THE INDEPENDENT INVESTMENT TRUST PLC

HALF-YEARLY FINANCIAL REPORT

For the six months ended 31 May 2009

SUMMARY STATISTICS

for the six months ended 31 May 2009

Net asset value per share of 164.7p up 13.9%
(since 30 November 2008)

Earnings per share 2.12p (4.23p)

Interim dividend per share of 2.00p (2.00p)

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. The major part of the Company's portfolio is currently invested in UK listed equities but this will not necessarily remain the case. When appropriate, the directors will sanction relatively high levels of gearing and a relatively concentrated portfolio structure. The portfolio is constructed without reference to the composition of any stockmarket index.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks facing the Company relate to the Company's investment activities. These risks are market price risk (comprising currency risk, interest rate risk and other price risk), liquidity risk and credit risk. An explanation of these risks and how they are managed is contained in note 18 of the Company's Annual Report and Accounts for the year to 30 November 2008, which is available on the Company's website: www.independentinvestmenttrust.co.uk. The principal risks and uncertainties have not changed since the publication of the Annual Report. Other risks facing the Company include the following: gearing risk (the use of borrowing can magnify the impact of falling markets) and regulatory risk (that the loss of investment trust status or a breach of the UKLA listing rules could have adverse financial consequences and cause reputational damage). The Company's policy is designed to allow the Company an unusually high degree of freedom to exploit the directors' judgement. To the extent that the directors' judgement is flawed, future results could be unusually poor.

RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge:

a) the condensed set of financial statements has been prepared in accordance with the Accounting Standards Board's statement "Half-Yearly Financial Reports";

b) the Chairman's Statement includes a fair review of the information required by Disclosure and Transparency Rules 4.2.7R (indication of important events during the first six months, and their impact on the financial statements, and a description of principal risks and uncertainties for the remaining six months of the year); and

c) the Half-Yearly Financial Report includes a fair review of the information required by Disclosure and Transparency Rules 4.2.8R (disclosure of related party transactions and changes therein).

By order of the board

Douglas McDougall
Chairman

6 July 2009

The six month period ending 31 May 2009 saw our Company produce a net asset value total return of 16.8%, which compares with a total return notionally attributable to the FTSE All Share Index of 8.0%. This is a perfectly satisfactory performance in itself, but it represents a relatively modest step along the path to recovery of the ground lost over the last two years.

Our net asset value rose by 14% over the period – from 144.6p to 164.7p – and we are declaring an unchanged interim dividend of 2p, to be paid on 28 August 2009 from earnings of 2.12p (4.23p last year). Our income account has been undermined both by the sale of holdings that had been big income generators in previous years and by the substantial reduction in interest income on our cash balances, reflecting the fall in interest rates over the last year. The revenue outcome for the year will depend on the extent to which our cash balances are invested and the income generating characteristics of any investments we make. The board expects to recommend a final dividend for the current year at least equal to last year's, drawing on the revenue reserve if necessary, but this should not be taken as any indication of dividend levels in future years.

The first half of the period was marked by collapsing economic activity and growing concerns over the health of the financial system. Not surprisingly, investors were unsettled by this and stockmarkets performed poorly. In the middle of March, however, stockmarkets began to rally and by the end of May most had regained the ground they had lost earlier in the period and some, particularly emerging markets, had made good overall progress. As is so often the case, rallying stockmarkets have proved to be the harbingers of rather better fundamental news: credit markets now appear to have stabilized and some leading indicators point to an imminent bottoming in economic activity. It remains to be seen how durable any recovery will be and what will be the long term consequences of the extraordinary levels of monetary and fiscal stimulus that have been applied to bring it about.

The thrust of our transacting during the half year has been to build up our positions in defensive areas such as tobacco, utilities and non-life insurance whilst cutting back on some of our more economically sensitive exposures such as recruitment, energy, mining and retailing, and selling out of banks. Our cash balances also rose from 15% of shareholders' funds at 30 November 2008 to 18% at 31 May 2009 but were reduced to 14% by 3 July. As it turns out, we would probably have been better doing nothing, but we do now feel that we have a reasonable balance between economic sensitivity and defensive characteristics.

