

THE INDEPENDENT INVESTMENT TRUST PLC

HALF-YEARLY FINANCIAL REPORT

For the six months ended 31 May 2011

SUMMARY STATISTICS

for the six months ended 31 May 2011

Net asset value per share of 258.2p up 10.1%
(since 30 November 2010)

Revenue earnings per share 2.56p (3.42p)

Interim dividend per share of 2.00p (2.00p)

Share price 229.5p up 12.8%
(since 30 November 2010)

OBJECTIVE AND POLICY

The Company's objective is to provide good absolute returns over long periods by investing the great majority of its assets in UK and international quoted securities. When appropriate, the directors will sanction relatively high levels of gearing and a relatively concentrated portfolio structure. The portfolio is constructed without reference to the composition of any stockmarket index.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks facing the Company relate to the Company's investment activities. These risks are market risk (comprising currency risk, interest rate risk and other price risk), liquidity risk and credit risk. An explanation of these risks and how they are managed is contained in note 18 of the Company's Annual Report and Financial Statements for the year to 30 November 2010. The principal risks and uncertainties have not changed since the publication of the Annual Report which is available on the Company's website: www.independentinvestmenttrust.co.uk. Other risks facing the Company include the following: regulatory risk (that the loss of investment trust status or a breach of applicable legal and regulatory requirements could have adverse financial consequences and cause reputational damage); operational/financial risk (failure of service providers' accounting systems could lead to inaccurate reporting or financial loss); the risk that the discount can widen; and gearing risk (the use of borrowing can magnify the impact of falling markets). The Company's policy is designed to allow the Company an unusually high degree of freedom to exploit the directors' judgement. To the extent that the directors' judgement is flawed, future results could be unusually poor.

RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge:

- a) the condensed set of financial statements has been prepared in accordance with the Accounting Standards Board's statement 'Half-Yearly Financial Reports';
- b) the Chairman's Statement includes a fair review of the information required by Disclosure and Transparency Rules 4.2.7R (indication of important events during the first six months, their impact on the financial statements, and a description of principal risks and uncertainties for the remaining six months of the year); and
- c) the Half-Yearly Financial Report includes a fair review of the information required by Disclosure and Transparency Rules 4.2.8R (disclosure of related party transactions and changes therein).

By order of the board

Douglas McDougall
Chairman

7 July 2011

Past performance is not a guide to future performance.

None of the views expressed in this document should be construed as advice to buy or sell a particular investment. The Independent Investment Trust PLC, as a listed company, is subject to the requirements of the Listing Rules of the Financial Services Authority (FSA) but it is not directly regulated by the FSA, either as a collective investment scheme or as an authorised person. Moreover, its employees are not registered with the FSA as authorised persons. If you are in any doubt about the Company's regulatory status, you should consult your stockbroker or financial adviser.

The six month period ending 31 May 2011 saw our Company produce a net asset value total return of 11.4%, which compares with a total return notionally attributable to the FTSE All Share Index of 10.8%. Most of our holdings performed well during the period, but the effect of this was largely offset by a disappointing performance from our big retail stake. While this was not wholly unexpected after its spectacular performance in the previous year, the scale of our retail exposure has been reduced since the end of May and is under continuous review.

Our net asset value rose from 234.5p to 258.2p over the period and we are declaring an unchanged interim dividend of 2p, to be paid on 26 August 2011 from earnings of 2.56p (3.42p last year). We would once again remind shareholders that the portfolio is not being managed to meet any particular income target and would warn that there is a significant possibility that the board will recommend a reduction in the final dividend.

On the surface, all has appeared well with the world economy: output has been rising; inflation has not been widely perceived as a problem; profits and dividends have been growing; and financial markets have, for much of the time, been in good heart. Issues such as the insolvency of Greece are being dealt with by sleight of hand. But this happy state of affairs has only been achieved as a result of fiscal and monetary policies that appear reckless. The issue of where these policies are ultimately leading is one that has exercised us greatly over the last couple of years, but we still feel no nearer to a conclusion than when we started to worry about it. Our policy has been one of tentatively assuming that we shall continue to muddle through, but being ready to adopt a gloomier view at short notice. Matters such as balance sheet strength and cash generating capability have been very much to the fore when we have dared to invest in companies with sensitivity to economic fluctuations, but we have also kept a significant part of the portfolio in relatively high yielding investments with strong defensive characteristics.

