THE INDEPENDENT INVESTMENT TRUST PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 30 November 2013

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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) but it is not directly regulated by the FCA, either as a collective investment scheme or as an authorised person. Moreover, its employees are not registered with the FCA as authorised persons. If you are in any doubt about the Company's regulatory status, you should consult your stockbroker or financial adviser.

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

The Company's Ordinary Shares are excluded from the FCA's restrictions that apply to non-mainstream investment products because they are shares in an investment trust.

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 about the action you should take, you are recommended to seek your own independent financial advice from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000 if you are in the United Kingdom or, if not, from another appropriately authorised financial adviser. If you have sold or otherwise transferred all your ordinary shares in The Independent Investment Trust PLC, please forward this document, together with the accompanying documents immediately to the purchaser or transferee, or to the stockbroker, bank or agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

FINANCIAL HIGHLIGHTS

for the year ended 30 November 2013

	2013	**2012**	*% change*
Net asset value per share	287.2p	245.3p	17.1
Revenue earnings per share	6.16p	5.81p	6.0
Proposed regular dividend per share (Including interim dividend paid of 2.00p (2012 – nil))	5.00p	5.00p	–
Proposed special dividend per share	1.00p	–	
Share price	268.5p	212.8p	26.2
Discount	6.5%	13.2%	
Ongoing charges	0.39%	0.43%	

OBJECTIVE AND POLICY

The Company's objective is to provide good absolute returns over long periods by investing the great majority of its assets in UK and international quoted securities. When appropriate, the directors will sanction relatively high levels of gearing and a relatively concentrated portfolio structure. No gearing has been employed since 2007 and none is in prospect. The portfolio is constructed without reference to the composition of any stockmarket index. 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 10 and incorporates the Chairman's Statement, has been prepared in accordance with the Companies Act 2006. This report is a new requirement and contains many of the disclosures previously contained within the Business Review section of the Directors' Report.

Chairman's Statement

During the year to 30 November 2013, our Company produced an NAV total return of 20.2%. Theoretical investments in the FTSE All-Share Index and the FTSE World Index would have produced total returns of 19.8% and 22.5% respectively. A narrowing of the discount from 13.2% to 6.5% led to a share price total return of 29.8% for the year. We note with due humility that we have, for a second year in succession, failed to capitalize properly on market conditions whose exuberance is reflected in notional total returns of over 30% for both the FTSE 250 and the FTSE Small Companies indices. Our judgement proved to be too cautious: we held substantial amounts of cash over the period, and the equity portfolio had a more defensive bias than we might normally be associated with.

Once again, markets have been driven largely by the activities of the world's central banks. In the early part of our year, lacklustre economic statistics promoted expansive monetary policies and strong stockmarkets. By early summer, there were signs of improvement in a number of important economies, including that of the USA, and the Federal Reserve Bank began to ruminate in public about a move to a less stimulatory policy. It was clearly taken aback by the strength of market reaction to these ruminations and subsequently surprised markets by delaying even the mildest tightening of policy until December. Markets were thus able to end our year at or close to their recent peaks.

It has been another year of low turnover in our equity portfolio with little change in the overall shape of the portfolio beyond the decline in our energy stake that followed on from the reduction in our holding in Noble. Perhaps the most significant change has been our investment in the John Laing Infrastructure Fund. We think infrastructure funds can offer attractive long term returns with less risk than most other equities; as such, they seem a sensible home for a proportion of our cash balances. These last amounted to 10% of funds at 30 November 2013 (16% at 30 November 2012 including a short dated gilt). Comments on the portfolio can be found in the Managing Director's Report on page 4.

It remains a source of regret to us that we have yet to regain the heights reached in 2007, but our performance since flotation remains eminently satisfactory. Between 18 October 2000 and 30 November 2013, we produced an NAV total return of 285%, equivalent to a rate of roughly 10.9% per annum, of which 3.0% 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 87%, or 4.9% per annum.

Earnings per share for the year were 6.16p (5.81p in 2012). Our revenue account has turned out better than we had expected at the time of our Interim Report, a reflection of reduced cash balances and an unexpectedly high level of special dividends. As promised at that time we are proposing a final dividend of 3p to give a regular dividend of 5p (5p in 2012). In addition, we are proposing a special dividend of 1p to reflect the substantial contribution of one off payments to our earnings for the year. Subject to approval, both dividends will be payable on 8 April 2014.

The combination of a tight control of costs and a buoyant capital account has produced a welcome reduction in our ongoing charges ratio – from 0.43% to 0.39%. We continue to be proud of the fact that, despite our modest size, we have one of the lowest, if not the lowest, ongoing charges ratios in the industry.

For some years now, we have followed an opportunistic policy of buying back our own shares. The level of discount at which this can be done without prejudicing the interests of continuing shareholders varies according to market conditions. In the year under review we have felt able to buy at lower levels of discount than in previous years and have ended up buying 1.05m at a weighted average discount of 11.7%. We recognize the importance to shareholders who might wish to sell of receiving a price as close as possible to the underlying net asset value.

From July 2014 we shall have to meet the requirements of the European Union's Alternative Investment Fund Managers Directive. Our current view is that full scale authorisation would be excessively burdensome for a company such as The Independent, important features of whose policy are to remain small and low cost. We have therefore applied for smaller company registration, which takes account of these considerations. A consequence of this is that, as the rules stand, we shall not be able to gear so long as we retain this level of registration. It is our belief that the regulations were drawn up with higher levels of gearing in mind than we should be likely to contemplate, and we hope that there might at some point be some easing of the opening restriction. In the meantime, we feel that the immediate cost to us of being unable to borrow is negligible.

The difficulty we have had in coming to terms with markets driven by central banks has imposed a significant cost on us in terms of missed opportunities. We are constantly looking for individual companies with good prospects, but time and again we are deterred by the prices at which such businesses are on offer in the market. Until this changes, it is likely that we shall continue to operate with a relatively cautious disposition of our assets.

I should like to thank our secretaries, Baillie Gifford, for their continued excellent service, our managing director, Max Ward, and our office manager, Vivien Judge.

