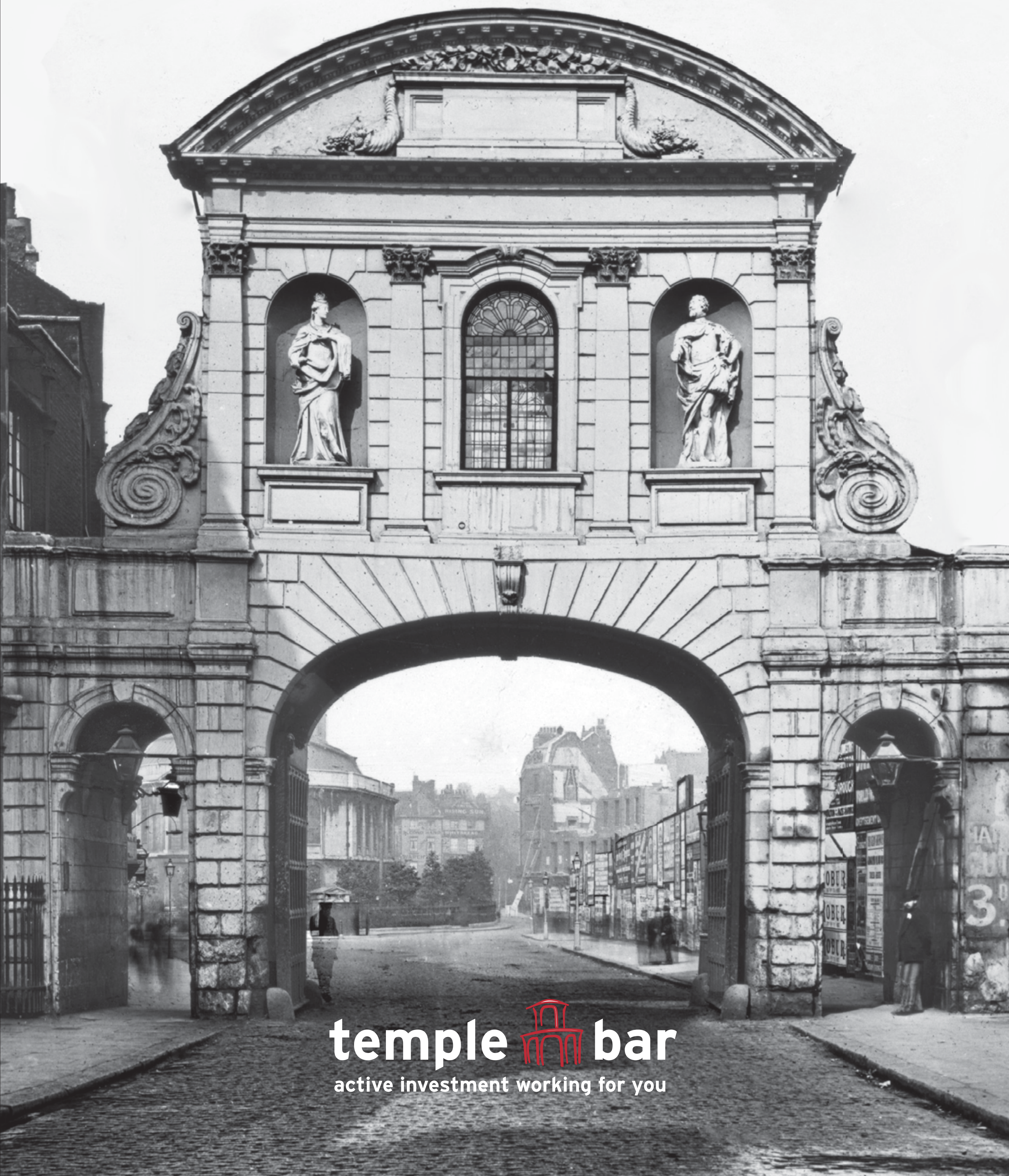
Temple Bar Investment Trust PLC

Annual Report & Accounts 2014



Strategic report – Company summary

Temple Bar Investment Trust's investment objective is to provide growth in income and capital to achieve a long-term total return greater than the benchmark FTSE All-Share Index, through investment primarily in UK securities. The Company's policy is to invest in a broad spread of securities with typically the majority of the portfolio selected from the constituents of the FTSE 350 Index.

The Company's full objective and policy is set out on page 9.

Benchmark
Performance is measured against the FTSE All-Share Index.

Total assets less current liabilities
£913,198,000

Total equity*
£799,444,000

Market capitalisation
£796,455,000

Capital structure

Ordinary shares	66,872,765 shares
9.875% Debenture Stock 2017	£25,000,000
5.5% Debenture Stock 2021	£38,000,000
4.05% Private Placement Loan 2028	£50,000,000

Voting structure
Ordinary shares 100%.

