375% 22/03/2062	GBP	8,000,000	9,303,720	3.30
			52,278,192	18.56
United States				
US Treasury Inflation Indexed 0.125%				
Bond 15/04/2016	USD	5,000,000	3,394,311	1.21
US Treasury Inflation Indexed 1.625%				
Bond 15/01/2018	USD	16,300,000	12,841,239	4.56
US Treasury Inflation Indexed 0.125%				
Bond 15/01/2022	USD	16,000,000	10,924,502	3.87
			27,160,052	9.64
Total Government Indexed-Linked Bonds			79,438,244	28.20
Preference Shares 0.73%				
<i>(30.06.12 – 0.63%)</i>				
United Kingdom				
Raven Russia Ltd	GBP	1,411,924	2,061,409	0.73
Total Preference Shares			2,061,409	0.73
Equities 52.17%				
<i>(30.06.12 – 50.25%)</i>				
Europe				
Germany				
Fresenius Medical Care	EUR	95,000	4,026,736	1.43
GSW Immobilien AG	EUR	49,497	1,282,053	0.46
TAG Immobilien AG	EUR	315,180	2,415,742	0.86
			7,724,531	2.75
Spain				
Ebro Foods	EUR	328,282	3,914,034	1.39
			3,914,034	1.39
Sweden				
Svenska Cellulosa B	SEK	240,000	3,200,118	1.14
			3,200,118	1.14

RUFFER INVESTMENT COMPANY LIMITED

Portfolio Statement (Unaudited) (continued)

	Holding at 31.12.12	Fair Value £	% of Total Net Assets*
	Currency		
Europe (continued)			
United Kingdom			
Better Capital Ltd	GBP	1,727,800	2,583,061
Better Capital PCC Ltd	GBP	2,000,000	2,190,000
BP Plc	GBP	1,200,000	5,097,000
BT Group Plc	GBP	2,800,000	6,470,800
Charles Taylor Consulting Plc	GBP	295,741	487,973
Colt Group	GBP	645,225	630,707
ICAP	GBP	700,000	2,149,000
Invensys Plc	GBP	528,600	1,717,950
Oakley Capital Investments Ltd	GBP	2,825,794	3,814,822
Renn Universal Growth Trust Ltd	GBP	1,250,000	2,700,000
Seaenergy Plc	GBP	300,000	83,250
Service Power Technology Plc	GBP	4,437,500	177,500
Tesco Plc	GBP	1,500,000	5,040,000
Vodafone Group Plc	GBP	3,800,000	5,867,200
		39,009,263	13.85
Total European Equities		53,847,946	19.13
United States			
Chimera Investment Corp	USD	1,150,000	1,839,434
Clean Diesel Technology Inc	USD	33,536	44,770
Google Inc	USD	6,990	3,049,971
Johnson & Johnson Common Stock	USD	153,700	6,628,342
JPM Chase Com	USD	113,000	3,058,056
Kraft Foods Inc	USD	56,666	1,584,417
The Kroger Co	USD	46,000	736,340
Microsoft Corp	USD	250,000	4,109,505
Mondelez International Inc	USD	170,000	2,664,780
Wal-Mart Stores Inc	USD	70,000	2,939,526
Total United States Equities		26,655,141	9.46
Asia			
China			
Hopewell Highway Infrastructure	HKD	8,126,000	2,760,478
PICC Property and Casualty Co Ltd	HKD	3,500,000	3,016,904
		5,777,382	2.05

RUFFER INVESTMENT COMPANY LIMITED

Portfolio Statement (Unaudited) (continued)

	Currency	Holding at 31.12.12	Fair Value £	% of Total Net Assets*
Asia (continued)				
Japan				
Daiei Inc	JPY	990,000	1,394,675	0.50
Hitachi	JPY	1,064,000	3,815,442	1.35
Japan Residential Investment Co Ltd	GBP	8,330,000	4,581,500	1.63
Kao Corp	JPY	255,000	4,080,396	1.45
Mitsubishi UFJ Financial Group	JPY	920,000	3,011,052	1.07
Mitsui	JPY	479,800	4,376,440	1.55
Mizuho Financial Group	JPY	3,466,500	3,847,587	1.37
Nippon Building	JPY	650	4,120,631	1.46
NTT Data Corp	JPY	2,000	3,822,158	1.36
NTT Docomo Inc	JPY	3,800	3,352,571	1.19
Resona Holdings Inc	JPY	1,080,000	3,004,507	1.07
Sumitomo Mitsui Financial Group Inc	JPY	210,000	4,639,312	1.65
Toshiba Plant Systems & Services Corp	JPY	420,000	3,720,414	1.32
T&D Holdings	JPY	1,134,000	8,383,035	2.97
			56,149,720	19.94
Singapore				
M1 Ltd	SGD	3,300,000	4,487,425	1.59
			4,487,425	1.59
Total Asian Equities			66,414,527	23.58
Total Equities			146,917,614	52.17
Investment Funds 7.58%				
<i>(30.06.12 – 7.24%)</i>				
United Kingdom				
CF Ruffer Japanese Fund**	GBP	7,500,000	8,475,750	3.01
Herald Worldwide Fund	GBP	64,341	1,320,912	0.47
Ruffer Illiquid Strategies				
Fund of Funds 2009 Limited**	GBP	4,632,853	5,579,122	1.98
Ruffer Protection Strategies International**	GBP	299,863	2,998,630	1.06
Ruffer SICAV Global				
Smaller Companies Fund**	GBP	13,235	1,480,997	0.53
Ruffer SICAV UK Mid &				
Smaller Companies Fund**	GBP	13,235	1,504,553	0.53
			21,359,964	7.58
Total Investment Funds			21,359,964	7.58

