

## RNS Announcement: Preliminary Results

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# The Independent Investment Trust PLC

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The following is the unaudited preliminary statement for the year to 30 November 2017 which was approved by the board on 17 January 2018.

## Chairman's Statement

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Over the year to 30 November 2017, our company produced a net asset value (NAV) total return of 54.8%. However one measures performance this was, by some margin, the best annual result in the history of the Independent: theoretical investments in the FTSE All-Share Index and the FTSE World Index would have produced total returns of 13.4% and 15.4% respectively. For the period from inception in October 2000 to 30 November 2017, we produced an NAV total return of 788%, equivalent to a rate of roughly 13.7% per annum, of which 2.8% per annum can be offset by RPI inflation. By comparison, the notional return available from the FTSE All-Share Index over the period amounted to 146%, or 5.4% per annum. Our performance is to the great credit of Max Ward, who has managed the portfolio from inception.

The results rekindled enthusiasm for our shares, which moved from a discount of 11.2% at 30 November 2016 to a premium of 7.2% at 30 November 2017, producing a share price total return of 87.0%.

Two factors were particularly helpful to us in the year under review. First, it was a market environment in which investors were happy to re-rate companies with a good story and results to match. This was particularly true of UK domestic companies, such as the housebuilders, whose valuations were artificially depressed in the wake of the vote to leave the European Union. Secondly, an unusually high proportion of our companies produced operating results during the period that exceeded expectations. Either or both of these factors could reverse at any time.

Once again, there has been little change in the global economic background. Growth has been unexciting; inflation has been generally modest; and consumer spirits have been subdued by limited real wage gains (indeed, real wages have declined in the UK). Interest rates have started to rise in some parts of the world, but at a slower pace than some would have liked. The overwhelming impression is of policymakers trying to direct events that have a mind of their own. Markets have once again benefited from a combination of loose monetary policy and high levels of corporate profitability.

The main changes in our sectoral distribution have been a reduction in the importance of our housebuilding stake as we sold out of Berkeley Group and a significant increase in our exposure to the technology and telecommunications sector (despite modest net sales). The emergence of the latter as our largest sector marks a major change in our thinking in recent years. Up until 2014 we did not trust ourselves to invest in individual small technology companies, fearing that we lacked the relevant specialist expertise. Instead, we delegated the task, very successfully, to Katie Potts and her team at Herald Investment Trust. Since 2014 we have been able to persuade ourselves in the case of a growing number of small technology companies that we understand enough about their businesses to justify investing directly. Our results to date have exceeded our wildest hopes, but have not blinded us to the risks of investing in highly rated companies operating in fast changing markets. Our greater willingness to invest directly in this area has led to a less obvious role for Herald in our portfolio and we have reduced the holding accordingly.

We ended our year with cash balances of just over 7% of shareholders' funds (5% at 30 November 2016). Further comments on the portfolio can be found in the Managing Director's Report below.

Earnings per share for the year were 9.2p (7.93p in 2016). Given the buoyancy of our revenue account and an encouraging outlook, we have decided to recommend a final dividend of 4p (nil in 2016), making a total regular dividend of 6p (5p in 2016). In addition, we are proposing a special dividend of 2p (2.5p in 2016). If approved, both will be paid on 6 April with an ex-dividend date of 22 February.

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The growth in our assets had a beneficial effect on our ongoing charges ratio, which fell from 0.34% to 0.25%. Not only is this one of the lowest ratios in the industry - if not the lowest - but the level of 0.25% is also a record low for us.

In the early part of our year, our shares traded at a discount to NAV and we were able to buy back 60,000 at a discount of 7.3%. In normal market conditions we are happy to buy back shares when this can be done on terms that are not detrimental to the interests of continuing shareholders.