Energy remains the centrepiece of our portfolio: despite net sales of £3.1m during the period, the value of our energy stake rose from £30.2m to £30.7m. The majority of the stake is accounted for by our holdings in offshore drillers and oilfield service companies, reflecting our belief that future security of oil supply is dependent on increasing exploration expenditure over the next few years, much of it in offshore areas. With the benefit of hindsight, the strength of this belief caused us to underestimate the scope for short term fluctuations in the oil price and the influence those fluctuations would have on the oil industry's immediate spending plans. The collapse in the oil price between July and March led to a significant reduction in planned exploration expenditure and thus to a major reduction in short term earnings expectations for our oilfield services companies. Their share prices fell in anticipation of this, dragging those of our offshore drillers, whose earnings are protected in the short term by the length of their contracts, with them. Latterly, a strong rebound in the oil price has benefited sentiment towards both sectors, but has yet to lead to any recovery in oilfield services earnings estimates. In managing our energy investments we have been torn between the vulnerability of share prices to short term earnings disappointments and the growing longer term threat of supply shortages resulting from deferred exploration expenditure. In the end, we have compromised by making token sales to reflect short term uncertainties, but retaining the bulk of our stake in the belief that the tougher things get in the short term, the better they will be in the longer term. While the prospects for oil supply appear to be deteriorating, those for natural gas supply are clearly improving with the exploitation of prodigious new "plays" in North America. We have therefore sold our remaining Canadian gas companies.

After the disasters of last year, our remaining retail holdings have enjoyed a strong underlying recovery: a stake worth £9.4m at 30 November 2008 had only fallen in value to £8.6m by 31 May 2009, despite net sales of £4.9m. The star of this performance was the household goods retailer Dunelm, which combines the virtues of a strong balance sheet and (so far) a remarkably resilient trading format. With considerable scope for physical expansion, it promises better things still in the future. We have also enjoyed an impressive recovery from a low base in the share price of Topps Tiles, which has continued to generate cash despite appalling trading conditions.

Quite the most surprising feature of our performance during the period was the buoyancy of our recruitment holdings: although the value of our stake in the industry declined from £10.7m at 30 November 2008 to £6.6m at 31 May 2009, this was only after net sales of £7.5m. Braced as we were for difficult trading conditions, the scale of the deterioration in the industry's immediate outlook has taken even us by surprise. We have no doubt that the companies will survive, but we think that this year's dividends are now in jeopardy and that a return to sensible levels of earnings is at least two years away. Even with our long term perspective, this is too remote a promised land to warrant holding onto such a big position in the industry as we started the period with.

On a more defensive tack, our additions to our non-life insurance and tobacco holdings, and our re-entry into the world of utilities, have yet to yield profits. They do, however, provide generous and, we believe, secure income streams as well as a degree of insulation from the economic cycle. Such dull attributes tend to be overlooked in febrile markets, but have historically delivered good returns to patient investors.

Elsewhere in the portfolio, we made a poorly timed reduction in our mining stake, but our sales of Lloyds TSB and Intermediate Capital saved us significant amounts of money, and the price we received for our holding in Telford Homes was well above the low for the period. We also made a well timed reduction in Alliance Trust. Our addition to Aggreko has worked well, but our transport holdings (to which we also added) were a disappointment despite satisfactory trading results. We have enjoyed a strong recovery in the Herald share price, but IG was held back by volatile trading results and our European property companies produced mixed share price performances, resulting in a negative effect overall.

Our shares have continued to trade at a significant discount to net asset value throughout the period. We have taken advantage of this to make opportunistic purchases of 1,930,000 shares. These purchases added roughly 1.25p to our net asset value. We may make further opportunistic purchases when we can do so to the benefit of continuing shareholders.

The original strategy of The Independent was to look for companies and industries which, in normal economic conditions, could be expected to generate considerable value through the economic cycle, and to buy shares in them when this prospect appeared undervalued. The prevalence of wholly abnormal economic conditions for much of the last two years has forced us to adapt this strategy to take greater account of the potential damage caused by events – such as the near collapse of the banking system – that would hitherto have been considered extremely unlikely. We are now at a point where it is particularly difficult to assess the likelihood of further extreme events occurring and it may be that our new approach is too cautious. We shall keep this thought in mind as we endeavour to adjust to a world that is changing more rapidly and more violently than we have been accustomed to.

