THE INDEPENDENT INVESTMENT TRUST PLC

HALF-YEARLY FINANCIAL REPORT

For the six months ended 31 May 2012

SUMMARY STATISTICS

for the six months ended 31 May 2012

Net asset value per share of 223.1p down 1.5%
(since 30 November 2011)

Revenue earnings per share 2.62p (2.56p)

Share price 189.5p up 1.9%
(since 30 November 2011)

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 2011. 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

5 July 2012

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 2012 saw our company produce a net asset value total return of 0.1%, which compares with a total return notionally attributable to the FTSE All Share Index of -0.6%. Our portfolio, like the market, lacked any clear sense of direction over the six months.

Our net asset value fell from 226.4p to 223.1p over the period. Earnings for the half year amounted to 2.62p (2.56p), but current indications are that earnings for the full year will be lower than those for the prior year, partly because of the non-recurrence of special dividends. This year the board expects to propose a single dividend of not less than 5p, payable in April 2013.

We drew attention in our last annual report to the difficulty of pursuing a sensible investment policy at a time of financial instability. The instability has continued: the eurozone is now in constant financial crisis; the UK has slipped back into recession; the USA has yet to make a serious attempt to address the problem of its budget deficit; and China is faced with the problem of a cooling economy in which imbalances are rife. The overwhelming impression has been, and remains, that governments are powerless in the face of many of the forces confronting them and that we depend upon the printing presses of the world's central banks to avert disaster. This is not a world in which we find it easy to follow our natural instincts as investors and we have felt obliged to persist with the policy of recent years, which has been to position ourselves to be able to survive a wide range of possible outcomes. Cash balances remain high; defensive stocks feature prominently within the portfolio; and we continue to look for strong finances in our cyclical holdings.

The period was one of limited activity with the only material changes to our portfolio being an addition to our energy stake and a reduction in our recruitment stake. To date the latter has proved more rewarding than the former. Our cash balances have remained high throughout the six months: net liquid assets amounted to 17% of our shareholders' funds at 31 May 2012 (19% at 30 November 2011).

Energy remains the centrepiece of our portfolio as we continue to believe that the need to develop further supplies of hydrocarbons will drive strong growth in exploration expenditure to the benefit of offshore drillers and service companies. Conditions in the offshore markets support this argument: after the disruption caused by the Deepwater Horizon accident in 2010, a vigorous recovery is under way with improving capacity utilization being accompanied by firming rates. We expect this trend to continue for some time and, in due course, to be reflected in the prices of our drillers, which are still very depressed.

Conditions in the North American onshore market, from which our service companies derive an important part of their revenues, are more complex. Strong demand for equipment to explore for shale oil has been more than offset by the collapse in demand for equipment to explore for gas as gas prices have fallen to levels that make exploration activity uneconomic. To compound this problem, service companies are experiencing unexpectedly high levels of raw material price inflation, which they are struggling to pass on to their customers. The resulting disruption to earnings expectations has led to poor share price performances and a general lack of confidence in the immediate outlook. This is obviously disappointing, but it has not yet led us to change our view that these companies have much brighter long term prospects than their share prices suggest.

Overall, our energy stake rose in value from £25.1m at 30 November 2011 to £25.7m at 31 May 2012, but this was only after net purchases of £4.4m.

Our industrial holdings, Aggreko, Croda and IMI, have continued to produce good results despite an uncertain economic background. They have been rewarded with good share price performances, taking the value of our stake in the sector from £9.8m at 30 November 2011 to £11.5m at 31 May 2012.

Our principal defensive sectors – insurance, tobacco, utilities and pharmaceuticals – have performed their function well during the period by holding their value and displaying markedly less volatility than the market generally. In aggregate, our stake in them rose in value from £23.3m at 30 November 2011 to £26.9m at 31 May 2012 after purchases amounting to £3.6m. The purchases in question were of an initial stake in AstraZeneca and an addition to our holding in GlaxoSmithKline. We are struck by the statistical cheapness of both shares and, in particular, by their capacity to generate income. Vodafone, another defensive holding, has also held its own whilst at the same time making a generous contribution to our revenue.

The UK retail industry has again proved an area of difficulty for us: a stake worth £10m at 30 November 2011 had fallen in value to £7.6m by 31 May 2012, after sales amounting to £1.7m. The culprits were Supergroup, now sold, and Halfords, whose defensive qualities have proved less secure than we had hoped. By contrast, Dunelm has continued to do well and the Topps share price has enjoyed a strong recovery from a depressed level.

Housebuilders and recruiters are old favourites. The former have benefited from continued recovery in the housing market and an ambitious programme to return capital to its shareholders at Persimmon, while the latter were buoyed for much of the period by hopes of economic recovery. We have added to our housebuilding stake, but reduced our recruitment stake.