Low levels of turnover and a complete absence of major strategic moves have been the hallmarks of the period. Our cash balances fell from 11% at 30 November 2010 to 4% at 31 May 2011, but have since risen to around 10%, such is our wariness of markets. The relative attractions of cash on the one hand and defensive investments with secure yields on the other is a recurring topic for debate.

The strongest contribution to our performance during the period has come from a group of companies we have rather arbitrarily lumped together under the label Industrials. Ranging from the machine tool component manufacturer Renishaw to the lessor of temporary generating equipment Aggreko, these companies share a number of characteristics: financial strength, cash generating capability and sensitivity to economic conditions. All have delivered strong profit growth since the end of 2009 and all should continue to prosper if the world economy retains its poise. The value of our stake in Industrials rose from £13.6m at 30 November 2010 to £26.2m at 31 May 2011 with £7.1m of the increase being attributable to fresh purchases.

As mentioned above, the performance of our large retail stake has been a significant drag: its value fell from £27.9m at 30 November 2010 to £25.2m at 31 May 2011, despite net purchases of £1.6m. All of our UK retailers have encountered more difficult trading conditions during the period and investors are worried that this marks a trend that will in due course lead to profits disappointments. We have made some sales of Dunelm and SuperGroup in deference to these fears, but are reluctant to abandon what still look like strong businesses in reaction to short term fluctuations in trading conditions. Our foray into Chinese retailing with the purchase of the handbag company Powerland has yet to show benefits, but reports on recent trading have been promising.

Our energy stake, the source of so much disappointment in 2010, has performed better recently. Worth £20.7m at 30 November 2010, its value had grown to £21.7m by 31 May 2011 despite sales of £1.7m. A strong oil price has helped sentiment towards the energy sector and provided tangible benefits to oilfield service companies such as Schlumberger, but trading conditions have remained difficult for our deepwater drillers, albeit that there are some signs that we may be approaching a bottom. We continue to believe that their share prices are cheap in relation to their long term prospects.

The period has seen strong performances from our old favourites, the housebuilders and the recruitment companies. In the case of the former, the market has reacted with relief to a much better spring selling season than seemed likely at the end of last year, while the latter are showing every sign of delivering the sort of strong profits growth for which they are renowned in periods of recovering economic activity. We have taken some profits in both sectors.

CHAIRMAN'S STATEMENT

Less impressive, but still positive, returns have been recorded in our other areas of cyclical exposure: property, transport, technology, telecommunications and mining. Between them, these sectors produced a single transaction during the period: a modest reduction in our holding of Tamar European Industrial Fund. The balance of the holding was sold in early June.

Our defensive sectors have also had a positive six months with tobacco, utilities and non-life insurance outperforming the overall portfolio and pharmaceuticals performing broadly in line with it. The real test for these sectors will come in more difficult economic conditions, but it is pleasing to see them making a positive contribution in a relatively benign environment, supporting our view that high safe yields have tended to be undervalued by the market.

Elsewhere in the portfolio, IG Group has been held back by dull market conditions and three new holdings have made little impact so far: Robert Wiseman, the dairy company; Asian Citrus, the largest grower of oranges in China; and Domino's Pizza, which needs no explanation.

This is the first six month period since May 2008 in which we have not bought back any shares. It is therefore encouraging that we can report a modest improvement in our discount over the period: from 13.2% to 11.1%. We do, however, stand ready to make further purchases of our own shares on an opportunistic basis when we can do so to the benefit of continuing shareholders.

The last two and a half years have seen a major recovery in our fortunes with our net asset value having doubled since its low point in December 2008, outperforming a strong market by a considerable margin in the process. We take comfort from the fact that this recovery has been achieved in a style fundamentally different to that which gave us our original success. In particular, we now operate with a more liquid, more diversified portfolio populated predominantly by financially strong companies and we have turned our back on gearing. We consider this change in style a logical adaptation to a changed world and, while there can be no assurance of future success, we feel well placed to cope with a volatile and unpredictable market environment.

The principal risks facing the Company are set out on the inside front cover of this report. We draw your attention, in particular, to the unusually important role of the directors' judgement in the success or failure of the Company's policy.

