

THE INDEPENDENT INVESTMENT TRUST PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 30 November 2021

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and Objective and Policy

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FINANCIAL HIGHLIGHTS*

for the year ended 30 November 2021

	2021	2020	% change
Net asset value per share	617.9p	547.1p	12.9
Share price	544.0p	505.0p	7.7
FTSE All-Share Index†	4,025.9	3,542.9	13.6
FTSE World Index†	964.6	803.5	20.0
Revenue earnings per share	9.61p	6.09p	57.8
Regular dividend per share (Including interim dividend paid of 3.00p (2020 – 3.00p))	8.00p	8.00p	0.0
Special dividend per share	1.00p	–	–
Discount#	12.0%	7.7%	
Ongoing charges#	0.24%	0.27%	
	2021	2020	
Total returns†			
Net asset value#	14.4%	(2.2%)	
Share price#	9.3%	(0.2%)	
FTSE All-Share Index	17.4%	(10.3%)	
FTSE World Index	22.3%	11.3%	

*For a definition of terms see Glossary of Terms and Alternative Performance Measures on pages 56 and 57.

†Source: Baillie Gifford/Refinitiv and relevant underlying index providers. See disclaimer on page 55.

#Alternative performance measure, see Glossary of Terms and Alternative Performance Measures on pages 56 and 57.

OBJECTIVE AND POLICY

The Company's objective is to provide good absolute returns over long periods by investing the great majority of its assets in UK and international quoted securities and, if appropriate, index futures. The portfolio is constructed without reference to the composition of any stockmarket index. Although its investment policy allows gearing, including the use of derivatives, the Company is not permitted to employ gearing whilst it continues to be a small registered UK Alternative Investment Fund Manager (AIFM). When appropriate, the directors will sanction a relatively concentrated portfolio structure and, depending on its AIFM status, relatively high levels of gearing. Further details of the Company's investment policy are given in the Strategic Report on pages 9 and 10.

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 14 and incorporates the Chairman's Statement, has been prepared in accordance with the Companies Act 2006.

Chairman's Statement

Over the year to 30 November 2021, our company produced a net asset value (NAV) total return of 14.4%. Over the same period, theoretical investments in the FTSE All-Share Index and the FTSE World Index would have produced total returns of 17.4% and 22.3% respectively. This disappointing result is the product of very poor performance in the last ten weeks of our year, over which period we underperformed the FTSE All-Share Index by more than 7%. It is too early to offer a confident assessment of how much of this underperformance is attributable to fundamental developments at our holdings, but our current impression is that a change in market sentiment was an important element behind it.

The resulting decline in the popularity of our shares saw the discount move up from 7.7% at 30 November 2020 to 12.0% at 30 November 2021, producing a share price total return of 9.3%.

In general, the year 2021 was one of strong recovery for the world economy, although the Covid-19 pandemic continued to cast a long shadow over areas such as the travel industry. The speed of the recovery exposed capacity constraints in the shipping industry, which led to spectacular inflation in freight rates and a general disruption of supply lines. With further pressure from energy prices, and expansive monetary policy, inflation has been, and continues to be, much stronger than many had expected. Central banks would normally have been expected to react to these developments by tightening policy to a greater extent than they have, but fears over the robustness of the recovery in the face of regular mutations of the virus have stayed their hands. Investors have applauded this policy stance and markets have performed strongly.

The one major change in the industrial distribution of the portfolio was the emergence of the Business Services sector as our second biggest on the back of purchases of Bytes Technology and Big Technologies (both through initial public offerings) and strong share price performances from all three of our holdings. Our cash balances at 30 November 2021 amounted to 12.5%, down from 19.2% at 30 November 2020. Further comments on the portfolio can be found in the Managing Director's Report on pages 4 and 5.

Our performance over the last four years has not been good, but earlier triumphs mean that our long term record still bears comparison: for the period from inception in October 2000 to 30 November 2021, we produced an NAV total return of 861%, equivalent to a rate of roughly 11.4% per annum, of which 2.9% 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 183%, or 5.1% per annum.

Revenue earnings per share for the year were 9.61p (6.09p in 2020). With the reversion to our traditional practice of holding our AGM in March, we are proposing a final dividend of 5p giving a regular dividend of 8p (8p in 2020). We are also declaring a special dividend of 1p to give a total dividend for the year of 9p (8p in 2020). Both will be paid on 8 April with an ex-dividend date of 10 March.

Past performance is not a guide to future performance.

For a definition of Terms see Glossary of Terms and Alternative Performance Measures on pages 56 and 57.

Total return information is sourced from Baillie Gifford/Refinitiv and relevant underlying index providers. See disclaimer on page 55.

Our ongoing charges ratio fell from 0.27% to 0.24%. This maintains our position as one of the lowest cost – if not the lowest cost – actively managed investment trusts.

We have again been active in buying in our own shares: over the year we bought in rather over 1.3m shares at an average discount of 11.7%. We intend to continue the practice whenever we consider it to be in the interests of continuing shareholders.

Despite the disappointing performance of the portfolio, we remain pleased with the quality of its constituents. Most of them are trading well and those that are not are in a strong financial condition. Our chief concerns are not with our businesses but with the level of stockmarkets generally and with the risk that central banks may be misjudging the possibility of more durable inflation than they are currently anticipating.

We are currently planning to hold the AGM in the offices of Baillie Gifford at Calton Square at 4.30pm on 24 March 2022. 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. In the event that government regulations disrupt this plan, any changes will be posted on the Company's website *independentinvestmenttrust.co.uk*.

Douglas McDougall
19 January 2022

Managing Director's Report

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

It has been a good year for our technology holdings. Worth £69.8m at 30 November 2020, they had grown in value to £70.3m by 30 November 2021 after net sales of £15.6m. The two biggest contributors were Herald, which benefited from an excellent underlying portfolio performance, and Seeing Machines, which has been enjoying a sharp increase in interest in its technology after the hiatus caused by the pandemic. Alfa Financial Software and Zoo Digital both staged strong recoveries from depressed valuations on the back of favourable trading news with Zoo being sold on grounds of valuation. FDM's business has shown encouraging signs of recovery, but a sense that much of this had already been discounted led us to reduce the holding. Gamma Communications continued to deliver strong results, but its share price fell disappointingly in the second half of our year. Blue Prism was bid for towards the end of our year. The level of the bid was disappointing, but we had already realized big profits on the holding over the years. The digital services business Made Tech, bought at its initial public offering (IPO), made a disappointing start as concerns emerged over wage inflation in the technology industry.

Two new purchases (both at IPO) and strong all round share price performances led to Business Services becoming our second largest sector. Midwich is enjoying a strong recovery in its business, which was reflected in its share price performance. The relative lack of liquidity in the market for its shares prompted us to take advantage of this and realize some profits. The share price of Bytes Technology, one of the UK's leading software distributors, all but doubled between the time of our purchase and 30 November 2021 on the back of better trading than was generally expected. Big Technologies has developed electronic tags which are currently being deployed to monitor criminals, but which also have potential applications in healthcare. Their tags are significantly more reliable than most other tags on the market, which has led to very strong new business flows. Overall, the value of our Business Services holdings grew from £12.1m on 30 November 2020 to £53.8m at 30 November 2021 after net purchases of £19.7m.

It was a brutal year for our Travel and Leisure holdings: despite net purchases of £13.7m, the value of our stake had only increased from £47.6m at 30 November 2020 to £51.8m at 30 November 2021. Our holiday companies, Jet2 and On The Beach were particularly badly hit as hopes of a lifting of travel restrictions were continually deferred. We believe both will perform well once restrictions are finally lifted, not least because so many competitors have had to retrench. Our computer gaming companies also had a difficult time after their strong showing in 2020. In the case of Team 17 and tinyBuild, trading news was in line with expectations, but Frontier Developments suffered disappointments with some of its new launches. The one bright spot was the café bar operator, Loungers, which traded strongly whenever it was allowed to open.

After a dismal performance last year, our housebuilding holdings showed something of a return to form in the year under review: a stake worth £28.6m at 30 November 2020 had grown in value to £33.6m by 30 November 2021 after net purchases of £0.4m. As the year started many were expecting a subdued housing market in 2021, arguing that the ending of stamp duty relief and the tightening of Help to Buy restrictions would take the wind out of a market widely thought to have over-reached itself in the exuberance of its post covid recovery. In the event, long term structural demand combined with good levels of affordability to produce one of the strongest housing markets in recent years, at least in terms of pricing. Supply remained a problem with many housebuilders suffering planning delays, but all our holdings are on track to produce good results for the year. Their share prices were strong throughout the first half of the year, but then succumbed to fears of rising interest rates. As has often been the case in the past, we find ourselves struggling to envisage the scale of setback to their prospects that now appears discounted in their valuations.

Past performance is not a guide to future performance.

Our renewed enthusiasm for the retail sector has turned out to be at best premature: a stake worth £6.2m at 30 November 2020 grew in value to £19.3m by 30 November 2021, but that was only after net purchases of £19.7m. Motorpoint, the only retail holding at the start of the period, delivered a strong fundamental performance and a satisfactory share price performance as it embarked upon its transition towards becoming a retailer with equal strengths online and offline. Our three new purchases, the online retailers Victorian Plumbing, Moonpig and Seraphine, all delivered disappointing share price performances. In the case of Victorian Plumbing sales disappointed after the end of lockdown; in the case of Seraphine, a specialist in maternity wear, a temporary supply chain glitch disrupted its first half sales and profits, but appears not to have had any lasting ill effects; and in the case of Moonpig, sales and profits above management's predictions (albeit below the levels of the preceding year) were not enough to prevent the share price from falling.

In the healthcare area, good share price performances led us to sell out of Oxford Biomedica at a good profit and to reduce our holding in Medica, which has been a disappointing investment. We also bought a small holding in Synairgen, which is carrying out phase 3 trials on a product which might have a big role to play in treating serious covid cases. In tobacco, we sold out of Imperial Brands at a good profit, but made only a modest return in our holding in British American.

Elsewhere in the portfolio, the strong performance of Ashtead after we bought it back merely illustrated the scale of our mistake in selling it early in the pandemic. Telecom Plus performed disappointingly for much of the year, but came to life when many of its most troublesome competitors found themselves in financial difficulties. We made a further reduction in our Fever-Tree holding purely on grounds of valuation and we sold out of Derwent London at a small profit. Finally, while our longstanding holding in Polar Capital Global Insurance had a satisfactory year, our big holding in Direct Line performed poorly as investors switched their attention to more exciting stories.