It is now nine years since the FTSE All Share Index last delivered a negative total return over a year ending on 30 November. Over that nine year period total returns for the index have averaged comfortably over 10% per annum, which is far in excess of UK – or global – economic growth for the period. Common sense would suggest that we are overdue a significant market correction, but in the absence of any clear indication of the timing of such a correction we see little point in trying to anticipate it. Our companies are in good fettle and we are confident about their long term prospects. This is the foundation on which our future strategy is based.

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 22 March 2018. 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

17 January 2018

Past performance is not a guide to future performance.

For a definition of terms see Glossary of Terms.

Total return information is sourced from Baillie Gifford /Thomson Reuters DataStream. See disclaimer at the end of this announcement.

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## Managing Director's Report

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

It has been a remarkable year for our large technology and telecommunications stake: worth £44.6m at 30 November 2016, it had risen in value to £87.4m by 30 November 2017 after net sales of £1.1m. Strong share price performances led us to make reductions in our holdings of FDM, Gamma Communications and Kainos. In each case this was a mistake as all three companies produced strong results. We also made a reduction in our holding in Herald Investment Trust to address the issue of overlap between our two portfolios. This, too, was a mistake as the Herald discount fell after we sold in recognition of strong investment results. Fortunately, we were less trigger happy in the case of our Blue Prism holding, which went from strength to strength throughout the year as demand for its software robots grew at quite extraordinary rates. We do not pretend to know what the "right" valuation for the company is, but we continue to believe that it could grow to many times its current size in a relatively short space of time if it maintains its position of leadership in the embryonic market for robotic process automation. Our two new technology holdings, Alfa Financial Software and Frontier Developments, both made encouraging debuts. Alfa, one of the leading providers of software to the asset finance industry, is renowned for the quality of its products and for its ability to deliver complex implementations on time and on budget. Frontier is a long established designer of computer games which is benefiting from the transformational effect of the cloud on the design and marketing of computer games. It is also notable for having attracted the attention of the giant Chinese internet company, Tencent, which has taken a 9% stake in it.

It has been a much better year for our large position in the housebuilding industry. Conditions in the housing market have been about as favourable as they could be for builders. A plentiful supply of land at very attractive prices combined with robust demand, albeit helped at the lower end of the market by the government's Help to Buy scheme, to provide strong sales at good margins. The one exception to this happy picture is the retirement homes builder, McCarthy and Stone, which has again been held back by a sluggish market for second hand houses. There are now, however, clear signs of improvement even in its business. Strong profits and dividends have been rewarded with good share price performances, but in the case of most of our holdings we think the market continues to undervalue their long-term prospects. Berkeley Group, which we held until October, is the one exception to this: its dependence on the London market and its policy of selling well ahead have left it with very high profits in the current year, but a more subdued outlook thereafter. Despite the undoubted quality of the business, we decided to sell our holding at a very good profit. Overall, despite sales of £7.7m, the value of our housebuilding stake rose from £51.0m at 30 November 2016 to £59.4m at 30 November 2017.

It has been another good year for our travel and leisure holdings: their value grew from £24.7m at 30 November 2016 to £34.8m at 30 November 2017 despite net sales of £1.8m. The main contributor to this performance, as was the case in 2016, was the online package holiday company, On the Beach, which has once again delivered strong earnings growth against a difficult market background. The strength of its customer proposition – low prices and flexible booking arrangements – is becoming increasingly apparent. Gym Group delivered another year of good growth and was rewarded with a strong recovery in its share price. The performance of the Hollywood Bowl share price was more subdued, but there was nothing wrong with its operating results.

Given our disappointing record as investors in the retail sector, it may seem perverse that we have significantly increased our exposure to it at a time when there are widespread concerns about the outlook for consumer spending. It is our hope that our new purchases, Footasylum and Quiz, will turn out to be resilient in a tough consumer environment and we believe that our addition to our old favourite, Dunelm, was made at an attractive valuation even given the uncertainties surrounding its immediate outlook. Both Footasylum and Quiz are clothing retailers. They serve totally different markets, but share the common characteristic (also shared with Joules, which we bought in 2016) of having developed a successful multichannel approach, in which the website and the physical estate feed off each other's strengths. The net result is rapid growth in internet sales combined with very fast paybacks on new store openings. All three are highly cash generative businesses. Motorpoint, our other retail holding, has seen a strong rebound in its share price as results have recovered from the disappointing spell of trading in the wake of the referendum. Overall, the value of our retail holdings rose from £15.2m at 30 November 2016 to £31.7m at 30 November 2017 after net purchases of £11.0m.

