THE INDEPENDENT INVESTMENT TRUST PLC

HALF-YEARLY FINANCIAL REPORT

For the six months ended 31 May 2013

SUMMARY STATISTICS

for the six months ended 31 May 2013

Net asset value per share of 277.3p up 13.0%
(since 30 November 2012)

Revenue earnings per share 3.26p (2.62p)

Share price 249.8p up 17.4%
(since 30 November 2012)

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 17 of the Company's Annual Report and Financial Statements for the year to 30 November 2012. 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; gearing risk (the use of borrowing can magnify the impact of falling markets); and resource risk (reliance on key personnel). 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

4 July 2013

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 Conduct Authority (FCA) but it is not directly regulated by the FCA, either as a collective investment scheme or as an authorised person. Moreover, its employees are not registered with the FCA 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 2013 saw our company produce a net asset value total return of 15.2%. The total returns notionally attributable to the FTSE All Share Index and the FTSE World Index were 15.3% and 19.1% respectively. Our lack of confidence in the sustainability of the current stockmarket boom has prevented us from participating fully in it – we held big cash balances throughout the period – but the underlying portfolio performed relatively well in a UK context.

Our net asset value rose from 245.3p to 277.3p over the period, and the share price from 212.8p to 249.8p, reducing the discount to net asset value from 13.2% to 9.9%. We continued to buy back shares, buying a total of 700,000 during the period at an average discount of 12.9%. Earnings for the half year amounted to 3.26p (2.62p) and we are paying an interim dividend of 2p. The board currently expects to declare a final dividend of 3p to give an unchanged dividend of 5p for the year.

The investment landscape has once again been dominated by the activities of the world's central banks. Collectively, they have printed enough money to boost stockmarkets, but not enough to restore economies to strong growth, nor enough to create significant inflationary pressures. Corporate profits and dividends have fared much better in this environment than one might have expected and in a number of countries they are now at high levels relative to GDP by historical standards. We have seen arguments that equities in general are cheap, but our own experience has been that the sort of companies we have wanted to invest in have felt increasingly fully valued. Certainly, many of them are considerably more expensive than when we floated The Independent, a time when the same arguments would have shown equities in general to have been dear. This more than anything else has been behind our unwillingness to surrender to the commonly held view and throw our cash reserves into the market in the blind hope of further gains. We do, however, note that such a policy would have produced better results than the one we did in fact pursue.

Turnover for the period has been low by historical standards, but above the exceptionally low levels of last year. There have been no major changes to the shape of our portfolio, but we have finally recognized that the Macondo accident has had a lasting impact on the operating environment for the deep water offshore drillers. Our cash balances have remained high throughout the six months: net liquid assets amounted to 19% of our shareholders' funds at 31 May 2013 (16% at 30 November 2012).

Energy remains the biggest sector of our portfolio. Despite a mixed news background, the underlying performance of our energy holdings during the period has been satisfactory: a stake worth £27.6m at 30 November 2012 had declined in value to £24.4m by 31 May 2013, but the decline was more than accounted for by sales of £7.3m.

As mentioned in our last annual report, we made a big reduction in our holding of Noble, the last of our offshore drillers. Persistently high levels of downtime are preventing all the offshore drillers from realizing the profit potential that would naturally result from a period of strong demand such as is being enjoyed by the industry at the moment. We continue to regard Noble as an attractive long term investment, but our ambitions for it have moderated. Most of the rest of our energy stake is accounted for by our four service company holdings. These have all produced disappointing earnings in the recent past as surplus capacity in the hydraulic fracturing market – the legacy of the collapse in drilling for shale gas – has borne down on operating margins. This latest round of disappointments has not had a major adverse impact on stock prices, suggesting that the market may be coming round to our view that the glut of equipment will soon be dissipated by the growing demand from companies drilling for shale oil and by the need to sustain gas production.

We have added a new name to our industrial holdings in the form of Ashtead. Ashtead's dominant business is the US plant hire company, Sunbelt, which is enjoying strong growth on the back of the incipient recovery of its most important customer base, the construction industry. Of our other industrial holdings, IMI and Croda both gained in value over the period as earnings matched expectations, but Aggreko suffered a sharp fall in its share price as the impending end of two unusually profitable large contracts caused analysts to reduce earnings estimates. This has not diminished our enthusiasm for the long term prospects of the business.