Max Ward
19 January 2022

List of Investments

As at 30 November 2021

Sector	Name	2020 Value £'000	Net transactions £'000	Gains/ (losses) £'000	2021 Value £'000	%
Housing	Bellway	11,320	–	1,152	12,472	3.8
	Persimmon	6,906	374	931	8,211	2.5
	Redrow	10,380	–	2,576	12,956	4.0
		28,606	374	4,659	33,639	10.3
Industrials	Ashtead Group	–	3,800	5,266	9,066	2.8
Retailing	Moonpig Group	–	5,280	(366)	4,914	1.5
	Motorpoint	6,200	(1,870)	620	4,950	1.5
	Seraphine Group	–	4,498	(2,119)	2,379	0.7
	Victorian Plumbing	–	11,790	(4,770)	7,020	2.2
	Alibaba Group	–	(6)	6	–	–
		6,200	19,692	(6,629)	19,263	5.9
Consumer Services	Telecom Plus	8,580	(343)	(74)	8,163	2.5
Travel and Leisure	Frontier Developments	9,158	(2,726)	(1,519)	4,913	1.5
	Jet2	–	11,978	(2,220)	9,758	3.0
	Loungers	3,737	–	979	4,716	1.5
	On the Beach Group	11,580	(3,841)	(3,080)	4,659	1.4
	Team 17 Group	23,100	(1,654)	(3,526)	17,920	5.5
	tinyBuild	–	9,993	(193)	9,800	3.0
	47,575	13,750	(9,559)	51,766	15.9	
Business Services	Big Technologies	–	10,250	3,280	13,530	4.1
	Bytes Technology Group	–	14,207	13,443	27,650	8.5
	Midwich	12,100	(4,760)	5,260	12,600	3.9
	12,100	19,697	21,983	53,780	16.5	
Tobacco	Imperial Brands	9,527	(10,718)	1,191	–	–
	British American Tobacco	10,556	–	(438)	10,118	3.1
		20,083	(10,718)	753	10,118	3.1
Technology and Telecommunications	Alfa Financial Software	3,255	–	1,645	4,900	1.5
	Blue Prism	7,135	(6,026)	255	1,364	0.4
	FDM Group	15,360	(5,387)	1,247	11,220	3.4
	Gamma Communications	11,235	–	651	11,886	3.7
	Herald Investment Trust	24,700	(4,748)	6,228	26,180	8.0
	Made Tech Group	–	5,671	(919)	4,752	1.5
	Seeing Machines	6,784	(2,998)	6,239	10,025	3.1
	Zoo Digital Group	1,300	(2,160)	860	–	–
	69,769	(15,648)	16,206	70,327	21.6	
Beverages	Fever-Tree Drinks	9,240	(4,544)	484	5,180	1.6
Insurance	Direct Line Insurance Group	14,785	–	(1,265)	13,520	4.1
Property	Derwent London	6,080	(6,842)	762	–	–
Healthcare	Medica Group	4,920	(3,111)	1,391	3,200	1.0
	Oxford Biomedica	6,027	(7,637)	1,610	–	–
	Synairgen	–	923	291	1,214	0.4
	10,947	(9,825)	3,292	4,414	1.4	
Financials	Polar Capital Global Insurance Fund - Ireland	5,325	–	614	5,939	1.8
TOTAL INVESTMENTS		239,290	9,393	36,492	285,175	87.5
Net liquid assets		56,970	(16,044)	–	40,926	12.5
SHAREHOLDERS' FUNDS		296,260	(6,651)	36,492	326,101	100.0

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

Long Term Record

Capital

<i>At 30 November</i>	Total assets £'000	Bank loans £'000	Shareholders' funds £'000	Net asset value per share*† p	Share price* p	Premium/ (discount)*† %
2001	67,314	9,506	57,808	109.0	113.50	4.1
2002	79,073	12,640	66,433	111.8	122.50	9.6
2003	104,333	11,047	93,286	143.0	150.50	5.2
2004	109,818	6,801	103,017	157.9	158.50	0.4
2005#	166,379	29,032	137,347	210.6	213.75	1.5
2006	225,149	38,279	186,870	282.6	292.00	3.3
2007	160,168	9,994	150,174	227.1	207.00	(8.9)
2008	94,239	–	94,239	144.6	117.50	(18.7)
2009	121,432	–	121,432	194.9	168.00	(13.8)
2010	143,647	–	143,647	234.5	203.50	(13.2)
2011	138,225	–	138,225	226.4	186.00	(17.8)
2012	145,121	–	145,121	245.3	212.75	(13.2)
2013	166,890	–	166,890	287.2	268.50	(6.5)
2014	179,860	–	179,860	310.8	290.50	(6.5)
2015	218,971	–	218,971	390.1	363.00	(6.9)
2016	220,870	–	220,870	397.7	353.00	(11.2)
2017	338,451	–	338,451	610.2	654.00	7.2
2018	297,573	–	297,573	537.4	531.00	(1.2)
2019	312,869	–	312,869	571.8	518.00	(9.4)
2020	296,260	–	296,260	547.1	505.00	(7.7)
2021	326,101	–	326,101	617.9	544.00	(12.0)

*For a definition of Terms see Glossary of Terms and Alternative Performance Measures on pages 56 and 57.

†Alternative performance measure, see Glossary of Terms and Alternative Performance Measures on pages 56 and 57.

#The figures prior to 2005 have not been restated for changes in accounting policies implemented in 2006.

Revenue

<i>Period to 30 November</i>	Revenue return £'000	Revenue return per ordinary share p	Regular dividends per ordinary share p	Special dividends per ordinary share p	Ongoing charges‡§ %	Gearing Ratio Net gearing/ (cash)¶§ %
2001	1,907	3.60	2.00	1.00	0.65	4
2002	1,745	3.17	2.50	–	0.54	11
2003	2,446	3.95	3.00	–	0.43	3
2004	2,972	4.56	3.75	–	0.39	(5)
2005	3,258	4.99	4.25	–	0.32	15
2006	3,121	4.78	4.50	–	0.26	13
2007	3,544	5.36	5.00	–	0.33	(14)
2008	4,184	6.34	5.00	0.75	0.59	(15)
2009	2,639	4.16	5.00	3.00	0.41	(11)
2010	3,525	5.72	5.00	–	0.35	(11)
2011	4,024	6.57	5.00	0.60	0.42	(19)
2012	3,486	5.81	5.00	–	0.43	(16)
2013	3,606	6.16	5.00	1.00	0.39	(10)
2014	4,260	7.35	5.00	2.00	0.36	(7)
2015	4,738	8.30	5.00	3.00	0.32	(2)
2016	4,420	7.93	5.00	2.50	0.34	(5)
2017	5,106	9.20	6.00	2.00	0.25	(7)
2018	5,839	10.53	7.00	3.00	0.21	(8)
2019	7,431	13.48	8.00	5.00	0.24	(14)
2020	3,322	6.09	8.00	–	0.27	(19)
2021	5,119	9.61	8.00	1.00	0.24	(13)

‡Total administrative expenses expressed as a percentage of shareholders' funds. The percentages for 2011 onwards have been calculated using average shareholders' funds in accordance with the methodology recommended by the AIC. The other years are calculated based on closing shareholders' funds.

¶Borrowings less available cash (cash and cash equivalents as adjusted for investment and share buyback transactions awaiting settlement) and fixed interest securities (ex convertibles) divided by shareholders' funds.

§For a definition of Terms see Glossary of Terms and Alternative Performance Measures on pages 56 and 57.

Past performance is not a guide to future performance.

Cumulative Performance (taking 18 October 2000[§] as 100)

At 30 November	Net asset value per share	Share price	FTSE All-share Index [^]	Net asset value total return* [^]	Share price total return* [^]	FTSE All-share total return [^]	Regular dividend per ordinary share**	Retail price index [^]
2000	100	100	100	100	100	100	–	100
2001	111	114	85	110	111	88	100	101
2002	114	123	68	116	123	72	125	104
2003	145	151	73	153	155	80	150	106
2004	161	159	80	173	166	90	188	110
2005	214	214	93	233	229	109	213	113
2006	287	292	106	319	319	128	225	117
2007	231	207	111	259	230	139	250	122
2008	147	118	72	168	134	94	250	126
2009	198	168	90	233	200	122	250	126
2010	238	204	97	296	253	136	250	132
2011	230	186	96	291	237	139	250	139
2012	249	213	104	318	276	156	250	143
2013	292	269	121	385	358	187	250	147
2014	316	291	122	424	396	196	250	150
2015	397	363	119	544	506	197	250	151
2016	404	353	125	576	506	217	250	155
2017	621	654	137	888	947	246	300	161
2018	547	531	130	788	777	242	350	166
2019	581	518	138	848	774	269	400	170
2020	556	505	120	846	773	241	400	171
2021	628	544	137	961	845	283	400	183
Compound annual returns (%)								
5 year	9.2	9.0	1.7	10.7	10.8	5.5	9.9	3.4
10 year	10.6	11.3	3.6	12.7	13.6	7.3	4.8	2.8
Since inception	9.1	8.4	1.5	11.4	10.7	5.1	7.2	2.9

[§]Launch date of Company.

[^]Source: Baillie Gifford/Refinitiv and relevant underlying index providers. See disclaimer on page 55.

*For a definition of Terms see Glossary of Terms and Alternative Performance Measures on pages 56 and 57.

**Regular dividend taking 2001 as 100.

Past performance is not a guide to future performance.

Business Review

Business Model

Business and Status

The Company is an investment company within the meaning of section 833 of the Companies Act 2006 and carries on business as an investment trust. Investment trusts are UK public listed companies and their shares are traded on the London Stock Exchange. They invest in a portfolio of assets in order to spread risk. The Company has a fixed share capital, although, as explained on pages 17 and 18, it may purchase its own shares or issue shares. The price of the Company's shares is determined, like other listed shares, by supply and demand.

The Company has been approved as an investment trust by HM Revenue & Customs subject to the Company continuing to meet the eligibility conditions. The directors are of the opinion that the Company has continued to conduct its affairs so as to enable it to comply with the ongoing requirements of section 1158 of the Corporation Tax Act 2010. The Company is a small registered UK Alternative Investment Fund Manager under the Alternative Investment Fund Managers Regulations 2013. It is self-managed and secretarial and administrative services are provided by Baillie Gifford & Co.

Objective and Policy

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

The Company's objective is to provide good absolute returns over long periods by investing the great majority of its assets in UK and international quoted securities and, if appropriate, index futures.

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

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

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

- (a) the Company's strategy for the use of derivative instruments must have the prior authorization of the board;
- (b) the Company shall not use derivative instruments to the extent that such use would achieve an economic exposure within the Company's portfolio which would not be permitted by the other requirements of the Company's investment policy including asset allocation, risk diversification and maximum exposures; and
- (c) the Company shall aggregate the effective gearing of all of its outstanding derivative instruments with its borrowings and shall not invest in a derivative instrument if, immediately following such investment, the Company's aggregate gearing would exceed a sum equal to 50% of its net assets.

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

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

A detailed analysis of the Company's investment portfolio is set out on page 6 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 of the share price to the net asset value; and
- the ongoing charges.

An explanation of these measures can be found in the Glossary of Terms and Alternative Performance Measures of pages 56 and 57.

In addition to the above, the board also has regard to the total return of the FTSE All-Share Index and considers the performance of comparable companies.

The Long Term Record on pages 7 and 8 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 and Emerging Risks

As explained on pages 22 and 23 there is a process for identifying, evaluating and managing the risks faced by the Company on a regular basis. The directors have carried out a robust assessment of the principal and emerging risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity. A description of these risks and how they are being managed or mitigated is set out below.

The board considers the coronavirus (Covid-19) pandemic to be a factor which exacerbates existing risks, rather than a new emerging risk. Its impact is considered within the relevant risks.

Financial risk – The Company’s assets consist mainly of listed securities and its principal financial risks are therefore market related and include market risk (comprising currency risk, interest rate risk and other price risk), liquidity risk and credit risk. An explanation of those risks and how they are managed is contained in note 16 to the accounts on pages 47 to 49. The board has, in particular, considered the impact of heightened market volatility since the Covid-19 outbreak. To mitigate this risk, at each board meeting the composition and diversification of the portfolio by geographical and industrial sectors are considered along with sales and purchases of investments. Individual investments are discussed with the managing director together with his general views on the various investment markets and sectors.

Investment strategy risk – pursuing an investment strategy to fulfil the Company’s objective which the market perceives to be unattractive or inappropriate, or an ineffective implementation of an attractive or appropriate strategy, may lead to reduced returns for shareholders and, as a result, a decreased demand for the Company’s shares. This may lead to the Company’s shares trading at a widening discount to their Net Asset Value. To mitigate this risk, the board regularly reviews and monitors: the Company’s objective and investment policy and strategy; the investment portfolio and its performance; the level of discount/premium to Net Asset Value at which the shares trade; and movements in the share register.