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

Douglas McDougall
6 July 2009

Sector	Name	Value £'000	%
Industrials	Aggreko	4,668	4.5
Retailing	Dunelm Group	6,870	6.6
	Topps Tiles	1,760	1.7
		8,630	8.3
Recruitment	Hays	862	0.8
	Michael Page International	1,648	1.6
	Robert Walters	1,195	1.1
	SThree	2,851	2.7
		6,556	6.2
Technology and Telecommunications	Herald Investment Trust	4,840	4.6
Mining	BHP Billiton	1,107	1.1
	Blackrock World Mining Trust	2,080	2.0
		3,187	3.1
Offshore Drillers	Diamond Offshore Drilling – USA	6,247	6.0
	Noble Corporation – USA	8,501	8.2
	Transocean – USA	4,928	4.7
		19,676	18.9
Oilfield Services	Schlumberger – USA	4,612	4.4
	Wellstream Holdings	2,615	2.5
		7,227	6.9
Oil & Gas Exploration	BPZ Resources – USA	574	0.6
Oil and Gas Producers	BP	1,022	1.0
	Royal Dutch Shell B	1,675	1.6
		2,697	2.6
Renewable Energy	Clean Energy Brazil†	551	0.5
Tobacco	British American Tobacco	4,220	4.1
	Imperial Tobacco	2,398	2.3
		6,618	6.4
Pharmaceuticals	GlaxoSmithKline	1,563	1.5
Transport	First Group	1,480	1.4
	Go-Ahead Group	1,008	1.0
	Stagecoach Group	1,954	1.9
		4,442	4.3
Utilities	National Grid	1,794	1.7
	Scottish & Southern Energy	2,328	2.2
		4,122	3.9
Insurance	Amlin	1,749	1.7
	Catlin Group	1,064	1.0
	Chaucer Holdings	1,670	1.6
	Hiscox Insurance Portfolio Fund	1,508	1.5
		5,991	5.8
Property	Kenmore European Industrial Fund	950	0.9
	Orchid Developments Group	600	0.6
		1,550	1.5
Miscellaneous Financials	Alliance Trust	670	0.6
	IG Group Holdings	904	0.9
		1,574	1.5
TOTAL INVESTMENTS		84,466	81.1
Net liquid assets		19,728	18.9
SHAREHOLDERS' FUNDS		104,194	100.0

All holdings are domiciled in the UK unless otherwise stated.

†Includes a holding in warrants.

INCOME STATEMENT
(unaudited)

	Notes	Revenue £'000	Capital £'000	Total £'000
		For the six months ended 31 May 2009		
Losses on sales of investments		–	(10,088)	(10,088)
Changes in fair value of investments		–	24,327	24,327
Currency (losses)/gains		–	(888)	(888)
Income from investments and interest receivable		1,665	–	1,665
Other income		14	–	14
Administrative expenses		(249)	–	(249)
Net return before finance costs and taxation		1,430	13,351	14,781
Finance costs of borrowings		(20)	–	(20)
Net return on ordinary activities before taxation		1,410	13,351	14,761
Tax on ordinary activities		(48)	–	(48)
Net return on ordinary activities after taxation		1,362	13,351	14,713
Net return per ordinary share:	3			
Basic and Diluted (FRS 22)		2.12p	20.82p	22.94p
Note:				
Dividends paid and payable per ordinary share	4	2.00p		

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

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

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

For the six months ended 31 May 2008			For the year ended 30 November 2008		
Revenue £'000	**Capital £'000**	**Total £'000**	**Revenue £'000**	**Capital £'000**	**Total £'000**
–	(2,525)	(2,525)	–	(13,975)	(13,975)
–	(5,794)	(5,794)	–	(43,874)	(43,874)
–	340	340	–	2,318	2,318
3,156	–	3,156	4,846	–	4,846
7	–	7	20	–	20
(298)	–	(298)	(554)	–	(554)
2,865	(7,979)	(5,114)	4,312	(55,531)	(51,219)
(47)	–	(47)	(67)	–	(67)
2,818	(7,979)	(5,161)	4,245	(55,531)	(51,286)
(22)	–	(22)	(61)	–	(61)
2,796	(7,979)	(5,183)	4,184	(55,531)	(51,347)
4.23p	(12.07)p	(7.84)p	6.34p	(84.16)p	(77.82)p
2.00p			5.75p		