Overall, the value of our industrial stake rose from £12.4m at 30 November 2012 to £16.2m at 31 May 2013, after purchases amounting to £3.5m.

Our insurance stake did well over the period, rising in value from £10.8m to £13.0m after purchases amounting to £0.4m. We continue to be attracted to the non life insurers by their generous distribution policies and their relative insulation from fluctuations in economic activity, attributes we think the market continues to undervalue.

Our UK retail holdings made strong progress over the period: a stake worth £9.8m at 30 November 2012 had risen in value to £11.8m by 31 May 2013 despite net sales of £1.4m. Once again the star of this performance was our old favourite Dunelm, whose share price rose by over 40% to a level that was over five times what we paid for it in 2006. Early in the period, we sold our holding in Topps. Towards the end of the period, we sold out of Halfords, thus reversing an earlier decision to add to the holding. Both Topps and Halfords are struggling in a fiercely competitive retail market. On a brighter note, a new holding in Games Workshop performed well in share price terms.

Our traditional utility holdings, National Grid and SSE, delivered a solid performance over the period and this was supplemented by a strong initial showing from our new holding, Telecom Plus. Telecom Plus operates The Utility Warehouse, which enables subscribers to achieve savings on their utility bills at the same time as receiving all their utility bills in a single document. In aggregate, our utilities stake rose in value from £6.4m at 30 November 2012 to £9.7m at 31 May 2013 after purchases amounting to £2.0m.

Elsewhere in the portfolio, our holdings in the housing area, which now include the property website Rightmove, performed strongly; our pharmaceutical holdings did well; our recruitment holdings were surprisingly resilient given a difficult trading background; and our technology and telecommunications holdings rose significantly in value after adjusting for the sale of Vodafone. On the other hand, our tobacco holdings were lacklustre and our mining stake performed poorly. Among individual stocks, IG Group did well, as did Go-Ahead before its sale late in the period. The new holding in the property company SEGRO also did well, but our Chinese holdings remained an embarrassment. We sold one of them, Powerland, when the company's auditors insisted on further examination of its figures before signing off the accounts.

We have now been living with liquidity driven markets for several years and the experience has not been a comfortable one for us. It is easy to make the case that equities are cheap when the basis of comparison is a sovereign bond market with a valuation level much higher than any recent precedent, but to buy this argument the long term investor needs to believe that such a level of valuation is sustainable. To date this has proved too much of a leap of faith for us.

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
4 July 2013

Sector	Name		Value £'000	%
Housing	Berkeley Group	2,116		1.3
	Persimmon	4,872		3.0
	Rightmove	2,046		1.3
			9,034	5.6
Industrials	Aggreko	3,572		2.2
	Ashtead Group	3,786		2.3
	Croda International	4,926		3.0
	IMI	3,876		2.4
			16,160	9.9
Retailing	Dunelm Group	8,965		5.5
	Games Workshop	2,860		1.8
			11,825	7.3
Recruitment	SThree		5,291	3.3
Technology and Telecommunications	Baidu – China	3,186		2.0
	Herald Investment Trust	10,940		6.8
			14,126	8.8
Mining	BHP Billiton	1,437		0.9
	BlackRock World Mining Trust	2,453		1.5
			3,890	2.4
Oil and Gas Producers	Bankers Petroleum – Canada	750		0.5
	Ultra Petroleum – USA	1,502		0.9
			2,252	1.4
Offshore Drillers	Noble Corporation – USA		5,111	3.2
Oilfield Services	Baker Hughes – USA	3,001		1.8
	C & J Energy Services – USA	2,207		1.4
	Halliburton – USA	5,522		3.4
	Schlumberger – USA	6,261		3.9
			16,991	10.5
Food Producers	Asian Citrus Holdings – China		750	0.5
Tobacco	British American Tobacco	3,623		2.2
	Imperial Tobacco	3,556		2.2
			7,179	4.4
Pharmaceuticals	GlaxoSmithKline	3,427		2.1
	AstraZeneca	3,388		2.1
			6,815	4.2
Leisure	Domino's Pizza		4,245	2.6
Utilities	National Grid	3,920		2.4
	SSE	3,108		1.9
	Telecom Plus	2,650		1.6
			9,678	5.9
Insurance	Amlin	5,249		3.2
	Beazley	3,543		2.2
	Catlin Group	1,508		0.9
	Polar Capital Global Insurance Fund (formerly Hiscox)	2,739		1.7
			13,039	8.0
Property	SEGRO		1,955	1.2
Miscellaneous Financials	IG Group Holdings		2,314	1.4
TOTAL INVESTMENTS			130,655	80.6
Net liquid assets			31,406	19.4
SHAREHOLDERS' FUNDS			162,061	100.0