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

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

Operational risk – risk of loss resulting from inadequate or failed internal controls, processes and systems, or from external events. To mitigate this risk, Baillie Gifford’s Internal Audit and Compliance departments provide regular reports to the audit committee. The board also reviews Baillie Gifford’s Report on Internal Controls and the reports by other key service providers are reviewed by Baillie Gifford on behalf of the board. In addition, Baillie Gifford has a comprehensive business continuity plan which facilitates continued operations of the business in the event of a service disruption (including any disruption resulting from the coronavirus pandemic) or major disaster. Baillie Gifford has continued to work on a business-as-usual basis throughout the Covid-19 pandemic. Following the relaxation of Covid-19 restrictions by the Scottish and UK governments, there had been a

gradual increase in office attendance with a hybrid model operating whereby staff determined the most appropriate split between working from home and working in the office. With the recent re-introduction of restrictions, Baillie Gifford staff have, in the main, reverted to working from home. In the year under review, the other key third party service providers have not experienced significant operational difficulties affecting their respective services to the Company.

Discount risk – the discount/premium at which the Company's shares trade relative to its Net Asset Value can change. The risk of a widening discount is that it may undermine investor confidence in the Company. To manage this risk, the board monitors the level of discount/premium at which the shares trade and the Company has authority to buy back its existing shares when deemed by the board to be in the best interests of the Company and its shareholders.

Economic, Social and Governance (ESG) risk – a failure by the investment manager to identify potential future problems on ESG matters in an investee company could lead to the Company's shares being less attractive to investors as well as potential valuation issues in the underlying investee company.

Political risk – the board is of the view that political change in areas in which the Company invests or may invest may have practical consequences for the Company. To mitigate this risk, developments are closely monitored and considered by the board. Whilst there remains considerable uncertainty at present, the board will continue to monitor developments as they occur and assess the potential consequences for the Company's future activities.

Resource risk – as the Company is self managed and has only two employees (the managing director and full-time portfolio manager of the portfolio, Max Ward, and an office manager) the loss of personnel may adversely impact investment performance. To mitigate this risk, contingency plans are in place to deal with any loss of personnel. Secretarial and accounting functions are contracted out to Baillie Gifford & Co and are not subject to resource risk.

Viability Statement

In accordance with provision 31 of the UK Corporate Governance Code, the directors have assessed the prospects of the Company over a five year period. The directors believe this period to be appropriate as it is reflective of the Company's investment and planning timeframe and, in the absence of any adverse change to the regulatory environment and the favourable tax treatment afforded to UK investment trusts, is a period over which they do not expect there to be any significant change to the current principal risks nor to the adequacy of the mitigating controls in place. The directors do not envisage any change in strategy or objectives that would prevent the Company from continuing to operate over that period.

Contingency plans are in place to deal with any loss of key personnel. In the event of the departure of the managing director, the board would endeavour to present shareholders with an option to realize their investment at around liquidating value, being the net asset value less expenses relating to the liquidation of the company, or to convert to another investment trust.

In making this assessment the directors have taken into account the Company's current position and its self-managed status and have conducted a robust assessment of the Company's principal and emerging risks and uncertainties detailed on pages 10 to 12. The Company's investments are listed and readily realizable.

The Company's primary third party suppliers including its secretaries, custodian, registrar and auditor are not experiencing significant operational difficulties affecting their respective services to the Company. In addition, as substantially all of the essential services required by the Company are outsourced to third party service providers, this allows key service providers to be replaced at relatively short notice where necessary.

Although the Company has the authority to buy back up to 14.99% of its issued share capital, which is renewed annually, there is no stated discount control mechanism in place. The directors have also considered the Company's investment objective and policy, its dividend policy, the nature of its assets, its liabilities and projected income and expenditure.

The Company is not permitted to employ gearing whilst it continues to be a small registered UK AIFM, its ongoing charges are a very small percentage of its assets (2021 – 0.24%; 2020 – 0.27%) and the vast majority of the Company's investments are readily realizable and, for the most part, can be sold to meet liabilities as they fall due.

The board and manager have specifically considered the UK's departure from the European Union on 31 December 2020 and the subsequent trade agreement and do not consider that this will affect the going concern status or viability of the Company.

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

Promoting the Success of the Company (Section 172 Statement)

Under section 172 of the Companies Act 2006, the directors of a company must act in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters and to the extent applicable) to:

- (a) the likely consequences of any decision in the long term;
- (b) the interests of the company's employees;
- (c) the need to foster the company's business relationships with suppliers, customers and others;
- (d) the impact of the company's operations on the community and the environment;
- (e) the desirability of the company maintaining a reputation for high standards of business conduct; and
- (f) the need to act fairly as between members of the company.

In this context, the board considers the Company's key stakeholders to be: its existing and potential new shareholders; its employees; its secretaries and other professional service providers (registrar, auditor and custodian); wider society and the environment where applicable.

The board considers that the interests of the Company's key stakeholders are aligned, in terms of wishing to see the Company deliver good absolute returns over long periods, in line with its objective and strategy, and meet the highest standards of legal, regulatory and commercial conduct.

The board places great importance on communication with shareholders. The Annual General Meeting provides the key forum for the board and manager to present to shareholders on the Company's performance, future plans and prospects. It also allows shareholders the opportunity to meet the board and manager and to raise questions and concerns. The chairman is available to meet shareholders as appropriate. Shareholders may also communicate with members of the board at any time by writing to them at the Company's registered office. These communication opportunities help inform the board when considering how best to promote the success of the Company for the benefit of all shareholders over the long term. The board recognizes the public health risk associated with the Covid-19 pandemic arising from public gatherings and notes the Government's continuing measures restricting such gatherings, travel and attendance at workplaces. At the same time, the board is conscious of the legal requirement for The Independent Investment Trust to hold its AGM before the end of May 2022. The Board has for the time being decided to aim to follow the Company's customary corporate timetable and, accordingly, the Company's AGM is being convened to take place at 4.30pm on Thursday 24 March 2022. The board will, however, continue to monitor developments and any changes will be advised to shareholders and details will be updated on the Company's website.

The board seeks to engage with its manager and other service providers in a collaborative and collegiate manner, encouraging open and constructive discussion and debate, whilst also ensuring that appropriate and regular challenge is brought and evaluation conducted. This approach aims to enhance service levels and strengthen relationships with the Company's providers, with a view to ensuring the interests of the Company's shareholders are best served by keeping cost levels proportionate and competitive, and by maintaining the highest standards of business conduct.

The board is aware of the need to consider the impact of the Company's investment strategy and policy on wider society and the environment.

The board recognises the importance of protecting the interests of the Company and its stakeholders, in aggregate, and of acting fairly between them as a factor in its key decision making. The Company's secretaries are at all times available to the board to ensure that suitable consideration is given to the range of factors to which the directors should have regard. In addition to ensuring that the Company's stated investment objective was being pursued, key decisions and actions during the year which required the directors to have regard to applicable section 172 factors included:

- the payment of regular dividends of 8.00p maintaining the regular dividends in the previous year along with a special dividend of 1p;
- the buy back and cancellation of 1,381,976 ordinary shares providing an uplift to remaining shareholders; and
- expenses kept low maintaining one of the lowest ongoing charges ratios in the industry.

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 24.

The Company considers that it does not fall within the scope of the Modern Slavery Act 2015 and it is not, therefore, obliged to make a slavery and human trafficking statement. In any event, the Company considers its supply chains to be of low risk as its suppliers are typically professional advisers.

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 21.

The Strategic Report which is set out on pages 2 to 14 was approved by the board and signed on 19 January 2022.

Douglas McDougall
Chairman

Board of Directors and Investment Management

Board of Directors

Douglas McDougall OBE *Chairman*

Douglas McDougall was a partner in Baillie Gifford & Co from 1969 until April 1999. From 1989, when he was appointed joint senior partner, until his retirement in 1999, he was in overall charge both of the firm's investment departments and of its investment policy committee. He is 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.

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 and Indexed Property Income Trust PLC, The Scottish Oriental Smaller Companies Trust plc, and Northern 3 VCT plc. He was chairman of The North American Income Trust PLC until retiring from the board on 31 December 2021. 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 retired from Maclay Murray & Spens LLP in 2016, having been a partner since 1985 and chairman since 2010.

All the directors are members of the audit committee, nomination committee and remuneration committee with the exception of Mr Ward. Douglas McDougall is the chairman of all three committees. The directors were all appointed with effect from the Company's inception in 2000.

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 £230,000 for the year under review.

Directors' Report

The directors have pleasure in submitting their report together with the audited financial statements of the Company for the year ended 30 November 2021.

Corporate Governance

The Corporate Governance Report is set out on pages 20 to 24 and forms part of this Report.

Directors

Information about the directors and their relevant experience can be found on page 15. All of the directors are retiring at the Annual General Meeting and are offering themselves 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.

The board considers that the chairman and the non-executive directors remain independent notwithstanding having served on the board for more than nine years, as explained on page 21.

Director Indemnification and Insurance

The Company maintains directors' and officers' liability insurance. The Company has entered into qualifying third party deeds of indemnity in favour of each of the directors. The deeds, which were in force during the year to 30 November 2021 and up to the date of approval of this report, cover any liabilities that may arise to a third party, other than the Company, for negligence, default or breach of trust or duty. The directors are not indemnified in respect of liabilities to the Company, any regulatory or criminal fines, any costs incurred in connection with criminal proceedings in which the director is convicted or civil proceedings brought by the Company in which judgement is given against him. In addition, the indemnity does not apply to any liability to the extent that it is recovered from another person.

Conflicts of Interest

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

Dividends

The board has declared a final dividend of 5p per ordinary share and a special dividend of 1p per ordinary share, which together with the interim already paid, makes a total dividend of 9p for the year. The final and special dividends will be paid on 8 April 2022 to shareholders on the register at the close of business on 11 March 2022. The ex-dividend date is 10 March 2022.

Share Capital

Capital Structure

The Company's capital structure consisted of 52,773,681 ordinary shares of 25p each at 30 November 2021 (2020 – 54,155,657 ordinary shares). There are no restrictions concerning the holding or transfer of the Company's ordinary shares and there are no special rights attached to any of the shares.

Dividends

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

Capital Entitlement

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

Voting

Each ordinary shareholder present in person or by proxy is entitled to one vote on a show of hands and, on a poll, one vote for every share held. Information on the deadlines for proxy appointments can be found on pages 52 and 53.

Major Interests in the Company's Shares

The Company has received notifications of the following interests in 3% or more of the voting rights of the Company as at 30 November 2021. There have been no changes in the major interests in the Company's shares intimated up to 18 January 2022.

Name	Number of ordinary 25p shares held at 30 November 2021	% of issued capital
A&OT Investments Limited	9,750,000	18.5
Mr DCP McDougall	7,999,500	15.2
Mr MCB Ward	2,907,000	5.5
Sir Angus Grossart	2,359,100	4.5

Market Purchases of Own Shares

At the last Annual General Meeting the Company was granted authority to purchase up to 8,034,003 ordinary shares (equivalent to 14.99% of its issued share capital), such authority to expire at the conclusion of the Annual General Meeting to be held in respect of the year ended 30 November 2021. During the year to 30 November 2021 the Company bought back 1,381,976 ordinary shares (nominal value of £345,494, representing 2.55% of the called up share capital at 30 November 2020) on the London Stock Exchange for cancellation. The total consideration for these shares was £7,482,000. 142,081 ordinary shares were bought back by the Company between 1 December 2021 and 14 January 2022, the latest practicable date prior to publication of this report, for total consideration of £790,000.