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 27 March 2014. 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
3 February 2014

Managing Director's Report

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

Our large energy stake has caused us considerable frustration over the years and the year under review has provided its fair share of disappointments. The overall performance of the stake has, however, been quite satisfactory: worth £27.6m at 30 November 2012, it had only fallen in value to £26.3m by 30 November 2013 despite sales of £7.3m.

The only change in the composition of our energy portfolio was a significant reduction in the size of our Noble holding, the last remnant of an offshore drilling stake that once amounted to 20% of the portfolio in its own right. We have been proved right in our belief that an environment of high oil prices would stimulate strong growth in offshore exploration and thus a high level of demand for offshore drilling rigs. But the triumph has been a hollow one as new safety standards have resulted in much higher levels of downtime than were anticipated in contract terms. This has led to disappointing earnings throughout the industry. Things are improving as new contracts are signed and Noble should enjoy good growth over the next few years, but our enthusiasm for the company is tempered by the knowledge that this is a cyclical industry which has already enjoyed several years of strong demand.

The bulk of our energy stake – £19.5m out of a total of £26.3m – is now accounted for by our service company holdings. These have been held back in recent years by the collapse in drilling for onshore gas in North America. The number of onshore rigs drilling for gas now appears to be bottoming out, while the number drilling for shale oil continues to rise. This has led many analysts to predict a strong recovery in service company earnings over the next few years. The improved performance of the stocks in the year under review goes some way towards recognizing this, but they still seem attractively valued in relation to their longer term prospects.

A combination of further purchases and good performance has led to non-life insurance becoming our third biggest sector (the second biggest, technology, is covered below). The attractions of the sector lie in the ability of the strong companies to earn good returns over the cycle and their willingness to pursue generous distribution policies. The long term benefits of good stock selection in this industry are well illustrated by the performance of our holding in the Polar Capital Global Insurance Fund: since our purchase in 2001, the unit price has risen by over 120%, outpacing most equity markets by a considerable margin. Overall, our non-life insurance stake rose in value from £10.8m at 30 November 2012 to £16.3m at 30 November 2013 after net purchases of £2.5m. An initial investment in the specialist annuity provider, Partnership Assurance, has proved less successful as the company has failed to meet expectations generated at the time of its flotation.

It has been a mixed year for our industrial holdings: a stake worth £12.4m at 30 November 2012 had risen in value to £14.8m by 30 November 2013, but £1.6m of that rise was accounted for by net purchases. We finally sold our very successful investment in IMI on grounds of valuation and we enjoyed a good performance from our new holding in the largely US based plant hire company, Ashtead. Ashtead's earnings are growing strongly on the back of a recovery in the US economy and a switch from ownership to rental of plant and equipment. Our two other holdings, Aggreko and Croda, fared less well. Aggreko was hit by a combination of poor levels of new business and the expiry of two large and unusually profitable contracts, while Croda has suffered disappointing levels of revenue growth. In each case the problem appears to have been more one of demanding market expectations than of fundamental flaws in the business. We have therefore retained both holdings.

In the year under review, our UK retail portfolio bounced back from its subdued performance the previous year: a stake worth £9.8m at 30 November 2012 had grown in value to £11.9m by 30 November 2013 despite net sales of £1.4m. The principal contributor to this outcome was our large holding in Dunelm. Regular readers of these commentaries will recognize this as a familiar refrain, along with the observation that we would be very much better off if we had never sold a share in the company. Topps and Halfords made modestly positive contributions ahead of their respective disposals. A new holding in Games Workshop performed well in the period under review, but has since been sold following a profit warning. We sold our one overseas retailer – Powerland – when the company's accounts were qualified by its auditors.

Among the more defensive sectors of the portfolio, pharmaceuticals and telecommunications performed well, but utilities were mixed and tobacco performed poorly as weak volume trends and publicity given to proposals to introduce plain packaging undermined sentiment towards the sector.

The strong recovery in the housing market has been good for our housebuilders and for the residential property website, Rightmove, which was added to the portfolio in March. The recruitment industry, however, suffered from subdued jobs markets in most parts of the world. We sold out of Michael Page – at a good profit – and reduced our holding in SThree. In property, we realized a good profit on a holding in SEGRO and retained a holding in British Land.

Elsewhere in the portfolio, our technology holdings, Herald and Baidu, had an excellent year, but our mining holdings, BHP Billiton and BlackRock World Mining, once again disappointed as metals prices performed poorly. Our one remaining transport holding, Go Ahead, was sold after a good performance in the year under review. IG Group enjoyed a strong recovery, but Domino's Pizza saw its share price knocked by disappointing progress in Germany and the departure of two senior executives. Finally, Asian Citrus, now a small holding, burnished its reputation for consistent disappointment.

Max Ward
3 February 2014

Business Review

Business and Status

The Company is an investment company within the meaning of section 833 of the Companies Act 2006.

The Company carries on business as an investment trust. It was approved as an investment trust under section 1158 of the Corporation Tax Act 2010 for the year ended 30 November 2012, subject to matters that may arise from any subsequent enquiry by HM Revenue & Customs into the Company's tax return. In accordance with the recent changes to section 1158, the company has obtained approval as an investment trust from HM Revenue & Customs for accounting periods commencing on or after 1 December 2012. The Company intends to conduct its affairs so as to enable it to comply with the ongoing requirements of section 1158.

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 quoted securities and 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 authorisation 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 leaves 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 9 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 10 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 page 14 there is an ongoing process for identifying, evaluating and managing the risks faced by the Company. The principal risks associated with the Company are as follows:

Market Risk – The Company's assets consist mainly of listed securities and its principal 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 18 to the accounts on pages 38 to 41.

Regulatory risk – failure to comply with applicable legal and regulatory requirements could lead to suspension of the Company's Stock Exchange listing, financial penalties or a qualified audit report. Breach of Sections 1158 and 1159 of the Corporation Tax Act 2010 could lead to the Company being subject to tax on capital gains. Baillie Gifford's Internal Audit and Compliance departments provide regular reports to the audit committee on Baillie Gifford's monitoring programmes. The board monitors investment movements and the level of forecast income and expenditure to ensure the provisions of Sections 1158 and 1159 are not breached. 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.