Douglas McDougall
7 July 2011

LIST OF INVESTMENTS AS AT 31 MAY 2011

Sector	Name	Value £'000	%
Housebuilders	Berkeley Group	2,258	1.4
	Persimmon	2,386	1.5
		4,644	2.9
Industrials	Aggreko	13,069	8.2
	Croda International	5,832	3.7
	IMI	3,114	2.0
	Renishaw	4,233	2.7
		26,248	16.6
Retailing	Dunelm Group	8,990	5.7
	Halfords Group	3,198	2.0
	Powerland – China	2,803	1.8
	SuperGroup	8,864	5.6
	Topps Tiles	1,350	0.8
		25,205	15.9
Recruitment	Michael Page International	3,428	2.2
	SThree	7,382	4.6
		10,810	6.8
Technology and Telecommunications	Herald Investment Trust	10,400	6.6
	Vodafone Group	1,690	1.1
		12,090	7.7
Mining	BHP Billiton	1,802	1.1
	BlackRock World Mining Trust	3,890	2.5
		5,692	3.6
Offshore Drillers	Diamond Offshore Drilling – USA	2,237	1.4
	Noble Corporation – USA	12,722	8.0
		14,959	9.4
Oilfield Services	Schlumberger – USA	6,768	4.3
Food Producers	Asian Citrus Holdings – China	1,980	1.3
	Robert Wiseman Dairies	1,564	1.0
		3,544	2.3
Tobacco	British American Tobacco	4,081	2.6
	Imperial Tobacco	4,350	2.7
		8,431	5.3
Pharmaceuticals	GlaxoSmithKline	1,979	1.3
Leisure	Domino's Pizza	794	0.5
Transport	First Group	1,352	0.8
	Go-Ahead Group	1,150	0.7
	Stagecoach Group	3,563	2.3
		6,065	3.8
Utilities	National Grid	4,382	2.8
	Scottish & Southern Energy	2,754	1.7
		7,136	4.5
Insurance	Amlin	4,887	3.1
	Beazley	1,912	1.2
	Catlin Group	1,253	0.8
	Chaucer Holdings	2,100	1.3
	Polar Capital Global Insurance Fund (formerly Hiscox)	1,999	1.3
		12,151	7.7
Property	Tamar European Industrial Fund	1,640	1.0
	Orchid Developments Group	255	0.2
		1,895	1.2
Miscellaneous Financials	IG Group Holdings	3,143	2.0
TOTAL INVESTMENTS		151,554	95.8
Net liquid assets		6,622	4.2
SHAREHOLDERS' FUNDS		158,176	100.0

All holdings are in equities domiciled in the UK unless otherwise stated.

INCOME STATEMENT
(unaudited)

For the six months ended 31 May 2011

	<i>Notes</i>	Revenue £'000	Capital £'000	Total £'000
Gains/(losses) on sales of investments		–	5,239	5,239
Changes in investment holdings gains		–	9,933	9,933
Currency (losses)/gains		–	(372)	(372)
Income from investments and interest receivable		1,882	–	1,882
Other income		5	–	5
Administrative expenses		(312)	–	(312)
Net return before finance costs and taxation		1,575	14,800	16,375
Finance costs of borrowings		–	–	–
Net return on ordinary activities before taxation		1,575	14,800	16,375
Tax on ordinary activities		(8)	–	(8)
Net return on ordinary activities after taxation		1,567	14,800	16,367
Net return per ordinary share:	3	2.56p	24.16p	26.72p

Note:

Dividends per share paid and payable in respect of the period	4	2.00p
---------------------------------------------------------------	---	-------

The total column of this statement is the profit and loss account of the Company.

All revenue and capital items in this statement derive from continuing operations. No operations were acquired or discontinued during the period.

A Statement of Total Recognised Gains and Losses is not required as all gains and losses of the Company have been reflected in the above statement.

For the six months ended 31 May 2010			For the year ended 30 November 2010		
Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
–	(1,625)	(1,625)	–	(2,276)	(2,276)
–	2,648	2,648	–	26,999	26,999
–	1,241	1,241	–	741	741
2,427	–	2,427	4,088	–	4,088
2	–	2	17	–	17
(254)	–	(254)	(502)	–	(502)
2,175	2,264	4,439	3,603	25,464	29,067
(17)	–	(17)	(17)	–	(17)
2,158	2,264	4,422	3,586	25,464	29,050
(42)	–	(42)	(61)	–	(61)
2,116	2,264	4,380	3,525	25,464	28,989
3.42p	3.66p	7.08p	5.72p	41.35p	47.07p
2.00p			5.00p		

BALANCE SHEET
(unaudited)