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Once again we consider it appropriate to devote an entire paragraph to the soft drinks company, Fever-Tree. Fever-Tree's international business (probably 40% of total sales) is growing at over 40% per annum and in each of its geographical areas it dominates the premium segment of the mixer market. We think premium mixers will continue to gain market share for years to come because they are starting from a low base and we expect Fever-Tree to be at the forefront of this trend. Rather reluctantly, we took some profits towards the end of the year on grounds of valuation, but despite this it retained its position as our largest holding.

It has been a year of considerable change for our holdings in the business services sector: we sold out of SThree and Gama Aviation, added to Midwich and bought a new holding in Eddie Stobart Logistics. SThree has struggled in recent years to reprise the growth rates it achieved when we originally bought it, while Gama was sold largely on grounds of illiquidity. Our addition to Midwich was well timed and it is pleasing to see the attributes that attracted us to this exceptionally well-run business are now beginning to achieve wider recognition. Eddie Stobart, however, has failed to attract a following in the wake of its initial public offering despite reporting good results. Overall, our business services stake grew in value from £11.4m to £25.9m after net purchases of £3.8m.

Elsewhere in the portfolio, good results were reflected in the share prices of Ashtead and Luceco (although the latter issued a profits warning after our year end). Our new holding in RPC, the oil service company, enjoyed a good share price performance. The same was true of teleradiology company, Medica, but in its case much of the share price strength has reversed since our year end in the wake of a disappointing trading statement. The Polar Capital Global Insurance Fund had a quiet year, while NAHL, to which we started to add towards the end of our year, saw its share price affected by uncertainty (which we consider largely resolved now) about the future of personal injury litigation. We sold Telecom Plus and Bluefield Solar on grounds of valuation, and disposed of The AA and UP Global in the wake of disappointing trading news.

Max Ward

17 January 2018

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## List of Investments as at 30 November 2017 (unaudited)