Operational/financial risk – failure of Baillie Gifford's accounting systems or those of other third party service providers could lead to an inability to provide accurate reporting and monitoring or a misappropriation of assets. Baillie Gifford & Co has a comprehensive business continuity plan which ensures continued operation of the business in the event of a service disruption or major disaster. The board reviews Baillie Gifford's Report on Internal Controls. The reports by other key third party providers are reviewed by Baillie Gifford on behalf of the board.

Discount volatility – the discount at which the Company's shares trade can widen. The board monitors the level of discount and the Company has authority to buy back its own shares.

Gearing risk – the Company may borrow money for investment purposes. If the investments fall in value, any borrowings will magnify the extent of this loss. If borrowing facilities are not renewed, the Company may have to sell investments to repay borrowings. All borrowing facilities require the prior approval of the board and gearing levels are discussed by the board at every meeting. Most of the Company's investments comprise quoted securities that are readily realizable. The Company currently has no gearing, and none is in prospect.

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

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 17.

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 13.

The Strategic Report which is set out on pages 2 to 10 was approved by the board and signed on 3 February 2014.

Douglas McDougall
Chairman

List of Investments
As at 30 November

Sector	Name	2013 Value £'000	2013 %	2012 Value £'000
Housing	Berkeley Group	2,354	1.4	1,640
	Rightmove	2,538	1.5	–
	Persimmon	4,632	2.8	4,005
		9,524	5.7	
Industrials	Aggreko	3,208	1.9	4,464
	Ashtead Group	6,955	4.2	–
	Croda International	4,648	2.8	4,762
		14,811	8.9	
Retailing	Dunelm Group	9,000	5.4	6,155
	Games Workshop	2,920	1.7	–
		11,920	7.1	
Recruitment	SThree	4,894	2.9	6,280
Technology and	Baidu – China	5,081	3.0	3,004
Telecommunications	Herald Investment Trust	13,820	8.3	9,960
		18,901	11.3	
Mining	BHP Billiton	1,394	0.8	1,472
	BlackRock World Mining Trust	2,250	1.3	2,835
		3,644	2.1	
Oil & Gas Producers	Bankers Petroleum – Canada	913	0.5	661
	Ultra Petroleum – USA	1,249	0.7	1,249
		2,162	1.2	
Offshore Drillers	Noble Corporation – USA	4,654	2.8	10,754
Oilfield Services	Baker Hughes – USA	3,478	2.1	2,694
	C & J Energy Services – USA	2,602	1.6	2,239
	Halliburton – USA	6,432	3.9	4,160
	Schlumberger – USA	7,017	4.2	5,809
		19,529	11.8	
Food Producers	Asian Citrus Holdings – China	585	0.4	840
Tobacco	British American Tobacco	3,261	2.0	3,274
	Imperial Tobacco	4,648	2.8	3,745
	Philip Morris – USA	2,088	1.3	–
		9,997	6.1	
Pharmaceuticals	GlaxoSmithKline	3,236	1.9	2,669
	Astrazeneca	3,513	2.1	2,966
		6,749	4.0	
Leisure	Domino's Pizza	3,288	2.0	3,036
Property	British Land	1,833	1.1	–
Utilities	National Grid	3,872	2.3	3,522
	SSE	2,654	1.6	2,850
	Telecom Plus	1,742	1.0	–
		8,268	4.9	
Non Life Insurance	Amlin	8,096	4.9	4,444
	Beazley	3,701	2.2	2,641
	Catlin Group	1,652	1.0	1,448
	Polar Capital Global Insurance Fund (formerly Hiscox) – Ireland	2,858	1.7	2,236
		16,307	9.8	
Life Assurance	Partnership Assurance	2,502	1.5	–
Miscellaneous Financials	IG Group Holdings	2,336	1.4	2,963
Infrastructure Funds	John Laing Infrastructure – Channel Islands	7,966	4.8	–
Value of investments sold or matured during the year				27,531
TOTAL INVESTMENTS		149,870	89.8	136,308
Net liquid assets		17,020	10.2	8,813
SHAREHOLDERS' FUNDS		166,890	100.0	145,121

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

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)

*Total assets comprise total assets less current liabilities, before deduction of bank loans. †Premium/(discount) is the difference between Independent'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)

¶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. §Total assets (including all debt used for investment purposes) less all cash 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	237	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
Compound annual returns								
5 year	14.7%	18.0%	10.7%	18.1%	21.8%	14.7%	0.0%	3.1%
10 year	7.2%	6.0%	5.2%	9.7%	8.8%	8.9%	5.2%	3.3%
Since inception	8.6%	7.9%	1.4%	10.9%	10.3%	4.9%	7.9%	3.0%

^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

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 The Scottish 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, and a director of Audax Properties 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.

The directors have pleasure in submitting their Report together with the financial statements of the Company for the year ended 30 November 2013.

Corporate Governance

The board is committed to achieving and demonstrating high standards of Corporate Governance. This statement outlines how the principles of the 2012 UK Corporate Governance Code (the 'Code') which can be found at **www.frc.org.uk** and the principles of the 2013 AIC 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 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 non-executive 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. 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 11.

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 pages 21 to 23.

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 considered to be independent of management and 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 composition annually. However, 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 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.

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 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. All directors are encouraged to receive training relevant to their roles as directors.

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 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 21 to 23.

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 'Internal Control: Revised Guidance for Directors on the Combined Code'. The board also confirms that it has reviewed the effectiveness of the Company's risk management and internal control systems and it has procedures in place to review their effectiveness on a regular basis. No significant weaknesses were identified in the year under review.

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. This responsibility also extends to maintaining 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. A detailed risk map is prepared which identifies the significant risks facing the Company and the key controls to manage those risks.

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 & 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 auditors, KPMG Audit plc and a copy is submitted to the audit committee. The Baillie Gifford & Co 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.

Custody of investments is contracted to an independent custodian, The Bank of New York Mellon SA/NV.

The custodian prepares a report on its internal controls which is independently reviewed by KPMG LLP.

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 the risks identified. 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.

Accountability and Audit
The respective responsibilities of the directors and the auditor in connection with the financial statements are set out on pages 24 and 25 to 27.