		At 31 May	At 31 May	At 30 November
	Notes	2011 £'000	2010 £'000	2010 £'000
Fixed assets				
Investments held at fair value through profit or loss		151,554	110,872	127,049
Current assets				
Debtors		388	3,366	3,019
Cash at bank and in hand		7,018	9,391	13,603
		7,406	12,757	16,622
Creditors				
Amounts falling due within one year		(784)	(3,155)	(24)
Net current assets		6,622	9,602	16,598
Total net assets		158,176	120,474	143,647
Capital and reserves				
Called-up share capital		15,315	15,346	15,315
Share premium		15,242	15,242	15,242
Special distributable reserve		31,763	31,974	31,763
Capital redemption reserve		1,217	1,186	1,217
Capital reserve		91,941	53,941	77,141
Revenue reserve		2,698	2,785	2,969
Shareholders' funds		158,176	120,474	143,647
Net asset value per ordinary share		258.2p	196.3p	234.5p
Ordinary shares in issue	5	61,260,000	61,385,000	61,260,000

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS
(unaudited)

For the six months ended 31 May 2011

	Share Capital £'000	Share Premium £'000	Special Distri- butable Reserve £'000	Capital Redemp- tion Reserve £'000	Capital Reserve* £'000	Revenue Reserve £'000	Share- holders' Funds £'000
Shareholders' funds at 1 December 2010	15,315	15,242	31,763	1,217	77,141	2,969	143,647
Net return on ordinary activities after taxation	-	-	-	-	14,800	1,567	16,367
Dividends paid (see note 4)	-	-	-	-	-	(1,838)	(1,838)
Shareholders' funds at 31 May 2011	15,315	15,242	31,763	1,217	91,941	2,698	158,176

For the six months ended 31 May 2010

	Share Capital £'000	Share Premium £'000	Special Distri- butable Reserve £'000	Capital Redemp- tion Reserve £'000	Capital Reserve* £'000	Revenue Reserve £'000	Share- holders' Funds £'000
Shareholders' funds at 1 December 2009	15,576	15,242	33,600	956	51,677	4,381	121,432
Net return on ordinary activities after taxation	-	-	-	-	2,264	2,116	4,380
Shares bought back for cancellation	(230)	-	(1,626)	230	-	-	(1,626)
Dividends paid (see note 4)	-	-	-	-	-	(3,712)	(3,712)
Shareholders' funds at 31 May 2010	15,346	15,242	31,974	1,186	53,941	2,785	120,474

For the year ended 30 November 2010

	Share Capital £'000	Share Premium £'000	Special Distri- butable Reserve £'000	Capital Redemp- tion Reserve £'000	Capital Reserve* £'000	Revenue Reserve £'000	Share- holders' Funds £'000
Shareholders' funds at 1 December 2009	15,576	15,242	33,600	956	51,677	4,381	121,432
Net return on ordinary activities after taxation	-	-	-	-	25,464	3,525	28,989
Shares bought back for cancellation	(261)	-	(1,837)	261	-	-	(1,837)
Dividends paid (see note 4)	-	-	-	-	-	(4,937)	(4,937)
Shareholders' funds at 30 November 2010	15,315	15,242	31,763	1,217	77,141	2,969	143,647

* The Capital Reserve balance at 31 May 2011 includes an investment holding gain of £36,114,000 (31 May 2010 – gain of £1,830,000; 30 November 2010 – gain of £26,181,000).

CONDENSED CASH FLOW STATEMENT
(unaudited)

	For the six months ended 31 May	For the six months ended 31 May	For the year ended 30 November
	2011 £'000	2010 £'000	2010 £'000
Net cash inflow from operating activities	1,554	2,319	3,564
Net cash outflow from servicing of finance	–	(20)	(20)
Net cash (outflow)/inflow from financial investment	(6,301)	(619)	3,786
Equity dividends paid	(1,838)	(3,712)	(4,937)
Net cash (outflow)/inflow before financing	(6,585)	(2,032)	2,393
Net cash outflow from financing	–	(1,624)	(1,837)
(Decrease)/increase in cash	(6,585)	(3,656)	556
Reconciliation of net cash flow to movement in net funds			
(Decrease)/increase in cash in the period	(6,585)	(3,656)	556
Net funds at start of the period	13,603	13,047	13,047
Net funds at end of the period	7,018	9,391	13,603
Reconciliation of net return before finance costs and taxation to net cash inflow from operating activities			
Net return before finance costs and taxation	16,375	4,439	29,067
Gains on investments	(15,172)	(1,023)	(24,723)
Currency losses/(gains)	372	(1,241)	(741)
Change in debtors and creditors	(13)	186	22
Overseas tax	(8)	(42)	(61)
Net cash inflow from operating activities	1,554	2,319	3,564