BALANCE SHEET
(unaudited)

	Notes	At 31 May 2009 £'000	At 31 May 2008 £'000	At 30 November 2008 £'000
Fixed assets				
Investments held at fair value through profit or loss		84,466	124,525	87,747
Current assets				
Debtors		927	443	603
Cash at bank and in hand		18,824	20,831	6,300
		19,751	21,274	6,903
Creditors				
Amounts falling due within one year	5	(23)	(2,792)	(411)
Net current assets		19,728	18,482	6,492
Total net assets		104,194	143,007	94,239
Capital and reserves				
Called-up share capital		15,812	16,532	16,295
Share premium		15,242	15,242	15,242
Special distributable reserve		35,013	38,663	37,377
Capital redemption reserve		720	–	237
Capital reserve		33,045	67,246	19,694
Revenue reserve		4,362	5,324	5,394
Shareholders' funds		104,194	143,007	94,239
Net asset value per ordinary share		164.7p	216.3p	144.6p
Ordinary shares in issue	6	63,250,000	66,128,895	65,180,000

For the six months ended 31 May 2009

	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 2008	16,295	15,242	37,377	237	19,694	5,394	94,239
Net return on ordinary activities after taxation	–	–	–	–	13,351	1,362	14,713
Shares bought back for cancellation	(483)	–	(2,364)	483	–	–	(2,364)
Dividends paid (see note 4)	–	–	–	–	–	(2,394)	(2,394)
Shareholders' funds at 31 May 2009	15,812	15,242	35,013	720	33,045	4,362	104,194

For the six months ended 31 May 2008

	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 2007	16,532	15,242	38,663	–	75,225	4,512	150,174
Net return on ordinary activities after taxation	–	–	–	–	(7,979)	2,796	(5,183)
Dividends paid (see note 4)	–	–	–	–	–	(1,984)	(1,984)
Shareholders' funds at 31 May 2008	16,532	15,242	38,663	–	67,246	5,324	143,007

For the year ended 30 November 2008

	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 2007	16,532	15,242	38,663	–	75,225	4,512	150,174
Net return on ordinary activities after taxation	–	–	–	–	(55,531)	4,184	(51,347)
Shares bought back for cancellation	(237)	–	(1,286)	237	–	–	(1,286)
Dividends paid (see note 4)	–	–	–	–	–	(3,302)	(3,302)
Shareholders' funds at 30 November 2008	16,295	15,242	37,377	237	19,694	5,394	94,239

* The Capital Reserve includes a loss of £20,406,000 relating to the revaluation of investments (31 May 2008 – loss of £6,654,000 and 30 November 2008 – loss of £44,733,000).

CONDENSED CASH FLOW STATEMENT
(unaudited)

	For the six months ended 31 May 2009 £'000	For the six months ended 31 May 2008 £'000	For the year ended 30 November 2008 £'000
Net cash inflow from operating activities	1,483	2,741	4,039
Net cash outflow from servicing of finance	(30)	(98)	(118)
Net cash inflow/(outflow) from financial investment	16,182	5,806	(7,756)
Equity dividends paid	(2,394)	(1,984)	(3,302)
Net cash inflow/(outflow) before financing	15,241	6,465	(7,137)
Net cash outflow from financing	(2,717)	(10,007)	(10,936)
Increase/(decrease) in cash	12,524	(3,542)	(18,073)
Reconciliation of net cash flow to movement in net funds			
Increase/(decrease) in cash in the period	12,524	(3,542)	(18,073)
Net cash outflow from bank loans	–	10,007	10,007
Exchange movement on bank loans	–	(13)	(13)
Movement in net funds in the period	12,524	6,452	(8,079)
Net funds at start of the period	6,300	14,379	14,379
Net funds at end of the period	18,824	20,831	6,300
Reconciliation of net return before finance costs and taxation to net cash inflow from operating activities			
Net return before finance costs and taxation	14,781	(5,114)	(51,219)
(Gains)/losses on investments	(14,239)	8,319	57,849
Amortisation of fixed interest book cost	27	–	26
Currency losses/(gains)	888	(340)	(2,318)
Change in debtors and creditors	74	(102)	(238)
Overseas tax	(48)	(22)	(61)
Net cash inflow from operating activities	1,483	2,741	4,039