The value of our transport stake has been hurt by disappointing trading at First Group and our mining holdings have suffered from fears of weakness in commodity prices. IG Group has suffered a falling share price despite trading satisfactorily, but our big holding in Herald, which has also been derated, has comfortably held its own in absolute terms. Our holding in Robert Wiseman was sold at a good profit following the announcement of a bid for the company.

Finally, our attempt to gain exposure to the Chinese economy by purchasing shares in two Chinese companies listed on European markets (Asian Citrus and Powerland) has suffered from the poor press accorded such businesses. By highlighting the difficulty overseas investors have in establishing the true picture at any Chinese company, this has proved a salutary lesson.

During the period we repurchased 1.1 million shares at an average discount to net asset value of roughly 13%.

Participants in financial markets have a ringside seat at the great contest between the world's central banks and the forces of deflation. What the ultimate outcome of this contest will be is anybody's guess, but we think we are well placed both to survive an adverse outcome and to benefit from a favourable one.

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
5 July 2012

Sector	Name	Value £'000	%
Housebuilders	Berkeley Group	1,247	1.0
	Persimmon	2,835	2.1
		4,082	3.1
Industrials	Aggreko	4,386	3.3
	Croda International	4,466	3.3
	IMI	2,653	2.0
		11,505	8.6
Retailing	Dunelm Group	4,900	3.7
	Halfords Group	1,926	1.4
	Powerland – China	1,112	0.8
	Topps Tiles	765	0.6
		8,703	6.5
Recruitment	Michael Page International	1,777	1.3
	SThree	5,330	4.0
		7,107	5.3
Technology and Telecommunications	Herald Investment Trust	9,380	7.0
	Vodafone Group	1,730	1.3
		11,110	8.3
Mining	BHP Billiton	1,270	1.0
	BlackRock World Mining Trust	2,870	2.1
		4,140	3.1
Oil and Gas Producers	Bankers Petroleum – Canada	512	0.4
	Ultra Petroleum – USA	1,202	0.9
		1,714	1.3
Offshore Drillers	Diamond Offshore Drilling – USA	1,890	1.4
	Noble Corporation – USA	10,155	7.6
		12,045	9.0
Oilfield Services	Baker Hughes – USA	2,705	2.0
	Halliburton – USA	3,906	2.9
	Schlumberger – USA	5,336	4.0
		11,947	8.9
Food Producers	Asian Citrus Holdings – China	967	0.7
Tobacco	British American Tobacco	3,058	2.3
	Imperial Tobacco	3,511	2.6
		6,569	4.9
Pharmaceuticals	AstraZeneca	2,618	2.0
	GlaxoSmithKline	2,875	2.1
		5,493	4.1
Leisure	Domino's Pizza	2,875	2.1
Transport	First Group	2,309	1.7
	Go-Ahead Group	877	0.7
		3,186	2.4
Utilities	National Grid	3,250	2.4
	SSE (formerly Scottish & Southern Energy)	2,646	2.0
		5,896	4.4
Insurance	Amlin	3,657	2.7
	Beazley	2,025	1.5
	Catlin Group	1,203	0.9
	Polar Capital Global Insurance Fund	2,086	1.6
		8,971	6.7
Miscellaneous Financials	IG Group Holdings	3,027	2.3
Fixed Interest	UK Treasury 5.25% 07/06/12	21,000	15.7
TOTAL INVESTMENTS		130,337	97.4
Net liquid assets		3,427	2.6
SHAREHOLDERS' FUNDS		133,764	100.0

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

		For the six months ended 31 May 2012		
	Notes	**Revenue £'000**	**Capital £'000**	**Total £'000**
(Losses)/gains on sales of investments		–	(2,056)	(2,056)
Changes in investment holding gains and losses		–	388	388
Currency losses		–	(2)	(2)
Income from investments and interest receivable		1,893	–	1,893
Other income		6	–	6
Administrative expenses		(306)	–	(306)
Net return on ordinary activities before taxation		1,593	(1,670)	(77)
Tax on ordinary activities		(11)	–	(11)
Net return on ordinary activities after taxation		1,582	(1,670)	(88)
Net return per ordinary share:	*3*	2.62p	(2.76p)	(0.14p)
Note:				
Dividends per share paid and payable in respect of the period	*4*	–		

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 2011			For the year ended 30 November 2011		
Revenue £'000	**Capital £'000**	**Total £'000**	**Revenue £'000**	**Capital £'000**	**Total £'000**
–	5,239	5,239	–	16,932	16,932
–	9,933	9,933	–	(22,608)	(22,608)
–	(372)	(372)	–	(307)	(307)
1,882	–	1,882	4,642	–	4,642
5	–	5	20	–	20
(312)	–	(312)	(620)	–	(620)
1,575	14,800	16,375	4,042	(5,983)	(1,941)
(8)	–	(8)	(18)	–	(18)
1,567	14,800	16,367	4,024	(5,983)	(1,959)
2.56p	24.16p	26.72p	6.57p	(9.77p)	(3.20p)
2.00p			5.60p		