1. The condensed set of financial statements comprises the statements set out on pages 4 to 8 together with the related notes on page 9. They have been prepared on the basis of the same accounting policies as set out in the Company's Annual Report and Financial Statements at 30 November 2010 and in accordance with the ASB's Statement 'Half-Yearly Financial Reports' and have not been audited or reviewed by the Auditors pursuant to the Auditing Practices Board Guidance on 'Review of Interim Financial Information'. The Company's assets, the majority of which are investments in quoted securities which are readily realizable, exceed its liabilities significantly. The Company has no loans. After making enquiries and considering the future prospects of the Company the financial statements have been prepared on the going concern basis as it is the directors' opinion that the Company will continue in operational existence for the foreseeable future.
2. The financial information contained within this Half-Yearly Financial Report does not constitute statutory accounts as defined in sections 434 to 436 of the Companies Act 2006. The financial information for the year ended 30 November 2010 has been extracted from the statutory accounts which have been filed with the Registrar of Companies. The Auditors' Report on those accounts was not qualified and did not contain statements under sections 498(2) or (3) of the Companies Act 2006.

3. **Net return per ordinary share**

	Six months ended 31 May	Six months ended 31 May	Year ended 30 November
	2011 £'000	2010 £'000	2010 £'000
Revenue return on ordinary activities after taxation	1,567	2,116	3,525
Capital return on ordinary activities after taxation	14,800	2,264	25,464
Total net return	16,367	4,380	28,989

The returns per share are based on the above returns and on 61,260,000 (31 May 2010 – 61,899,352; 30 November 2010 – 61,588,730) shares, being the weighted average number of shares in issue during each period.

There was no dilution of returns during any of the financial periods under review.

4. **Dividends**

	Six months ended 31 May	Six months ended 31 May	Year ended 30 November
	2011 £'000	2010 £'000	2010 £'000
Amounts recognised as distributions in the period:			
Previous year's final dividend of 3.00p (2010 – 3.00p) paid 6 April 2011	1,838	1,856	1,856
Previous year's special dividend of 3.00p	–	1,856	1,856
Interim dividend for the year ended 30 November 2010 of 2.00p paid 27 August 2010	–	–	1,225
	1,838	3,712	4,937
Amounts paid and payable in respect of the period:			
Interim dividend for the year ending 30 November 2011 of 2.00p (2010 – 2.00p)	1,225	1,225	1,225
Final dividend (2010 – 3.00p)	–	–	1,838
	1,225	1,225	3,063

The interim dividend in respect of the six months to 31 May 2011 was declared after the period end date and has therefore not been included as a liability in the balance sheet. It is payable on 26 August 2011 to shareholders on the register at the close of business on 5 August 2011. The ex dividend date is 3 August 2011.

5. The Company did not buy back any of its ordinary shares for cancellation during the period. At 31 May 2011, the Company had authority to buy back 9,182,874 ordinary shares as well as the authority to allot new shares up to an aggregate nominal amount of £5,154,068.
6. Transaction costs incurred on the purchase and sale of the investments are added to the purchase cost or deducted from the sale proceeds, as appropriate. During the period, transaction costs on purchases amounted to £140,000 (31 May 2010 – £84,000; 30 November 2010 – £103,000) and transaction costs on sales amounted to £31,000 (31 May 2010 – £32,000; 30 November 2010 – £58,000).

DIRECTORS

DCP McDougall OBE (Chairman)
MCB Ward (Managing Director)
JGD Ferguson (Non-executive)
The Hon. RJ Laing (Non-executive)

All of

17 Dublin Street
Edinburgh EH1 3PG
Tel: 0131 558 9434
Fax: 0131 558 8602
website: www.independentinvestmenttrust.co.uk

SECRETARIES AND REGISTERED OFFICE

Baillie Gifford & Co
Calton Square
1 Greenside Row
Edinburgh EH1 3AN
Telephone: 0131 275 2000
website: www.bailliegifford.com

REGISTRARS

Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol BS99 6ZZ
Telephone: 0870 707 1072

INDEPENDENT AUDITORS

Ernst & Young LLP
Ten George Street
Edinburgh EH2 2DZ

SOLICITORS

Dickson Minto W.S.
16 Charlotte Square
Edinburgh EH2 4DF

Company Registration No. SC210685