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

INCOME STATEMENT
(unaudited)

	Notes	Revenue £'000	Capital £'000	Total £'000
		For the six months ended 31 May 2013		
Losses on sales of investments		–	(726)	(726)
Changes in investment holding gains and losses		–	20,164	20,164
Currency gains/(losses)		–	152	152
Income from investments and interest receivable		2,226	–	2,226
Other income		7	–	7
Administrative expenses		(312)	–	(312)
Net return on ordinary activities before taxation		1,921	19,590	21,511
Tax on ordinary activities		(7)	–	(7)
Net return on ordinary activities after taxation		1,914	19,590	21,504
Net return per ordinary share:	3	3.26p	33.32p	36.58p
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 2012			For the year ended 30 November 2012		
Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
–	(2,056)	(2,056)	–	(2,545)	(2,545)
–	388	388	–	12,008	12,008
–	(2)	(2)	–	(53)	(53)
1,893	–	1,893	4,102	–	4,102
6	–	6	20	–	20
(306)	–	(306)	(608)	–	(608)
1,593	(1,670)	(77)	3,514	9,410	12,924
(11)	–	(11)	(28)	–	(28)
1,582	(1,670)	(88)	3,486	9,410	12,896
2.62p	(2.76p)	(0.14p)	5.81p	15.68p	21.49p
–			5.00p		

BALANCE SHEET
(unaudited)

	Notes	At 31 May 2013 £'000	At 31 May 2012 £'000	At 30 November 2012 £'000
Fixed assets				
Investments held at fair value through profit or loss		130,655	130,337	136,308
Current assets				
Debtors		781	1,069	597
Cash at bank and in hand		30,645	2,375	8,350
		31,426	3,444	8,947
Creditors				
Amounts falling due within one year		(20)	(17)	(134)
Net current assets		31,406	3,427	8,813
Total net assets		162,061	133,764	145,121
Capital and reserves				
Called up share capital		14,612	14,987	14,787
Share premium		15,242	15,242	15,242
Special distributable reserve		25,926	29,172	27,545
Capital redemption reserve		1,920	1,545	1,745
Capital reserve		100,158	69,488	80,568
Revenue reserve		4,203	3,330	5,234
Shareholders' funds		162,061	133,764	145,121
Net asset value per ordinary share		277.3p	223.1p	245.3p
Ordinary shares in issue	5	58,450,000	59,950,000	59,150,000

For the six months ended 31 May 2013

	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 2012	14,787	15,242	27,545	1,745	80,568	5,234	145,121
Net return on ordinary activities after taxation	–	–	–	–	19,590	1,914	21,504
Shares bought back for cancellation (note 5)	(175)	–	(1,619)	175	–	–	(1,619)
Dividends paid (note 4)	–	–	–	–	–	(2,945)	(2,945)
Shareholders' funds at 31 May 2013	14,612	15,242	25,926	1,920	100,158	4,203	162,061

For the six months ended 31 May 2012

	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 2011	15,262	15,242	31,363	1,270	71,158	3,930	138,225
Net return on ordinary activities after taxation	–	–	–	–	(1,670)	1,582	(88)
Shares bought back for cancellation (note 5)	(275)	–	(2,191)	275	–	–	(2,191)
Dividends paid (note 4)	–	–	–	–	–	(2,182)	(2,182)
Shareholders' funds at 31 May 2012	14,987	15,242	29,172	1,545	69,488	3,330	133,764

For the year ended 30 November 2012

	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 2011	15,262	15,242	31,363	1,270	71,158	3,930	138,225
Net return on ordinary activities after taxation	–	–	–	–	9,410	3,486	12,896
Shares bought back for cancellation (note 5)	(475)	–	(3,818)	475	–	–	(3,818)
Dividends paid (note 4)	–	–	–	–	–	(2,182)	(2,182)
Shareholders' funds at 30 November 2012	14,787	15,242	27,545	1,745	80,568	5,234	145,121

* The Capital Reserve balance at 31 May 2013 includes investment holding gains on fixed asset investments of £35,745,000 (31 May 2012 – gains of £3,961,000; 30 November 2012 – gains of £15,581,000).