BALANCE SHEET
(unaudited)

	Notes	At 31 May 2012 £'000	At 31 May 2011 £'000	At 30 November 2011 £'000
Fixed assets				
Investments held at fair value through profit or loss		130,337	151,554	131,926
Current assets				
Debtors		1,069	388	1,279
Cash at bank and in hand		2,375	7,018	5,141
		3,444	7,406	6,420
Creditors				
Amounts falling due within one year		(17)	(784)	(121)
Net current assets		3,427	6,622	6,299
Total net assets		133,764	158,176	138,225
Capital and reserves				
Called up share capital		14,987	15,315	15,262
Share premium		15,242	15,242	15,242
Special distributable reserve		29,172	31,763	31,363
Capital redemption reserve		1,545	1,217	1,270
Capital reserve		69,488	91,941	71,158
Revenue reserve		3,330	2,698	3,930
Shareholders' funds		133,764	158,176	138,225
Net asset value per ordinary share		223.1p	258.2p	226.4p
Ordinary shares in issue	5	59,950,000	61,260,000	61,050,000

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 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 (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 year ended 30 November 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	–	–	–	–	(5,983)	4,024	(1,959)
Shares bought back for cancellation (note 5)	(53)	–	(400)	53	–	–	(400)
Dividends paid (note 4)	–	–	–	–	–	(3,063)	(3,063)
Shareholders' funds at 30 November 2011	15,262	15,242	31,363	1,270	71,158	3,930	138,225

* The Capital Reserve balance at 31 May 2012 includes investment holding gains on fixed asset investments of £3,961,000 (31 May 2011 – gains of £36,114,000; 30 November 2011 – gains of £3,573,000).

	For the six months ended 31 May 2012 £'000	For the six months ended 31 May 2011 £'000	For the year ended 30 November 2011 £'000
Net cash inflow from operating activities	2,281	1,554	3,209
Net cash outflow from financial investment	(581)	(6,301)	(8,303)
Equity dividends paid	(2,182)	(1,838)	(3,063)
Net cash outflow before financing	(482)	(6,585)	(8,157)
Net cash outflow from financing	(2,284)	–	(305)
Decrease in cash	(2,766)	(6,585)	(8,462)
Reconciliation of net cash flow to movement in net funds			
Decrease in cash in the period	(2,766)	(6,585)	(8,462)
Net funds at start of the period	5,141	13,603	13,603
Net funds at end of the period	2,375	7,018	5,141
Reconciliation of net return before finance costs and taxation to net cash inflow from operating activities			
Net return before finance costs and taxation	(77)	16,375	(1,941)
Losses/(gains) on investments	1,668	(15,172)	5,676
Currency losses	2	372	307
Amortisation of fixed interest book cost	500	–	80
Change in debtors and creditors	199	(13)	(895)
Overseas tax	(11)	(8)	(18)
Net cash inflow from operating activities	2,281	1,554	3,209

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 2011 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 2011 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 2012 £'000	Six months ended 31 May 2011 £'000	Year ended 30 November 2011 £'000
Revenue return on ordinary activities after taxation	1,582	1,567	4,024
Capital return on ordinary activities after taxation	(1,670)	14,800	(5,983)
Total net return	(88)	16,367	(1,959)

The returns per share are based on the above returns and on 60,453,482 (31 May 2011 – 61,260,000; 30 November 2011 – 61,254,684) 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 2012 £'000	Six months ended 31 May 2011 £'000	Year ended 30 November 2011 £'000
Amounts recognised as distributions in the period:			
Previous year's final dividend of 3.00p (2011 – 3.00p) paid 10 April 2012	1,818	1,838	1,838
Previous year's special dividend of 0.60p paid on 10 April 2012	364	–	–
Interim dividend for the year ended 30 November 2011 of 2.00p paid 26 August 2011	–	–	1,225
	2,182	1,838	3,063
Amounts paid and payable in respect of the period:			
Interim dividend (2011 – 2.00p)	–	1,225	1,225
Final divided (2011 – 3.00p)	–	–	1,818
Special dividend (2011 – 0.60p)	–	–	364
	–	1,225	3,407

No interim dividend is proposed for the year ending 30 November 2012.

5. During the period the Company bought back 1,100,000 (31 May 2011 – nil; 30 November 2011 – 210,000) ordinary shares of 25p each at a cost of £2,191,000 (31 May 2011 – nil; 30 November 2011 – £400,000) for cancellation. At 31 May 2012, the Company had authority to buy back a further 8,688,970 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 £66,000 (31 May 2011 – £140,000; 30 November 2011 – £211,000) and transaction costs on sales amounted to £26,000 (31 May 2011 – £31,000; 30 November 2011 – £96,000).

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 AUDITOR
Ernst & Young LLP
1 More London Place
London SE1 2AF

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

Company Registration No. SC210685