RUFFER INVESTMENT COMPANY LIMITED

Portfolio Statement (Unaudited) (continued)

	Currency	Holding at 31.12.12	Fair Value £	% of Total Net Assets*
Gold & Gold Mining Equities 8.94%				
<i>(30.06.12 – 4.99%)</i>				
Australia				
Newcrest Mining Ltd	AUD	213,946	3,030,817	1.08
			3,030,817	1.08
South Africa				
Gold Fields Ltd	ZAR	200,000	1,504,562	0.53
			1,504,562	0.53
United Kingdom				
CF Ruffer Baker Steel Gold Fund**	GBP	2,830,683	5,910,467	2.10
Gold Bullion Securities	USD	122,400	12,066,057	4.28
			17,976,524	6.38
United States				
Barrick Gold Corp	USD	70,000	1,507,659	0.54
Gold Fields ADR Rep	USD	150,000	1,152,568	0.41
			2,660,227	0.95
Total Gold & Gold Mining Equities			25,172,130	8.94
Options 0.00%				
<i>(30.06.12 – 0.10%)</i>				
Warrants 0.21%				
<i>(30.06.12 – 0.34%)</i>				
United Kingdom				
Morgan Stanley USD 1y3y				
Payer Swaption 13/12/2013	USD	38,419	305,288	0.11
Morgan Stanley USD 1y3y				
Payer Swaption 19/12/2013	USD	29,570	278,933	0.10
			584,221	0.21
Total Warrants			584,221	0.21
Total financial assets at fair value through profit or loss			275,533,582	97.83
Other net current assets			6,116,581	2.17
Management share capital			(2)	–
Total Value of Company			281,650,161	100.00
(attributable to redeemable participating preference shares)				

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

** CF Ruffer Baker Steel Gold Fund, CF Ruffer Japanese Fund, Ruffer Illiquid Strategies Fund, Ruffer Protection Strategies International, Ruffer SICAV Global Smaller Companies and Ruffer SICAV UK Mid & Smaller Companies Fund are classed as related parties as they share the same Investment Manager as the Company.

RUFFER INVESTMENT COMPANY LIMITED

General Information

Ruffer Investment Company Limited was incorporated with limited liability in Guernsey as a company limited by shares and as an authorised closed-ended investment company on 1 June 2004. The 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 predominantly in internationally listed or quoted equities or equity related securities (including convertibles) and bonds which are issued by corporate issuers, supranationals 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 26 February 2013 by the Directors.

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

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

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

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

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

RUFFER INVESTMENT COMPANY LIMITED

Management and Administration

Directors	Registered Office	Auditor
Ashe Windham	Trafalgar Court,	David Green
Wayne Bulpitt	Les Banques,	Moore Stephens,
Jeannette Etherden	St. Peter Port,	Town Mills South,
Peter Luthy	Guernsey,	La Rue du Pre,
Christopher Spencer	Channel Islands, GY1 3QL	St. Peter Port,
John V Baldwin		Guernsey,
		Channel Islands, GY1 3HZ
Investment Manager	Sponsor and Broker	Solicitors to the Company as to UK law
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
Company Secretary, Administrator and Registrar	CREST Agent	Advocates to the Company as to Guernsey law
Northern Trust International Fund Administration Services (Guernsey) Limited, Trafalgar Court, Les Banques, St. Peter Port, Guernsey, Channel Islands, GY1 3QL	Computershare Investor Services (Jersey) Limited, Queensway House, Hilgrove Street, St. Helier, Jersey, JE1 1ES	Mourant Ozannes, 1 Le Marchant Street, St. Peter Port, Guernsey, Channel Islands, GY1 4HP
Custodian		
Northern Trust (Guernsey) Limited, Trafalgar Court, Les Banques, St. Peter Port, Guernsey, Channel Islands, GY1 3QL		

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