THE INDEPENDENT INVESTMENT TRUST PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 30 November 2015

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The Independent Investment Trust PLC, as a listed company, is subject to the requirements of the Listing Rules of the Financial Conduct Authority (FCA) and has been registered as a small UK Alternative Investment Fund Manager (AIFM) with effect from 7 April 2014 under the Alternative Investment Fund Managers Regulations 2013. Its employees are not registered with the FCA as authorized persons. If you are in any doubt about the Company's regulatory status, you should consult your stockbroker or financial adviser.

The Independent Investment Trust PLC currently conducts its affairs, and intends to continue to conduct its affairs, so that the Company's Ordinary Shares qualify to be considered as a mainstream investment product and can be recommended by Independent Financial Advisers to ordinary retail investors in accordance with the rules of the FCA in relation to non-mainstream investment products.

None of the views expressed in this document should be construed as advice to buy or sell a particular investment.

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take you should consult your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorized under the Financial Services and Markets Act 2000 if you are in the United Kingdom or, if not, from another appropriately authorized financial adviser.

If you have sold or otherwise transferred all of your ordinary shares in The Independent Investment Trust PLC, please forward this document, together with any accompanying documents, as soon as possible to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was or is being effected for delivery to the purchaser or transferee.

FINANCIAL HIGHLIGHTS

for the year ended 30 November 2015

	2015	**2014**	*% change*
Net asset value per share	390.1p	310.8p	25.5
Revenue earnings per share	8.30p	7.35p	12.9
Regular dividend per share (Including first interim dividend paid of 2.00p (2014 – 2.00p))	5.00p	5.00p	–
Special dividend per share	3.00p	2.00p	
Share price	363.0p	290.5p	25.0
Discount	6.9%	6.5%	
Ongoing charges	0.32%	0.36%	

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 and, if appropriate, index futures. The portfolio is constructed without reference to the composition of any stockmarket index. Although its investment policy allows gearing, including the use of derivatives, the Company is not permitted to employ gearing whilst it continues to be registered as a small UK Alternative Investment Fund Manager (AIFM). When appropriate, the directors will sanction a relatively concentrated portfolio structure and, depending on its AIFM status, relatively high levels of gearing. Further details of the Company's investment policy are given in the Strategic Report on pages 6 and 7.

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.

Past performance is not a guide to future performance.

Strategic Report

This Strategic Report, which is set out on pages 2 to 11 and incorporates the Chairman's Statement, has been prepared in accordance with the Companies Act 2006.

Chairman's Statement

During the year to 30 November 2015, our company produced an NAV total return of 28.1%. Theoretical investments in the FTSE All-Share Index and The FTSE World Index would have produced total returns of 0.6% and 2.6% respectively. We are pleased with this result, which not only marks a welcome return to form for us, but which also completes – for the moment at least – the process of recovery from the disasters that befell us in 2007 and 2008. In terms of performance relative to the FTSE All-Share Index, it was our best year since 2002. People often ask us why we pay so much attention to relative performance when our objective is to produce good absolute returns. The answer is that long term returns for an equity portfolio are driven by two factors: the performance of the market and the performance of the portfolio relative to the market. The first we consider inherently unpredictable but likely to be positive over long periods of time. The second is something over which we think we ought to be able to exercise a positive influence by picking stocks with superior potential.

A slight widening of the discount – from 6.5% to 6.9% – led to a share price total return of 27.8%. It occurs to us that some of our shareholders, particularly those who bought early in the life of the Independent, may wish to use the recent revival in our fortunes to reduce their holdings. Subject to market conditions, we hope to be able to operate a rather more aggressive policy of buying back shares than is our wont for a period of about a month, starting from around the time of our AGM; some modest discount to net asset value would, of course, be necessary to protect the position of continuing shareholders. The managing director has indicated that he may wish to realize part of his holding during this period, or earlier if there is natural demand at an acceptable price. The other directors have discussed this at length with him and are satisfied that there has been no weakening in his commitment to the long term success of the Company. No other director intends to sell shares during this period or earlier.

There have been three important contributors to our results: the early reduction in our energy stake and the resulting low exposure to energy companies, together with our lack of exposure to mining companies; our big housing stake and the additions made to it during the year; and the extraordinary performance of many of the initial public offerings (IPOs) in which we have participated since February 2014. Chief amongst these have been Fever-Tree, Gamma Communications and FDM.

The state of the world economy still provides plenty of cause for concern: China, so long a source of demand for other countries, is wrestling with slowing growth and an urgent need to re-orientate its economy; economic recoveries in Europe and Japan are fragile and dependent on unconventional monetary policies; tightening monetary policy in the USA may well have an adverse impact on the economies of many emerging markets; and there are signs that the momentum in corporate profits may be slowing or reversing. Any one of these issues has the scope to provide an unpleasant reaction in equity markets, but we are struck by the number of interesting new opportunities we are seeing in the UK market. Many of these are strongly cash generative businesses with apparently good growth prospects which are not especially dependent on the health of either the world or the UK economies for their prosperity. For as long as we can buy them at sensible prices, our inclination will be to ignore the more general worries.

The main changes in the disposition of the portfolio during the year were substantial purchases of companies we lump under the heading Consumer Services, a big increase in the value of our housing stake (driven more by price performance than by new investment), a sharp reduction in our non-life insurance stake as bids were announced for three of the four companies we owned and the near elimination of our energy stake. Our continued appetite for IPOs – we participated in three during the final quarter of our year – ensured that our cash balances reduced from 7% at 30 November 2014 to less than 2% at 30 November 2015. Further comments on the portfolio can be found in the Managing Director's Report on page 4.

Our good results in the year under review have enhanced our long term record: for the period from inception to 30 November 2015, we produced an NAV total return of 444%, equivalent to a rate of roughly 11.9% per annum, of which 2.8% per annum can be offset by RPI inflation. By comparison, the notional return available from the FTSE All-Share Index over the period amounted to 97%, or 4.6% per annum.

Earnings per share for the year were 8.3p (7.35p in 2014). We have decided to dispense with the final dividend for 2015 and to pay a second interim dividend of 3p instead, to give a regular dividend of 5p (5p in 2014). In addition, we have declared a special dividend of 3p for 2015 (2p in 2014) in order to maintain the flexibility to vary the yield on the portfolio without threatening the regular dividend. These dividends will both be paid on 15 February with an ex-dividend date of 28 January. We have also decided to pay out most of our revenue reserve by way of an interim dividend in respect of the year ending 30 November 2016 of 5p (2p in 2015). This will be paid on 31 March 2016 to shareholders on the register at the close of business on 11 March 2016, the ex-dividend date being 10 March 2016.

Our natural parsimony has combined with the growth in the value of our assets to deliver a further reduction in our ongoing expenses ratio – from 0.36% to 0.32%. The quinquennial review of directors' salaries will make it a challenge to maintain this trend in the current year, but we hope to remain one of the lowest cost providers in our industry.

In recent years, our shares have traded at a persistent discount to net asset value and have often been an illiquid market. Throughout this period we have always been ready to repurchase shares on terms that have seemed fair to both departing and continuing shareholders. As the Company has grown the dangers of its being shrunk to an uneconomic size as a result of excessive repurchases has receded and the terms on which we have been prepared to buy in have correspondingly improved. In the year under review, we bought back 1,739,000 shares at an average discount of 6.7%, the lowest average discount for any year to date. As mentioned above, we are hoping to experiment with an even more aggressive buyback policy for a short period after our AGM. It is important to stress that, having regard to the interests of continuing shareholders, such a policy can only be pursued in relatively benign market conditions.

We have now settled into a collective state of mind that allows us to be both scared about the market and yet willing to consider individual investment ideas if these appear appropriately valued in a long term context. The profusion of such ideas presented to us by the managing director has meant that our cash balances are lower than might appear consistent with our general nervousness. We must hope that his winning run continues.

Once again, we should like to encourage you to come to the AGM, which is to be held in the Baillie Gifford offices at Calton Square at 4.30pm on 24 March 2016. It will help our planning if we know how many shareholders are likely to attend, and I shall be grateful if you will mark the proxy form accordingly and return it to the Company's registrars. I look forward to seeing as many of you as possible there.

Douglas McDougall
1 February 2016

Managing Director's Report

Our performance over the year has been covered in the Chairman's Statement.

Despite a disappointing performance from our large holding in Baidu – our largest holding a year ago – our newly enlarged commitment to technology and telecommunications served us well in the year under review: a stake worth £49.2m at 30 November 2014 had grown in value to £62.3m by 30 November 2015 after net purchases of £0.1m. We reduced our Baidu holding during the year as the company accelerated its investment in new business areas where its competitive position is not as obviously strong as it is in its traditional search activities. Alibaba, our other Chinese internet business, also had a disappointing year in share price terms, but this was as much to do with its valuation at the start of our year as it was to do with fundamental issues. Last year's IPOs, FDM and Gamma Communications, both enjoyed strong share price performances as their businesses outperformed expectations. FDM, to which we made a timely addition, was our biggest holding at 30 November 2015. Kainos, a software consultancy we bought at the time of its IPO in July, also delivered good business results and a strong share price performance. Our longstanding holding in Herald recorded a less eye-catching share price performance, but nevertheless outperformed the wider market by a comfortable margin.

The big exposure to the housing industry we built up last year has worked well and we added further to the stake during the year. Worth £28.0m at 30 November 2014, it had grown in value to £56.5m by 30 November 2015 after net purchases of £10.8m. The unprecedentedly benign conditions to which we drew attention last year, particularly those in the land market, have remained in place and our holdings have benefited accordingly. Towards the end of our year, we took a big holding in McCarthy and Stone, partly funded by the sale – at a good price – of our holding in Rightmove, an excellent business but no longer cheap. McCarthy and Stone dominates the retirement housing market, which is already chronically undersupplied and which should be a major beneficiary of demographic trends.

The companies we grouped together under the heading consumer services at the time of our interim report have produced mixed results. The AA gave back much of the strong performance it enjoyed in the previous year as investors began to appreciate the amount of investment required to realize the potential of the business. A new holding in BCA Marketplace, on the other hand, saw its shares respond well to favourable trading news. The new holding in Gama Aviation fell in value despite satisfactory trading news and the other new holding, NAHL, saw its share price hit by fears that its business would suffer under the new regime proposed by the government for personal injury claims. Overall, a stake worth £7.2m at 30 November 2014 had risen in value to £22.2m by 30 November 2015, but this was after £15.9m of net purchases.

The year produced mixed results for our holdings in the industrials sector with the benefits of a well timed sale of Aggreko and a profitable addition to our large Ashtead holding being largely offset by our miserable experience in a brief period of ownership of HSS.

The large exposure to the non-life insurance industry with which we started the year was severely, but profitably, depleted by a rash of takeover bids for our Lloyd's holdings. Beazley, the only one not bid for, was sold on grounds of valuation and the Polar Capital Insurance Fund once again performed well.

In retailing, we had a pretty good year in the UK with our old favourite Dunelm enjoying a return to form and a new holding in SCS (our second attempt to make money out of this business) making a positive contribution after a bit of a hiccough in the wake of disappointing trading in the spring. Unfortunately, progress on this front was offset by two disastrous investments in overseas retailers, Zulily and Mysale. Both were sold at big discounts to their book cost.

Our holding in Fever-Tree deserves a paragraph of its own. Worth £5.4m at 30 November 2014, it had grown in value to £11.5m by 30 November 2015 despite sales, which now look very foolish, amounting to £4.0m. The idea of spending a bit more on a better quality tonic water seems to have caught the imagination of the drinking community throughout the world.

Sales and profits have been massively ahead of expectations and the business appears to have built up formidable momentum. The issue of whether the share price has finally caught up with reality is one to which we shall no doubt be returning frequently in the weeks and months ahead.

Elsewhere in the portfolio, we bought shares in the IPOs of two fast growing leisure companies, both of which have highly competitive cost bases. On the Beach is an online vendor of packaged holidays which can be customized to suit the particular needs of the consumer, while The Gym Group is one of the leading players in the low cost gym market. We reluctantly sold our holding in Domino's Pizza on grounds of valuation – the second time we have made this mistake. As mentioned in the Chairman's Statement, we sold the bulk of our energy stake at prices that now look very handsome. A relatively brief holding in Sanne yielded a profit of almost 40% on cost, while an even briefer holding in Woodford Patient Capital yielded a more modest profit. The Telecom Plus share price was held back by weak energy prices and the discovery that the company had been overestimating gas sales while the SThree share price responded less well than we had hoped to good trading news. There was little change in the share price of Bluefield Solar, but it delivered a generous stream of income over the year.