Going Concern
In accordance with The Financial Reporting Council's guidance on going concern and liquidity risk, the directors have undertaken a rigorous review of the Company's ability to continue as a going concern.

The Company's assets, the majority of which are investments in quoted securities which are readily realizable, exceed its liabilities significantly. The Company has no loans. After making enquiries and considering the future cash flows and prospects of the Company the financial statements have been prepared on the going concern basis as it is the directors' opinion that the Company will continue in operational existence for the foreseeable future.

Audit Committee
An audit committee has been established consisting 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 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 and were updated during the year to ensure best practice and compliance with the 2012 UK Corporate Governance Code.

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. A representative from the secretaries' Compliance Department also attended one of the meetings and provided reports on the secretaries' monitoring programmes.

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 half-yearly reports;
- The Company's accounting policies and practices;
- The fairness, balance and understandability of the annual report and financial statements and whether they provide 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;
- 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 is the existence and valuation of investments as they represent 89.8% of total assets.

All of the investments are in quoted securities and market prices are readily available from independent external pricing sources. The board reviewed investment valuations at each board meeting held during the year. The committee regularly reviewed a risk map which includes the risks identified relating to financial reporting and the appropriate control measures in place. The committee also reviewed the secretaries' Report on Internal Controls which details the controls in place regarding recording and pricing of investments.

The auditor confirmed to the committee that the investments had been valued in accordance with the stated accounting policies. The value of all the investments had been agreed to external price sources and the portfolio holdings agreed to confirmations from the Company's custodian.

The secretaries and auditor confirmed to the committee that they were not aware of any material misstatements.

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 identify, report and manage any conflicts of interest; and
- The extent of non-audit services provided by the external auditors. 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 proposed audit strategy;
- The audit fee; and
- A report from the auditor on the conclusion of the audit.

Although Ernst & Young LLP has been auditor for thirteen 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. Mr Singh, the current partner, was appointed in 2012 and will continue as partner until the conclusion of the 2016 audit.

Having carried out the review described above, the committee is satisfied that the auditor remains independent and effective and as such, has not considered it necessary to conduct a tender process for the appointment of its auditor. Resolutions to reappoint Ernst & Young LLP as the Company's auditor and to authorise the directors to fix their remuneration will be proposed at the forthcoming Annual General Meeting. There are no contractual obligations restricting the committee's choice of external auditor.

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.

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 2013, emissions for the year to 30 September 2013 were 13.17 tonnes of CO_2e (2012: 11.61 tonnes of CO_2e). This equates to 0.07 tonnes of CO_2e (2012: 0.06 tonnes of CO_2e) per square metre.

Bribery Act 2010
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.

Directors

Information about the directors and their relevant experience can be found on page 11.

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. These are considered carefully, taking into account the circumstances surrounding them, and a recommendation is made 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 which arose during the year.

Dividends
The board recommends a final dividend of 3.00p plus a special dividend of 1.00p per ordinary share, which together with the interim already paid, makes a total dividend of 6.00p for the year.

The recommended final and special dividends, if approved, will be paid on 8 April 2014 to shareholders on the register at the close of business on 28 February 2014. The ex-dividend date is 26 February 2014.

Major Interests in the Company's Shares

Name	Number of ordinary 25p shares held at 30 November 2013	% of issued capital
A&OT Investments Limited	9,795,000	16.9
Mr DCP McDougall	8,526,000	14.7
Mr MCB Ward	5,200,000	9.0
Sir Angus Grossart	2,345,550	4.0
Mr AEH Salvesen	2,020,000	3.5

There have been no changes to the major interests in the Company's shares intimated up to 31 January 2014.

Share Capital

Capital Structure
The Company's capital structure consisted of 58,100,000 ordinary shares of 25p each at 30 November 2013 (2012 – 59,150,000 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 the proposed final and special dividend is 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 43 and 44.

Repurchase of Shares

During the year to 30 November 2013 the Company bought back 1,050,000 ordinary shares (nominal value £262,500) on the London Stock Exchange for cancellation. The total consideration for these shares was £2,509,000. Between 1 December 2013 and 31 January 2014, the latest practicable date prior to publication of this report, the Company bought back a further 108,000 ordinary shares (nominal value £27,000) for total consideration of £290,000.

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 31 January 2014, 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 8,693,000 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 2014. 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 last independent trade and the highest current independent bid 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.

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 £5,154,068 representing approximately 35.48% of the shares in issue as at 30 November 2013.

The dis-application of pre-emption rights in respect of the issue of equity securities for cash by the Company authorises the directors to allot new shares up to an aggregate nominal amount of £5,154,068 for cash without first offering such shares to existing shareholders pro rata to their existing holdings.

These authorities will continue in effect until 18 March 2015.

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.

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 15,721,000 shares, representing approximately 27.1% of the current issued share capital of the Company.

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.

By order of the board

Douglas McDougall
Chairman
3 February 2014

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

Annual Statement

The requirements regarding the content of the Directors' Remuneration Report and its approval by shareholders have recently changed. Resolutions will be proposed at the forthcoming Annual General Meeting for the approval of the Directors' Remuneration Policy and the Annual Report on Remuneration as set out below. Thereafter, shareholders will be asked to approve the Annual Report on Remuneration each year and the Directors' Remuneration Policy every three years or sooner if an alteration to the policy is proposed.

There were no changes to the non-executive directors' fees or the managing director's salary during the year and there will be no increase for the year to 30 November 2014.

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

An ordinary resolution for the approval of the Remuneration Policy will be put to the members at the forthcoming Annual General Meeting. If approved by shareholders, the Directors' Remuneration Policy will be effective immediately upon the passing of the resolution.

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 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 a letter 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.

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 remuneration paid in respect of the year ended 30 November 2013 and the remuneration payable in respect of the year ending 30 November 2014 is £18,000 for each non-executive director, £45,000 for the chairman and the salary of the managing director is £150,000. 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 25.