Manager's fee
0.35% per annum based on the value of the investments (including cash) of the Company. There is no performance fee. References to "Manager" in this document mean Investec Fund Managers Limited and references to "Portfolio Manager" mean Alastair Mundy.

Investor Information Document
The Alternative Investment Fund Managers Directive requires the Alternative Investment Fund Manager to make certain information available to investors prior to their investment in the Company. The Company's Investor Information Document is available at www.templebarinvestment.co.uk.

*with debenture and loan stocks at book value.

ISA status
The Company's shares qualify to be held in an ISA.

Typical investor
The portfolio is designed to be of interest to private investors in the UK, including retail investors, professionally advised private clients and institutional investors who seek income and the potential for capital growth from investment primarily in UK markets and who understand and are willing to accept the risks of exposure to equities. Private investors should consider consulting an independent financial adviser who specialises in advising on the acquisition of shares before acquiring them. Investors should be capable of evaluating the risks and merits of such an investment and should have sufficient resources to bear any loss that may result.

FCA regulation of 'non-mainstream pooled investments'
The Company currently conducts its affairs so that the shares issued by the Company can be recommended by Independent Financial Advisers to ordinary retail investors, in accordance with the rules of the Financial Conduct Authority ('FCA') in relation to non-mainstream investment products, and intends to continue to do so for the foreseeable future.

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

Association of Investment Companies (AIC): Member

www.templebarinvestments.co.uk

Contents

Photograph courtesy of the Frederick W. Branch collection on RichRockwell.com
The photograph (¢1880) shows Temple Bar in its original location at the gateway to The Strand in London

Strategic report – Summary of results

Assets as at 31 December	**2014 £000**	2013 £000	% change
Net assets	799,444	792,070	0.9
Ordinary shares			
Net asset value per share with debt at book value	1,195.47p	1,250.84p	(4.4)
Net asset value per share with debt at market value	1,174.37p	1,242.97p	(5.5)
Market price	1,191.00p	1,246.00p	(4.4)
(Discount)/premium with debt at book value	(0.4)%	(0.4)%	
Premium with debt at market value	1.4%	0.2%	
Revenue for the year ended 31 December	**£000**	£000	
Revenue return attributable to ordinary shareholders	25,782	22,274	
Revenue return per ordinary share	39.82p	36.17p	
Dividends per ordinary share – interim and proposed final	38.88p	37.75p	3.0
Capital for the year ended 31 December			
Capital return attributable to ordinary shareholders	(36,813)	158,704	
Capital return attributable per ordinary share	(56.86p)	257.72p	
Net gearing*	0.0%	2.0%	
Ongoing charges**	0.48%	0.48%	

Total returns for the year to 31 December 2014	%
Return on net assets	(1.7)
Return on gross assets	(0.5)
Return on share price	(1.4)
Return on FTSE All-Share Index	1.2
Change in Retail Prices Index over year	1.6

Dividend yields (net) as at 31 December 2014	%
Yield on ordinary share price (1,191p)	3.2
Yield on FTSE All-Share Index	3.4

* defined as total assets less cash or cash equivalents (including gilt holdings) by shareholders' funds expressed as a percentage.
** defined as the total of the investment management fee and administrative expenses divided by the average cum income net asset value throughout the year.

Ten year record

	2005	2006	2007	2008	2009	2010	2011	2012	2013	**2014**
Total assets less current liabilities (£000)	532,965	598,485	557,712	422,408	553,392	603,444	585,480	664,648	905,775	913,198
Net assets (£000)	469,621	535,128	494,340	359,020	489,988	540,022	522,040	601,191	792,070	799,444
Net assets per ordinary share (pence)	804.96	917.25	847.33	612.76	831.03	915.89	874.42	992.86	1,250.84	1,195.47
Revenue return to ordinary shareholders (£000)	17,076	17,620	19,361	20,614	20,017	18,915	22,552	24,873	22,274	25,782
Revenue return per share (pence)	29.35	30.20	33.19	35.33	33.98	32.08	38.08	41.39	36.17	39.82
Net dividends per share* (pence)	27.83	29.23	30.98	32.84	33.50	34.20	35.23	36.65	37.75	38.88

* Interim and proposed final for the year.

Strategic report – Chairman's statement

Following a strong performance in the previous year, 2014 was much more difficult for our shareholders in terms both of absolute and relative returns. The total return on the net assets of Temple Bar in 2014 was -1.7%, which compares with a total return for the FTSE-All Share Index of 1.2%. However, Temple Bar continues significantly to outperform its benchmark over both 5 and 10 year periods.