| Sector                               | Name   | Value<br>2016<br>£'000 | Net<br>transactions<br>£'000 | Gains/<br>(losses)<br>£'000 | Value<br>2017<br>£'000 | %            |
|--------------------------------------|--|------------------------|------------------------------|-----------------------------|------------------------|--------------|
| Housing                              | Bellway  | 4,882                  | -                            | 2,036                       | 6,918                  | 2.0          |
|                                      | Berkeley Group                                   | 4,952                  | (7,733)                      | 2,781                       | -                      | -            |
|                                      | Crest Nicholson                                  | 13,113                 | -                            | 1,992                       | 15,105                 | 4.5          |
|                                      | McCarthy and Stone                               | 8,315                  | -                            | (95)                        | 8,220                  | 2.4          |
|                                      | Persimmon  | 3,398                  | -                            | 1,676                       | 5,074                  | 1.5          |
|                                      | Redrow   | 16,344                 | -                            | 7,696                       | 24,040                 | 7.1          |
|                                      |  | <u>51,004</u>          | <u>(7,733)</u>               | <u>16,086</u>               | <u>59,357</u>          | <u>17.5</u>  |
| Industrials                          | Ashtead Group                                    | 15,640                 | -                            | 3,350                       | 18,990                 | 5.6          |
| Retailing                            | Dunelm Group                                     | 5,908                  | 4,182                        | 432                         | 10,522                 | 3.1          |
|                                      | Footasylum                                       | -                      | 3,409                        | 691                         | 4,100                  | 1.2          |
|                                      | Joules Group                                     | 3,660                  | (1,327)                      | 1,717                       | 4,050                  | 1.2          |
|                                      | Motorpoint                                       | 5,670                  | -                            | 2,655                       | 8,325                  | 2.5          |
|                                      | Quiz   | -                      | 4,782                        | (42)                        | 4,740                  | 1.4          |
|                                      |  | <u>15,238</u>          | <u>11,046</u>                | <u>5,453</u>                | <u>31,737</u>          | <u>9.4</u>   |
| Consumer Services                    | AA   | 5,308                  | (5,194)                      | (114)                       | -                      | -            |
|                                      | NAHL Group                                       | 3,056                  | 183                          | (625)                       | 2,614                  | 0.8          |
|                                      |  | <u>8,364</u>           | <u>(5,011)</u>               | <u>(739)</u>                | <u>2,614</u>           | <u>0.8</u>   |
| Consumer Goods                       | Luceco   | 5,744                  | (1,469)                      | 2,976                       | 7,251                  | 2.1          |
|                                      | Up Global Sourcing                               | -                      | 664                          | (664)                       | -                      | -            |
|                                      |  | <u>5,744</u>           | <u>(805)</u>                 | <u>2,312</u>                | <u>7,251</u>           | <u>2.1</u>   |
| Travel and Leisure                   | Hollywood Bowl Group                             | 6,680                  | -                            | 440                         | 7,120                  | 2.1          |
|                                      | On the Beach Group                               | 13,260                 | (1,814)                      | 9,818                       | 21,264                 | 6.3          |
|                                      | The Gym Group                                    | 4,770                  | -                            | 1,680                       | 6,450                  | 1.9          |
|                                      |  | <u>24,710</u>          | <u>(1,814)</u>               | <u>11,938</u>               | <u>34,834</u>          | <u>10.3</u>  |
| Business Services                    | Eddie Stobart Logistics                          | -                      | 11,176                       | (256)                       | 10,920                 | 3.2          |
|                                      | Gama Aviation                                    | 2,360                  | (4,591)                      | 2,231                       | -                      | -            |
|                                      | Midwich  | 4,945                  | 2,069                        | 7,986                       | 15,000                 | 4.5          |
|                                      | SThree   | 4,125                  | (4,851)                      | 726                         | -                      | -            |
|                                      |  | <u>11,430</u>          | <u>3,803</u>                 | <u>10,687</u>               | <u>25,920</u>          | <u>7.7</u>   |
| Technology and<br>Telecommunications | Alfa Financial Software                          | -                      | 9,372                        | 2,751                       | 12,123                 | 3.6          |
|                                      | Blue Prism                                       | 5,780                  | (838)                        | 22,320                      | 27,262                 | 8.1          |
|                                      | FDM Group  | 13,125                 | (7,198)                      | 8,286                       | 14,213                 | 4.2          |
|                                      | Frontier Developments                            | -                      | 5,977                        | 2,473                       | 8,450                  | 2.5          |
|                                      | Gamma Communications                             | 4,735                  | (2,645)                      | 925                         | 3,015                  | 0.9          |
|                                      | Herald Investment Trust                          | 16,500                 | (4,638)                      | 5,778                       | 17,640                 | 5.2          |
|                                      |  | <u>4,455</u>           | <u>(1,148)</u>               | <u>1,418</u>                | <u>4,725</u>           | <u>1.4</u>   |
|                                      |  | <u>44,595</u>          | <u>(1,118)</u>               | <u>43,951</u>               | <u>87,428</u>          | <u>25.9</u>  |
| Beverages                            | Fever-Tree Drinks                                | 19,242                 | (8,157)                      | 18,075                      | 29,160                 | 8.6          |
| Utilities                            | Telecom Plus                                     | 5,000                  | (4,813)                      | (187)                       | -                      | -            |
| Healthcare                           | Medica Group                                     | -                      | 5,779                        | 2,701                       | 8,480                  | 2.5          |
| Insurance                            | Polar Capital Global Insurance Fund –<br>Ireland | 4,408                  | -                            | 381                         | 4,789                  | 1.4          |
|                                      | Energy/Oilfield Services                         | RPC - USA              | -                            | 2,823                       | 729                    | 3,552        |
| Renewable Energy Funds               | Bluefield Solar Income – Channel Islands         | 5,187                  | (5,691)                      | 504                         | -                      | -            |
| <b>Total Investments</b>             |  | <u>210,562</u>         | <u>(11,691)</u>              | <u>115,241</u>              | <u>314,112</u>         | <u>92.8</u>  |
| Net Liquid Assets                    |  | <u>10,308</u>          | <u>14,063</u>                | <u>(32)</u>                 | <u>24,339</u>          | <u>7.2</u>   |
| <b>Shareholders' Funds</b>           |  | <u>220,870</u>         | <u>2,372</u>                 | <u>115,209</u>              | <u>338,451</u>         | <u>100.0</u> |