CONDENSED CASH FLOW STATEMENT
(unaudited)

	For the six months ended 31 May 2013 £'000	For the six months ended 31 May 2012 £'000	For the year ended 30 November 2012 £'000
Net cash inflow from operating activities	2,018	2,281	4,965
Net cash inflow/(outflow) from financial investment	24,948	(581)	4,232
Equity dividends paid	(2,945)	(2,182)	(2,182)
Net cash inflow/(outflow) before financing	24,021	(482)	7,015
Net cash outflow from financing	(1,726)	(2,284)	(3,806)
Increase/(decrease) in cash	22,295	(2,766)	3,209
Reconciliation of net cash flow to movement in net funds			
Increase/(decrease) in cash in the period	22,295	(2,766)	3,209
Net funds at start of the period	8,350	5,141	5,141
Net funds at end of the period	30,645	2,375	8,350
Reconciliation of net return before finance costs and taxation to net cash inflow from operating activities			
Net return before finance costs and taxation	21,511	(77)	12,924
(Gains)/losses on investments	(19,438)	1,668	(9,463)
Currency (gains)/losses	(152)	2	53
Amortisation of fixed interest book cost	167	500	796
Change in debtors and creditors	(63)	199	683
Overseas tax	(7)	(11)	(28)
Net cash inflow from operating activities	2,018	2,281	4,965

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 2012 and in accordance with the ASB's Statement 'Half-Yearly Financial Reports' and have not been audited or reviewed by the Auditor 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 2012 has been extracted from the statutory accounts which have been filed with the Registrar of Companies. The Auditor's 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 2013 £'000	Six months ended 31 May 2012 £'000	Year ended 30 November 2012 £'000
Revenue return on ordinary activities after taxation	1,914	1,582	3,486
Capital return on ordinary activities after taxation	19,590	(1,670)	9,410
Total net return	21,504	(88)	12,896

The returns per share are based on the above returns and on 58,786,429 (31 May 2012 – 60,453,482; 30 November 2012 – 60,020,591) 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 2013 £'000	Six months ended 31 May 2012 £'000	Year ended 30 November 2012 £'000
Amounts recognised as distributions in the period:			
Previous year's final dividend of 5.00p (2012 – 3.00p) paid 9 April 2013	2,945	1,818	1,818
Previous year's special dividend of 0.60p paid on 10 April 2012	–	364	364
	2,945	2,182	2,182
Amounts paid and payable in respect of the period:			
Interim dividend for the year ending 30 November 2013 of 2.00p payable 30 August 2013 (2012 – nil)	1,169	–	–
Final dividend (2012 – 5.00p)	–	–	2,945
	1,169	–	2,945

The interim dividend in respect of the six months to 31 May 2013 was declared after the period end date and has therefore not been included as a liability in the balance sheet. It is payable on 30 August 2013 to shareholders on the register at the close of business on 9 August 2013. The ex dividend date is 7 August 2013.

5. During the period the Company bought back 700,000 (31 May 2012 – 1,100,000; 30 November 2012 – 1,900,000) ordinary shares of 25p each at a cost of £1,619,000 (31 May 2012 – £2,191,000; 30 November 2012 – £3,818,000) for cancellation. At 31 May 2013, the Company had authority to buy back a further 8,659,643 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 £106,000 (31 May 2012 – £66,000; 30 November 2012 – £79,000) and transaction costs on sales amounted to £53,000 (31 May 2012 – £26,000; 30 November 2012 – £37,000).

DIRECTORS
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MCB Ward (Managing Director)
JGD Ferguson (Non-executive)
The Hon. RJ Laing (Non-executive)

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