1. The condensed set of financial statements comprises the statements set out on pages 4 to 8 together with the related notes on page 9. They have been prepared on the basis of the same accounting policies as set out in the Company's Annual Financial Statements at 30 November 2008 and in accordance with the ASB's Statement 'Half-Yearly Financial Reports' and have not been audited or reviewed by the Auditors pursuant to the Auditing Practices Board Guidance on 'Review of Interim Financial Information'.

2. The financial information contained within this Half-Yearly Financial Report comprises non-statutory accounts as defined in sections 434 to 436 of the Companies Act 2006. The financial information for the year ended 30 November 2008 has been extracted from the statutory accounts which have been filed with the Registrar of Companies. The Auditors' Report on those accounts was not qualified and did not contain statements under sections 237(2) or (3) of the Companies Act 1985.

3. **Net return per ordinary share**

	Six months ended 31 May 2009 £'000	Six months ended 31 May 2008 £'000	Year ended 30 November 2008 £'000
Revenue	1,362	2,796	4,184
Capital	13,351	(7,979)	(55,531)
Total	14,713	(5,183)	(51,347)

The returns per share are based on the above returns and on 64,113,917 (31 May 2008 – 66,128,895 and 30 November 2008 – 65,985,599) shares, being the weighted average number of shares in issue during each period.

There was no dilution of returns during any of the financial periods under review, as the average exercise price of the outstanding options was higher than the average share price.

4. **Dividends**

	Six months ended 31 May 2009 £'000	Six months ended 31 May 2008 £'000	Year ended 30 November 2008 £'000
Amounts recognised as distributions in the period:			
Previous year's final dividend of 3.00p (2008 – 3.00p) paid 7 April 2009	1,915	1,984	1,984
Previous year's special dividend of 0.75p (2008 – nil) paid 7 April 2009	479	–	–
Interim dividend for the year ended 30 November 2008 of 2.00p paid 29 August 2008	–	–	1,318
	2,394	1,984	3,302
Dividends paid and payable in respect of the period:			
Interim dividend for the year ending 30 November 2009 of 2.00p (2008 – 2.00p)	1,265	1,323	1,318
Final divided (2008 – 3.00p)	–	–	1,955
Special dividend (2008 – 0.75p)	–	–	489
	1,265	1,323	3,762

The interim dividend in respect of the six months to 31 May 2009 was declared after the period end date and has therefore not been included as a liability in the balance sheet. It is payable on 28 August 2009 to shareholders on the register at the close of business on 7 August 2009. The ex dividend date is 5 August 2009.

5. The Company has a three year £20m facility with Lloyds TSB Scotland which expires May 2010. At 31 May 2009, there were no outstanding drawings (31 May 2008 and 30 November 2008 – nil).

6. During the period the Company bought back 1,930,000 ordinary shares of 25p each at a cost of £2,364,000. At 31 May 2009, the Company had authority to buy back 8,971,115 ordinary shares as well as the authority to allot new shares up to an aggregate nominal amount of £10,467,016.

At 31 May 2009 there were outstanding options to acquire 8,900,000 (31 May 2008 and 30 November 2008 – 8,900,000) ordinary shares in the Company. The options which were granted to the founding shareholders on 11 September 2000 and expire on 31 August 2010, are exercisable at a price per share equivalent to the net asset value at the time of exercise. No options were exercised during the period.

7. Transaction costs incurred on the purchase and sale of the investments are added to the purchase cost or deducted from the sale proceeds, as appropriate. During the period, transaction costs on purchases amounted to £112,000 (31 May 2008 – £220,000; 30 November 2008 – £393,000) and transaction costs on sales amounted to £50,000 (31 May 2008 – £50,000; 30 November 2008 – £105,000).

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JGD Ferguson (Non-executive)
The Hon. RJ Laing (Non-executive)

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