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 14 January 2022, 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 7,910,774 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 2022. Such purchases will only be made through the market for cash at prices below the most recently calculated net asset value per ordinary share, which will result in an increase in the net asset value of the remaining ordinary shares. In accordance with the Listing Rules of the UK Listing Authority, the maximum price (excluding expenses) that may be paid on the exercise of the authority must not exceed the higher of:

- (i) 5 per cent above the average closing price on the London Stock Exchange of an ordinary share over the five business days immediately preceding the date of purchase; and
- (ii) the higher of the price of the last independent trade of, and the highest current independent bid for, an ordinary share on the London Stock Exchange.

The minimum price that may be paid will be 25p per share. Purchases of shares will be made within guidelines established, from time to time, by the board. Your attention is drawn to Resolution 10 in the Notice of Annual General Meeting. The authority, if conferred, will only be exercised if to do so would result in an increase in net asset value per ordinary share for the remaining shareholders and if it is considered to be in the best interest of shareholders generally.

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

The Company also has the authority to allot new shares up to an aggregate nominal amount of £4,559,325 representing approximately 33.33% of the shares in issue as at 24 January 2020.

In addition, the dis-application of pre-emption rights in respect of the issue of equity securities for cash by the Company authorizes the directors to allot new shares up to an aggregate nominal amount of £4,559,325 for cash without first offering such shares to existing shareholders pro rata to their existing holdings.

These authorities will continue in effect until 25 March 2025.

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 existing shareholders.

Financial Instruments

The Company's financial instruments comprise its investment portfolio, cash balances, borrowings, if any, and debtors and creditors that arise directly from its operations such as sales and purchases awaiting settlement and accrued income. The financial risk management objectives and policies arising from its financial instruments and the exposure of the Company to risk are disclosed in note 16 to the accounts.

Future Developments of the Company

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

Articles of Association

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

Disclosure of Information to the Auditor

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

Independent Auditor

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

Post Balance Sheet Events

The directors confirm that there have been no significant post balance sheet events up to 18 January 2022.

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 2021, emissions for the year to 30 September 2021 were 9.9 tonnes of CO₂e (2020 – 8.6 tonnes of CO₂e). This equates to 0.05 tonnes of CO₂e (2020 – 0.04 tonnes of CO₂e) per square metre.

Bribery Act

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

Criminal Finances Act 2017

The Company has a commitment to zero tolerance towards the criminal facilitation of tax evasion.

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 12,626,500 shares, representing approximately 23.9% of the current issued share capital of the Company.

On behalf of the board

Douglas McDougall
Chairman
19 January 2022

Corporate Governance Report

The board is committed to achieving and demonstrating high standards of Corporate Governance. This statement outlines how the principles of the 2018 UK Corporate Governance Code (the 'Code') which can be found at *fcc.org.uk* and the relevant principles of the Association of Investment Companies (AIC) Code of Corporate Governance issued in 2019 were applied throughout the financial year. The AIC Code provides a framework of best practice for investment companies and can be found at *theaic.co.uk*.

Compliance

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

- (i) the chairman of the board, Douglas McDougall, is chairman of the audit committee. As the board considers Mr McDougall to be independent of mind and believes there are no conflicts of interest, the board believes it is appropriate for him to chair the committee;
- (ii) 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; and
- (iii) the Company does not have a separate internal audit function, as explained on page 25.

The Board

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

The chairman is responsible for organizing 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 15.

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

Appointments to the Board

Max Ward has a rolling 12 month contract for services with the Company, details of which are given in the Directors' Remuneration Report on page 27.

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

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

Independence of Directors

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

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

The directors' interests in the shares of the Company are set out on page 28. The board believes that being shareholders, which they have been since the launch of the Company, aligns directors' interests with those of shareholders generally and does not affect their independent judgement.

Meetings

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

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

Mr MCB Ward is not a member of the audit committee, nomination committee or the remuneration committee.

Nomination Committee

In the year under review, the nomination committee consisted of the whole board with the exception of Mr Ward. Douglas McDougall is chairman of the committee. The committee meets on an annual basis and at such other times as may be required. The committee 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 or apply a diversity policy.

Chairman's and Directors' Tenure

The Nomination Committee has considered the question of tenure for directors and has concluded that there should not be a set maximum time limit for a director or chairperson to serve on the Board. The Nomination Committee keeps under review the balance of skills, knowledge, experience, performance and length of service of the Directors ensuring the Board has the right combination of skills and preservation of knowledge and experience balanced with the appointment of new Directors bringing in fresh ideas and perspective.

The committee's terms of reference are available on request and on the website: 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. During the year, briefings on industry and regulatory matters were provided to the board by Baillie Gifford & Co. Directors receive other relevant training as necessary.

Remuneration Committee

The remuneration committee consists of all the directors other than Max Ward. Douglas McDougall is chairman of the committee. The committee meets on an annual basis and at such other times as may be required. The committee's terms of reference include reviewing the effectiveness and performance of the Company's managing director. The terms of reference are available on request and on the website: independentinvestmenttrust.co.uk. The Company's policy on remuneration is set out in the Directors' Remuneration Report on page 27.

Audit Committee

The report of the audit committee is set out on pages 25 and 26.

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 a process for identifying, evaluating and managing the significant risks faced by the Company in accordance with the FRC guidance 'Guidance on Risk Management, Internal Control and Related Financial and Business Reporting'.

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

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

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

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

A report identifying the material risks faced by the Company and the key controls employed to manage these risks is reviewed by the audit committee. These procedures ensure that consideration is given regularly to the nature and extent of risks facing the Company and that they are being risk have been identified during the year they also provide a mechanism to assess whether further action is required to manage these risks.

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

The directors confirm that they have reviewed the effectiveness of the Company's risk management and internal controls systems, which accord with the FRC 'Guidance on Risk Management, Internal Control and Related Financial and Business Reporting', and they have procedures in place to review their effectiveness on a regular basis. No significant weaknesses were identified in the year under review and up to the date of this report.

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

Going Concern

In accordance with the Financial Reporting Council's guidance on going concern and liquidity risk, including its Covid-19 guidance, the Directors have undertaken a rigorous review of the Company's ability to continue as a going concern and specifically in the context of the coronavirus pandemic.

The Company's principal risks are market related and include market risk, liquidity risk and credit risk. An explanation of these risks and how they are managed is set out on pages 10 to 12 and contained in note 16 to the financial statements. The board has, in particular, considered the impact of heightened market volatility since the coronavirus (Covid-19) pandemic but does not believe the Company's going concern status is affected. For these reasons the directors have prepared the financial statements on a going concern basis. The Company's assets, the majority of which are investments in quoted securities which are readily realizable exceed its liabilities significantly. In addition, at the Company's year end, cash balances were £40.9m, which greatly exceed the Company's liabilities at the year end and are substantially in excess of projected expenses for the coming year.

The Company has continued to comply with the investment trust status requirements of section 1158 of the Corporation Tax Act 2010 and the Investment Trust (Approved Company) Regulations 2011. The Company's third-party suppliers, including its secretaries, custodian, registrar and auditor are not experiencing significant operational difficulties affecting their respective services to the Company.

Accordingly, the financial statements have been prepared on the going concern basis as it is the directors' opinion, having assessed the principal and emerging risks and other matters including the impact of the coronavirus pandemic set out in the Viability Statement on pages 12 and 13, that the Company will continue in operational existence for the period to 31 January 2023, which is at least 12 months from the date the financial statements were authorized for issue.

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 *independentinvestmenttrust.co.uk*. 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.

On behalf of the board

Douglas McDougall
Chairman
19 January 2022

Audit Committee Report

In the year under review, the audit committee consisted of the whole board with the exception of Mr Ward. The members of the committee consider that they have the requisite financial skills and experience to fulfil the responsibilities of the committee. The chairman of the board, Douglas McDougall, is chairman of the committee. Mr McDougall has many years' experience of financial matters relating to investment trusts.

As the board considers Mr McDougall to be independent of mind and believes there are no conflicts of interest, the board believes it is appropriate for him to chair the committee.

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

Main Activities of the Committee

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

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

- the preliminary results announcement and the annual and interim reports;
- the Company's accounting policies and practices;
- the regulatory changes impacting the Company;
- the fairness, balance and understandability of the annual report and financial statements and whether it provided the information necessary for shareholders to assess the Company's performance, business model and strategy;
- the effectiveness of the Company's internal control environment;
- reappointment, remuneration and terms of engagement of the external auditor;
- whether the audit services contract should be put out to tender;
- the policy on the engagement of the external auditor to supply non-audit services;
- the independence and objectivity of the external auditor and the effectiveness of the external audit process;
- 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 of the Company and the secretaries 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.

The committee receives reports at each audit committee meeting from Baillie Gifford's Internal Audit, Compliance and Business Risk Departments. The committee believes that the compliance and internal control systems and the internal audit function in place within Baillie Gifford provide sufficient assurance that a sound system of internal control, which safeguards shareholders' investments and the Company's assets is maintained.

Financial Reporting

The committee considers that the most significant issues likely to impact the financial statements are the existence, valuation and legal title of investments, as they represent 87.5% of net assets, and the accuracy and completeness of investment income.

All of the investments are in listed securities and market prices are readily available from independent external pricing sources. The committee reviewed the secretaries' Report on Internal Controls which details the controls in place regarding recording and pricing of investments and the reconciliation of investment holdings to third party data. The committee reviewed the custodian reports for any cash or investment holding reconciliation discrepancies.

The committee reviewed the secretaries' Report on Internal Controls which details the controls in place regarding completeness and accurate recording of investment income. The accounting treatment of each special dividend received or receivable during the year was reviewed by the secretaries and approved by the board.

The secretaries confirmed to the committee that they were not aware of any material misstatements in the context of the financial statements as a whole and that the financial statements are in accordance with applicable law and accounting standards.

Internal Controls and Risk Management

The committee reviewed the effectiveness of the Company's risk management and internal controls systems as described on pages 22 and 23. No significant weaknesses were identified in the year under review.

External Auditor

To fulfil its responsibility regarding the independence of the external auditor the committee reviewed the auditor's audit plan, which includes a description of their arrangements to manage independence, a report from the auditor on the conclusion of the audit setting out why the auditor remains independent and the extent of non-audit services provided by the auditor. There were no non-audit fees incurred by the Company during the year.

To assess the effectiveness of the auditor and the external audit process, the committee reviewed the auditor's audit plan, the fulfilment by the auditor of the agreed audit plan, a report from the auditor on the conclusion of the audit and feedback from the secretaries on the performance of the audit team. The committee also considered the Audit Quality Inspection Report on Ernst & Young LLP issued by the FRC.

Ernst & Young LLP has been engaged as the Company's auditor for twenty one 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. As the current lead partner, Ms Mercer, was appointed in 2017, this is her fifth year as audit partner and she will therefore be replaced by a new partner for the 2022 audit.

Ernst & Young LLP has confirmed that it believes it is independent within the meaning of regulatory and professional requirements and that the objectivity of the audit partner and staff is not impaired.

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

In accordance with regulations in relation to the statutory audits of listed companies, the Company is required to put the audit out to tender for the 2023/24 year end.

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

Accountability and Audit

The respective responsibilities of the directors and the auditor in connection with the financial statements are set out on pages 30 to 37.

On behalf of the board

Douglas McDougall
Chairman of the audit committee
19 January 2022

Directors' Remuneration Report

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

Statement by the Chairman

The Directors' Remuneration Policy is subject to shareholder approval every three years or sooner if an alteration to the policy is proposed. The Directors' Remuneration Policy was last approved at the Company's Annual General Meeting held on 27 May 2021 and no changes are proposed.