Max Ward
1 February 2016

Business Review

Business Model

Business and Status

The Company is an investment company within the meaning of section 833 of the Companies Act 2006 and carries on business as an investment trust. Investment trusts are UK public listed companies and their shares are traded on the London Stock Exchange. They invest in a portfolio of assets in order to spread risk. The Company has a fixed share capital, although, as explained on pages 14 and 15, it may purchase its own shares or issue shares. The price of the Company's shares is determined, like other listed shares, by supply and demand. The Company has been approved as an investment trust by HM Revenue & Customs subject to the Company continuing to meet the eligibility conditions. The Directors are of the opinion that the Company has continued to conduct its affairs so as to enable it to comply with the ongoing requirements of section 1158 of the Corporation Tax Act 2010. The Company is registered as a small UK Alternative Investment Fund Manager under the Alternative Investment Fund Managers Regulations 2013.

Objective and Policy

The Company's objective and policy are set out below. Although its investment policy allows gearing, including the use of derivatives, the Company is not permitted to employ gearing whilst it continues to be registered as a small UK Alternative Investment Fund Manager.

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 and, if appropriate, index futures.

The Company's asset allocation policy is essentially opportunistic: the directors will sanction the allocation of money to those geographic areas that appear to offer the most favourable combinations of risk and reward. There are no maximum exposure limits on the amounts to be allocated to individual geographic areas, but in determining the allocation to an individual area the directors will consider the quality and quantity of information about that area available to the Company. They will also consider the difficulty the Company might have in monitoring its investments in that area in the context of a limited managerial resource. An important reason for the Company's historical commitment to UK equities has been the easy access it has had to an abundant supply of information on UK companies.

The Company has the freedom to invest up to 10% of its assets in unquoted securities, but the directors have no current intention of investing in unquoted securities.

The Company may use derivatives (futures, options and the like) to protect shareholders' funds, to hedge currency exposure, as a cost effective alternative to conventional gearing or in order to obtain or adjust its exposure to individual markets. The Company's investment policy in relation to the use of derivative instruments shall be subject to the following restrictions:

(a) the Company's strategy for the use of derivative instruments must have the prior authorization of the board;

(b) the Company shall not use derivative instruments to the extent that such use would achieve an economic exposure within the Company's portfolio which would not be permitted by the other requirements of the Company's investment policy including asset allocation, risk diversification and maximum exposures; and

(c) the Company shall aggregate the effective gearing of all of its outstanding derivative instruments with its borrowings and shall not invest in a derivative instrument if, immediately following such investment, the Company's aggregate gearing would exceed a sum equal to 50% of its net assets.

It has been the policy of the directors since the Company's inception to sanction levels of exposure to individual companies and industries that would be considered unusually high by many conventional equity managers. In such cases, considerable care is taken by the directors at the time that the positions are established to ensure that the risk associated with them is reasonable in the context of the potential they offer. In particular, great emphasis is placed on the fundamental characteristics of the businesses and on their valuations. The directors will not sanction new investment in any sector that makes up more than 40% of the Company's shareholders' funds or in any company that makes up more than 15% of the Company's shareholders' funds.

The directors are aware that in some quarters it is believed that the composition of market indices is a good starting point for the measurement of portfolio risk. The directors do not share this belief and pay no attention to the composition of market indices when assessing the level of risk within the portfolio. Instead, they consider the fundamental characteristics of the individual investments – such as cyclicality, profitability, balance sheet structure and valuation – to arrive at a subjective assessment of the level of risk associated with each. They then make a further subjective assessment of the extent to which levels of concentration in particular industries leave the Company exposed to unexpected external events. It is the conscious policy of the directors to operate with less diversification of risk than might be considered normal by many investment managers.

The directors believe that the judicious use of gearing represents an attractive means of enhancing long term returns to shareholders. When circumstances, including the regulatory background, are appropriate, the directors will sanction levels of gearing that would be considered unusually high by many investment trust boards. The directors consider that borrowings are most appropriately used to finance less risky equities offering relatively high yields. Whenever the Company has net borrowings, the directors seek to ensure that the value of the subsection of the portfolio comprising such holdings exceeds the value of the net borrowings. The directors will not sanction any increase in borrowings if, at the time of such increase, the level of gearing including effective gearing arising from investment in derivative instruments is greater than 50% of net assets.

A detailed analysis of the Company's investment portfolio is set out on page 10 and in the Managing Director's Report.

Performance

At each board meeting, the directors consider a number of performance measures to assess the Company's success in achieving its objectives.

Key Performance Indicators

The key performance indicators (KPIs) used to measure the progress and performance of the Company over time are established industry measures and are as follows:

- the movement in net asset value per ordinary share on a total return basis;
- the discount or premium to net asset value; and
- the ongoing charges.

The Long Term Record on page 11 provides detailed performance information since inception. The net asset value total return for the year is contained in the Chairman's Statement along with information on the discount and ongoing charges.

Principal Risks

As explained on pages 18 and 19 there is a process for identifying, evaluating and managing the risks faced by the Company on a regular basis. The directors have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity. A description of these risks and how they are being managed or mitigated is set out below:

Financial risk – The Company's assets consist mainly of listed securities and its principal financial risks are therefore market related and include market risk (comprising currency risk, interest rate risk and other price risk), liquidity risk and credit risk. An explanation of those risks and how they are managed is contained in note 17 to the accounts on pages 39 to 42. To mitigate this risk, at each board meeting the composition and diversification of the portfolio by geographical and industrial sectors are considered along with sales and purchases of investments. Individual investments are discussed with the managing director together with his general views on the various investment markets and sectors.

Regulatory risk – failure to comply with applicable legal and regulatory requirements such as the Tax rules for investment trusts, the UKLA Listing Rules, the Companies Act and the Alternative Investment Fund Managers Regulations 2013 could lead to suspension of the Company's Stock Exchange listing, financial penalties or a qualified audit report or to the Company being subject to tax on capital gains. To mitigate this risk, the practical measures to ensure compliance with regulations and with company law, and to provide effective and efficient operations as they relate to secretarial and administrative matters, have been delegated to Baillie Gifford & Co. Baillie Gifford's Internal Audit and Compliance departments provide regular reports to the audit committee on Baillie Gifford's monitoring programmes. Major regulatory change could impose disproportionate compliance burdens on the Company or threaten the viability of the investment trust structure. In such circumstances representation would be made to defend the special circumstances of investment trusts. Shareholder documents and announcements, including the Company's published interim and annual report and financial statements, are subject to stringent review processes and procedures are in place to ensure adherence to the Transparency Directive with reference to inside information.

Custody risk – safe custody of the Company's assets may be compromised through control failures by the Company's custodian. To mitigate this risk, cash and portfolio holdings are regularly reconciled to the custodian's records by Baillie Gifford & Co. In addition, the existence of assets is subject to annual external audit. The audit committee reviewed Baillie Gifford's Report on Internal Controls which details the controls in place regarding the recording and reconciliation of cash and portfolio holdings to third party data. The custodian's Internal Controls Reports are reviewed by Baillie Gifford & Co's Internal Audit department and a summary of the key points is provided to the audit committee.

Operational risk – risk of loss resulting from inadequate or failed internal controls, processes and systems, or from external events. To mitigate this risk, Baillie Gifford's Internal Audit and Compliance departments provide regular reports to the audit committee. The board also reviews Baillie Gifford's Report on Internal Controls and the reports by other key service providers are reviewed by Baillie Gifford on behalf of the board. In addition, Baillie Gifford has a comprehensive business continuity plan which facilitates continued operations of the business in the event of a service disruption or major disaster.

Discount/premium volatility – the discount/premium at which the Company's shares trade can widen. To mitigate this risk, the board monitors the level of discount/premium and the Company has authority to buy back and issue its own shares.

Resource risk – the Company is self-managed and has only two employees. To mitigate this risk, contingency plans are in place to deal with a loss of key personnel.

Viability Statement

In accordance with provision C.2.2 of the UK Corporate Governance Code, published by the Financial Reporting Council in September 2014, the directors have assessed the prospects of the Company over a three year period. The directors believe this period to be appropriate as it is reflective of the Company's investment and planning timeframe and, in the absence of any adverse change to the regulatory environment and the favourable tax treatment afforded to UK investment trusts, is a period over which they do not expect there to be any significant change to the current principal risks and to the adequacy of the mitigating controls in place. The directors do not envisage any change in strategy or objectives or any events that would prevent the Company from continuing to operate over that period.

In making this assessment the directors have taken into account the Company's current position and its self-managed status and have conducted a robust assessment of the Company's principal risks and uncertainties detailed on pages 7 and 8. Although the Company has the authority to buy back up to 14.99% of its issued share capital, which is renewed annually, there is no stated discount control mechanism in place. The directors have also considered the Company's investment objective and policy, its dividend policy, the nature of its assets, its liabilities and projected income and expenditure. The Company is not permitted to employ gearing whilst it continues to be registered as a small UK AIFM, its ongoing charges are a very small percentage of its assets (2015 – 0.32%) and the vast majority of the Company's investments are readily realizable and can be sold to meet liabilities as they fall due. Contingency plans are in place to deal with any loss of key personnel. In the event of the departure of the managing director, which is not foreseen within the indicated timespan, the board would endeavour to present shareholders with an option to realize their investment at around liquidating value or to convert to another investment trust, avoiding a realization.

Based on this assessment, the directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the next three years.

Going Concern

Having assessed the principal risks and other matters set out in the Viability Statement above, the directors consider it appropriate to adopt the going concern basis of accounting in preparing these financial statements and confirm that they are not aware of any material uncertainties which may affect the Company's ability to continue to do so over a period of at least twelve months from the date of approval of these financial statements.

Social, Community, Employee Responsibilities and Environmental Policy

The Company has only two employees. As an investment trust, the Company has no direct social, community, or environmental responsibilities. Its principal responsibility to shareholders is to ensure that the investment portfolio is properly invested and managed. The Company, however, believes that it is in the shareholders' interests to consider environmental, social and governance factors when selecting and retaining investments. Details of the Company's policy on socially responsible investment can be found under Corporate Governance and Stewardship on page 19.

Gender Representation

The Board comprises four male directors (including one executive director) and the Company has one female employee. The board's policy on diversity is set out on page 17.

Future Developments of the Company

The outlook for the Company is dependent to a significant degree on economic events and the financial markets. Further comments on the outlook for the Company are included in the Chairman's Statement on pages 2 and 3.

The Strategic Report which is set out on pages 2 to 11 was approved by the board and signed on 1 February 2016.