The Manager's Review highlights the positive and negative constituents of performance during the year and concludes that the performance lag was due mainly to individual stock selections that were unsuccessful over the period, in contrast to the influence of larger themes. As I have highlighted previously, the contrarian value approach adopted by the Manager and his team focuses on the purchase of out of favour stocks; these stocks can often move more out of favour after purchase, for both good and bad reasons, in the near term. This highlights that this style of investing requires participation over longer time periods for the proven benefits to emerge.

As in 2013, the Manager was reluctant to chase yield at a time when it appeared to be unattractively priced. Additionally, the large number of new shares issued towards the end of the year, and thus qualifying for the final dividend, while being accretive to net asset value, further impacted negatively the revenue earned per share. Offsetting these factors was the receipt of a substantial special dividend from Direct Line which ultimately led to the proposed dividend for the current year being fully covered by revenue generated from portfolio investments. It remains a significant benefit of investment trusts that revenue reserves can be used to smooth dividend payments if there is a revenue shortfall in a particular year.

The Board is, therefore, recommending a final dividend of 23.33p, to produce a total dividend for the year of 38.88p, an increase of 3.0%. The dividend will be payable on 31 March 2015 to shareholders on the register at 13 March 2015. This is the 31st consecutive year in which the dividend has been increased.

Quarterly Dividends

In accordance with previous notifications to shareholders, with effect from the financial year which started on 1 January 2015 the Company will pay dividends on a quarterly basis. A final dividend for the 2014 financial year will be paid on 31 March 2015, following which there will be three interim dividends

payable in respect of the current year on 30 June, 30 September and 30 December before a final dividend is paid in late March 2016. The Board is conscious of the income requirements of many of its shareholders and intends, on current expectations, that shareholders will receive payments amounting to at least those received under the previous arrangements and that the progressive annual dividend growth of the last 31 years will be maintained.

Gearing

I mentioned in my Statement last year that the Company had taken out in 2013 an additional £50 million private placement loan, repayable in 2028, in order to secure attractive long term fixed rate funding at an opportune time. This loan forms part of the Board's overall approach to debt management, mindful that one of the Company's two debentures matures in 2017. Given the long term nature of the loan, the Board does not

Strategic report – Chairman's statement continued

feel an immediate necessity to invest the proceeds, but will seek to deploy these funds as appropriate opportunities arise. At the year end, the Company's gearing was immunised by its holdings of cash and related liquid assets.

New Share Issues
The Company's shares have generally been trading at a premium to net asset value for a substantial period. The Board believes that it is important to manage proactively any premium or discount and, accordingly, it favours regular small issues of shares to maintain any premium at a reasonable level. During the year a total of 3,549,517 ordinary shares were issued raising proceeds of £42.9 million. There were no share repurchases during the year. The Board considers that its policy towards share issuance and its preparedness to carry out share repurchases, if required, has helped to constrain premium/discount volatility in the past and therefore recommends that the existing authorities to issue new ordinary shares for cash and to repurchase shares in the market for cancellation or to hold in Treasury be continued. Accordingly, it is seeking approval from shareholders to renew the share issue and repurchase authorities at the forthcoming Annual General Meeting.

Alternative Investment Fund Manager Directive ('AIFMD')
In accordance with AIFMD the Company appointed Investec Fund Managers Limited ('IFM') as its Alternative Investment Fund Manager on 21 July 2014 under a new investment management agreement. Portfolio management has been delegated by IFM to Investec Asset Management Limited ('IAM'), thus retaining previous portfolio management arrangements. In addition, as required under the AIFMD, the Company appointed HSBC Bank to act as its depositary and custodian. IAM continues to act as Company Secretary to the Company.

Annual General Meeting
The AGM will be held at Woolgate Exchange, 25 Basinghall Street, London EC2V 5HA on 30 March 2015 at 11.00 a.m. and I would encourage shareholders to attend. In addition to the formal business of the meeting the portfolio manager, Alastair Mundy, will make a presentation reviewing the past year and commenting on the outlook. He will also be available to answer any questions alongside the Directors. Shareholders who are unable to attend the AGM in person are encouraged to use their proxy vote.

Outlook
The Manager has been concerned for some time that the regime of low interest rates prevalent both in the UK and internationally has encouraged investors to seek higher returns in alternative instruments and has pushed many asset prices to levels beyond their fair value. There is potential for this 'search for yield' to end badly, exacerbated by the lack of liquidity in many markets and the realisation by these investors that they have bought assets far more volatile than the cash they switched from. While central bankers continue to adopt aggressive policies, with debt worldwide having grown significantly since the financial crisis and valuations far from cheap, the Manager expects the turbulence of recent months to continue. It is anticipated that this will produce some attractive investment opportunities.