Directors' Remuneration for the Year (audited)

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

	2013 £	2012 £
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

Directors' Interests (audited)

Name	Nature of interest	30 November 2013 Ordinary shares	1 December 2012 Ordinary shares
DCP McDougall (Chairman)	Beneficial	8,526,000	8,526,000
MCB Ward (Managing Director)	Beneficial	5,200,000	5,200,000
JGD Ferguson	Beneficial	1,135,000	1,190,000
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. There have been no changes intimated in the directors' interests up to 31 January 2014.

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 2013.

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, 99.99% were in favour, 0.01% were against and no votes were withheld.

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.

Directors' Service Details

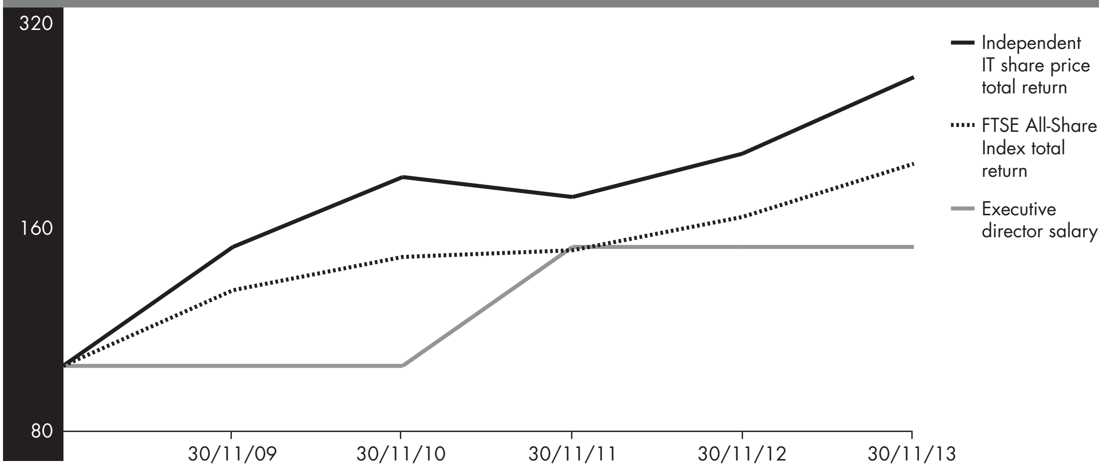
Name	Date of appointment	Due date for re-election
DCP McDougall	18 October 2000	AGM in 2014
MCB Ward	18 October 2000	AGM in 2014
JGD Ferguson	18 October 2000	AGM in 2014
The Hon. RJ Laing	18 October 2000	AGM in 2014

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: Thomsons Reuters Datastream. 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 21 to 23 was approved by the board of directors and signed on its behalf by the chairman of the remuneration committee on 3 February 2014.

Douglas McDougall
Chairman

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 Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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; and
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements.

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 and the Directors' Remuneration Report 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.

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.

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

- the financial statements, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), 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, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's 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
3 February 2014

Independent Auditor's Report To The Members of The Independent Investment Trust PLC

We have audited the financial statements of The Independent Investment Trust PLC for the year ended 30 November 2013 which comprise the Income Statement, the Balance Sheet, the Cash Flow Statement, the Reconciliation of Movements in Shareholders' Funds and the related notes 1 to 18. 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 Directors' Responsibilities Statement set out on page 24, 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 and financial statements 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.

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 2013 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.

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:

- valuation of the Company's investments.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, in evaluating the effect of misstatements on our audit and on the financial statements and in forming our audit opinion.

We determined materiality for the Company to be £1.7 million, which is 1 per cent of total equity. This provided a basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures.

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 per cent of materiality, namely £1.3 million. Our objective in adopting this approach was to ensure that total detected and undetected audit differences in all accounts did not exceed our materiality level. Given the importance of the distinction between revenue and capital for the Company we have also applied a separate performance materiality of £181,000 for the Income Statement, being 5 per cent of the return on ordinary activities before taxation.

We have agreed to report to the Committee all audit differences in excess of £83,000, as well as differences below that threshold that, in our view warrant reporting on qualitative grounds.

An overview of the scope of our audit

Our response to the risks identified above was as follows:

- we agreed the year end prices for all investments to an independent source;

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
- is 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.

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, set out on page 15, in relation to going concern;
- the part of the Corporate Governance Statement relating to the company's compliance with the nine provisions of the 2012 UK Corporate Governance Code specified for our review; and
- certain elements of the report to the shareholders by the board on directors' remuneration.

Amarjit Singh (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
3 February 2014

Notes:

1. The maintenance and integrity of The Independent Investment Trust's website is the responsibility of the directors; the work carried out by the auditor does not involve 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.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

For the year ended 30 November

	Notes	2013 Revenue £'000	2013 Capital £'000	2013 Total £'000	2012 Revenue £'000	2012 Capital £'000	2012 Total £'000
Gains on investments	*8*	–	25,677	25,677	–	9,463	9,463
Currency losses	*12*	–	(893)	(893)	–	(53)	(53)
Income	*2*	4,238	–	4,238	4,122	–	4,122
Administrative expenses	*3*	(617)	–	(617)	(608)	–	(608)
Net return on ordinary activities before taxation		3,621	24,784	28,405	3,514	9,410	12,924
Tax on ordinary activities	*5*	(15)	–	(15)	(28)	–	(28)
Net return on ordinary activities after taxation		3,606	24,784	28,390	3,486	9,410	12,896
Net return per ordinary share:							
Basic	*6*	6.16p	42.35p	48.51p	5.81p	15.68p	21.49p
Note:							
Dividends paid and payable per ordinary share	*7*	6.00p			5.00p		

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 32 to 41 are an integral part of the financial statements.

At 30 November

	Notes	2013 £'000	2013 £'000	2012 £'000	2012 £'000
Fixed assets					
Investments held at fair value through profit or loss	8		149,870		136,308
Current assets					
Debtors	9	274		597	
Cash at bank and in hand	15	18,148		8,350	
		18,422		8,947	
Creditors					
Amounts falling due within one year	10	(1,402)		(134)	
Net current assets			17,020		8,813
Total net assets			166,890		145,121
Capital and reserves					
Called up share capital	11		14,525		14,787
Share premium			15,242		15,242
Special distributable reserve	12		25,036		27,545
Capital redemption reserve	12		2,007		1,745
Capital reserve	12		105,352		80,568
Revenue reserve	12		4,728		5,234
Shareholders' funds			166,890		145,121
Net asset value per ordinary share	13		287.2p		245.3p

The financial statements of The Independent Investment Trust PLC (company registration number SC210685) were approved and authorised for issue by the board and were signed on 3 February 2014.