Douglas McDougall
Chairman

List of Investments

As at 30 November 2015

Sector	Name	2014 Value £'000	Net transactions £'000	Gains/ (losses) £'000	2015 Value £'000	%
Housing	Bellway	–	4,265	965	5,230	2.4
	Berkeley Group	3,337	1,741	1,336	6,414	2.9
	Crest Nicholson	10,773	–	5,292	16,065	7.3
	McCarthy and Stone	–	9,183	2,104	11,287	5.2
	Persimmon	6,132	(3,494)	1,192	3,830	1.8
	Redrow	5,606	2,924	5,096	13,626	6.2
	Rightmove	2,182	(3,774)	1,592	–	–
		28,030	10,845	17,577	56,452	25.8
Industrials	Aggreko	2,918	(2,945)	27	–	–
	Ashtead Group	10,540	3,854	908	15,302	7.0
	HSS Hire Group	–	1,319	(1,319)	–	–
		13,458	2,228	(384)	15,302	7.0
Retailing	Dunelm Group	8,450	–	1,310	9,760	4.5
	Land of Leather*	–	–	–	–	–
	Mysale Group – Australia	3,780	(1,607)	(2,173)	–	–
	SCS Group	–	1,278	78	1,356	0.6
	Zulily – USA	1,833	(609)	(1,224)	–	–
		14,063	(938)	(2,009)	11,116	5.1
Consumer Services	AA	7,205	(57)	(1,760)	5,388	2.5
	BCA Marketplace	–	5,561	1,359	6,920	3.2
	Gama Aviation	–	5,600	(200)	5,400	2.5
	NAHL Group	–	4,764	(268)	4,496	2.0
		7,205	15,868	(869)	22,204	10.2
Travel and Leisure	Domino's Pizza	4,170	(4,672)	502	–	–
	On the Beach Group	–	9,476	(360)	9,116	4.2
	The Gym Group	–	5,889	261	6,150	2.8
		4,170	10,693	403	15,266	7.0
Business Services	Sanne Group	–	(1,065)	1,065	–	–
	SThree	4,530	–	379	4,909	2.2
		4,530	(1,065)	1,444	4,909	2.2
Technology and Telecommunications	Alibaba Group – China	3,559	–	(768)	2,791	1.3
	Baidu – China	15,641	(3,464)	(2,042)	10,135	4.6
	FDM Group	9,688	3,988	7,124	20,800	9.5
	Gamma Communications	7,200	(3,484)	5,464	9,180	4.2
	Herald Investment Trust	13,150	–	1,570	14,720	6.7
	Kainos Group	–	3,054	1,636	4,690	2.1
		49,238	94	12,984	62,316	28.4
Oil and Gas Producers	Bankers Petroleum – Canada	766	–	(457)	309	0.1
	Ultra Petroleum – USA	1,268	(994)	(274)	–	–
		2,034	(994)	(731)	309	0.1
Offshore Drillers	Noble Corporation – USA	2,296	(2,333)	37	–	–
	Paragon Offshore – USA	156	(30)	(126)	–	–
		2,452	(2,363)	(89)	–	–
Oilfield Services	Halliburton – USA	3,499	(3,345)	(154)	–	–
Beverages	Fever-Tree Drinks	5,437	(3,977)	10,040	11,500	5.3
Utilities	Telecom Plus	6,075	820	(121)	6,774	3.1
Non Life Insurance	Amlin	8,014	(10,701)	2,687	–	–
	Beazley	1,772	(1,770)	(2)	–	–
	Brit Insurance	4,932	(6,025)	1,093	–	–
	Catlin Group	4,412	(5,605)	1,193	–	–
	Polar Capital Global Insurance Fund – Ireland	3,055	–	414	3,469	1.6
		22,185	(24,101)	5,385	3,469	1.6
General Investment Trusts	Woodford Patient Capital Trust Plc	–	(257)	257	–	–
Renewable Energy Funds	Bluefield Solar Income – Channel Islands	5,163	–	(38)	5,125	2.3
TOTAL INVESTMENTS		167,539	3,508	43,695	214,742	98.1
Net liquid assets		12,321	(8,360)	268	4,229	1.9
SHAREHOLDERS' FUNDS		179,860	(4,852)	43,963	218,971	100.0

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

Long Term Record

Capital

At 30 November	Total assets* £'000	Bank loans £'000	Shareholders' funds £'000	Net asset value per share p	Share price p	Premium/ (discount)† %
2001	67,314	9,506	57,808	109.0	113.50	4.1
2002	79,073	12,640	66,433	111.8	122.50	9.6
2003	104,333	11,047	93,286	143.0	150.50	5.2
2004	109,818	6,801	103,017	157.9	158.50	0.4
2005#	166,379	29,032	137,347	210.6	213.75	1.5
2006	225,149	38,279	186,870	282.6	292.00	3.3
2007	160,168	9,994	150,174	227.1	207.00	(8.9)
2008	94,239	–	94,239	144.6	117.50	(18.7)
2009	121,432	–	121,432	194.9	168.00	(13.8)
2010	143,647	–	143,647	234.5	203.50	(13.2)
2011	138,225	–	138,225	226.4	186.00	(17.8)
2012	145,121	–	145,121	245.3	212.75	(13.2)
2013	166,890	–	166,890	287.2	268.50	(6.5)
2014	179,860	–	179,860	310.8	290.50	(6.5)
2015	218,971	–	218,971	390.1	363.00	(6.9)

*Total assets comprise total assets less current liabilities, before deduction of bank loans. †Premium/(discount) is the difference between the Company's quoted share price and its underlying net asset value expressed as a percentage of net asset value. #The figures prior to 2005 have not been restated for changes in accounting policies implemented in 2006.

Revenue / Gearing Ratio

Period to 30 November	Revenue return £'000	Revenue return per ordinary share p	Regular dividends per ordinary share p	Special dividends per ordinary share p	Ongoing charges¶ %	Gearing/ (net cash)§ %
2001 (from 18 October 2000**)	1,907	3.60	2.00	1.00	0.65	4
2002	1,745	3.17	2.50	–	0.54	11
2003	2,446	3.95	3.00	–	0.43	3
2004	2,972	4.56	3.75	–	0.39	(5)
2005	3,258	4.99	4.25	–	0.32	15
2006	3,121	4.78	4.50	–	0.26	13
2007	3,544	5.36	5.00	–	0.33	(14)
2008	4,184	6.34	5.00	0.75	0.59	(15)
2009	2,639	4.16	5.00	3.00	0.41	(11)
2010	3,525	5.72	5.00	–	0.35	(11)
2011	4,024	6.57	5.00	0.60	0.42	(19)
2012	3,486	5.81	5.00	–	0.43	(16)
2013	3,606	6.16	5.00	1.00	0.39	(10)
2014	4,260	7.35	5.00	2.00	0.36	(7)
2015	4,738	8.30	5.00	3.00	0.32	(2)

¶Ratio of total operating costs (excluding any tax relief) against shareholders' funds. The percentages for 2011 onwards have been calculated using average shareholders' funds in accordance with the methodology recommended by the AIC. The other years are calculated based on closing shareholders' funds. §Borrowings less cash, cash equivalents and fixed interest securities (ex convertibles) divided by shareholders' funds.

Cumulative Performance (taking 18 October 2000** as 100)

At 30 November	Net asset value per share	Share price	FTSE All-share Index ^	Net asset value total return^	Share price total return ^	FTSE All-share total return ^	Regular dividend per ordinary share††	Retail price index ^
2000	100	100	100	100	100	100	–	100
2001	111	114	85	110	111	88	100	101
2002	114	123	68	116	123	72	125	104
2003	145	151	73	153	155	80	150	106
2004	161	159	80	173	166	90	188	110
2005	214	214	93	233	229	109	213	113
2006	287	292	106	319	319	128	225	117
2007	231	207	111	259	230	139	250	122
2008	147	118	72	168	134	94	250	126
2009	198	168	90	233	200	122	250	126
2010	238	204	97	296	253	136	250	132
2011	230	186	96	291	237	139	250	139
2012	249	213	104	318	276	156	250	143
2013	292	269	121	385	358	187	250	147
2014	316	291	122	424	396	196	250	150
2015	397	363	119	544	506	197	250	151
Compound annual returns								
5 year	10.7%	12.3%	4.1%	12.9%	14.8%	7.7%	–	2.8%
10 year	6.4%	5.4%	2.5%	8.8%	8.2%	6.1%	1.6%	3.0%
Since inception	9.6%	9.0%	1.1%	11.9%	11.4%	4.6%	6.8%	2.8%

^Source: Thomson Reuters Datastream. **Launch date of Company. ††Regular dividend taking 2001 as 100. Past performance is not a guide to future performance.

Board of Directors and Investment Management

Board of Directors

Douglas McDougall OBE *Chairman*

Douglas McDougall was a partner in Baillie Gifford & Co from 1969 until April 1999. From 1989, when he was appointed joint senior partner, until his retirement in 1999, he was in overall charge both of the firm's investment departments and of its investment policy committee. He is chairman of The European Investment Trust plc and a director of The Monks Investment Trust PLC, Pacific Horizon Investment Trust PLC and Herald Investment Trust plc. He is a former chairman of IMRO, the Association of Investment Companies and the Fund Managers' Association.

Max Ward *Managing Director*

Max Ward was a partner in Baillie Gifford & Co from 1975 until April 2000, and was head of the firm's UK Equity Department from 1981 until his retirement in 2000. From 1989 until 2000 he was the manager of Scottish Mortgage Investment Trust PLC. He is a director of The Edinburgh Investment Trust plc.

James Ferguson *Senior Independent Director*

James Ferguson joined Stewart Ivory (previously Stewart Fund Managers) in 1970. He was appointed a director in 1974, and became chairman in 1989, a post he held until his retirement in 2000. He is chairman of Value & Income Trust plc, The Monks Investment Trust PLC, The Scottish Oriental Smaller Companies Trust plc, The North American Income Trust PLC, Amati Global Investors Limited and Northern 3 VCT plc. He is a former deputy chairman of the Association of Investment Companies and is a former member of the Executive Committee of the Fund Managers' Association.

The Hon. Robert Laing

Robert Laing was admitted as a solicitor in England in 1977 and in Scotland in 1985. He worked for Slaughter and May from 1975 until 1983, when he joined Maclay Murray & Spens. He has been a partner in Maclay Murray & Spens (now Maclay Murray & Spens LLP) since 1985 and chairman since 2010. He is a director of The Law Debenture Corporation plc.

All the directors are members of the audit committee and nomination committee and all the directors except Max Ward are members of the remuneration committee. Douglas McDougall is the chairman of all three committees.

Investment Management

The board maintains overall control over the formulation of the Company's investment policy and has overall responsibility for the Company's activities. The board has delegated responsibility for day-to-day investment management to Max Ward, the Company's managing director. Max Ward has a rolling twelve month contract for services with the Company under which he received a salary of £150,000 for the year under review. Max Ward's salary is being increased to £200,000 per annum with effect from 1 December 2015. His salary was last increased on 1 December 2010.

Directors' Report

The directors have pleasure in submitting their Report together with the audited financial statements of the Company for the year ended 30 November 2015.

Corporate Governance

The Corporate Governance Report is set out on pages 16 to 19 and forms part of this Report.

Directors

Information about the directors and their relevant experience can be found on page 12.

Each of the directors retires at the Annual General Meeting and offers himself for re-election. Following formal evaluation, the performance of each director is considered to be effective and each remains committed to the Company. The contribution of each director to the board is greatly valued and the board recommends their re-election to shareholders.

Director Indemnification and Insurance

The Company maintains directors' and officers' liability insurance.

The Company has entered into deeds of indemnity in favour of each of the directors. The deeds cover any liabilities that may arise to a third party, other than the Company, for negligence, default or breach of trust or duty. The directors are not indemnified in respect of liabilities to the Company, any regulatory or criminal fines, any costs incurred in connection with criminal proceedings in which the director is convicted or civil proceedings brought by the Company in which judgement is given against him. In addition, the indemnity does not apply to any liability to the extent that it is recovered from another person.

Conflicts of Interest

Each director submits a list of potential conflicts of interest to the nomination committee on an annual basis. The committee considers these carefully, taking into account the circumstances surrounding them, and makes a recommendation to the board as to whether or not they should be approved. Board approval is for a period of one year. The board considers there were no actual or indirect interests of a director which conflicted with the interests of the Company during the year.

Dividends

The board has declared a second interim dividend of 3.00p plus a special dividend of 3.00p per ordinary share, which together with the interim already paid, makes a total dividend of 8.00p for the year. The second interim and special dividends will be paid on 15 February 2016 to shareholders on the register at the close of business on 29 January 2016. The ex-dividend date is 28 January 2016.

Share Capital

Capital Structure

The Company's capital structure consisted of 56,130,000 ordinary shares of 25p each at 30 November 2015 (2014 – 57,869,000 ordinary shares). There are no restrictions concerning the holding or transfer of the Company's ordinary shares and there are no special rights attached to any of the shares.

Dividends

The ordinary shares carry a right to receive dividends. Interim dividends are determined by the directors, whereas final dividends are subject to shareholder approval at the Annual General Meeting.

Capital Entitlement

On a winding up, after meeting the liabilities of the Company, the surplus assets will be paid to ordinary shareholders in proportion to their shareholdings.

Voting

Each ordinary shareholder present in person or by proxy is entitled to one vote on a show of hands and, on a poll, one vote for every share held.

Information on the deadlines for proxy appointments can be found on pages 44 and 45.

Major Interests in the Company's Shares

The Company has received notifications of the following interests in 3% or more of the voting rights of the Company as at 30 November 2015. There have been no changes in the major interests in the Company's shares intimated up to 28 January 2016.

Name	Number of ordinary 25p shares held at 30 November 2015	% of issued capital
A&OT Investments Limited	9,795,000	17.5
Mr DCP McDougall	8,627,000	15.4
Mr MCB Ward	5,200,000	9.3
Sir Angus Grossart	2,345,000	4.2

Market Purchases of Own Shares

At the last Annual General Meeting the Company was granted authority to purchase up to 8,590,019 ordinary shares (equivalent to 14.99% of its issued share capital), such authority to expire at the conclusion of the Annual General Meeting to be held in respect of the year ending 30 November 2015. During the year to 30 November 2015 the Company bought back 1,739,000 ordinary shares (nominal value £434,750, representing 3.0% of the called up share capital at 30 November 2014) on the London Stock Exchange for cancellation. The total consideration for these shares was £5,582,000. Between 1 December 2015 and 28 January 2016, the latest practicable date prior to publication of this report, no further shares have been bought back by the Company.