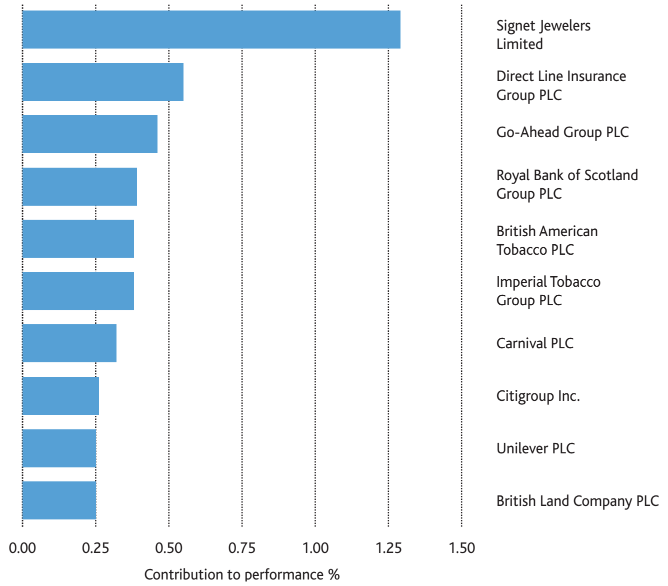
John Reeve
Chairman
24 February 2015

Strategic report – Attribution analysis

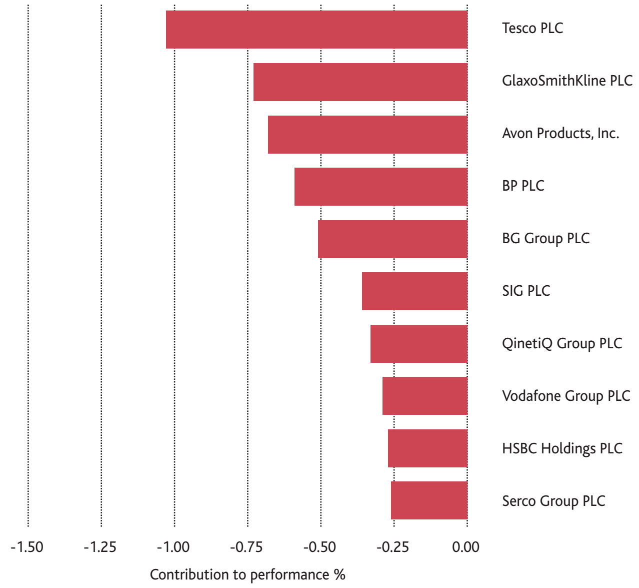
Attribution analysis by stocks held in the portfolio

Source: Factset

Top 10 Contributors



Bottom 10 Contributors

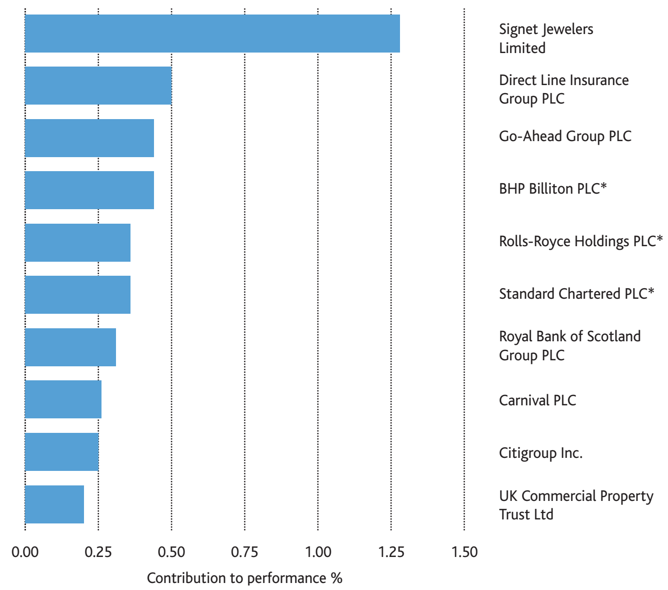


The bar charts above show the top and bottom contributors to total performance during the year from those stocks held in the portfolio.

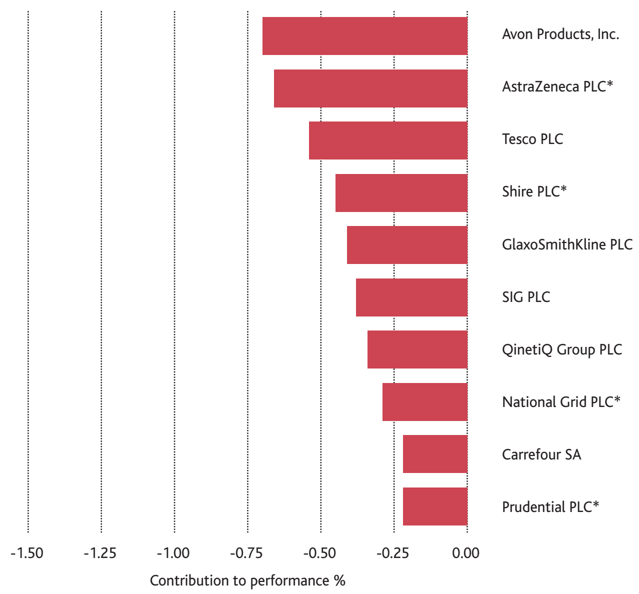
Attribution analysis relative to the benchmark index