Douglas McDougall
Chairman

The accompanying notes on pages 32 to 41 are an integral part of the financial statements.

For the year ended 30 November 2013

	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 2012	14,787	15,242	27,545	1,745	80,568	5,234	145,121
Net return on ordinary activities after taxation	–	–	–	–	24,784	3,606	28,390
Shares bought back for cancellation (note 11)	(262)	–	(2,509)	262	–	–	(2,509)
Dividends paid during the year (note 7)	–	–	–	–	–	(4,112)	(4,112)
Shareholders' funds at 30 November 2013	14,525	15,242	25,036	2,007	105,352	4,728	166,890

For the year ended 30 November 2012

	Share Capital £'000	Share Premium £'000	Special Distri-butable Reserve £'000	Capital Redemp-tion Reserve £'000	Capital Reserve £'000	Revenue Reserve £'000	Total Share-holders' Funds £'000
Shareholders' funds at 1 December 2011	15,262	15,242	31,363	1,270	71,158	3,930	138,225
Net return on ordinary activities after taxation	–	–	–	–	9,410	3,486	12,896
Shares bought back for cancellation (note 11)	(475)	–	(3,818)	475	–	–	(3,818)
Dividends paid during the year (note 7)	–	–	–	–	–	(2,182)	(2,182)
Shareholders' funds at 30 November 2012	14,787	15,242	27,545	1,745	80,568	5,234	145,121

The accompanying notes on pages 32 to 41 are an integral part of the financial statements.

For the year ended 30 November

	Notes	2013 £'000	2013 £'000	2012 £'000	2012 £'000
Net cash inflow from operating activities	14		4,098		4,965
Capital expenditure and financial investment					
Acquisitions of investments		(39,565)		(33,013)	
Disposals of investments		52,886		37,298	
Realised currency loss		(893)		(53)	
Net cash inflow from capital expenditure and financial investment			12,428		4,232
Equity dividends paid	7		(4,112)		(2,182)
Net cash inflow before financing			12,414		7,015
Financing					
Shares bought back for cancellation		(2,616)		(3,806)	
Net cash outflow from financing			(2,616)		(3,806)
Increase in cash	15		9,798		3,209
Reconciliation of net cash flow to movement in net funds	15				
Increase in cash in the year			9,798		3,209
Movement in net funds in the year			9,798		3,209
Net funds at 1 December			8,350		5,141
Net funds at 30 November			18,148		8,350

The accompanying notes on pages 32 to 41 are an integral part of the 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 are prepared on the assumption that approval as an investment trust will not be withdrawn by HM Revenue & Customs.

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).

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.

Financial assets and financial liabilities are recognised in the balance sheet of the Company when it becomes a party to the contractual provisions of the instrument.

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) Derivatives

The Company may use derivatives 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.

Such instruments are recognised on the date of the contract that creates the Company's obligation to pay or receive cash flows and are measured as financial assets or liabilities at fair value at subsequent reporting dates, while the relevant contracts remain open. The fair value is determined by reference to the open market value of the contract.

Where the investment rationale for the use of derivatives is to hedge specific risks pertaining to the Company's portfolio composition, hedge accounting will only be adopted where the derivative instrument relates specifically to a single item, or group of items, of equal and opposite financial exposure, and where the derivative instrument has been explicitly designated as a hedge of such item(s) at the date of initial recognition. In all other circumstances changes in the fair value of derivative instruments are recognised immediately in the income statement as capital or revenue as appropriate.

(d) 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.

(e) 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.

(f) Operating lease rentals

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

(g) Finance costs

Finance costs are accounted for on an accruals basis and are charged through the revenue column of the income statement.

(h) 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.

1 PRINCIPAL ACCOUNTING POLICIES (continued)

(i) 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.

(j) Share repurchases
Purchases of the Company's own shares are funded from the special distributable reserve.

(k) 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.

(l) 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

	2013 £'000	2012 £'000
Income from investments		
Franked investment income	3,702	3,500
Overseas dividends	377	490
UK interest	105	76
	4,184	4,066
Other income		
Deposit interest	36	36
Other income	18	20
	54	56
Total income	4,238	4,122
Total income comprises:		
Dividends from financial assets designated at fair value through profit or loss	4,079	3,990
Interest from financial assets designated at fair value through profit or loss	105	76
Deposit interest	36	36
Other income	18	20
	4,238	4,122

3 ADMINISTRATIVE EXPENSES

	2013 £'000	2012 £'000
Directors' fees and staff costs – note 4	330	328
Secretarial and administrative services	84	84
Information technology expenses	28	30
Power, telephone, rates and insurance	70	64
Operating lease rentals – office rent	42	42
Auditor's remuneration – statutory audit	23	22
Other administrative expenses	40	38
	617	608

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.

4 DIRECTORS' FEES AND STAFF COSTS

	2013 £'000	2012 £'000
Directors' fees and salaries	231	231
Other salaries	65	63
Social security costs	34	34
	330	328

Two persons were employed under a contract during the year (2012 – 2): Max Ward, the managing director, and Vivien Judge, the office manager.

5 TAX ON ORDINARY ACTIVITIES

	2013 £'000	2012 £'000
Analysis of charge in year		
Overseas taxation	15	28
Factors affecting tax charge for year		
The tax assessed for the year is lower than the standard rate of corporation tax in the UK (23.25%)		
The differences are explained below:		
Net return on ordinary activities before taxation	28,405	12,924
Net return on ordinary activities multiplied by the standard rate of corporation tax in the UK of 23.25% (2012 – 24.67%)	6,604	3,188
Capital returns not taxable	(5,762)	(2,321)
Dividends not subject to UK tax	(948)	(984)
Overseas withholding tax	15	28
Taxable losses not utilised	106	117
Current tax charge for the year	15	28

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

Factors that may affect future tax charges

At 30 November 2013 the Company had a potential deferred tax asset of £823,000 (2012 – £796,000) on taxable losses of £3.9 million (2012 – £3.5 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 21% (2012 – 23%).