The above table excludes holdings valued at nil. All holdings are in equities domiciled in the UK unless otherwise stated.

# The Independent Investment Trust PLC

## Income statement

|   | For the year ended<br>30 November 2017 (unaudited) |                  |                | For the year ended<br>30 November 2016 (audited) |                  |                |
|---|--|------------------|----------------|--|------------------|----------------|
|   | Revenue<br>£'000                                   | Capital<br>£'000 | Total<br>£'000 | Revenue<br>£'000                                 | Capital<br>£'000 | Total<br>£'000 |
| Gains on investments  | -  | 115,241          | 115,241        | -  | 5,720            | 5,720          |
| Currency (losses)/gains   | -  | (32)             | (32)           | -  | 139              | 139            |
| Income (note 2)   | 5,830  | -                | 5,830          | 5,139  | -                | 5,139          |
| Administrative expenses   | (721)  | -                | (721)          | (719)  | -                | (719)          |
| Net return on ordinary activities before taxation                           | 5,109  | 115,209          | 120,318        | 4,420  | 5,859            | 10,279         |
| Tax on ordinary activities  | (3)  | -                | (3)            | -  | -                | -              |
| <b>Net return on ordinary activities after taxation</b>                     | <b>5,106</b>                                       | <b>115,209</b>   | <b>120,315</b> | <b>4,420</b>                                     | <b>5,859</b>     | <b>10,279</b>  |
| <b>Net return per ordinary share: basic (note 3)</b>                        | <b>9.20p</b>                                       | <b>207.67p</b>   | <b>216.87p</b> | <b>7.93p</b>                                     | <b>10.51p</b>    | <b>18.44p</b>  |
| <b>Note:</b>  |  |                  |                |  |                  |                |
| <b>Dividends per share paid and payable in respect of the year (note 4)</b> | <b>8.00p</b>                                       |                  |                | <b>7.50p</b>                                     |                  |                |

The total column of this statement is the profit and loss account of the Company. The supplementary revenue and capital columns are prepared under guidance published by the Association of Investment Companies.

All revenue and capital items in this statement derive from continuing operations.

A Statement of Comprehensive Income is not required as all gains and losses of the Company have been reflected in the above statement.