Source: Factset

Top 10 Contributors



Bottom 10 Contributors



The bar charts above show the top and bottom contributors relative to the performance of the FTSE All Share Index during the year and include the impact of stocks **not** held in the portfolio. Both positive and negative relative performance can be derived from stocks that are not owned by Temple Bar.

* Not held in portfolio

Strategic report – Manager's review

The FTSE100 Index traded in a range of less than 500 points for most of the year although volatility picked up in the autumn with improved economic news in the US counter-balanced by increasing concerns over deflation in Europe, a slowdown in emerging market economies and the unclear consequences of a significantly lower oil price. As is not unusual, earnings forecasts proved too high and there was a steady trickle of downgrades as company management scaled back their early year enthusiasm.

Over the year the FTSE All-Share Index, the index most relevant to the Temple Bar portfolio, returned 1.2% while the FTSE250 index returned 3.7% and the FTSE Smaller Companies Index delivered a total return of 0.9%. This compares with a total return for Temple Bar of -1.7%.

In the UK equity market, the themes which resonated with investors were income and quality. Consequently, in general, utility, tobacco and real estate stocks performed well, as did companies where investors were most confident of continued earnings growth, typically in consumer facing sectors. A number of the weakest performers during the year were resource related stocks.

As with any year, there were a number of winners and losers on the portfolio. Unfortunately the latter predominated in 2014 thus generating a year of underperformance for the trust against the market.

The underperformance of the Temple Bar portfolio, in terms of sins of commission, was due in the main to three investments: Tesco, Avon Products and the pharmaceutical sector.

We have certainly not covered ourselves in glory in assessing the future of the food retailing sector. We had avoided Tesco for many years, concerned about both its management culture and its accounting policies, but as trading deteriorated and the share price fell we believed that investors were ignoring the long-term prospects of a recovery in the UK's largest retailer and initiated a holding. However, as new management articulated the details of the operational difficulties and aggressive accounting policies, the indebtedness of the company created a large shadow over the business and the share price. As it was unclear whether disposals could be executed at sufficiently attractive prices to avoid a rights issue and as any share issuance would dilute the upside for shareholders, we reduced our position during the year.

Avon Products has been a particular bete noire of the portfolio in recent years. It would be difficult to imagine that a company could be hit by any more unfortunate events. Corruption charges in China, hyperinflation in Venezuela, a currency crisis in Russia and a significant economic slowdown in Brazil would be enough to damage a strong company but for Avon, still struggling to get back on to the front foot after many years of under management, these issues have proved highly debilitating.

Being incorrectly positioned in the largest pharma stocks was particularly expensive. GlaxoSmithKline continued to lower profit forecasts on the back of disappointing new drug development and a fall-off in revenues of existing drugs. In contrast AstraZeneca recovered strongly due both to improved news on drug development and a failed bid from Pfizer and Shire Pharmaceutical received a bid from AbbVie which, although not consummated, supported the share price.

On the positive side, Direct Line performed well following the sale of the majority of its stake by the Royal Bank of Scotland. This illustrates the latent potential often present in companies previously hidden within larger organisations and consequently starved of capital and attention. As outsiders, it is often very difficult to assess the opportunities for operational improvement in such a company, but experience suggests that with newly incentivised management, investors' expectations can often be comfortably surpassed. The management have also proved shareholder friendly by implementing a high dividend pay-out policy, paying special dividends and disposing of underperforming international businesses.

Debt remains a problem. In fact, looked at in some ways it is a bigger problem than it was at the peak of the financial crisis.

Strategic report – Manager's review continued

After further strong performance, we finally bid farewell to our long-term holding in Signet Jewelers. We sold at a time when the company's position in the US jewellery market was more dominant than ever and its earnings prospects were buoyed by the recent acquisition of its largest competitor. However, we believed the shares discounted all this good news, and more, and therefore felt we had lost our margin of safety. This might appear to be a classic recovery story with the transformation from ugly duckling into a beautiful swan playing out in a straightforward manner. However, from our initial purchase price, the shares fell 79.2% in absolute terms and 68.2% when compared with the FTSE All-Share Index, amidst concerns over the short and long-term demand for jewellery and the quality of the company's balance sheet. Very few of our purchases follow a smooth glide path and many run into difficulties not long after the initial purchase. However, time erases much of the pain and embarrassment of these early losses and disguises the discomfort that often comes with value investing.