The principal reasons for share buybacks are to address any imbalance between the supply and demand for the Company's shares and to increase the net asset value per remaining share. The Company may either cancel bought-back shares immediately or hold them 'in treasury' and then:

(i) sell such shares (or any of them) for cash (or its equivalent under the Companies Act 2006); or

(ii) cancel the shares (or any of them).

Shares will only be resold from treasury at a price at or above net asset value per share. No shares were held in treasury as at 28 January 2016, and no such holdings are planned.

The directors are seeking shareholders' approval at the Annual General Meeting to renew the authority to purchase up to 8,413,887 ordinary shares representing approximately 14.99% of the Company's ordinary shares in issue at the date of passing of the resolution, such authority to expire at the conclusion of the Annual General Meeting of the Company to be held in respect of the year ending 30 November 2016. Such purchases will only be made through the market for cash at prices below the most recently calculated net asset value per ordinary share, which will result in an increase in the net asset value of the remaining ordinary shares. In accordance with the Listing Rules of the UK Listing Authority, the maximum price (excluding expenses) that may be paid on the exercise of the authority must not exceed the higher of:

(i) 5 per cent above the average closing price on the London Stock Exchange of an ordinary share over the five business days immediately preceding the date of purchase; and

(ii) the higher of the price of the last independent trade of, and the highest current independent bid for, an ordinary share on the London Stock Exchange.

The minimum price that may be paid will be 25p per share. Purchases of shares will be made within guidelines established, from time to time, by the board. Your attention is drawn to Resolution 9 in the Notice of Annual General Meeting. The authority, if conferred, will only be exercised if to do so would result in an increase in net asset value per ordinary share for the remaining shareholders and if it is considered to be in the best interest of shareholders generally.

Authority to Allot Shares and Dis-application of Pre-emption Rights

The Company also has the authority to allot new shares up to an aggregate nominal amount of £4,774,939 representing approximately 34.0% of the shares in issue as at 30 November 2015. In addition, the dis-application of pre-emption rights in respect of the issue of equity securities for cash by the Company authorizes the directors to allot new shares or sell shares held in treasury up to the same aggregate nominal amount of £4,774,939 for cash without first offering such shares to existing shareholders pro rata to their existing holdings.

These authorities will continue in effect until 25 March 2020.

The directors do not consider that the Company is a vehicle for institutional investors and will not be bound by the institutional guidelines on pre-emption which limit non-pre-emptive issues for cash in any 12 month and rolling three year period. The directors will not, however, allot ordinary shares for cash at a price below the most recently calculated net asset value per share without offering such shares on a pro rata basis to shareholders.

Articles of Association

The Company's Articles of Association may only be amended by special resolution at a general meeting of shareholders.

Disclosure of Information to Auditor

The directors confirm that so far as each of the directors is aware, there is no relevant audit information of which the Company's auditor is unaware and the directors have taken all the steps that they might reasonably be expected to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Independent Auditor

Resolutions to reappoint Ernst & Young LLP as independent auditor to the Company and to authorize the directors to determine their remuneration will be proposed at the Annual General Meeting.

Post Balance Sheet Events

The directors confirm that there have been no significant post balance sheet events up to 1 February 2016.

Carbon Emissions

The Company's carbon emissions result predominantly from its consumption of electricity and gas at its single office. Using Defra/DECC's GHG conversion factors for company reporting 2015, emissions for the year to 30 September 2015 were 12.7 tonnes of CO_2e (2014: 12.8 tonnes of CO_2e). This equates to 0.07 tonnes of CO_2e (2014: 0.07 tonnes of CO_2e) per square metre.

Bribery Act

The Company has a zero tolerance policy towards bribery and is committed to carrying out business fairly, honestly and openly. The Company has procedures in place to prevent bribery that are proportionate to the risks faced.

Recommendation

The directors consider each resolution being proposed at the Annual General Meeting to be in the best interests of the Company's shareholders as a whole and they unanimously recommend that all shareholders vote in favour of them, as they intend to do in respect of their own beneficial holdings of shares which amount in aggregate to 15,746,250 shares, representing approximately 28.1% of the current issued share capital of the Company.

By order of the board

Douglas McDougall
Chairman
1 February 2016

Corporate Governance Report

The board is committed to achieving and demonstrating high standards of Corporate Governance. This statement outlines how the principles of the 2014 UK Corporate Governance Code (the 'Code') which can be found at *www.frc.org.uk* and the relevant principles of the Association of Investment Companies Code of Corporate Governance (the 'AIC Code') were applied throughout the financial year. The AIC Code provides a framework of best practice for investment companies and can be found at *www.theaic.co.uk*.

Compliance

The board confirms that the Company has complied throughout the year under review with the relevant provisions of the Code and with the recommendations of the AIC Code, except that:

(i) the chairman of the board, Douglas McDougall, is chairman of the audit committee. As the board considers Mr McDougall to be independent of mind and believes there are no conflicts of interest, the board believes it is appropriate for him to chair the committee;

(ii) Max Ward, the managing director, is a member of the audit committee. The board believes that it is appropriate for Mr Ward to be a member of the audit committee given his understanding of the business, integrity and independence of mind; and

(iii) the chairman of the board is also chairman of the remuneration committee. The chairman's fees and those of the non-executive directors are determined by the board rather than the remuneration committee.

The Board

The Independent Investment Trust PLC is run by its board, which consists of a chairman, a managing director and two non-executive directors. The board retains overall control over the Company's investment policy and has responsibility for all the Company's activities including strategy, borrowings, gearing, treasury matters, dividend, corporate governance policy and board remuneration. The board also reviews the financial statements, investment transactions, revenue budgets and performance of the Company. Full and timely information is provided to the board to enable the board to function effectively and to allow directors to discharge their responsibilities.

The chairman is responsible for organising the business of the board, ensuring its effectiveness and setting its agenda. The board has delegated the day-to-day management of the portfolio to Max Ward, the managing director. The secretarial and administration responsibilities have been delegated to Baillie Gifford & Co. The senior independent director is James Ferguson.

The directors believe that the board has a balance of skills and experience which enable it to provide effective strategic leadership and proper governance of the Company. Information about the directors, including their relevant experience, can be found on page 12.

There is an agreed procedure for directors to seek independent professional advice if necessary and at the Company's expense.

Appointments

Max Ward has a rolling 12 month contract for services with the Company, details of which are given in the Directors' Remuneration Report on page 22.

Letters which specify the terms of appointment are issued to new non-executive directors. The letters of appointment are available for inspection on request.

The Company's articles provide that a director appointed during the year is required to retire and seek election by shareholders at the next Annual General Meeting. In accordance with Company policy, all directors offer themselves for re-election annually.

Independence of Directors

The chairman and non-executive directors are free from any business or other relationship which could interfere with the exercise of their independent judgement. All the directors have served on the board for more than nine years. The directors recognise the importance of succession planning for company boards and review the board's composition annually. The board is of the view that length of service will not necessarily compromise the independence or contribution of directors of an investment trust company, where continuity and experience can be a benefit to the board. The board concurs with the view expressed in the AIC Code that long serving directors should not be prevented from being considered independent and that "independence stems from the ability to make those objective decisions that may be in conflict with the interests of management. This in turn is a function of confidence (born of courage and experience), integrity (personal character) and judgement (born of knowledge and experience)".

Following formal performance evaluation the board believes that each of the directors continues to be independent in character and judgement and that their extensive experience is a benefit to the board. Their independence has not been compromised by length of service.

The chairman and James Ferguson are both directors of The Monks Investment Trust PLC. The board does not believe that this common directorship affects their independent judgement and The Independent Investment Trust PLC does not invest in The Monks Investment Trust PLC.

The directors' interests in the shares of the Company are set out on page 23. The board believes that being shareholders, which they have been since the launch of the Company, aligns directors' interests with those of shareholders generally and does not affect their independent judgement.

Meetings

There is an annual cycle of board meetings which is designed to address, in a systematic way, overall strategy, review of investment policy, investment performance, revenue budgets, dividend policy and communication with shareholders. The board considers that it meets sufficiently regularly to discharge its duties effectively. The table below shows the attendance record for the board and committee meetings held during the year. All of the directors attended the Annual General Meeting.

	Board	Audit Committee	Nomination Committee	Remuneration Committee
Number of meetings	**4**	**2**	**1**	**1**
DCP McDougall	4	2	1	1
MCB Ward	4	2	1	–
JGD Ferguson	4	2	1	1
The Hon RJ Laing	4	2	1	1

Mr MCB Ward is not a member of the remuneration committee.

Nomination Committee

The nomination committee consists of the whole board. Douglas McDougall is chairman of the committee. The committee meets on an annual basis and at such other times as may be required. The committee has written terms of reference which include reviewing the board structure, identifying and nominating candidates for appointment to the board, appraising the board, considering whether directors should be recommended for re-election by shareholders, succession planning and training. The committee is responsible for considering directors' potential conflicts of interest and for making recommendations to the board on whether or not the potential conflicts should be authorized.

Appointments to the board are made on merit with due regard for the benefits of diversity including gender. The priority in appointing new directors is to identify the candidate with the best range of skills and experience to complement existing directors. The board therefore does not consider it appropriate to set diversity targets.

The committee's terms of reference are available on request and on the website: *www.independentinvestmenttrust.co.uk*.

Performance Evaluation

The nomination committee met to assess the performance of the chairman, each director, the board as a whole and its committees after inviting each director and the chairman to consider and respond to an evaluation questionnaire. The appraisal of the chairman was led by the senior independent director. The appraisals and evaluations considered amongst other criteria the balance of skills of the board, training and development requirements, the contribution of individual directors and the overall effectiveness of the board and its committees. Following this process it was concluded that the performance of each director, the chairman, the board and its committees continues to be effective and each director and the chairman remain committed to the Company. A review of the chairman's and other directors' commitments was carried out and the nomination committee is satisfied that they are capable of devoting sufficient time to the Company. There were no significant changes to the chairman's other commitments during the year.

Induction and Training

New directors appointed to the board will have formal induction meetings with the managing director and Baillie Gifford & Co. Briefings were provided during the year on industry and regulatory matters. Directors receive other relevant training as necessary.

Remuneration Committee

The remuneration committee consists of all the directors other than Max Ward. Douglas McDougall is chairman of the committee. The committee meets on an annual basis and at such other times as may be required. The committee's terms of reference include reviewing the effectiveness and performance of the Company's managing director. The terms of reference are available on request and on the website: *www.independentinvestmenttrust.co.uk*. The Company's policy on remuneration is set out in the Directors' Remuneration Report on pages 22 to 24.

Audit Committee

The report of the audit committee is set out on pages 20 and 21.

Internal Controls and Risk Management

The directors acknowledge their responsibility for the Company's risk management and internal control systems and for reviewing their effectiveness. The systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable but not absolute assurance against material misstatement or loss.

The board confirms that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Company in accordance with the guidance 'Guidance on Risk Management, Internal Control and Related Financial and Business Reporting'.

The board takes responsibility, upon the advice of the secretaries, for the design, implementation and maintenance of control policies and procedures to safeguard the assets of the Company and to manage its affairs properly, including the maintenance of effective operational and compliance controls and risk management. The Company's internal controls strategy has largely been based upon Baillie Gifford & Co's existing risk based system of internal controls.

The practical measures to ensure compliance with regulations and with company law, and to provide effective and efficient operations as they relate to secretarial and administrative matters, have been delegated to Baillie Gifford & Co.

The board oversees the functions delegated to Baillie Gifford & Co. Baillie Gifford & Co's Compliance and Internal Audit departments provide the board with regular reports on Baillie Gifford's monitoring programmes as they relate to its secretarial and administrative functions. The reporting procedures for these departments are defined and formalised within a service level agreement. Baillie Gifford & Co conducts an annual review of its system of internal controls, which is documented within an internal controls report which complies with ISAE 3402 and Technical Release AAF 01/06 – Assurance Reports on Internal Controls of Service Organisations made available to Third Parties. The report is independently reviewed by Baillie Gifford & Co's external auditor and a copy is submitted to the audit committee.

Custody of investments is contracted to an independent custodian, The Bank of New York Mellon SA/NV. The custodian prepares a report on its key controls and safeguards which is independently reviewed by KPMG LLP prior to publication. The published report is reviewed by Baillie Gifford & Co's Internal Audit department and a summary of the key points is provided to the audit committee.