6 NET RETURN PER ORDINARY SHARE

	2013 Revenue	2013 Capital	2013 Total	2012 Revenue	2012 Capital	2012 Total
Net return on ordinary activities after taxation (£'000)	3,606	24,784	28,390	3,486	9,410	12,896
Weighted average number of ordinary shares in issue during the year	58,520,767	58,520,767	58,520,767	60,020,591	60,020,591	60,020,591
Net return per ordinary share:						
Basic	6.16p	42.35p	48.51p	5.81p	15.68p	21.49p

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.

For the years to 30 November 2013 and 30 November 2012 there was no dilution of returns.

7 ORDINARY DIVIDENDS

	2013 Pence	2013 £'000	2012 Pence	2012 £'000
Amounts recognised as distributions in the year				
Previous year's final dividend paid 9 April 2013	5.00	2,945	3.00	1,818
Previous year's special dividend paid 10 April 2012	–	–	0.60	364
Interim dividend paid 30 August 2013	2.00	1,167	–	–
	7.00	4,112	3.60	2,182

Set out below are the total dividends paid and payable 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 £3,606,000 (2012 – £3,486,000).

	2013 Pence	2013 £'000	2012 Pence	2012 £'000
Amounts paid and payable in respect of the year				
Interim dividend paid 30 August 2013	2.00	1,167	–	–
Proposed final dividend payable 8 April 2014	3.00	1,743	5.00	2,945
Proposed special dividend payable 8 April 2014	1.00	581	–	–
	6.00	3,491	5.00	2,945

8 INVESTMENTS

	2013 £'000	2012 £'000
Financial assets designated at fair value through profit or loss on initial recognition		
Listed equity instruments	149,870	121,143
Listed debt instruments	–	15,165
	149,870	136,308

	Listed equities £'000	Listed debt £'000	Total £'000
Cost of investments at 1 December 2012	105,558	15,169	120,727
Investment holding gains at 1 December 2012	15,585	(4)	15,581
Fair value of investments at 1 December 2012	121,143	15,165	136,308
Movements in year:			
Purchases at cost	40,938	–	40,938
Sales – proceeds	(37,884)	(15,002)	(52,886)
– gains on sales	4,269	–	4,269
Amortisation of fixed interest book cost	–	(167)	(167)
Changes in investment holding gains	21,404	4	21,408
Fair value of investments at 30 November 2013	149,870	–	149,870
Cost of investments at 30 November 2013	112,881	–	112,881
Investment holding gains at 30 November 2013	36,989	–	36,989
Fair value of investments at 30 November 2013	149,870	–	149,870

The purchases and sales proceeds figures above include transaction costs of £187,000 (2012 – £79,000) and £84,000 (2012 – £37,000) respectively.

	2013 £'000	2012 £'000
Net gains/(losses) on investments designated at fair value through profit or loss on initial recognition		
Gains/(losses) on sales	4,269	(2,545)
Changes in investment holding gains	21,408	12,008
	25,677	9,463

Of the gains on sales during the year of £4,269,000 (2012 – losses of £2,545,000), a net loss of £2,024,000 (2012 – loss of £3,445,000) was included in investment holding gains at the previous year end.

9 DEBTORS

	2013 £'000	2012 £'000
Amounts falling due within one year		
Income accrued and prepayments	269	592
Other debtors	5	5
	274	597

10 CREDITORS

	2013 £'000	2012 £'000
Amounts falling due within one year		
Purchases for subsequent settlement	1,373	–
Purchase of the Company's own shares for subsequent settlement	–	107
Other creditors and accruals	29	27
	1,402	134

11 CALLED UP SHARE CAPITAL

	2013 Number	2013 £'000	2012 Number	2012 £'000
Allotted, called up and fully paid ordinary shares of 25p each	58,100,000	14,525	59,150,000	14,787

During the year the Company bought back 1,050,000 (2012 – 1,900,000) ordinary shares of 25p each at a cost of £2,509,000 (2012 – £3,818,000). At 30 November 2013 the Company had authority remaining to buy back a further 8,309,643 ordinary shares.

Between 1 December 2013 and 31 January 2014 the Company bought back a further 108,000 ordinary shares (nominal value £27,000) for total consideration of £290,000.

12 RESERVES

	Special distributable reserve £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000
At 1 December 2012	27,545	1,745	80,568	5,234
Net gain on sales of investments	–	–	4,269	–
Changes in investment holding gains	–	–	21,408	–
Other exchange differences	–	–	(893)	–
Revenue return on ordinary activities in the year	–	–	–	3,606
Shares bought back for cancellation	(2,509)	262	–	–
Dividends paid in the year	–	–	–	(4,112)
At 30 November 2013	25,036	2,007	105,352	4,728

The capital reserve balance at 30 November 2013 included an investment holding gain of £36,989,000 (2012 – gain of £15,581,000) 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:

	2013 Pence	2013 £'000	2012 Pence	2012 £'000
Ordinary shares	287.2	166,890	245.3	145,121

The net asset value per share is based on net assets as shown above and on 58,100,000 shares (2012 – 59,150,000), being the number of shares in issue at the year end.

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

	2013 £'000	2012 £'000
Net return before finance costs and taxation	28,405	12,924
Gains on investments	(25,677)	(9,463)
Amortisation of fixed interest book cost	167	796
Currency losses	893	53
Decrease in accrued income	319	685
Decrease/(increase) in debtors	4	(3)
Increase in creditors	2	1
Overseas tax	(15)	(28)
Net cash inflow from operating activities	4,098	4,965

15 ANALYSIS OF CHANGE IN NET FUNDS

	At 1 December 2012 £'000	Cash flows £'000	Exchange movement £'000	At 30 November 2013 £'000
Cash at bank and in hand	8,350	9,798	–	18,148

16 CONTINGENT LIABILITIES, GUARANTEES AND FINANCIAL COMMITMENTS

At 30 November 2013 the Company had an annual commitment of £35,000 (2012 – £35,000) under an operating lease in respect of premises. The current operating lease commitment will expire on 27 November 2017.