It seems relevant as well to discuss our sins of omission. During the year, the portfolio had a relatively small exposure to both utilities and growth stocks, or to use a more recent term, 'quality stocks'.

We believe investors have been attracted to the high dividend yields of utilities. However, these dividends are typically financed partially out of debt rather than cashflow and, therefore, in our view, are not as attractive as they initially appear. Utilities remain highly capital intensive companies continually at risk of political intervention and these dividends may prove less secure than investors believe.

Quality stocks are typically those companies which generate high and enduring levels of return on shareholders' equity and which rarely call on investors to finance their growth. Many of these companies are found in consumer facing sectors such as food, drink, tobacco, personal care and household products. After many years of strong performance, this group of companies is priced as highly as it has been for decades, yet it is questionable whether its future is as bright as its past. They have benefited historically from healthy levels of price inflation, trading up (selling a slightly higher quality product for a higher price) and globalisation, but these factors are now quite mature. Low inflation worldwide and the growth of good quality own label products reduces opportunities for price increases; trading up is perhaps more in tune with more upbeat economic times and, geographically, there are few new markets for these companies to explore (whilst some areas are clearly currently under extreme pressure). We sold some Unilever during the year and may be encouraged to further reduce exposure to this part of the market.

As usual the acquisitions made on the portfolio during the year were of out of favour stocks trading at a discount to their assumed fair value based on our assessment of normalised operating profits.

Lloyds Banking Group has slowly rebuilt its balance sheet since the financial crisis and consequently moves ever closer to paying a dividend. Once reinstated, this could grow quickly and it is conceivable that the company will have a 5% yield (the estimated dividend divided by the current share price) within two years. This would prove highly attractive to investors particularly relative to the alternatives on offer. While Lloyds remains a mature bank with large market shares in both savings and mortgages, it has clear potential to cut costs from its business, in particular the large number of branches in its network. With the more time consuming balance sheet matters behind it, Lloyds is now in a better position to regain market share

Portfolio distribution %	Temple Bar portfolio %	FTSE All-Share Index %
Industrials	15.57	9.83
Financials	24.30	25.63
Health Care	6.34	8.53
Oil & Gas	14.33	12.72
Telecommunications	2.88	4.86
Consumer Services	7.67	11.27
Consumer Goods	8.22	14.49
Utilities	1.40	3.96
Technology	1.38	1.52
Basic Materials	1.55	7.19
Total Equities	**83.64**	100.00
Fixed Interest	12.31	0.00
Cash	4.05	0.00
	100.00	100.00

Comparing an equity dividend with the low rate of interest on a bank deposit or of a government bond is appealing to many, but is racked with risk.

Strategic report – Manager's review continued

lost in some core products over the last few years.

Citigroup is now a very well capitalised bank and trades below its book value despite having some excellent franchises in credit cards and Asian lending. Investors have grown tired at the stream of restructuring costs and fines, increasing compliance burden and heightened capital requirements, leaving the shares trading at a significant discount to net asset value.

The Marks & Spencer recovery has had a number of false dawns over the years and modernising the business has proved very difficult for previous management teams. There are some undeniable headwinds such as the location of the company's oldest properties and the difficulty of attracting younger customers, but behind the scenes significant changes in logistics, design and buying are being made and some of the positive financial effects are already emerging.

The sale of Signet Jewelers was the largest disposal on the portfolio over the year closely followed by Vodafone, the sale of which was detailed in the interim report.

The primary business of TNT Express, acquired during the year, is fast delivery of products by truck and air across Europe. The company has struggled in the last few years as it became clear that previous management had under-invested when it was part of the Post NL, the Dutch mail business. After a number of profit warnings, investors fear that operational recovery may be difficult to engineer despite the proven success of competitors. However, the stock's rating discounts permanently lower margins than those of its competitors and if the company was to stage a full recovery, the shares could prove very cheap.

The unconventional monetary policy conducted by central banks over recent years shows no sign of ending. While the Bank of England in the UK and the US Federal Reserve have finished, or perhaps just paused, their bond buying programmes, the Japanese have re-entered the fray with great enthusiasm and, in the absence of improving economic news, the European Central Bank has recently initiated its own programme. The great financial experiment is therefore likely to run for some time and the risk remains of unintended consequences.

The worriers are not restricted to a bunch of mavericks and permabears. Richard Fisher, President of the Dallas Federal Reserve, has also voiced his concerns: 'Nobody really knows what will work to get the economy back on course. And nobody – in fact, no central bank anywhere on the planet – has the experience of successfully navigating a return home from the place in which we find ourselves. No central bank – not, at least, the Federal Reserve – has ever been on this cruise before'.