# The Independent Investment Trust PLC

## Balance sheet

|   | At 30 November 2017 (unaudited) |                | At 30 November 2016 (audited) |         |
|---|---------------------------------|----------------|-------------------------------|---------|
|   | £'000                           | £'000          | £'000                         | £'000   |
| <b>Fixed assets</b>                                   |                                 |                |                               |         |
| Investments held at fair value through profit or loss |                                 | <b>314,112</b> |                               | 210,562 |
| <b>Current assets</b>                                 |                                 |                |                               |         |
| Debtors   | <b>798</b>                      |                | 115                           |         |
| Cash and cash equivalents                             | <b>23,704</b>                   |                | 10,247                        |         |
|   | <b>24,502</b>                   |                | 10,362                        |         |
| <b>Creditors</b>                                      |                                 |                |                               |         |
| Amounts falling due within one year                   | <b>(163)</b>                    |                | (54)                          |         |
| <b>Net current assets</b>                             |                                 | <b>24,339</b>  |                               | 10,308  |
| <b>Total net assets</b>                               |                                 | <b>338,451</b> |                               | 220,870 |
| <b>Capital and reserves</b>                           |                                 |                |                               |         |
| Share capital   |                                 | <b>13,867</b>  |                               | 13,882  |
| Share premium account                                 |                                 | <b>15,242</b>  |                               | 15,242  |
| Special distributable reserve                         |                                 | <b>16,387</b>  |                               | 16,625  |
| Capital redemption reserve                            |                                 | <b>2,665</b>   |                               | 2,650   |
| Capital reserve                                       |                                 | <b>283,191</b> |                               | 167,982 |
| Revenue reserve                                       |                                 | <b>7,099</b>   |                               | 4,489   |
| <b>Shareholders' funds</b>                            |                                 | <b>338,451</b> |                               | 220,870 |
| <b>Net asset value per ordinary share (note 5)</b>    |                                 | <b>610.2p</b>  |                               | 397.7p  |

# The Independent Investment Trust PLC

## Statement of changes in equity

For the year ended 30 November 2017 (unaudited)

|  | Share capital<br>£'000 | Share premium<br>account<br>£'000 | Special<br>distributable<br>reserve<br>£'000 | Capital<br>redemption<br>reserve<br>£'000 | Capital<br>reserve*<br>£'000 | Revenue<br>reserve<br>£'000 | Shareholders'<br>funds<br>£'000 |
|--|------------------------|-----------------------------------|--|---|------------------------------|-----------------------------|---------------------------------|
| Shareholders' funds at 1 December 2016           | 13,882                 | 15,242                            | 16,625                                       | 2,650                                     | 167,982                      | 4,489                       | 220,870                         |
| Net return on ordinary activities after taxation | -                      | -                                 | -  | -   | 115,209                      | 5,106                       | 120,315                         |
| Shares bought back for cancellation (note 5)     | (15)                   | -                                 | (238)  | 15  | -                            | -                           | (238)                           |
| Dividends paid during the year (note 4)          | -                      | -                                 | -  | -   | -                            | (2,496)                     | (2,496)                         |
| <b>Shareholders' funds at 30 November 2017</b>   | <b>13,867</b>          | <b>15,242</b>                     | <b>16,387</b>                                | <b>2,665</b>                              | <b>283,191</b>               | <b>7,099</b>                | <b>338,451</b>                  |

For the year ended 30 November 2016 (audited)

|  | Share capital<br>£'000 | Share premium<br>account<br>£'000 | Special<br>distributable<br>reserve<br>£'000 | Capital<br>redemption<br>reserve<br>£'000 | Capital<br>reserve*<br>£'000 | Revenue<br>reserve<br>£'000 | Shareholders'<br>funds<br>£'000 |
|--|------------------------|-----------------------------------|--|---|------------------------------|-----------------------------|---------------------------------|
| Shareholders' funds at 1 December 2015           | 14,032                 | 15,242                            | 18,831                                       | 2,500                                     | 162,123                      | 6,243                       | 218,971                         |
| Net return on ordinary activities after taxation | -                      | -                                 | -  | -   | 5,859                        | 4,420                       | 10,279                          |
| Shares bought back for cancellation (note 5)     | (150)                  | -                                 | (2,206)                                      | 150                                       | -                            | -                           | (2,206)                         |
| Dividends paid during the year (note 4)          | -                      | -                                 | -  | -   | -                            | (6,174)                     | (6,174)                         |
| <b>Shareholders' funds at 30 November 2016</b>   | <b>13,882</b>          | <b>15,242</b>                     | <b>16,625</b>                                | <b>2,650</b>                              | <b>167,982</b>               | <b>4,489</b>                | <b>220,870</b>                  |

\* The Capital Reserve balance at 30 November 2017 included an investment holding gain on fixed asset investments of £145,636,000 (2016 – gain of £57,240,000).