A report identifying the material risks faced by the Company and the key controls employed to manage these risks is reviewed by the audit committee.

These procedures ensure that consideration is given regularly to the nature and extent of risks facing the Company and that they are being actively monitored. Where changes in risk have been identified during the year, they also provide a mechanism to assess whether further action is required to manage these risks.

The directors confirm that they have reviewed the effectiveness of the Company's risk management and internal controls systems and they have procedures in place to review their effectiveness on a regular basis. No significant weaknesses were identified in the year under review and up to the date of this Report.

The board confirms that these procedures have been in place throughout the Company's financial year and continue to be in place up to the date of approval of this report.

Relations with Shareholders

The board attaches great importance to communication with shareholders. The directors have frequent discussions with shareholders. The chairman and the other directors are available for discussion with shareholders as appropriate and shareholders wishing to communicate with the chairman or any other director should do so by writing to him at the address on the back cover.

The Company's Annual General Meeting is viewed as an opportunity to communicate with shareholders. The level of proxies lodged for each resolution is announced at the meeting and is published on the Company's website. The notice period for the Annual General Meeting is at least twenty working days.

Corporate Governance and Stewardship

In voting on its shareholdings, the Company will normally support management. The Company votes against resolutions which are considered to damage shareholders' rights or economic interests. The Company believes that it is in the shareholders' interests to consider environmental, social and governance factors when selecting and retaining investments and takes these issues into account as they affect the investment objectives.

By order of the board

Douglas McDougall
Chairman
1 February 2016

Audit Committee Report

The audit committee consists of the whole board. The members of the committee consider that they have the requisite financial skills and experience to fulfil the responsibilities of the committee. The chairman of the board, Douglas McDougall is chairman of the committee. Mr McDougall has many years' experience of financial matters relating to investment trusts.

As the board considers Mr McDougall to be independent of mind and believes there are no conflicts of interest, the board believes it is appropriate for him to chair the committee. The board believes it is appropriate for Mr Ward to be a member of the committee given his understanding of the business and independence of mind.

The committee's authority and duties are clearly defined within its written terms of reference which are available on request from the secretaries and at *www.independentinvestmenttrust.co.uk*. The terms of reference are reviewed annually. The committee's effectiveness is reviewed on an annual basis as part of the board's performance evaluation process. At least once a year the committee has an opportunity to meet with the external auditor without the managing director or any representative of the secretaries being present.

Main Activities of the Committee

The committee met twice during the year and Ernst & Young LLP, the external auditor, attended one of the meetings. Baillie Gifford's Internal Audit and Compliance Departments provided reports on their monitoring programmes for these meetings.

The matters considered, monitored and reviewed by the committee during the course of the year included the following:

- the preliminary results announcement and the annual and interim reports;
- the Company's accounting policies and practices;
- the regulatory changes impacting the Company;
- the fairness, balance and understandability of the annual report and financial statements and whether it provided the information necessary for shareholders to assess the Company's performance, business model and strategy;
- the effectiveness of the Company's internal control environment;
- reappointment, remuneration and engagement letter of the external auditor;
- whether the audit services contract should be put out to tender;
- the policy on the engagement of the external auditor to supply non-audit services;
- the independence, objectivity and effectiveness of the external auditor;
- the need for the Company to have its own internal audit function;
- internal controls reports received from the secretaries and custodian; and
- the arrangements in place whereby staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters.

Internal Audit

The audit committee carries out an annual review of the need for an internal audit function. The committee continues to believe that the size of the Company does not justify a separate internal audit function.

Financial Reporting

The committee considers that the most significant issue likely to impact the financial statements are the existence and valuation of investments, as they represent 98.1% of net assets, and the accuracy and completeness of investment income.

All of the investments are in quoted securities and market prices are readily available from independent external pricing sources. The committee reviewed the secretaries' Report on Internal Controls which details the controls in place regarding recording and pricing of investments, the reconciliation of investment holdings to third party data and accurate recording of investment income.

The value of all the investments at 30 November 2015 were agreed to external price sources and the holdings agreed to confirmations from the Company's custodian.

The secretaries confirmed to the committee that they were not aware of any material misstatements in the context of the Financial Statements as a whole.

Internal Controls and Risk Management

The committee reviewed the effectiveness of the Company's risk management and internal controls systems as described on pages 18 and 19. No significant weaknesses were identified in the year under review.

External Auditor

To fulfil its responsibility regarding the independence of the external auditor, the committee reviewed:

- the audit plan for the current year;
- a report from the auditor describing their arrangements to manage auditor independence and received confirmation of its independence; and
- the extent of non-audit services provided by the external auditor. There were no non-audit services provided during the year.

To assess the effectiveness of the external auditor, the committee reviewed and considered:

- the auditor's fulfilment of the agreed audit plan;
- feedback from the secretaries on the performance of the audit team; and
- the Audit Quality Inspection Report from the FRC.

To fulfil its responsibility for oversight of the external audit process the committee considered and reviewed:

- the auditor's engagement letter;
- the auditor's proposed audit strategy;
- the audit fee, details of which are set out in note 3 on page 34; and
- a report from the auditor on the conclusion of the audit.

Ernst & Young LLP has been engaged as the Company's auditor for fourteen years. The audit partners responsible for the audit are rotated at least every five years in accordance with professional and regulatory standards in order to protect independence and objectivity and to provide fresh challenge to the business. The current lead partner, Mr Singh, was appointed in 2012 and will continue as partner until the conclusion of the 2016 audit.

Ernst & Young LLP have confirmed that they believe they are independent within the meaning of regulatory and professional requirements and that the objectivity of the audit partner and staff is not impaired.

Having carried out the review described above, the committee is satisfied that the auditor remains independent and effective and has not considered it necessary to conduct a tender process for the appointment of its auditor at this stage.

The committee is aware that EU regulations in relation to the statutory audits of EU listed companies will require the Company to change its audit firm by 2023.

There are no contractual obligations restricting the committee's choice of external auditor.

Accountability and Audit

The respective responsibilities of the directors and the auditor in connection with the financial statements are set out on pages 25 to 28.

By order of the board

Douglas McDougall
Chairman of the audit committee
1 February 2016

Directors' Remuneration Report

This report has been prepared in accordance with the requirements of the Companies Act 2006.

Statement by the Chairman

The Directors' Remuneration Policy is subject to shareholder approval every three years or sooner if an alteration to the policy is proposed. The remuneration policy, which is set out below, was approved by shareholders at the Company's Annual General Meeting on 27 March 2014 and no changes are proposed.

The level of fees was reviewed during the year and it was agreed that, with effect from 1 December 2015, the managing director's fee would be increased from £150,000 to £200,000, the chairman's fee would be increased from £45,000 to £55,000 and the other directors' fees would be increased from £18,000 to £22,000. The fees were last increased on 1 December 2010.

Remuneration Committee

The board has established a remuneration committee which consists of all the directors other than Max Ward. Its terms of reference, which include reviewing the remuneration of Max Ward, are available on the Company's website. The remuneration of the other directors is reviewed by the board.

Directors' Remuneration Policy

The policy is that the remuneration of directors should be set at a level sufficient to attract and retain directors of the appropriate quality and experience. It should also be fair and reflect the experience of the board as a whole. The directors' remuneration is payable quarterly in arrears and is determined within an aggregate limit set out in the Company's articles of association, which currently stands at one half of one per cent of the Company's total assets. Any change to this limit requires shareholder approval.

The board is composed of the managing director, Max Ward, and three non-executive directors.

Executive Director (managing director)

Max Ward has a rolling 12 month contract for services with the Company. Under the terms of this contract, which is terminable by either party on 12 months' notice, Mr Ward has been employed as the managing director to manage the investments and assets of the Company in return for a salary which is subject to annual review. Mr Ward is also entitled to reimbursement of any travelling and other out-of-pocket expenses incurred by him in the performance of his duties for the Company provided that they have been approved by the board. Mr Ward is not eligible for any other remuneration or benefits. There are no performance conditions relating to Mr Ward's salary and there is no long-term incentive scheme or pension scheme. No compensation is payable on loss of office.

Non-executive Directors

The non-executive directors have letters of appointment with the Company. Non-executive directors are not eligible for any other remuneration or benefits. There are no performance conditions relating to non-executive directors' fees and there is no long-term incentive scheme or pension scheme. There is no notice period and no compensation is payable on loss of office.

Remuneration Levels

The remuneration paid in respect of the year ended 30 November 2015 and the remuneration payable in respect of the year ending 30 November 2016 is set out in the Statement by the Chairman above. The remuneration payable to the directors in the subsequent financial periods will be determined following an annual review. The total aggregate remuneration payable to the directors shall not exceed the limit as set out in the Company's articles of association explained above.

Annual Report on Remuneration

An ordinary resolution for the approval of this report will be put to the members at the forthcoming Annual General Meeting.

The law requires the Company's auditor to audit certain of the disclosures provided in this report. Where disclosures have been audited, they are indicated as such. The auditor's opinion is included in their report on page 26.

Directors' Remuneration for the Year (audited)

The directors who served during the year received the following remuneration in the form of fees. This represents the entire remuneration paid to the directors.

	2015 £	2014 £
Executive director		
MCB Ward (Managing Director)	150,000	150,000
Non-executive directors		
DCP McDougall (Chairman)	45,000	45,000
JGD Ferguson	18,000	18,000
The Hon. RJ Laing	18,000	18,000
	231,000	231,000

History of Executive Director's Salary

Name	Year ending 30 November	Salary £
MCB Ward (Managing Director)	2009	100,000
	2010	100,000
	2011	150,000
	2012	150,000
	2013	150,000
	2014	150,000
	2015	150,000

Directors' Interests (audited)

Name	Nature of interest	30 November 2015 Ordinary shares	1 December 2014 Ordinary shares
DCP McDougall (Chairman)	Beneficial	8,526,000	8,526,000
DCP McDougall (Chairman)	Non-beneficial	101,000	–
MCB Ward (Managing Director)	Beneficial	5,200,000	5,200,000
JGD Ferguson	Beneficial	1,135,000	1,135,000
The Hon. RJ Laing	Beneficial	860,000	860,000

The directors are not required to hold shares in the Company. The directors at the year end, and their interests in the Company, were as shown above. Since the year end Mr McDougall has transferred 25,250 shares from his non-beneficial interest to his beneficial interest. There have been no other changes intimated in the directors' interests up to 28 January 2016.

Mr Ward received and retained a fee of £24,200 for serving as a non-executive director on the board of The Edinburgh Investment Trust PLC in respect of its financial year to 31 March 2015.

Statement of Voting at Annual General Meeting

At the last Annual General Meeting, of the proxy votes received in respect of the Directors' Remuneration Report, 100% were in favour.

Relative Importance of Spend on Pay

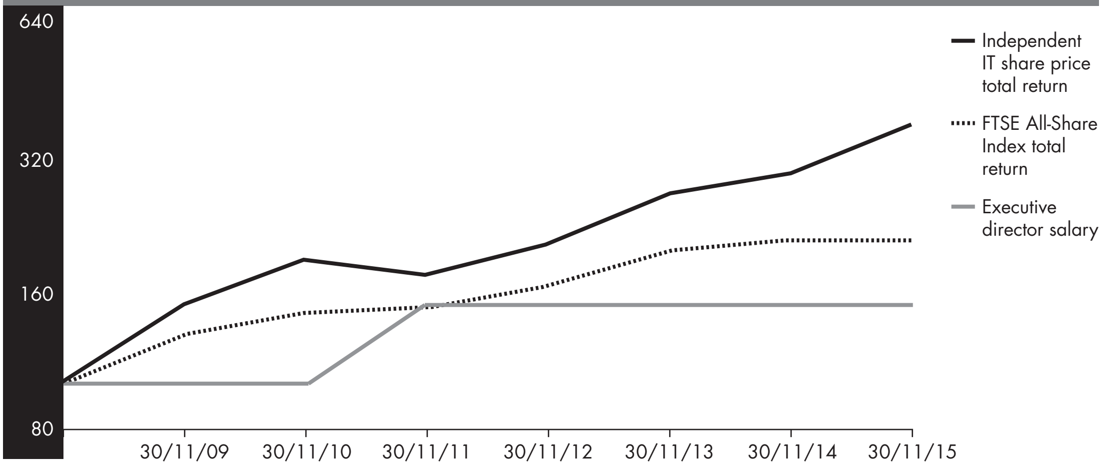
As the Company has only two employees, the managing director and an office manager, the directors do not consider it appropriate to present a table comparing remuneration paid to employees with distributions to shareholders.