Debt remains a problem. In fact, looked at in some ways it is a bigger problem than it was at the peak of the financial crisis. In 'Deleveraging? What Deleveraging?', a recent joint publication by the International Center for Monetary and Banking Studies and the Centre for Economic Policy Research, the authors emphasized that global debt to GDP is still growing and breaking new highs. They highlighted that historically, high levels of debt at best have constrained economic growth. At worst, they have led to financial crises, be they banking, sovereign or currency related.

Equity investors in developed markets, and particularly the USA, keep the faith, trusting that everything will work out fine. Thus, most news is framed positively: low interest rates are supportive to equity valuations, whilst potentially higher rates are equally good news as they signal that growth prospects are good. If the oil price is high, it encourages capital expenditure and job creation whilst if it falls, it boosts consumer spending. Bad news has apparently been abolished and any market sell-offs are an opportunity to 'buy the dip'.

The bulls add that the bears should remember that equities always rise in the long term and consequently it is crazy to be out of the market. Gold, they add, is a barbarous relic, governments can print money to pay off any debts they incur and neither deflation nor inflation is particularly likely or worrisome. Perhaps most intriguingly, this relaxed attitude has become entrenched so soon after a financial crisis. At least our financial predecessors were good enough to have a decent mourning period before partying again.

Or perhaps investors really do accept that high and growing government debts genuinely are a problem, that the Euro is looking ever more fragile, that Chinese economic growth may yet disappoint, that the US may be forced to return to bond buying policies and that the Japanese are playing with fire, but that as the music is playing it would be rude to leave the dance floor. If so, surely we have seen this movie before. Not everyone will leave without paying a heavy price.

As we have detailed in previous years we have far more sympathy with the bears in these arguments. Of course our fears may be overdone, or even if we are correct, our timing may be badly out. In a world which increasingly demands near perfect timing, we are constantly asked to identify the catalyst for such market weakness; without a catalyst most investors are highly reluctant to sell. Our concern is that with a catalyst they may find themselves unable to sell.

Those who focus on timing often highlight John Maynard Keynes' alleged aphorism that markets can remain irrational for longer than one can remain solvent. If Keynes did in fact say this, his problem was that he had borrowed money to invest in the

Strategic report – Manager's review continued

stockmarket and thus feared insolvency as and when the bank requested the return of its money. In contrast, an investor holding cash can outlast an irrational market although sometimes great patience and tolerance is required.

While we watch how events develop, we were recently provided with some encouragement from veteran American high yield investor Howard Marks quoting economist Rudiger Dornbusch, "In economics things take longer to happen than you think they will, and then they happen faster than you thought they could', to which Marks added, '…and they go much further than you thought they could'.

If equities were extraordinarily out of favour and cheap our concerns would be much diminished. A significant amount of bad news would be discounted in prices and therefore the expected long-term returns from holding equities would be greater. However, this is not what we see. We think valuations are pretty stretched, particularly so across a broad swathe of medium-sized companies. The search for yield has forced dividend yields down and we must be very sensitive to the risk of disappointment. Comparing an equity dividend with the low rate of interest on a bank deposit or of a government bond is appealing to many, but is racked with risk. A superior equity yield can appear attractive, but is obviously neither guaranteed to increase each year or even remain constant and is attached to an asset far more volatile than the one with which it is being compared . It is highly likely that in the very long run a high yielding equity portfolio will comfortably outperform both bonds and cash, but the very long-term is often too long an investment horizon for many investors and the interim volatility can test the mettle of the average investor; particularly if he has historically preferred the more serene areas of bonds and cash.

There also seem to be contradictions at work in equity markets. Equity bulls highlight the attraction of equities compared with low interest rates. However, the story implicit in bond yields (low growth and very low inflation) hardly tallies with growing corporate profitability and high dividend growth. On the other hand, if bonds are mispriced and yields are too low, then the yield advantage of equities is temporary.

Against the challenging background that we describe, how are we positioning the portfolio of the Trust? And, perhaps of primary importance, how relevant is this backdrop to a strategy which we have always described as bottom-up and stock specific?

However bottom-up we like to be, we will always be buffeted by macro-economic factors such as inflation, deflation or recessions. We would hope to look through these more extreme outcomes, but that assumes that these turbulent periods are neither too long nor too destructive. Not everything mean reverts and some themes can last a very long time. Diversification remains our main method of dealing with this problem, providing shareholders with a mix of out of favour companies exposed to a number of different themes and purchased at different times.

Rather perversely, given the negative tone of much of this report, the portfolio remains relatively highly exposed to some economically cyclical sectors such as banking and construction. Valuations always remain critical to the generation of long-term returns and we continue to believe that companies in these sectors better reflect in their valuations some of the concerns we have discussed. Whilst it perhaps looks a touch contradictory we believe that a barbell type approach to accepting risk through these stocks and anti-risk through our cash and short-dated bond holdings plus gold and silver related exposures provides the most promising source of potential returns.