The level of fees was reviewed during the year and it was agreed that there would be no change to the fees. The Chairman's fee is £60,000, the directors' fees are £24,000 and the managing director's fee is £230,000. The fees were last increased on 1 December 2020.

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

Directors' Remuneration Policy

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

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

Executive Director (managing director)

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

Non-executive Directors

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

Remuneration Levels

The remuneration paid in respect of the year ended 30 November 2021 and the remuneration payable in respect of the year ending 30 November 2022 is set out in the Statement by the Chairman above. The remuneration payable to the directors in the subsequent financial periods will be determined following an annual review. The total aggregate remuneration payable to the directors shall not exceed the limit as set out in the Company's articles of association explained above.

Annual Report on Remuneration

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

The law requires the Company's auditor to audit certain of the disclosures provided in this report. Where disclosures have been audited, they are indicated as such. The auditor's opinion is included in their report on page 31.

Directors' Remuneration for the Year (audited)

The directors who served during the year received the following remuneration in the form of a salary for the executive director and fees for the non-executive directors. This represents the entire remuneration paid to the directors. There were no taxable benefits received by the directors.

	2021 £	Rolling % change since 2020	2020 £
<i>Executive director</i>			
MCB Ward (managing director)	230,000	15.0	200,000
<i>Non-executive directors</i>			
DCP McDougall (chairman)	60,000	9.1	55,000
JGD Ferguson	24,000	9.1	22,000
The Hon. RJ Laing	24,000	9.1	22,000
	<u>338,000</u>	<u>13.0</u>	<u>299,000</u>

History of Executive Director's Salary

Name	Year ended 30 November	Salary £
MCB Ward (managing director)	2011	150,000
	2012	150,000
	2013	150,000
	2014	150,000
	2015	150,000
	2016	200,000
	2017	200,000
	2018	200,000
	2019	200,000
	2020	200,000
	2021	230,000

Directors' Interests (audited)

Name	Nature of interest	30 November 2021 Ordinary shares	1 December 2020 Ordinary shares
DCP McDougall (chairman)	Beneficial	7,999,500	7,999,500
MCB Ward (managing director)	Beneficial	2,907,000	2,907,000
JGD Ferguson	Beneficial	900,000	900,000
The Hon. RJ Laing	Beneficial	820,000	820,000

The directors are not required to hold shares in the Company. The directors at the year end, and their interests, including those of connected persons, in the Company, were as shown above. There have been no changes intimated in the directors' interests up to 18 January 2022.

Mr Ward received and retained a fee of £24,967 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 2021. Mr Ward retired from the board of The Edinburgh Investment Trust PLC on 22 July 2021.

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, 99.90% were in favour, 0.08% were against and 0.02% were withheld. At the Annual General Meeting, held in April 2020, at which the Directors' Remuneration Policy was considered, 99.90% were in favour, 0.09% were against and 0.01% were withheld.

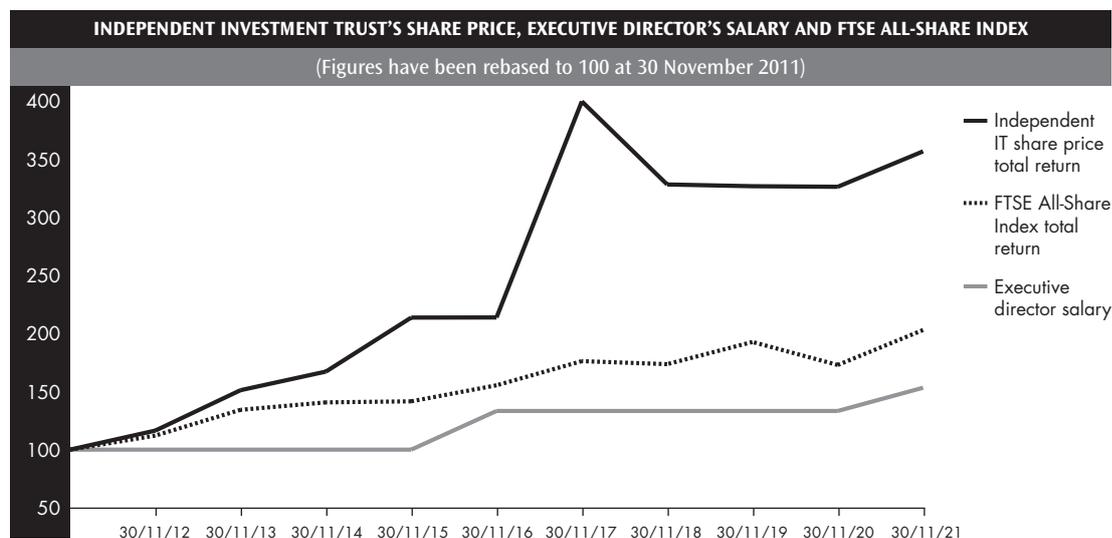
Relative Importance of Spend on Pay

The table below shows the actual expenditure during the year in relation to directors' remuneration, remuneration of other employees and distribution to shareholders by way of dividends and buy-backs.

	2021 £'000	2020 £'000	Change £'000
Directors' remuneration	338	299	39
Remuneration of other employees	33	32	1
Dividends paid/payable to shareholders	4,760	4,342	418
Shares bought back	7,482	2,481	5,001

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.



Source: Baillie Gifford/Refinitiv and relevant underlying index providers. See disclaimer on page 6. 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 27 to 29 was approved by the board of directors and signed on its behalf by the chairman of the board and remuneration committee on 19 January 2022.

Douglas McDougall
Chairman

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

The directors are responsible for preparing the annual report and the financial statements in accordance with United Kingdom 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 applicable law and United Kingdom Generally Accepted Accounting Practice, (United Kingdom Generally Accepted Accounting Practice) including Financial Reporting Standard FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' ('FRS 102'). 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 in accordance with Section 10 of FRS 102 and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- provide additional disclosures when compliance with the specific requirements in FRS 102 is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the group and company financial position and financial performance;
- state whether applicable UK Accounting Standards, including FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements and directors' remuneration report comply with the Companies Act 2006. The Directors are also responsible both for safeguarding the assets of the Company and for the maintenance and integrity of the Company's website, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities (in the case of the safeguarding of assets) and also for the preservation of the website integrity. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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

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

- the financial statements, which have been prepared in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', give a true and fair view of the assets, liabilities, financial position and net return of the Company;
- the annual report and financial statements taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

On behalf of the board

Douglas McDougall

Chairman

19 January 2022

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

Opinion

We have audited the financial statements of The Independent Investment Trust PLC (the 'Company') for the year ended 30 November 2021 which comprise the Income Statement, Balance Sheet, Statement of Changes in Equity and the related notes 1 to 16 including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 30 November 2021 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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (FRC) Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to principal risks, going concern and viability statement

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

- Confirming our understanding of the Company's going concern assessment process by engaging with the directors and the Company Secretary to determine if all key factors were considered in their assessment.
- Inspecting the Directors' assessment of going concern, including the revenue forecast, for the period to 31 January 2023 which is at least 12 months from the date the financial statements were authorised for issue. The Company has concluded that it is able to continue to meet its ongoing costs as they fall due.
- Considering the mitigating factors included in the going concern assessment, including a review of the Company's assessment of the liquidity of the investments held and evaluating the Company's ability to sell investments in order to repay borrowings or cover the working capital requirements of the Company.
- Reviewing the Company's going concern disclosures included in the annual report in order to assess whether the disclosures were appropriate and in conformity with the reporting standards.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the period assessed by the directors, being the period to 31 January 2023 which is at least 12 months from when the financial statements are authorised for issue.

In relation to the Company's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

Overview of our audit approach

Key audit matters	Risk of incorrect valuation or ownership of the investment portfolio Risk of incomplete or inaccurate revenue recognition, including the classification of special dividends as revenue or capital items in the Income Statement
Materiality	Overall materiality of £3.26m which represents 1% of shareholders' funds.

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the Company. This enables us to form an opinion on the financial statements. We take into account size, risk profile, the organisation of the Company and effectiveness of controls, including controls and changes in the business environment when assessing the level of work to be performed. All audit work was performed directly by the audit engagement team and relevant specialists.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to the audit committee
<p>Incorrect valuation or ownership of the investment portfolio as described on pages 25 and 26 in the Report of the Audit Committee and as per the accounting policy set out on page 41).</p> <p>The valuation of the investment portfolio at 30 November 2021 was £285.18m (2020 – £239.29m) which is composed of quoted investments.</p> <p>The valuation of the assets held in the investment portfolio is the key driver of the Company's net asset value and total return. Incorrect investment pricing, or a failure to maintain proper legal title to the investments held by the Company could have a significant impact on the portfolio valuation and the return generated for shareholders.</p> <p>The fair value of quoted investments is determined by reference to bid value or the last traded price depending on the convention of the exchange on which the investment is quoted.</p>	<p>We have performed the following procedures:</p> <p>We obtained an understanding of Baillie Gifford's processes and controls surrounding legal title and pricing of investments by performing walkthrough procedures.</p> <p>For all investments in the portfolio, we compared the market prices applied to an independent pricing vendor and recalculated the investment valuations as at the year-end.</p> <p>We inspected the stale pricing reports produced by Baillie Gifford to identify prices that have not changed within one week. Where we identified stale prices we obtained evidence that the investments were still trading, confirming that prices marked as stale were a valid fair value.</p> <p>We compared the Company's investment holdings at 30 November 2021 to independent confirmations received directly from the Company's Custodian.</p>	<p>The results of our procedures identified no material misstatement in relation to the risk of incorrect valuation or ownership of the investment portfolio.</p>

Risk	Our response to the risk	Key observations communicated to the audit committee
<p>Incomplete or inaccurate revenue recognition, including the classification of special dividends as revenue or capital items in the Income Statement (per the Audit Committee report set out on pages 25 and 26 and the accounting policy set out on page 41).</p> <p>The total revenue for the year to 30 October 2021 was £5.92m (2020 – £4.07m), consisting of dividend income from quoted equity investments.</p> <p>There is a risk of incomplete or inaccurate recognition of revenue through the failure to recognise proper income entitlements or to apply an appropriate accounting treatment.</p> <p>The directors may be required to exercise judgment in determining whether income receivable in the form of special dividends should be classified as ‘revenue’ or ‘capital’ in the Income Statement.</p>	<p>We performed the following procedures:</p> <p>We obtained an understanding of Baillie Gifford’s processes and controls surrounding revenue recognition including the classification of special dividends by performing walkthrough procedures.</p> <p>For all dividends received, we recalculated the income by multiplying the investment holdings at the ex-dividend date, traced from the accounting records, by the dividend per share, which was agreed to an independent data vendor. We agreed a sample of income received to bank statements.</p> <p>To test completeness of recorded income, we tested that dividends had been recorded for all investee companies with reference to investee company announcements obtained from an independent data vendor.</p> <p>For all dividends accrued at the year end, we reviewed the investee company announcements to assess whether the dividend obligation arose prior to 30 November 2021. We agreed the dividend rate to corresponding announcements made by the investee company, recalculated the dividend amount receivable and confirmed this was consistent with cash received as shown on post year end bank statements</p> <p>We performed a review of the income and acquisition and disposal reports produced by Baillie Gifford to identify all special dividends received and accrued during the period. The Company received two special dividends in the year which were both treated as revenue. Through an independent review, we assessed the appropriateness of Baillie Gifford’s classification of these payments was consistent with the underlying motives and circumstances for the payments.</p>	<p>The results of our procedures identified no material misstatement in relation to the risk of incomplete or inaccurate revenue recognition, including incorrect classification of special dividends as revenue or capital items in the Income Statement.</p>

In the prior year, our auditor’s report included a key audit matter in relation to the impact of Covid-19. The impact of Covid-19 on going concern continued to be relevant to our audit of the Company and we considered this as part of our overall work on going concern which is set out under ‘Conclusions relating to going concern’. The other elements of the prior year key audit matter have not been included as a separate key audit matter as it was determined that they did not have a significant impact on our audit strategy for this year’s audit.