Company Performance

The following graph compares the total return (assuming all dividends are reinvested) to ordinary shareholders and the executive director's salary with the total shareholder return on a notional investment made up of shares in the component parts of the FTSE All-Share Index. This index was chosen for comparison purposes as it is a widely used measure of performance for UK listed companies and because the bulk of the Company's assets are invested in UK equities.

INDEPENDENT INVESTMENT TRUST'S SHARE PRICE, EXECUTIVE DIRECTOR'S SALARY AND FTSE ALL-SHARE INDEX

(Figures have been rebased to 100 at 30 November 2008)



Source: Thomson Reuters Datastream/Baillie Gifford & Co. All figures where relevant are total returns (assuming all dividends are re-invested) in sterling terms and have been plotted using a logarithmic scale. Past performance is not a guide to future performance.

Approval

The Directors' Remuneration Report on pages 22 to 24 was approved by the board of directors and signed on its behalf by the chairman of the remuneration committee on 1 February 2016.

Douglas McDougall
Chairman

Statement of Directors' Responsibilities in Respect of the Annual Report and the Financial Statements

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Under applicable laws and regulations, the directors are also responsible for preparing a Strategic Report, a Directors' Report, a Directors' Remuneration Report and a Corporate Governance Statement that comply with that law and those regulations.

The directors have delegated responsibility to the secretaries for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The work carried out by the auditor does not involve any consideration of these matters and, accordingly, the auditor accepts no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Each of the directors, whose names and functions are listed within the board of directors section confirm that, to the best of their knowledge:

- the financial statements, which have been prepared in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) give a true and fair view of the assets, liabilities, financial position and net return of the Company;
- the annual report and financial statements taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

By order of the board

Douglas McDougall
Chairman
1 February 2016

Independent Auditor's Report
To the members of The Independent Investment Trust PLC

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 November 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

We have audited the financial statements of The Independent Investment Trust PLC for the year ended 30 November 2015 which comprise the Income Statement, Balance Sheet, Reconciliation of Movements in Shareholders' Funds, Cash Flow Statement and the related notes 1 to 17. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 25, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Our assessment of risks of material misstatement

We identified the following risks of material misstatement that had the greatest effect on the overall audit strategy: the allocation of resources in the audit; and directing the efforts of the engagement team. The risks that we have identified are consistent with those risks that were identified in the prior year and we also recognize an additional risk for the current year in relation to the recognition of revenue. The audit committee has set out its assessment of the significant issues in relation to the financial statements on pages 20 and 21. The table below includes our responses to the risks:

Risk identified	Our response
Incomplete or inaccurate income recognition though failure to recognize proper income entitlements or apply appropriate accounting treatment of special dividends arising from investments. The manual and judgmental element in allocating special dividends between revenue and capital increases the potential risk over incorrect recognition of revenue.	*We have reviewed the treatment of the special dividends identified and agreed with the allocation of these to revenue.*
Incorrect valuation and existence of the investment portfolio. Due to the significant value of the investment portfolio on the balance sheet, we consider that an error in this area could materially affect the overall financial statements.	*For all investments in the portfolio, we have verified the prices to an independent source and noted no material differences in market value or exchange rates applied.* *We have reviewed pricing exception reports to assess the liquidity of investments held and are satisfied that investments have been correctly designated in the fair value hierarchy.* *We have independently obtained a confirmation from the Company's custodian of the assets held as at 30 November 2015 and noted no differences between this confirmation and the Company's underlying financial records.*

Our application of materiality

We determined planning materiality for the Company to be £2,189,706 (2014 – £1,798,598), which is 1% of total equity. This provided a basis for determining the nature, timing and extent of our risk assessment procedures, identifying and assessing the risks of material misstatement and determining the nature, timing and extent of further audit procedures. We have derived our materiality calculation based on a proportion of total equity as we consider it to be the most important financial metric on which shareholders would judge the performance of the Company.

On the basis of our risk assessments, together with our assessment of the Company's overall control environment, our judgment was that overall performance materiality (i.e. our tolerance for misstatement in an individual account or balance) for the Company should be 75% of planning materiality, being £1,642,279 (2014 – £1,348,949). Our objective in adopting this approach was to ensure that total undetected and uncorrected audit differences in all accounts did not exceed our planning materiality level.

Given the importance of the distinction between revenue and capital for the Company we have also applied a separate testing materiality of £237,370 (2014 – £213,769) for the revenue column of the Income Statement, being 5% of the return on ordinary activities before taxation.

We agreed with the audit committee that we would report all audit differences in excess of £109,485 (2014 – £89,930) as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in the light of other relevant qualitative considerations.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the ISAs (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Company acquired in the course of performing our audit; or
- otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the audit committee which we consider should have been disclosed.

We have nothing material to add or to draw attention to in relation to:

- the directors' confirmation in the annual report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity;
- the disclosures in the annual report that describe those risks and explain how they are being managed or mitigated;
- the directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements; and
- the directors' explanation in the annual report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the directors' statement in relation to going concern, set out on page 9, and longer term viability, set out on pages 8 and 9; and
- the part of the Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Amarjit Singh (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
1 February 2016

Income Statement

For the year ended 30 November

	Notes	2015 Revenue £'000	2015 Capital £'000	2015 Total £'000	2014 Revenue £'000	2014 Capital £'000	2014 Total £'000
Gains on investments	*8*	–	43,695	43,695	–	12,581	12,581
Currency gains	*12*	–	268	268	–	227	227
Income	*2*	5,382	–	5,382	4,894	–	4,894
Administrative expenses	*3*	(635)	–	(635)	(619)	–	(619)
Net return on ordinary activities before taxation		4,747	43,963	48,710	4,275	12,808	17,083
Tax on ordinary activities	*5*	(9)	–	(9)	(15)	–	(15)
Net return on ordinary activities after taxation		4,738	43,963	48,701	4,260	12,808	17,068
Net return per ordinary share:							
Basic	*6*	8.30p	77.01p	85.31p	7.35p	22.11p	29.46p
Note:							
Dividends per share paid and payable in respect of the year	*7*	8.00p			7.00p		

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 year.

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.

The accompanying notes on pages 33 to 42 are an integral part of the financial statements.

Balance Sheet

At 30 November

	Notes	2015 £'000	2015 £'000	2014 £'000	2014 £'000
Fixed assets					
Investments held at fair value through profit or loss	8		214,742		167,539
Current assets					
Debtors	9	413		2,813	
Cash at bank and in hand	17	3,851		9,541	
		4,264		12,354	
Creditors					
Amounts falling due within one year	10	(35)		(33)	
Net current assets			4,229		12,321
Total net assets			218,971		179,860
Capital and reserves					
Called up share capital	11		14,032		14,467
Share premium			15,242		15,242
Special distributable reserve	12		18,831		24,413
Capital redemption reserve	12		2,500		2,065
Capital reserve	12		162,123		118,160
Revenue reserve	12		6,243		5,513
Shareholders' funds			218,971		179,860
Net asset value per ordinary share	13		390.1p		310.8p

The financial statements of The Independent Investment Trust PLC (company registration number SC210685) were approved and authorized for issue by the board and were signed on 1 February 2016.

Douglas McDougall
Chairman

The accompanying notes on pages 33 to 42 are an integral part of the financial statements.

Reconciliation of Movements in Shareholders' Funds

For the year ended 30 November 2015

	Share Capital £'000	Share Premium £'000	Special Distri-butable Reserve £'000	Capital Redemp-tion Reserve £'000	Capital Reserve £'000	Revenue Reserve £'000	Total Share-holders' Funds £'000
Shareholders' funds at 1 December 2014	14,467	15,242	24,413	2,065	118,160	5,513	179,860
Net return on ordinary activities after taxation	–	–	–	–	43,963	4,738	48,701
Shares bought back for cancellation (note 11)	(435)	–	(5,582)	435	–	–	(5,582)
Dividends paid during the year (note 7)	–	–	–	–	–	(4,008)	(4,008)
Shareholders' funds at 30 November 2015	14,032	15,242	18,831	2,500	162,123	6,243	218,971

For the year ended 30 November 2014

	Share Capital £'000	Share Premium £'000	Special Distri-butable Reserve £'000	Capital Redemp-tion Reserve £'000	Capital Reserve £'000	Revenue Reserve £'000	Total Share-holders' Funds £'000
Shareholders' funds at 1 December 2013	14,525	15,242	25,036	2,007	105,352	4,728	166,890
Net return on ordinary activities after taxation	–	–	–	–	12,808	4,260	17,068
Shares bought back for cancellation (note 11)	(58)	–	(623)	58	–	–	(623)
Dividends paid during the year (note 7)	–	–	–	–	–	(3,475)	(3,475)
Shareholders' funds at 30 November 2014	14,467	15,242	24,413	2,065	118,160	5,513	179,860

The accompanying notes on pages 33 to 42 are an integral part of the financial statements.

Cash Flow Statement

For the year ended 30 November

	Notes	2015 £'000	2015 £'000	2014 £'000	2014 £'000
Net cash inflow from operating activities	*14*		4,845		4,020
Capital expenditure and financial investment					
Acquisitions of investments		(80,472)		(92,334)	
Disposals of investments		79,259		83,578	
Net cash outflow from capital expenditure and financial investment			(1,213)		(8,756)
Equity dividends paid	*7*		(4,008)		(3,475)
Net cash outflow before financing			(376)		(8,211)
Financing					
Shares bought back for cancellation		(5,582)		(623)	
Net cash outflow from financing			(5,582)		(623)
Decrease in cash			(5,958)		(8,834)
Reconciliation of net cash flow to movement in net funds					
Decrease in cash in the year			(5,958)		(8,834)
Translation difference			268		227
Movement in net funds in the year			(5,690)		(8,607)
Net funds at 1 December			9,541		18,148
Net funds at 30 November			3,851		9,541

The accompanying notes on pages 33 to 42 are an integral part of the financial statements.

Notes to Financial Statements

1 PRINCIPAL ACCOUNTING POLICIES

A summary of the principal accounting policies, which are unchanged from the prior year and have been applied consistently, is set out below.

(a) Basis of accounting

The financial statements have been prepared in accordance with the Companies Act 2006, applicable UK accounting standards (United Kingdom Generally Accepted Accounting Practice) and with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' (issued in January 2009).

All of the Company's operations are of a continuing nature and the Financial Statements are prepared on a going concern basis under the historical cost convention, modified to include the revaluation of fixed asset investments, and on the assumption that approval as an investment trust under section 1158 of the Corporation Tax Act 2010 will be retained.

In order to better reflect the activities of the Company and in accordance with guidance issued by the Association of Investment Companies (AIC), supplementary information which analyses the profit and loss account between items of a revenue and capital nature has been presented in the income statement.

The directors consider the Company's functional currency to be sterling as the Company's shareholders are predominantly based in the UK and the Company is subject to the UK's regulatory environment.

(b) Investments

Investment purchases and sales are recognised on a trade date basis.

Investments are designated as held at fair value through profit or loss on initial recognition and are measured at subsequent reporting dates at fair value. Movements in fair value are taken to the income statement as a capital item.

The fair value of listed security investments is bid price.

(c) Income

(i) Income from equity investments is brought into account on the date on which the investments are quoted ex-dividend or, where no ex-dividend date is quoted, when the Company's right to receive payment is established.

(ii) Interest from fixed interest securities is recognised on an effective yield basis.

(iii) Unfranked investment income includes the taxes deducted at source.

(iv) Franked investment income is stated net of tax credits.

(v) Interest receivable on deposits is recognised on an accruals basis.

(vi) If scrip is taken in lieu of cash dividends the net amount of the cash dividend foregone is credited to the revenue column of the income statement with the excess taken to capital.

(d) Expenses

All expenses are accounted for on an accruals basis and are charged through the revenue column of the income statement except where they relate directly to the acquisition or disposal of an investment (transaction costs), in which case they are taken to the income statement as a capital item.

(e) Operating lease rentals

Total operating lease rentals in respect of premises occupied by the Company are spread evenly over the term of the lease.

(f) Taxation

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to taxation authorities. The tax rates and tax laws used to compute the amount are those enacted or substantively enacted at the reporting date. Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more, or right to pay less, tax in future have occurred at the balance sheet date. This is subject to deferred tax assets only being recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of the underlying timing differences can be deducted. Timing differences are differences arising between the Company's taxable profits and its results as stated in the financial statements which are capable of reversal in one or more subsequent periods. Deferred tax is measured without discounting and based on enacted tax rates.