# The Independent Investment Trust PLC

## Notes (unaudited)

1. The unaudited financial statements for the year to 30 November 2017 have been prepared in accordance with FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. The accounting policies adopted are consistent with those of the previous financial year. The Company has elected not to present a Statement of Cash Flows for the current year as a Statement of Changes in Equity has been provided and substantially all of the Company's investments are highly liquid and are carried at market value.

| 2. <b>Income</b>                                | Year to<br>30 November 2017<br>£'000 | Year to<br>30 November 2016<br>£'000 |
|---|--------------------------------------|--------------------------------------|
| Income from investments and interest receivable | <b>5,808</b>                         | 5,120                                |
| Other income                                    | <b>22</b>                            | 19                                   |
|   | <b>5,830</b>                         | 5,139                                |

| 3. <b>Net return per ordinary share</b>                             | Year to 30 November 2017 |                |                | Year to 30 November 2016 |         |        |
|---|--------------------------|----------------|----------------|--------------------------|---------|--------|
|   | Revenue                  | Capital        | Total          | Revenue                  | Capital | Total  |
| Net return on ordinary activities after taxation (£'000)            | <b>5,106</b>             | <b>115,209</b> | <b>120,315</b> | 4,420                    | 5,859   | 10,279 |
| Weighted average number of ordinary shares in issue during the year | <b>55,477,890</b>        |                |                | 55,738,196               |         |        |
| <b>Net return per ordinary share: Basic</b>                         | <b>9.20p</b>             | <b>207.67p</b> | <b>216.87p</b> | 7.93p                    | 10.51p  | 18.44p |

Returns per ordinary share are based on the return for the financial year and on the weighted average number of ordinary shares in issue during the year as shown above. There are no dilutive or potentially dilutive shares in issue.

| 4. <b>Ordinary dividends</b>                            | Year to<br>30 November 2017 |              | Year to<br>30 November 2016 |       |
|---|-----------------------------|--------------|-----------------------------|-------|
|   | Pence                       | £'000        | Pence                       | £'000 |
| <b>Amounts recognized as distributions in the year:</b> |                             |              |                             |       |
| Previous year's second interim dividend                 | -                           | -            | 3.00                        | 1,684 |
| Previous year's special dividend paid 6 April 2017      | <b>2.50</b>                 | <b>1,387</b> | 3.00                        | 1,684 |
| Interim dividend paid 25 August 2017                    | <b>2.00</b>                 | <b>1,109</b> | 5.00                        | 2,806 |
|   | <b>4.50</b>                 | <b>2,496</b> | 11.00                       | 6,174 |

Set out below are the total dividends paid and proposed in respect of the financial year, which is the basis on which the requirements of section 1158 of the Corporation Tax Act 2010 are considered. The revenue available for distribution by way of dividend for the year is £5,106,000 (2016 - £4,420,000).

| <b>Ordinary dividends</b>                               | Year to<br>30 November 2017 |              | Year to<br>30 November 2016 |       |
|---|-----------------------------|--------------|-----------------------------|-------|
|   | Pence                       | £'000        | Pence                       | £'000 |
| <b>Amounts paid and payable in respect of the year:</b> |                             |              |                             |       |
| Interim dividend paid 25 August 2017                    | <b>2.00</b>                 | <b>1,109</b> | 5.00                        | 2,806 |
| Final dividend payable 6 April 2018                     | <b>4.00</b>                 | <b>2,219</b> | -                           | -     |
| Special dividend payable 6 April 2018                   | <b>2.00</b>                 | <b>1,109</b> | 2.50                        | 1,388 |
|   | <b>8.00</b>                 | <b>4,437</b> | 7.50                        | 4,194 |

If approved, the recommended final and special dividends will be paid on 6 April 2018 to all shareholders on the register at the close of business on 23 February 2018. The ex-dividend date is 22 February 2018.