17 POST BALANCE SHEET EVENT

The Company participated in a placing for 93,079 shares in Telecom Plus on 20 November 2013 and applied for a maximum of 27,760 shares in the open offer with clawback element of the fund raising. At 30 November 2013 the placing and open offer was contingent upon the deal it was funding being approved by the Office of Fair Trading, which subsequently approved the deal on 17 December 2013. At 30 November 2013 the Company's investments reflect the 93,079 shares (with a fair value of £1,742,000) receivable through the placing as the directors considered the approval of the deal to be the most likely outcome. The Company subsequently obtained a further 7,495 shares through the open offer with clawback element.

18 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 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 in note 8. There were no derivative financial instruments outstanding at the balance sheet date.

The Company's managing director may not enter into derivative transactions without the prior approval of the board.

18 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 2013 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 2013	Investments £'000	Cash and deposits £'000	Other debtors and creditors* £'000	Net exposure £'000
US dollar	32,602	5,235	–	37,837
Canadian dollar	913	–	–	913
Total exposure to currency risk	33,515	5,235	–	38,750
Sterling	116,355	12,913	(1,128)	128,140
	149,870	18,148	(1,128)	166,890

*includes net non-monetary assets of £35,000.

At 30 November 2012	Investments £'000	Cash and deposits £'000	Other debtors and creditors* £'000	Net exposure £'000
US dollar	29,909	48	23	29,980
Canadian dollar	661	–	–	661
Euro	1,147	–	–	1,147
Total exposure to currency risk	31,717	48	23	31,788
Sterling	104,591	8,302	440	113,333
	136,308	8,350	463	145,121

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

Currency Risk Sensitivity

At 30 November 2013, 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 2012.

	2013 £'000	2012 £'000
US dollar	1,892	1,499
Canadian dollar	46	33
Euro	–	57
	1,938	1,589

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.

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.

18 FINANCIAL INSTRUMENTS (continued)

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 amount by which the Company's share price is at a discount or a premium to the net asset value, on the assumption that the share price is unaffected by movements in interest rates.

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.

The interest rate risk profile of the Company's financial assets at 30 November is shown below. The main change to the interest rate risk profile of the Company's financial assets during the year was the maturity of the UK Treasury 4.5% gilt and the increased cash holding.

	2013 Fair value £'000	2013 Weighted average interest rate	2013 Weighted average period until maturity	2012 Fair value £'000	2012 Weighted average interest rate	2012 Weighted average period until maturity
Fixed rate						
UK bonds	–	–	–	15,165	4.5%	3 months

Financial Liabilities

The Company had no financial liabilities at 30 November 2013 (2012 – nil).

Interest Rate Risk Sensitivity

The weighted average interest rate on cash balances held at 30 November 2013 was 0.37% (2012 – 0.53%). An increase of 100 basis points in interest rates at 30 November 2013 would, over a full year, have increased the net return on ordinary activities after taxation by £181,000 (2012 – increased by £49,000) and would have increased the net asset value per share by 0.31p (2012 – increased by 0.08p). The calculations are based on the fixed interest investments and 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 9. In addition, an analysis of the investment portfolio is contained in the Managing Director's Report.

90% (2012 – 83%) of the Company's net assets are invested in equities. A 5% increase in quoted equity valuations at 30 November 2013 would have increased total assets and total return on ordinary activities by £7,494,000 (2012 – £6,057,000). 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 2013 are all due within 3 months.

18 FINANCIAL INSTRUMENTS (continued)

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;
- 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;
- the creditworthiness of the counterparty to transactions involving derivatives, structured notes and other arrangements, wherein the creditworthiness of the entity acting as broker or counterparty to the transaction is likely to be of sustained interest, are subject to rigorous assessment by the managing director; and
- 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:

	2013 £'000	2012 £'000
Fixed interest investments	–	15,165
Cash and short term deposits	18,148	8,350
Debtors	239	558
	18,387	24,073

The maximum exposure in cash during the year was £37,267,000 (2012 – £24,230,000) and the minimum £5,247,000 (2012 – £1,711,000). None of the Company's financial assets are past due or impaired.

Gains and Losses on Hedges

There were no open forward currency contracts at 30 November 2013 (2012 – nil).

Capital Management

The Company does not have any externally imposed capital requirements. The capital of the Company is the ordinary share capital as detailed in note 11 and the reserves in note 12. 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 page 19.

Fair Value of Financial Assets and Financial Liabilities

The directors are of the opinion that the financial assets and liabilities of the Company are stated at fair value in the balance sheet.

None of the financial liabilities are designated at fair value through profit or loss in the financial statements.

Fair Value of Financial Instruments

Investments in securities as disclosed in note 8 on page 36 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 2012 were also classified as Level 1.

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 IS HEREBY GIVEN that the thirteenth 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, 27 March 2014 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 financial statements of the Company for the year to 30 November 2013 with the reports of the directors and of the independent auditor thereon.
2. To approve the Directors' Remuneration Policy.
3. To approve the Directors' Annual Report on Remuneration for the year ended 30 November 2013.
4. To declare a final dividend of 3.00p per ordinary share and a special dividend of 1.00p per ordinary share for the year to 30 November 2013.
5. To re-elect Mr DCP McDougall as a director.
6. To re-elect Mr MCB Ward as a director.
7. To re-elect Mr JGD Ferguson as a director.
8. To re-elect The Hon. RJ Laing as a director.
9. 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.
10. To authorise 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:

11. 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 authorised, 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'), provided that:
    (a) the maximum aggregate number of Shares hereby authorised to be purchased shall be 8,693,000 ordinary shares, 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 an ordinary share over the five business days immediately preceding the date of purchase; and (ii) the higher of the last independent trade and the highest current independent bid 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 2014, save that the Company may, prior to such expiry, enter into a contract to purchase Shares under such authority which will or might 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

20 February 2014

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.investorcentre.co.uk/eproxy** 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 system 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 31 January 2014 (being the last practicable day prior to the publication of this notice) the Company's issued share capital consisted of 57,992,000 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at 31 January 2014 were 57,992,000 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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