Our application of materiality

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

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Company to be £3.26m (2020 – £2.96m), which is 1% (2020 – 1%) of shareholders' funds. We believe that shareholders' funds provides us with a basis for materiality that is aligned to the key measurement of the Company's performance.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Company's overall control environment, our judgement was that performance materiality was 75% (2020 – 75%) of our planning materiality, namely £2.45m (2020 – £2.22m). We have set performance materiality at this percentage due to our past experience of the audit that indicates a lower risk of misstatements, both corrected and uncorrected.

Given the importance of the distinction between revenue and capital for investment trusts, we have also applied a separate testing threshold for the revenue column of the Statement of Comprehensive Income of £0.26m (2020 – £0.16m), being 5% of the net return on ordinary activities before taxation (2020 – 5% of the net return on ordinary activities before taxation).

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £0.16m (2020 – £0.15m), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

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

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions 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.

In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the strategic report and directors' reports have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us 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

Corporate Governance Statement

The Listing Rules require us to review the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on pages 23 and 24;
- Directors' explanation as to its assessment of the Company's prospects, the period this assessment covers and why the period is appropriate set out on page 24;
- Directors' statement on fair, balanced and understandable set out on page 30;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 10;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on pages 22 and 23; and;
- The section describing the work of the audit committee set out on pages 25 and 26.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 30, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the Company and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are United Kingdom Generally Accepted Accounting Practice, the Companies Act 2006, the Association of Investment Companies Code of Corporate Governance, the Association of Investment Companies Statement of Recommended Practice, the Listing Rules, the UK Corporate Governance Code, Section 1158 of the Corporation Tax Act 2010 and The Companies (Miscellaneous Reporting) Regulations 2018.
- We understood how the Company is complying with those frameworks through discussions with the Audit Committee and Company Secretary and review of Board minutes and the Company's documented policies and procedures.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by considering the key risks impacting the financial statements. We identified a fraud risk with respect to the incomplete or inaccurate revenue recognition through incorrect classification of special dividends as revenue or capital items in the Income Statement. Further discussion of our approach is set out in the section on key audit matters above.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved review of the reporting to the directors with respect to the application of the documented policies and procedures and review of the financial statements to ensure compliance with the reporting requirements of the Company.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Other matters we are required to address

- Following the recommendation of the Audit Committee, we were appointed by the Company on 11 September 2000 to audit the financial statements of the Company for the period ending 30 November 2001 and subsequent financial periods.

The period of total uninterrupted engagement is 21 years, covering periods from our appointment through to the period ending 30 November 2021.

- Non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company and we remain independent of the Company in conducting the audit.
- The audit opinion is consistent with the additional report to the Audit Committee

Use of our report

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.

Caroline Mercer (Senior Statutory Auditor)
for and on behalf of
Ernst & Young LLP, Statutory Auditor
Edinburgh
19 January 2022

Income Statement

For the year ended 30 November

		2021 Revenue £'000	2021 Capital £'000	2021 Total £'000	2020 Revenue £'000	2020 Capital £'000	2020 Total £'000
Gains/(losses) on investments	8	–	36,492	36,492	–	(10,371)	(10,371)
Currency (losses)/gains	12	–	(20)	(20)	–	22	22
Income	2	5,917	–	5,917	4,070	–	4,070
Administrative expenses	3	(798)	–	(798)	(743)	–	(743)
Net return on ordinary activities before taxation		5,119	36,472	41,591	3,327	(10,349)	(7,022)
Tax on ordinary activities	5	–	–	–	(5)	–	(5)
Net return on ordinary activities after taxation		5,119	36,472	41,591	3,322	(10,349)	(7,027)
Net return per ordinary share	6	9.61p	68.46p	78.07p	6.09p	(18.98p)	(12.89p)
Note:							
Dividends per share paid and payable in respect of the year	7	9.00p			8.00p		

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 the Company does not have any other comprehensive income and the net return on ordinary activities after taxation is both the profit and comprehensive income for the year.

The accompanying notes on pages 41 to 49 are an integral part of the financial statements.

Balance Sheet

At 30 November

	<i>Notes</i>	2021 £'000	2021 £'000	2020 £'000	2020 £'000
Fixed assets					
Investments held at fair value through profit or loss	8		285,175		239,290
Current assets					
Debtors	9	135		921	
Cash and cash equivalents	16	40,878		56,237	
		41,013		57,158	
Creditors					
Amounts falling due within one year	10	(87)		(188)	
Net current assets			40,926		56,970
Total net assets			326,101		296,260
Capital and reserves					
Share capital	11		13,193		13,539
Share premium account	12		15,242		15,242
Special distributable reserve	12		2,503		9,985
Capital redemption reserve	12		3,339		2,993
Capital reserve	12		284,894		248,422
Revenue reserve	12		6,930		6,079
Shareholders' funds			326,101		296,260
Net asset value per ordinary share	13		617.9p		547.1p

The financial statements of The Independent Investment Trust PLC (company registration number SC210685) on pages 38 to 49 were approved and authorized for issue by the board and were signed on 19 January 2022.

Douglas McDougall
Chairman

The accompanying notes on pages 41 to 49 are an integral part of the financial statements.

Statement of Changes in Equity

For the year ended 30 November 2021

	Share capital £'000	Share premium account £'000	Special distributable reserve £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Shareholders' funds £'000
Shareholders' funds at 1 December 2020	13,539	15,242	9,985	2,993	248,422	6,079	296,260
Net return on ordinary activities after taxation	–	–	–	–	36,472	5,119	41,591
Shares bought back for cancellation (note 11)	(346)	–	(7,482)	346	–	–	(7,482)
Dividends paid during the year (note 7)	–	–	–	–	–	(4,268)	(4,268)
Shareholders' funds at 30 November 2021	13,193	15,242	2,503	3,339	284,894	6,930	326,101

For the year ended 30 November 2020

	Share capital £'000	Share premium account £'000	Special distributable reserve £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Shareholders' funds £'000
Shareholders' funds at 1 December 2019	13,679	15,242	12,465	2,853	258,771	9,859	312,869
Net return on ordinary activities after taxation	–	–	–	–	(10,349)	3,322	(7,027)
Shares bought back for cancellation (note 11)	(140)	–	(2,480)	140	–	–	(2,480)
Dividends paid during the year (note 7)	–	–	–	–	–	(7,102)	(7,102)
Shareholders' funds at 30 November 2020	13,539	15,242	9,985	2,993	248,422	6,079	296,260

The accompanying notes on pages 41 to 49 are an integral part of the financial statements.

Notes to Financial Statements

1 PRINCIPAL ACCOUNTING POLICIES

The financial statements for the year to 30 November 2021 have been prepared in accordance with FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' on the basis of the accounting policies set out below which are unchanged from the prior year and have been applied consistently. 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.

(a) Basis of accounting

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

The board has, in particular, considered the impact of heightened market volatility as a result of the Covid-19 pandemic. The directors do not believe the Company's going concern status is affected. The Company's assets, the majority of which are investments in quoted securities which are readily realizable, exceed its liabilities significantly. The Company has continued to comply with the investment trust status requirements of section 1158 of the Corporation Tax Act 2010 and the Investment Trust (Approve Company) (Tax) Regulations 2011. The Company's primary third party suppliers, including its Secretaries, Custodian, Registrar and Auditor, are not experiencing significant operational difficulties affecting their respective services to the Company. Accordingly the financial statements have been prepared on a going concern basis as it is the directors' opinion, having assessed the principal and emerging risks and other matters including the impact of the coronavirus pandemic set out in the Viability Statement on pages 12 and 13 which assesses the prospects of the Company over a period of five years, that the Company will continue in operational existence for the period to 31 January 2023, which is at least 12 months from the date the financial statements were authorized for issue'.

The financial statements have been prepared in accordance with the Companies Act 2006, applicable UK accounting standards and with the AIC's Statement of Recommended Practice 'Financial Statements of Investment Trust Companies' issued in 2019.

In order to better reflect the activities of the Company and in accordance with guidance issued by the AIC, supplementary information which analyses the profit and loss account between items of a revenue and capital nature has been presented in the Income Statement.

The directors consider the Company's functional currency to be sterling as the Company's shareholders are predominantly based in the UK, the Company is subject to the UK's regulatory environment and it is the currency in which its dividends and expenses are generally paid.

(b) Financial Instruments

Financial assets and financial liabilities are recognized in the Company's Balance Sheet when it becomes a party to the contractual provisions of the instrument.

(c) Accounting Estimates, Assumptions and Judgements

The preparation of the financial statements may require the use of estimates, assumptions and judgements. These estimates, assumptions and judgements affect the reported amounts of assets and liabilities, at the reporting date. While estimates are based on best judgement using information and financial data available the actual outcome may differ from these estimates. The directors do not believe that any significant accounting estimates, assumptions or judgements have been applied to these accounting statements other than the classification of special dividends between revenue and capital. The allocation is dependent upon the underlying reason for the payment. Examples of capital events which would result in the dividend being allocated to capital is a return of capital to shareholders or proceeds from the disposal of assets. Examples of revenue events which would result in the dividend being allocated to revenue are the distribution of excess or exceptional profits in the year. The circumstances are reviewed by the manager making recommendations to the Directors who determine the appropriate allocation. The Directors make no other significant accounting estimates.

(d) Investments

The Company's investments are classified, recognized and measured at fair value through profit and loss in accordance with sections 11 and 12 of FRS 102. They are managed and evaluated on a fair value basis in accordance with the Company's investment strategy and information about the investments is provided to the board on that basis. Investment purchases and sales are recognized on a trade date basis. Investments are initially measured at fair value, which is taken to be their cost excluding expenses incidental to purchases which are expensed to capital on acquisition. Gains and losses on investments, including those arising from foreign currency exchange differences and expenses incidental to the purchase and sale of investments, are recognized in the Income Statement as capital items. The fair value of listed investments is either the bid price or last traded price depending on the convention of the stock exchange on which the investment is listed. The fair value of unlisted investments is determined by the directors using methodologies consistent with the International Private Equity and Venture Capital Valuation ('IPEV') guidelines. Investments which are suspended from trading may not be valued at either bid price or last traded price.

(e) Cash and cash equivalents

Cash equivalents comprise short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of change in value.

(f) 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. Equity investment income includes distributions from Collective Investment Schemes, other than those that relate to equalization which are treated as capital items. Special dividends are treated as revenue or capital items depending on the facts of each particular case. 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.

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

(iii) Unfranked investment income and overseas dividends include the taxes deducted at source.

(iv) Interest receivable on deposits is recognized on an accruals basis.

(g) Expenses

All expenses are accounted for on an accruals basis and are charged to the revenue account except where: (i) they relate to expenses incidental to the purchase or sale of investments (transaction costs) which are charged to capital. Transaction costs are detailed in note 8 on page 45; and (ii) they relate directly to the buy-back of shares, in which case they are added to the buy-back cost.

(h) Operating lease rentals

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

(i) Deferred taxation

Deferred taxation is provided on all timing differences which have originated but not reversed by the Balance Sheet date, calculated at the current tax rates expected to apply when its timing differences reverse, based on what has been enacted or substantially enacted, relevant to the benefit or liability. Deferred tax assets are recognized only to the extent that it will be more likely than not that there will be taxable profits from which underlying timing differences can be deducted.