(g) Foreign currencies

Transactions involving foreign currencies are converted at the rate ruling at the time of the transaction. Assets and liabilities in foreign currencies are translated at the closing rates of exchange at the balance sheet date. Any gain or loss arising from a change in exchange rate subsequent to the date of the transaction is included as an exchange gain or loss in capital reserve or revenue reserve as appropriate.

(h) Share repurchases

Purchases of the Company's own shares are funded from the special distributable reserve.

(i) Capital reserve

Gains and losses on disposal of investments, changes in investment holding gains/(losses) and exchange differences of a capital nature are dealt with in this reserve.

(j) Single segment reporting

The Company is engaged in a single segment of business, being investment business, consequently no business segmental analysis is provided.

2 INCOME

	2015 £'000	2014 £'000
Income from investments		
Franked investment income	4,824	3,692
Overseas dividends	511	1,111
UK unfranked investment income*	–	40
	5,335	4,843
Other income		
Deposit interest	21	27
Other income	26	24
	47	51
Total income	5,382	4,894
Total income comprises:		
Dividends from financial assets designated at fair value through profit or loss	5,335	4,843
Deposit interest	21	27
Other income	26	24
	5,382	4,894

*Includes property income distributions.

3 ADMINISTRATIVE EXPENSES

	2015 £'000	2014 £'000
Directors' fees and staff costs – note 4	324	329
Secretarial and administrative services	96	84
Information technology expenses	32	29
Power, telephone, rates and insurance	26	25
Operating lease rentals – office rent	42	42
Auditor's remuneration – statutory audit*	23	23
Other administrative expenses	92	87
	635	619

The Company is self-managed and therefore does not pay an investment management fee to external fund managers. Secretarial and administrative services are provided by Baillie Gifford & Co.

*Includes VAT thereon of £4,000 (2014 – £4,000).

4 DIRECTORS' FEES AND STAFF COSTS

	2015 £'000	2014 £'000
Directors' fees and salaries	231	231
Other salaries	61	66
Social security costs	32	32
	324	329

Two persons were employed under a contract during the year (2014 – 2): Max Ward, the managing director, and Vivien Judge, the office manager.

5 TAX ON ORDINARY ACTIVITIES

	2015 £'000	2014 £'000
Analysis of charge in year		
Overseas taxation	9	15
Factors affecting tax charge for year		
The tax assessed for the year is lower than the standard rate of corporation tax in the UK 20.33% (2014 – 21.66%)		
The differences are explained below:		
Net return on ordinary activities before taxation	48,710	17,083
Net return on ordinary activities multiplied by the standard rate of corporation tax in the UK of 20.33% (2014 – 21.66%)	9,903	3,700
Capital returns not taxable	(8,938)	(2,774)
Dividends not subject to UK tax	(1,085)	(1,040)
Overseas withholding tax	9	15
Taxable losses not utilised	120	114
Current tax charge for the year	9	15

As an investment trust, the Company's capital gains are not taxable.

Factors that may affect future tax charges

At 30 November 2015 the Company had a potential deferred tax asset of £1,018,000 (2014 – £900,000) on taxable losses of £5.1 million (2014 – £4.5 million) which are available to be carried forward and offset against future taxable profits. A deferred tax asset has not been provided on these losses as it is considered unlikely that the Company will make taxable revenue profits in the future and it is not liable to tax on its capital gains. The potential deferred tax asset has been calculated using a corporation tax rate of 20% (2014 – 20%).

6 NET RETURN PER ORDINARY SHARE

	2015 Revenue	2015 Capital	2015 Total	2014 Revenue	2014 Capital	2014 Total
Net return on ordinary activities after taxation (£'000)	4,738	43,963	48,701	4,260	12,808	17,068
Weighted average number of ordinary shares in issue during the year	57,087,403	57,087,403	57,087,403	57,924,245	57,924,245	57,924,245
Net return per ordinary share:						
Basic	8.30p	77.01p	85.31p	7.35p	22.11p	29.46p

Returns per ordinary share are based on the return for the financial year and on the weighted average number of ordinary shares in issue during the year as shown above.

There are no dilutive or potentially dilutive shares in issue.

7 ORDINARY DIVIDENDS

	2015 Pence	2015 £'000	2014 Pence	2014 £'000
Amounts recognised as distributions in the year				
Previous year's final dividend paid 7 April 2015	3.00	1,719	3.00	1,739
Previous year's special dividend paid 7 April 2015	2.00	1,146	1.00	579
First interim dividend paid 28 August 2015	2.00	1,143	2.00	1,157
	7.00	4,008	6.00	3,475

Set out below are the total dividends paid and proposed in respect of the financial year, which is the basis on which the requirements of section 1158 of the Corporation Tax Act 2010 are considered. The revenue available for distribution by way of dividend for the year is £4,738,000 (2014 – £4,260,000).

	2015 Pence	2015 £'000	2014 Pence	2014 £'000
Amounts paid and payable in respect of the year				
Adjustment to previous year's final/special dividends re shares bought back	–	(28)	–	–
First interim dividend paid 28 August 2015	2.00	1,143	2.00	1,157
Second interim dividend payable 15 February 2016	3.00	1,684	–	–
Special dividend payable 15 February 2016	3.00	1,684	2.00	1,157
Final dividend	–	–	3.00	1,736
	8.00	4,483	7.00	4,050

8 INVESTMENTS

	2015 £'000	2014 £'000
Financial assets designated at fair value through profit or loss on initial recognition		
Listed equity instruments	214,742	167,539

	Listed equities £'000
Cost of investments at 1 December 2014	128,335
Investment holding gains at 1 December 2014	39,204
Fair value of investments at 1 December 2014	167,539
Movements in year:	
Purchases at cost	80,472
Sales – proceeds	(76,964)
– gains on sales	18,350
Changes in investment holding gains	25,345
Fair value of investments at 30 November 2015	214,742
Cost of investments at 30 November 2015	150,193
Investment holding gains at 30 November 2015	64,549
Fair value of investments at 30 November 2015	214,742

The purchases and sales proceeds figures above include transaction costs of £202,000 (2014 – £336,000) and £162,000 (2014 – £185,000) respectively.

	2015 £'000	2014 £'000
Net gains on investments designated at fair value through profit or loss on initial recognition		
Gains on sales	18,350	10,366
Changes in investment holding gains	25,345	2,215
	43,695	12,581

Of the gains on sales during the year of £18,350,000 (2014 – gains of £10,366,000), a net gain of £11,712,000 (2014 – gain of £4,881,000) was included in investment holding gains at the previous year end.

9 DEBTORS

	2015 £'000	2014 £'000
Amounts falling due within one year		
Income accrued and prepayments	413	518
Sales for subsequent settlements	–	2,295
	413	2,813

10 CREDITORS

	2015 £'000	2014 £'000
Amounts falling due within one year		
Other creditors and accruals	35	33

11 CALLED UP SHARE CAPITAL

	2015 Number	2015 £'000	2014 Number	2014 £'000
Allotted, called up and fully paid ordinary shares of 25p each	56,130,000	14,032	57,869,000	14,467

During the year the Company bought back 1,739,000 (2014 – 231,000) ordinary shares of 25p each at a cost of £5,582,000 (2014 – £623,000). At 30 November 2015 the Company had authority remaining to buy back a further 7,415,019 ordinary shares.

No further shares have been bought back by the Company between 1 December 2015 and 28 January 2016.

12 RESERVES

	Special distributable reserve £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000
At 1 December 2014	24,413	2,065	118,160	5,513
Net gain on sales of investments	–	–	18,350	–
Changes in investment holding gains	–	–	25,345	–
Other exchange differences	–	–	268	–
Revenue return on ordinary activities in the year	–	–	–	4,738
Shares bought back for cancellation	(5,582)	435	–	–
Dividends paid in the year	–	–	–	(4,008)
At 30 November 2015	18,831	2,500	162,123	6,243

The capital reserve balance at 30 November 2015 included an investment holding gain of £64,549,000 (2014 – gain of £39,204,000) as disclosed in note 8.

The special distributable reserve, which arose from the reduction of the share premium account in 2000 may be used to fund share buybacks.

The revenue reserve may be distributed by way of dividend.

13 NET ASSET VALUE PER ORDINARY SHARE

The net asset value per ordinary share and the net asset value attributable to the ordinary shareholders at the year end calculated in accordance with the articles of association and UK GAAP were as follows:

	2015 Pence	2015 £'000	2014 Pence	2014 £'000
Ordinary shares	390.1	218,971	310.8	179,860

The net asset value per share is based on net assets as shown above and on 56,130,000 shares (2014 – 57,869,000), being the number of shares in issue at the year end.

There are no dilutive or potentially dilutive shares in issue.

14 RECONCILIATION OF NET RETURN BEFORE TAXATION TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2015 £'000	2014 £'000
Net return before taxation	48,710	17,083
Gains on investments	(43,695)	(12,581)
Currency gains	(268)	(227)
Decrease/(increase) in accrued income and prepayments	105	(239)
Increase in other debtors	–	(5)
Increase in creditors	2	4
Overseas tax	(9)	(15)
Net cash inflow from operating activities	4,845	4,020

15 CONTINGENT LIABILITIES, GUARANTEES AND FINANCIAL COMMITMENTS

At 30 November 2015 the Company had an annual commitment of £35,000 (2014 – £35,000) under an operating lease in respect of premises. The current operating lease commitment will expire on 27 November 2017.

16 RELATED PARTY TRANSACTIONS

The directors' fees for the year are detailed in the Directors' Remuneration Report on page 23. With the exception of Max Ward, the managing director, no director has a contract of service with the Company. Details of Mr Ward's contract for services are set out on page 22. During the year no director was interested in any contract or other matter requiring disclosure under section 412 of the Companies Act 2006.

17 FINANCIAL INSTRUMENTS

As an Investment Trust, the Company invests in equities and makes other investments so as to achieve its investment objective of providing good absolute returns over long periods by investing the great majority of its assets in quoted securities and, if appropriate, index futures. In pursuing its investment objective, the Company is exposed to various types of risk that are associated with the financial instruments and markets in which it invests.

These risks are categorised here as market risk (comprising currency risk, interest rate risk and other price risk), liquidity risk and credit risk. The board monitors closely the Company's exposures to these risks but does so in order to reduce the likelihood of a permanent loss of capital rather than to minimise short term volatility. Risk provides the potential for both losses and gains. In assessing risk, the board encourages the managing director to exploit the opportunities that risk affords.

The risk management policies and procedures outlined in this note have not changed substantially from the previous accounting period.

Market Risk

The fair value or future cash flows of a financial instrument or other investment held by the Company may fluctuate because of changes in market prices. This market risk comprises three elements – currency risk, interest rate risk and other price risk. The board of directors reviews and agrees policies for managing these risks and the Company's managing director both assesses the exposure to market risk when making individual investment decisions and monitors the overall level of market risk across the investment portfolio.

Details of the Company's investment portfolio are shown on page 10. There were no derivative financial instrument holdings during the year.

17 FINANCIAL INSTRUMENTS (continued)

Currency Risk

Some of the Company's assets, liabilities and income are denominated in currencies other than sterling (the Company's functional currency and that in which it reports its results). Consequently, movements in exchange rates may affect the sterling value of those items.

The managing director monitors the Company's exposure to foreign currencies and reports to the board on a regular basis. He assesses the risk to the Company of the foreign currency exposure by considering the effect on the Company's net asset value and income of a movement in the rates of exchange to which the Company's assets, liabilities, income and expenses are exposed. However, the country in which a company is listed is not necessarily where it earns its profits. The effect of movement in exchange rates on overseas earnings may have a more significant impact upon a company's valuation than that arising from a simple translation of the currency in which the company is quoted.

Foreign currency borrowings and forward currency contracts may be used to limit the Company's exposure to anticipated future changes in exchange rates which might otherwise adversely affect the value of the portfolio of investments. At 30 November 2015 the Company had no such borrowings or contracts.

Exposure to currency risk through asset allocation, which is calculated by reference to the currency in which the asset or liability is quoted, is shown below.

At 30 November 2015	Investments £'000	Cash and deposits £'000	Other debtors and creditors* £'000	Net exposure £'000
US dollar	12,926	–	–	12,926
Canadian dollar	309	–	–	309
Total exposure to currency risk	13,235	–	–	13,235
Sterling	201,507	3,851	378	205,736
	214,742	3,851	378	218,971

*includes net non-monetary assets of £39,000.