# The Independent Investment Trust PLC

| 5. | Net asset value per ordinary share              | At 30 November<br>2017<br>£000 | At 30 November<br>2016<br>£'000 |
|----|---|--------------------------------|---------------------------------|
|    | Net asset value attributable to ordinary shares | <b>338,451</b>                 | 220,870                         |

Net asset value per share is based on net assets (as shown above) and on 55,470,000 shares (2016 – 55,530,000), being the number of shares in issue at the year end. There are no dilutive or potentially dilutive shares in issue.

During the year the Company bought back and cancelled 60,000 (2016 – 600,000) ordinary shares with a nominal value of £15,000 (2016 – £150,000) at a cost of £238,000 (2016 - £2,206,000). No shares were allotted during the year. At 30 November 2017 the Company had authority remaining to buy back a further 8,314,953 ordinary shares and to allot new shares up to an aggregate nominal value amount of £4,774,939.

6. Transaction costs incurred on the purchase and sale of the investments are added to the purchase cost or deducted from the sale proceeds, as appropriate. During the year, transaction costs on purchases amounted to £153,000 (2016 - £64,000) and transaction costs on sales amounted to £155,000 (2016 - £99,000).
7. The financial information set out above does not constitute the Company's statutory accounts for the year ended 30 November 2017. The financial information for 2016 is derived from the financial statements for 2016 which have been delivered to the Registrar of Companies. The auditors have reported on the 2016 accounts; their report was unqualified, did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying the report and did not contain a statement under sections 498 (2) or 498(3) of the Companies Act 2006. The statutory accounts for 2017 will be finalised on the basis of the financial information presented in this preliminary announcement and will be delivered to the Registrar of Companies following the Company's Annual General Meeting. The Auditors have advised the Company that they do not expect their report on the 2017 statutory accounts to include any modification or emphasis of matter statements.
8. The Report and Accounts will be available on the Company's website [www.independentinvestmenttrust.co.uk](http://www.independentinvestmenttrust.co.uk)† on or around 12 February 2018.

† *Neither the contents of the Company's website nor the contents of any website accessible from hyperlinks on the Company's website (or any other website) is incorporated into, or forms part of, this announcement.*

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

# The Independent Investment Trust PLC

## Glossary of Terms

### **Total Assets**

The total value of all assets held less all liabilities (other than liabilities in the form of borrowings).

### **Net Asset Value**

Net Asset Value (NAV) is the value of total assets held less all liabilities (including liabilities in the form of borrowings). The NAV per share is calculated by dividing this amount by the number of ordinary shares in issue.

### **Discount/Premium**

As stock markets and share prices vary, an investment trust's share price is rarely the same as its NAV. When the share price is lower than the NAV per share it is said to be trading at a discount. The size of the discount is calculated by subtracting the share price from the NAV per share and is usually expressed as a percentage of the NAV per share. If the share price is higher than the NAV per share, this situation is called a premium.

### **Net Liquid Assets**

Net liquid assets comprise current assets less current liabilities, excluding borrowings.

### **Total Return**

The total return is the return to shareholders after reinvesting the net dividend on the date that the share price goes ex-dividend.

### **Ongoing Charges**

The total administrative expenses incurred by the Company as a percentage of the average shareholders' funds.

### **Gearing**

At its simplest, gearing is borrowing. Just like any other public company, an investment trust can borrow money to invest in additional investments for its portfolio. The effect of the borrowing on the shareholders' assets is called 'gearing'. If the Company's assets grow, the shareholders' assets grow proportionately more because the debt remains the same. But if the value of the Company's assets falls, the situation is reversed. Gearing can therefore enhance performance in rising markets but can adversely impact performance in falling markets.

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