(j) 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 treated as a gain or loss in capital reserve or revenue reserve as appropriate.

(k) Share repurchases

The cost of repurchases of the Company's own shares for cancellation are funded from the special distributable reserve. The nominal value of such shares is transferred from share capital to the capital redemption reserve.

(l) 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.

(m) Single segment reporting

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

2 INCOME

	2021 £'000	2020 £'000
Income from investments		
UK dividends	5,820	3,880
Overseas dividends	78	122
	5,898	4,002
Other income		
Deposit interest	2	51
Other income	17	17
	19	68
Total income	5,917	4,070
Total income comprises:		
Dividends from financial assets designated at fair value through profit or loss	5,898	4,002
Deposit interest	2	51
Other income	17	17
	5,917	4,070

3 ADMINISTRATIVE EXPENSES

	2021 £'000	2020 £'000
Directors' fees and staff costs – note 4	413	366
Secretarial and administrative services	121	120
Information technology expenses	34	33
Power, telephone, rates and insurance	25	24
Operating lease rentals – office rent	60	60
Auditor's remuneration – statutory audit*	48	36
Other administrative expenses	97	104
	<u>798</u>	<u>743</u>

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

*Includes VAT thereon of £8,000 (2020 – £6,000).

4 DIRECTORS' FEES AND STAFF COSTS

	2021 £'000	2020 £'000
Directors' fees and salaries	338	299
Other salaries	33	32
Social security costs	42	35
	<u>413</u>	<u>366</u>

Two persons were employed under a contract during the year (2020 – 2): Max Ward, the managing director, and Vivien Judge, the office manager.

5 TAX ON ORDINARY ACTIVITIES

	2021 £'000	2020 £'000
Analysis of charge in year		
Overseas taxation	–	5
Factors affecting tax charge for year		
The tax assessed for the year is lower (2020 – lower) than the standard rate of corporation tax in the UK 19.00% (2020 – 19.00%)		
The differences are explained below:		
Net return on ordinary activities before taxation	41,591	(7,022)
Net return on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19.00% (2020 – 19.00%)	7,902	(1,334)
Capital returns not taxable	(6,930)	1,966
Dividends not subject to UK tax	(1,121)	(760)
Overseas withholding tax	–	5
Taxable losses not utilised	149	128
Tax charge for the year	<u>–</u>	<u>5</u>

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

Factors that may affect future tax charges

At 30 November 2021 the Company had surplus management expenses and losses on non-trading loan relationships of £9,120,000 (2020 – £8,338,000) which have not been recognized as a deferred tax asset. This is because the Company is not expected to generate taxable income in a future period in excess of the deductible expenses of that future period and, accordingly, it is unlikely that the Company will be able to reduce future tax liabilities through the use of existing surplus expenses.

6 NET RETURN PER ORDINARY SHARE

	2021 Revenue	2021 Capital	2021 Total	2020 Revenue	2020 Capital	2020 Total
Net return on ordinary activities after taxation (£'000)	5,119	36,472	41,591	3,322	(10,349)	(7,027)
Weighted average number of ordinary shares in issue during the year	53,274,238	53,274,238	53,274,238	54,527,195	54,527,195	54,527,195
Net return per ordinary share	9.61p	68.46p	78.07p	6.09p	(18.98p)	(12.89p)

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

There are no dilutive or potentially dilutive shares in issue.

7 ORDINARY DIVIDENDS

	2021 Pence	2021 £'000	2020 Pence	2020 £'000
Amounts recognized as distributions in the year				
Previous year's final dividend paid 9 April 2021 (2020 – 6 April 2020)	5.00	2,674	5.00	2,734
Previous year's special dividend (2020 – 6 April 2020)	–	–	5.00	2,734
Interim dividend paid 20 August 2021 (2020 – 21 August 2020)	3.00	1,594	3.00	1,634
	8.00	4,268	13.00	7,102

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 £5,119,000 (2020 – £3,322,000).

	2021 Pence	2021 £'000	2020 Pence	2020 £'000
Amounts paid and payable in respect of the year				
Interim dividend paid 20 August 2021 (2020 – 21 August 2020)	3.00	1,594	3.00	1,634
Final/second interim dividend payable 8 April 2022 (2020 – 9 April 2021)	5.00	2,638	5.00	2,708
Special dividend	1.00	528	–	–
	9.00	4,760	8.00	4,342

8 INVESTMENTS

	2021 £'000	2020 £'000
Listed equity instruments	285,175	239,290
	285,175	239,290
	2021 Listed equities £'000	2020 Listed equities £'000
Cost of investments at 1 December 2020	144,007	173,875
Investment holding gains at 1 December 2020	95,283	96,327
Fair value of investments at 1 December 2020	239,290	270,202
Movements in year:		
Purchases at cost	89,490	85,695
Sales – proceeds	(80,097)	(106,236)
– gains on sales	35,892	(9,327)
Changes in investment holding gains	600	(1,044)
Fair value of investments at 30 November 2021	285,175	239,290
Cost of investments at 30 November 2021	189,292	144,007
Investment holding gains at 30 November 2021	95,883	95,283
Fair value of investments at 30 November 2021	285,175	239,290

Transaction costs of £208,000 (2020 – £569,000) and £183,000 (2020 – £224,000) have been incurred on purchases and sales respectively.

	2021 £'000	2020 £'000
Net gains/(losses) on investments held at fair value through profit or loss		
Gains on sales	35,892	(9,327)
Changes in investment holding gains	600	(1,044)
	36,492	(10,371)

Of the gains on sales during the year of £35,892,000 (2020 – loss of £9,327,000), a net loss of £18,078,000 (2020 – gain of £25,328,000) was included in investment holding gains at the previous year end.

9 DEBTORS

	2021 £'000	2020 £'000
Amounts falling due within one year		
Income accrued and prepayments	135	921
	135	921

10 CREDITORS

	2021 £'000	2020 £'000
Amounts falling due within one year		
Investment purchases awaiting settlement	1	66
Other creditors and accruals	86	122
	87	188

11 SHARE CAPITAL

	2021 Number	2021 £'000	2020 Number	2020 £'000
Allotted, called up and fully paid ordinary shares of 25p each	52,773,681	13,193	54,155,657	13,539

During the year the Company bought back and cancelled 1,381,976 (2020 – 561,721) ordinary shares with a nominal value of £346,000 (2020 – £140,000) at a cost of £7,481,521 (2020 – £2,480,000). No shares were allotted during the year. At 30 November 2021 the Company had authority remaining to buy back a further 6,652,027 (2020 – 7,640,413) ordinary shares and to allot new shares up to an aggregate nominal value amount of £4,559,000 (2020 – £4,559,000).

12 CAPITAL AND RESERVES

	Share capital £'000	Share premium account £'000	Special distributable reserve £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total shareholders' funds £'000
At 1 December 2020	13,539	15,242	9,985	2,993	248,422	6,079	296,260
Net gain on sales of investments	–	–	–	–	35,892	–	35,892
Changes in investment holding gains	–	–	–	–	600	–	600
Exchange differences	–	–	–	–	(20)	–	(20)
Revenue return on ordinary activities in the year	–	–	–	–	–	5,119	5,119
Shares bought back for cancellation	(346)	–	(7,482)	346	–	–	(7,482)
Dividends paid in the year	–	–	–	–	–	(4,268)	(4,268)
At 30 November 2021	13,193	15,242	2,503	3,339	284,894	6,930	326,101

The capital reserve balance at 30 November 2021 included an investment holding gain of £95,883,000 (2020 – gain of £95,283,000) 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 buy-backs.

The revenue reserve may be distributed by way of dividend. The Company's articles of association prohibit distributions by way of dividend from capital profits.

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:

	2021 Pence	2021 £'000	2020 Pence	2020 £'000
Ordinary shares	617.9	326,101	547.1	296,260

The net asset value per share is based on net assets as shown above and on 52,773,681 shares (2020 – 54,155,657), being the number of shares in issue at the year end.

There are no dilutive or potentially dilutive shares in issue.

14 CONTINGENT LIABILITIES, GUARANTEES AND FINANCIAL COMMITMENTS

At 30 November 2021 the Company had an annual commitment of £60,000 (2020 – £60,000) under an operating lease in respect of premises. The current operating lease commitment will expire on 27 November 2027, although this may be terminated after five years on 28 November 2022. The minimum total lease payments are therefore £60,000 for the period from 1 December 2021 to 28 November 2022.

15 RELATED PARTY TRANSACTIONS

The directors' fees and shareholdings are detailed in the Directors' Remuneration Report on page 28. With the exception of Max Ward, the managing director, no director has a contract of service with the Company. Details of Mr Ward's contract for services are set out on page 27. During the year no director was interested in any contract or other matter requiring disclosure under section 412 of the Companies Act 2006.

16 FINANCIAL INSTRUMENTS

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

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

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

Market Risk

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

Details of the Company's investment portfolio are shown on page 6. There were no derivative financial instrument holdings during the year.

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 2021 the Company had no such borrowings or contracts.

The Company no longer has exposure to foreign exchange therefore no disclosure is required for the current or prior year.

16 FINANCIAL INSTRUMENTS (continued)**Currency Risk Sensitivity**

At 30 November 2021, 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 2020.

	2021 £'000	2020 £'000
US dollar	–	–

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.

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

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

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

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

There have been no significant changes to the interest rate risk profile of the Company's financial assets during the year. There were no financial assets subject to interest rate risk at 30 November 2021 and 30 November 2020 other than the cash and cash equivalents shown in the credit risk exposure table on page 49.

Interest Rate Risk Sensitivity

The weighted average interest rate on cash balances held at 30 November 2021 was 0.0% (2020 – 0.1%). An increase of 100 basis points in interest rates at 30 November 2021 would, over a full year, have increased the net return on ordinary activities after taxation by £409,000 (2020 – increased by £561,000) and would have increased the net asset value per share by 0.77p (2020 – increased by 1.04p). The calculations are based on the cash balances as at the respective Balance Sheet dates and are not representative of the year as a whole.

Other Price Risk

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

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

Other Price Risk Sensitivity

A full list of the Company's investments by broad industrial or commercial sector is given on page 6. In addition, an analysis of the investment portfolio is contained in the Managing Director's Report.

87.5% (2020 – 81%) of the Company's net assets are invested in equities. A 5% increase in equity valuations at 30 November 2021 would have increased net assets and total return on ordinary activities by £14,259,000 (2020 –£11,965,000). 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 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 2021 are all due within three months. The carrying values and cash flows relating to the Company's liabilities are not significantly different.

16 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, 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;
- 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:

	2021 £'000	2020 £'000
Cash and cash equivalents	40,878	56,237
Debtors	92	872
	40,970	57,109

None of the Company's financial assets are past due or impaired.

Capital Management

The capital of the Company is its share capital and reserves as set out in notes 11 and 12. The objective of the Company is to provide good absolute returns over long periods by investing the great majority of its assets in UK and international quoted securities and, if appropriate, index futures. The Company's investment policy is set out on pages 9 and 10. In pursuit of the Company's objective, the board has a responsibility for ensuring the Company's ability to continue as a going concern.

Shares may be issued and/or repurchased as explained on pages 17 and 18 and any changes to the share capital during the year are set out in note 12. The Company does not have any externally imposed capital requirements.

Fair Value of Financial Instruments

Investments in securities as disclosed in note 8 on page 45 are financial assets held at fair value through profit or loss. In accordance with FRS 102 and the Fair Value Hierarchy, 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 2020 were also classified as Level 1. For all other financial assets and liabilities, carrying value approximates to fair value.