At 30 November 2014	Investments £'000	Cash and deposits £'000	Other debtors and creditors* £'000	Net exposure £'000
US dollar	28,252	2,738	–	30,990
Canadian dollar	766	–	–	766
Total exposure to currency risk	29,018	2,738	–	31,756
Sterling	138,521	6,803	2,780	148,104
	167,539	9,541	2,780	179,860

*includes net non-monetary assets of £44,000.

Currency Risk Sensitivity

At 30 November 2015, if sterling had strengthened by 5% in relation to all currencies, with all other variables held constant, total net assets and total return on ordinary activities would have decreased by the amounts shown below. A 5% weakening of sterling against all currencies, with all other variables held constant, would have had an equal but opposite effect on the financial statement amounts. The analysis is performed on the same basis for 2014.

	2015 £'000	2014 £'000
US dollar	646	1,550
Canadian dollar	15	38
	661	1,588

Interest Rate Risk

Interest rate movements may affect directly:

- the fair value of any investments in fixed interest rate securities;
- the level of income receivable on cash deposits;
- the fair value of any fixed-rate borrowings; and
- the interest payable on any variable rate borrowings.

17 FINANCIAL INSTRUMENTS (continued)

Interest rate movements may also have an impact upon the market value of investments outwith fixed income securities. The effect of interest rate movements upon the earnings of a company may have a significant impact upon the valuation of that company's equity.

The possible effects on fair value and cashflows that could arise as a result of changes in interest rates are taken into account when making investment decisions and when entering into borrowing agreements.

The board reviews on a regular basis the amount of investments in cash and fixed income securities and the income receivable on cash deposits, floating rate notes and other similar investments.

The Company may finance part of its activities through borrowings at approved levels. The amount of any such borrowings and the approved levels are monitored and reviewed regularly by the board. Movements in interest rates, to the extent that they affect the market value of the Company's fixed rate borrowings, if any, may also affect the valuation of the Company's shares in relation to its net asset value.

The cash deposits generally comprise call or short term money market deposits of less than one month which are repayable on demand. The benchmark rate which determines the interest payments received on cash balances is the bank base rate.

There have been no significant changes to the interest rate risk profile of the Company's financial assets during the year. There were no financial assets subject to interest rate risk at 30 November 2015 and 30 November 2014 other than the cash deposits shown in the credit risk exposure table on page 40.

Interest Rate Risk Sensitivity

The weighted average interest rate on cash balances held at 30 November 2015 was 0.3% (2014 – 0.3%). An increase of 100 basis points in interest rates at 30 November 2015 would, over a full year, have increased the net return on ordinary activities after taxation by £39,000 (2014 – increased by £95,000) and would have increased the net asset value per share by 0.07p (2014 – increased by 0.16p). The calculations are based on the cash balances as at the respective balance sheet dates and are not representative of the year as a whole.

Other Price Risk

Changes in market prices other than those arising from interest rate risk or currency risk may also affect the value of the Company's net assets.

The board manages the market price risks inherent in the investment portfolio by ensuring full and timely access to relevant information from the managing director. The board meets regularly and at each meeting reviews investment performance, the investment portfolio and the rationale for the current investment positioning to ensure consistency with the Company's objectives and investment policies. The portfolio does not seek to reproduce any index. Investments are selected based upon the merit of individual companies and therefore performance may well diverge from comparative indices.

Other Price Risk Sensitivity

A full list of the Company's investments by broad industrial or commercial sector is given on page 10. In addition, an analysis of the investment portfolio is contained in the Managing Director's Report.

98% (2014 – 93%) of the Company's net assets are invested in equities. A 5% increase in quoted equity valuations at 30 November 2015 would have increased total assets and total return on ordinary activities by £10,737,000 (2014 – £8,377,000). A decrease of 5% would have had an equal but opposite effect.

Liquidity Risk

This is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities.

Liquidity risk is not significant as the majority of the Company's investment assets are in quoted securities that are readily realizable. The board provides guidance to the managing director as to the maximum exposure to any one holding and to the maximum aggregate exposure to substantial holdings.

The Company's liabilities at 30 November 2015 are all due within 3 months.

Credit Risk

This is the risk that a failure of a counterparty to a transaction to discharge its obligations under that transaction could result in the Company suffering a loss.

This risk is managed as follows:

- where the managing director makes an investment in a bond or other security with credit risk, that credit risk is assessed and then compared to the prospective investment return of the security in question;
- the Company's listed investments are held on its behalf by The Bank of New York Mellon SA/NV, the Company's custodian. Bankruptcy or insolvency of the custodian may cause the exercise of the Company's rights with respect to securities held by the custodian to be delayed. The company secretaries monitor the Company's risk by reviewing the custodian's internal control reports and reporting their findings to the board;

17 FINANCIAL INSTRUMENTS (continued)

- investment transactions are carried out with a large number of brokers whose creditworthiness is reviewed by the managing director. Transactions are ordinarily undertaken on a delivery versus payment basis whereby the Company's custodian bank ensures that the counterparty to any transaction entered into by the Company has delivered on its obligations before any transfer of cash or securities away from the Company is completed;
- cash is only held at banks that have been approved by the board as creditworthy.

Credit Risk Exposure

The exposure to credit risk at 30 November was:

	2015 £'000	2014 £'000
Cash and short term deposits	3,851	9,541
Debtors	374	2,769
	4,225	12,310

The maximum exposure in cash during the year was £25,351,000 (2014 – £21,732,000) and the minimum £468,000 (2014 – £1,508,000). None of the Company's financial assets are past due or impaired.

Capital Management

The Company does not have any externally imposed capital requirements. The capital of the Company is its ordinary share capital and reserves as set out in the balance sheet on page 30. It is managed in accordance with its investment policy in pursuit of its investment objective, both of which are detailed on pages 6 and 7. Shares may be issued and/or repurchased as explained on pages 14 and 15.

Fair Value of Financial Instruments

Investments in securities as disclosed in note 8 on page 37 are financial assets designated at fair value through profit or loss on initial recognition. In accordance with Financial Reporting Standard 29 'Financial Instruments: Disclosures', all of the Company's investments are classified as Level 1 within the fair value hierarchy described below, which reflects the reliability and significance of the information used to measure their fair value. All of the Company's investments as at 30 November 2014 were also classified as Level 1. For all other financial assets and liabilities, carrying value approximates to fair value.

Fair Value Hierarchy

The fair value hierarchy used to analyse the fair values of financial assets is described below. The levels are determined by the lowest (that is the least reliable or least independently observable) level of input that is significant to the fair value measurement for the individual investment in its entirety as follows:

Level 1 – investments with quoted prices in an active market;

Level 2 – investments whose fair value is based directly on observable current market prices or is indirectly being derived from market prices; and

Level 3 – investments whose fair value is determined using a valuation technique based on assumptions that are not supported by observable current market prices or are not based on observable market data.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the fifteenth Annual General Meeting of The Independent Investment Trust PLC will be held within the offices of Baillie Gifford & Co, Calton Square, 1 Greenside Row, Edinburgh EH1 3AN, on Thursday, 24 March 2016 at 4.30pm for the following purposes:

Ordinary Business

To consider and, if thought fit, pass the following resolutions as ordinary resolutions:

1. To receive and adopt the annual report and financial statements of the Company for the year ended 30 November 2015 with the reports of the directors and of the independent auditor thereon.
2. To approve the directors' Annual Report on Remuneration for the year ended 30 November 2015.
3. To re-elect Mr DCP McDougall as a director.
4. To re-elect Mr MCB Ward as a director.
5. To re-elect Mr JGD Ferguson as a director.
6. To re-elect The Hon. RJ Laing as a director.
7. To reappoint Ernst & Young LLP as independent auditor of the Company to hold office until the conclusion of the next Annual General Meeting at which accounts are laid before the Company.
8. To authorize the directors to determine the remuneration of the independent auditor of the Company.

To consider and, if thought fit, pass the following resolution as a special resolution:

9. That, in substitution for any existing authority, but without prejudice to the exercise of any such authority prior to the date hereof, the Company be and is hereby generally and unconditionally authorized, pursuant to and in accordance with Section 701 of the Companies Act 2006 (the 'Act'), to make market purchases (within the meaning of Section 693(4) of the Act) of fully paid ordinary shares of 25p each in the capital of the Company ('Shares') (either for retention as treasury shares or for cancellation) provided that:
   (a) the maximum aggregate number of Shares hereby authorized to be purchased shall be 8,413,887 Shares, or, if less, the number representing approximately 14.99% of the issued share capital on the date on which this resolution is passed;
   (b) the minimum price (exclusive of expenses) which may be paid for a Share shall be 25p;
   (c) the maximum price (exclusive of expenses) which may be paid for a Share shall be not more than the higher of: (i) 5 per cent above the average closing price on the London Stock Exchange of a Share over the five business days immediately preceding the date of purchase; and (ii) the higher of the last independent trade of, and the highest current independent bid for, a Share on the London Stock Exchange; and
   (d) unless previously varied, revoked or renewed, the authority hereby conferred shall expire at the conclusion of the Annual General Meeting of the Company to be held in respect of the year ending 30 November 2016, save that the Company may, prior to such expiry, enter into a contract to purchase Shares under 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.

By order of the board
BAILLIE GIFFORD & CO

Secretaries

19 February 2016

Notes

1. As a member you are entitled to appoint a proxy or proxies to exercise all or any of your rights to attend, speak and vote at the AGM. A proxy need not be a member of the Company but must attend the AGM to represent you. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You can only appoint a proxy using the procedure set out in these notes and the notes to the proxy form. You may not use any electronic address provided either in this notice or any related documents (including the financial statements and proxy form) to communicate with the Company for any purpose other than those expressly stated.

2. To be valid any proxy form or other instrument appointing a proxy, together with any power of attorney or other authority under which it is signed or a certified copy thereof, must be received by post or (during normal business hours only) by hand at the Registrars of the Company at Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS99 6ZY or *www.eproxyappointment.com* no later than two days (excluding non-working days) before the time of the meeting or any adjourned meeting.

3. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual and/or by logging on to the website *www.euroclear.com/CREST*. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

4. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications, and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the Company's registrar (ID 3RA50) no later than two days (excluding non-working days) before the time of the meeting or any adjournment. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the Company's registrar is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

5. CREST members and, where applicable, their CREST sponsors, or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

6. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

7. The return of a completed proxy form or other instrument of proxy will not prevent you attending the AGM and voting in person if you wish.

8. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001 and Section 311 of the Companies Act 2006 the Company specifies that to be entitled to attend and vote at the Annual General Meeting (and for the purpose of the determination by the Company of the votes they may cast), shareholders must be registered in the Register of Members of the Company no later than two days (excluding non-working days) prior to the commencement of the AGM or any adjourned meeting. Changes to the Register of Members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.
9. Any person to whom this notice is sent who is a person nominated under Section 146 of the Companies Act 2006 to enjoy information rights (a 'Nominated Person') may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the Annual General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.
10. The statement of the rights of shareholders in relation to the appointment of proxies in Notes 1 and 2 above does not apply to Nominated Persons. The rights described in those Notes can only be exercised by shareholders of the Company.
11. The members of the Company may require the Company to publish, on its website, (without payment) a statement (which is also passed to the auditor) setting out any matter relating to the audit of the Company's accounts, including the auditor's report and the conduct of the audit. The Company will be required to do so once it has received such requests from either members representing at least 5% of the total voting rights of the Company or at least 100 members who have a relevant right to vote and hold shares in the Company on which there has been paid up an average sum per member of at least £100. Such requests must be made in writing and must state your full name and address and be sent to the Company at Calton Square, 1 Greenside Row, Edinburgh, EH1 3AN.
12. Information regarding the Annual General Meeting, including information required by Section 311A of the Companies Act 2006, is available from the Company's website at *www.independentinvestmenttrust.co.uk*.
13. Members have the right to ask questions at the meeting in accordance with Section 319A of the Companies Act 2006.
14. As at 28 January 2016 (being the last practicable day prior to the publication of this notice) the Company's issued share capital consisted of 56,130,000 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at 28 January 2016 were 56,130,000 votes.
15. Any person holding 3% or more of the total voting rights of the Company who appoints a person other than the chairman of the meeting as his proxy will need to ensure that both he and his proxy complies with their respective disclosure obligations under the UK Disclosure and Transparency Rules.
16. A copy of Max Ward's service contract with the Company will be available for inspection at the Annual General Meeting for at least 15 minutes prior to and during the Annual General Meeting. The other directors do not have service contracts with the Company.

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

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