Fair Value Hierarchy

The fair value hierarchy used to analyze the basis on which the fair values of financial instruments held at fair value through the profit or loss account are measured is described below. Fair value measurements are categorised on the basis of the lowest level input that is significant to the fair value measurement.

Level 1 – using unadjusted quoted prices for identical instruments in an active market;

Level 2 – using inputs, other than quoted prices included within Level 1, that are directly or indirectly observable (based on market data); and

Level 3 – using inputs that are unobservable (for which market data is unavailable).

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
At 30 November 2021				
Financial assets at fair value through profit and loss	285,175	–	–	285,175
At 30 November 2020				
Financial assets at fair value through profit and loss	239,290	–	–	239,290

Notice of Annual General Meeting

Covid-19 – Important note regarding arrangements for the Annual General Meeting (AGM)

The board of The Independent Investment Trust PLC recognises the public health risk associated with the Covid-19 pandemic arising from public gatherings.

At the same time, the board is conscious of the legal requirement for the Company to hold its AGM before the end of May 2022. Given the current uncertainty around when public health concerns will have abated, the board has for the time being decided to aim to follow the Company's customary corporate timetable and, accordingly, the Company's AGM will take place at 4.30pm on Thursday 24 March 2022 at the offices of Baillie Gifford & Co, Calton Square, 1 Greenside Row, Edinburgh EH1 3AN. At present, the Board expects to be able to welcome shareholders to the meeting. Should public health advice and Government measures change, however, arrangements will be made by the Company to ensure that the minimum number of shareholders required to form a quorum will attend the meeting in order that the meeting may proceed and the business be concluded. The board will however continue to monitor developments and any necessary changes will be advised to shareholders and posted on the Company's website independentinvestmenttrust.co.uk.

In the meantime, the board encourages all shareholders to submit proxy voting forms as soon as possible and, in any event, by no later than 4.30pm on 22 March 2022.

NOTICE IS HEREBY GIVEN that the Twenty First Annual General Meeting of The Independent Investment Trust PLC will be held within the offices of Baillie Gifford & Co, Calton Square, 1 Greenside Row, Edinburgh EH1 3AN, on Thursday, 24 March 2022 at 4.30pm for the following purposes:

Ordinary Business

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

1. To receive and adopt the annual report and financial statements of the Company for the year ended 30 November 2021 with the reports of the directors and of the independent auditor thereon.
2. To approve the directors' annual report on remuneration for the year ended 30 November 2021.
3. To declare a final dividend of 5.00p and a special dividend of 1.00p per ordinary share for the year ended 30 November 2021.
4. To re-elect Mr DCP McDougall as a director.
5. To re-elect Mr MCB Ward as a director.
6. To re-elect Mr JGD Ferguson as a director.
7. To re-elect The Hon. RJ Laing as a director.
8. 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.
9. To authorize the directors to determine the remuneration of the independent auditor of the Company.

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

10. That, in substitution for any existing authority, but without prejudice to the exercise of any such authority prior to the date hereof, the Company be and is hereby generally and unconditionally authorized, pursuant to and in accordance with section 701 of the Companies Act 2006 (the 'Act'), to make market purchases (within the meaning of section 693(4) of the Act) of fully paid ordinary shares of 25p each in the capital of the Company ('Shares') (either for retention as treasury shares for future reissue, resale, transfer or for cancellation) provided that:
- (a) the maximum aggregate number of Shares hereby authorized to be purchased shall be 7,910,774 Shares, or, if less, the number representing approximately 14.99% of the issued share capital on the date on which this resolution is passed;
 - (b) the minimum price (exclusive of expenses) which may be paid for a Share shall be 25p;
 - (c) the maximum price (exclusive of expenses) which may be paid for a Share shall be not more than the higher of: (i) 5 per cent above the average closing price on the London Stock Exchange of a Share over the five business days immediately preceding the date of purchase; and (ii) the higher of the price of the last independent trade of, and the highest current independent bid for, a Share on the London Stock Exchange as stipulated by Article 5(1) of Commission Regulation (EC) 22 December 2003 implementing the Market Abuse Directive as regards exemptions for buy back programmes and stabilization of financial instruments (No. 2273/2003); and
 - (d) unless previously varied, revoked or renewed by the Company in a general meeting, 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 2022, save that the Company may, prior to such expiry, enter into a contract to purchase Shares under such authority which will or may be executed wholly or partly after the expiration of such authority and may make a purchase of Shares pursuant to any such contract.

By order of the board
BAILLIE GIFFORD & CO
Secretaries
19 January 2022

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 eproxyappointment.com no later than two days (excluding non-working days) before the time of the meeting or any adjourned meeting.
3. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual and/or by logging on to the website 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 provider(s) 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/her CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service provider(s) 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 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. Under Section 338 of the Companies Act 2006, a member or members meeting the qualification criteria set out at Note 15 below, may, subject to certain conditions, require the Company to circulate to members notice of a resolution which may properly be moved and is intended to be moved at that meeting. The conditions are that: (i) the resolution must not, if passed, be ineffective (whether by reason of inconsistency with any enactment or the Company's constitution or otherwise); (ii) the resolution must not be defamatory of any person, frivolous or vexatious; and (iii) the request: (a) may be in hard copy form or in electronic form; (b) must identify the resolution of which notice is to be given by either setting out the resolution in full or, if supporting a resolution sent by another member, clearly identifying the resolution which is being supported; (c) must be authenticated by the person or persons making it; and (d) must be received by the Company not later than six weeks before the Meeting to which the requests relate.

15. Under Section 338A of the Companies Act 2006, a member or members meeting the qualification criteria set out at Note 16 below, may, subject to certain conditions, require the Company to include in the business to be dealt with at the meeting a matter (other than a proposed resolution) which may properly be included in the business (a matter of business). The conditions are that: (i) the matter of business must not be defamatory of any person, frivolous or vexatious; and (ii) the request: (a) may be in hard copy form or in electronic form; (b) must identify the matter of business by either setting it out in full or, if supporting a statement sent by another member, clearly identify the matter of business which is being supported; (c) must be accompanied by a statement setting out the grounds for the request; (d) must be authenticated by the person or persons making it; and (e) must be received by the Company not later than 6 weeks before the Meeting to which the requests relate.
16. In order to be able to exercise the members' right to require: (i) circulation of a resolution to be proposed at the Meeting (see Note 14); or (ii) a matter of business to be dealt with at the Meeting (see Note 15), the relevant request must be made by: (a) a member or members having a right to vote at the Meeting and holding at least 5% of total voting rights of the Company; or (b) at least 100 members have a right to vote at the Meeting and holding, on average, at least £100 of paid up share capital.
17. As at 14 January 2022 (being the last practicable day prior to the publication of this notice) the Company's issued share capital consisted of 52,631,600 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at 14 January 2022 were 52,631,600 votes.
18. 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/her proxy will need to ensure that both he/she and his/her proxy complies with their respective disclosure obligations under the UK Disclosure and Transparency Rules.
19. 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.

Third Party Data Provider Disclaimer

No third party data provider ('Provider') makes any warranty, express or implied, as to the accuracy, completeness or timeliness of the data contained herewith nor as to the results to be obtained by recipients of the data. No Provider shall in any way be liable to any recipient of the data for any inaccuracies, errors or omissions in the index data included in this document, regardless of cause, or for any damages (whether direct or indirect) resulting therefrom. No Provider has any obligation to update, modify or amend the data or to otherwise notify a recipient thereof in the event that any matter stated herein changes or subsequently becomes inaccurate. Without limiting the foregoing, no Provider shall have any liability whatsoever to you, whether in contract (including under an indemnity), in tort (including negligence), under a warranty, under statute or otherwise, in respect of any loss or damage suffered by you as a result of or in connection with any opinions, recommendations, forecasts, judgements, or any other conclusions, or any course of action determined, by you or any third party, whether or not based on the content, information or materials contained herein.

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Automatic Exchange of Information

In order to fulfil its obligations under UK Tax Legislation relating to the automatic exchange of information, the Company is required to collect and report certain information about certain shareholders.

The legislation will require investment trust companies to provide personal information to HMRC on certain investors who purchase shares in investment trusts. As an affected company, The Independent Investment Trust PLC will have to provide information annually to the local tax authority on the tax residencies of a number of non-UK based certificated shareholders and corporate entities. All new shareholders, excluding those whose shares are held in CREST, who come on to the share register will be sent a certification form for the purposes of collecting this information.

For further information, please see HMRC's Quick Guide: Automatic Exchange of Information – information for account holders gov.uk/government/publications/exchange-of-information-account-holders.

Glossary of Terms and Alternative Performance Measures (APM)

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 all 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 (APM)

As stockmarkets 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.

As at 30 November		2021	2020
Net asset value per share	(a)	617.9p	547.1p
Share price	(b)	544.0p	505.0p
(Discount)	$((b)-(a))\div(a)$	(12.0%)	(7.7%)

Net Liquid Assets

Net liquid assets comprise current assets less current liabilities (excluding borrowings).

Total Return (APM)

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

Net Asset Value

		2021	2020
Opening NAV per share at 1 December 2020 (2019)	(a)	547.1p	571.8p
Closing NAV per share at 30 November	(b)	617.9p	547.1p
Total dividend adjustment factor*	(c)	1.01321	1.02242
Adjusted closing NAV per share ($d = b \times c$)	(d)	626.1p	559.3p
Total return on net asset value ($d - a$) \div a expressed as a percentage		14.4%	(2.2%)

*The dividend adjustment factor is calculated on the assumption that the dividends paid out by the Company are reinvested into the shares of the Company at the cum income NAV at the ex-dividend date.

Share Price

		2021	2020
Opening share price at 1 December 2020 (2019)	(a)	505.0p	518.0p
Closing share price at 30 November	(b)	544.0p	505.0p
Total dividend adjustment factor*	(c)	1.01506	1.02409
Adjusted closing share price ($d = b \times c$)	(d)	552.2p	517.2p
Total return on share price ($d - a$) \div a expressed as a percentage		9.3%	(0.2%)

*The dividend adjustment factor is calculated on the assumption that the dividends paid out by the Company are reinvested into the shares of the Company at the last traded price quoted at the ex-dividend date.

Ongoing Charges (APM)

The total administrative expenses incurred by the Company as a percentage of the average shareholders' funds, calculated on a daily basis.

	2021 £'000	2020 £'000
Total administrative expenses (a)	798	743
Average net asset value (b)	329,989	277,403
Ongoing charges (a) ÷ (b) expressed as a percentage	0.24%	0.27%

Available Cash (APM)

Cash and cash equivalents as adjusted for investment and share buy-back transactions awaiting settlement.

Gearing (APM)

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. The level of gearing can be adjusted through the use of derivatives which affect the sensitivity of the value of the portfolio to changes in the level of markets.

Net gearing/(cash) (APM) is borrowings less available cash (as defined above) and fixed interest securities (ex convertibles) divided by shareholders' funds.

Compound Annual Return

The compound annual return converts the return over a period of longer than one year to a constant annual rate of return applied to the compounded value at the start of each year.

DIRECTORS

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

All of
17 Dublin Street
Edinburgh EH1 3PG
Telephone: 0131 558 9434
website: independentinvestmenttrust.co.uk

SECRETARIES AND REGISTERED OFFICE

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REGISTRARS

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INDEPENDENT AUDITOR

Ernst & Young LLP
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Edinburgh EH3 8EX

SOLICITORS

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

COMPANY DETAILS

Incorporated in Scotland
Company Registration No: SC210685
ISIN: GB0000811686
Sedol: 0081168
Ticker: IIT
LEI: 2138001YHGJTZJ3M0642