The oil price fell heavily towards the end of the year to finish far below any forecasts of twelve months earlier. Of course, the commentary that accompanied this fall rationally explained the events away and provided more forecasts, but it is difficult to believe that forecasting such a volatile commodity has become any easier twelve months on. The episode has probably just proved as screenwriter William Goldman once said that 'Nobody knows nothing'. We retain our exposure to Royal Dutch Shell, BP and BG, believing that each is undergoing significant change from within. However, we must obviously accept that the dividend outlook for these companies deteriorates if the oil price fall is long term. If it is more reflective of an imbalance between supply and demand given a step down in global growth then there is a good chance that oil bounces back. If the conspiracy stories (take your pick)are correct, then the Saudis are aiming to make life painful for the high cost producers for a few months and encourage some of them to leave the market. If that is true, once again we will probably see a bounce back. To believe that the fall is permanent one may need to believe the more extreme argument that the Saudis are concerned that they have too much of a rapidly depreciating asset in the ground and therefore need to pump at any price. We added to our oil and gas exposure during the year.

We continue to search for cheap out of favour stocks and our opportunity set has certainly become more attractive during the year. However, relative to history, we still find fairly slim pickings in terms of outstanding value. Geo-political problems, central bank policy, emerging market problem areas and the growing levels of government debt around the world all suggest the potential for higher volatility and reasons to believe that there will be better times to take on more risk.

Alastair Mundy
For Investec Fund Managers Limited
24 February 2015

Strategic report – overview of strategy

The directors present the strategic report for the Company for the year ended 31 December 2014.

The strategic report is designed to help shareholders assess how the directors have performed their duty to promote the success of the Company during the year under review.

Business of the Company

Temple Bar Investment Trust PLC was incorporated in England and Wales in 1926 with the registered number 214601.

The Company carries on business as an investment company under Section 833 of the Companies Act 2006 and has been approved by HM Revenue & Customs as an investment trust in accordance with Section 1158 of the Corporation Tax Act 2010.

The Company's principal business activity of investment management is sub-contracted to Investec Fund Managers Limited ('IFM'). IFM delegates the management of the Company's portfolio to Investec Asset Management Limited ('IAM').

A review of the business is given in the Chairman's Statement and the Manager's Review. The results of the Company are shown on page 30.

Investment objective and policy

The Company's investment objective is to provide growth in income and capital to achieve a long-term total return greater than the benchmark FTSE All-Share Index, through investment primarily in UK securities. The Company's policy is to invest in a broad spread of securities with typically the majority of the portfolio selected from the constituents of the FTSE 350 Index.

The UK equity element of the portfolio will be mostly invested in the FTSE All-Share Index; however, exceptional positions may be sanctioned by the Board and up to 20% of the portfolio may be held in listed international equities in developed economies. The Company may continue to hold securities that cease to be quoted or listed if the Manager considers this to be appropriate. There is an absolute limit of 10% of the portfolio in individual stocks with a maximum exposure to a specific industrial or commercial sector of 25%, in each case irrespective of their weightings in the benchmark index.

It is the Company's policy to invest no more than 15% of its gross assets in other listed investment companies (including listed investment trusts).

The Company maintains a diversified portfolio of investments, typically comprising 70-80 holdings, but without restricting the Company from holding a more or less concentrated portfolio from time to time as circumstances require.

The Company's long-term investment strategy emphasises:

- Achieving a portfolio yield of between 120-140% of that of the FTSE All-Share Index.
- Stocks of companies that are out of favour and whose share prices do not match the Manager's assessment of their longer term value.

During the year the portfolio yield was lower than the above target for the reasons set out in the Chairman's Statement on page 2.

From time to time fixed interest holdings or non equity interests may be held for yield enhancement and other purposes. Derivative instruments are used in certain circumstances, and with the prior approval of the Board, for hedging purposes or to exploit specific investment opportunities.

Liquidity and borrowings are managed with the aim of increasing returns to shareholders. The Company's net gearing range may fluctuate between 0% and 30%, based on the current balance sheet structure, with an absolute limit of 50%.

As a general rule it is the Board's intention that the portfolio should be reasonably fully invested. An investment level of 90% of shareholder funds is regarded as a guideline minimum investment level dependent on market conditions.

Risk is managed through diversification of holdings, investment limits set by the Board and appropriate financial and other controls relating to the administration of assets.

Investment approach

The investment approach of the Manager is premised on a contrarian view on the timing of buy and sell decisions, buying the shares of companies when sentiment towards them is thought to be near its worst and selling them as fundamental profit improvement and/or re-evaluation of their long-term prospects takes place.

The belief is that repeated investor behaviour in driving down the prices of 'out of favour' companies to below their fair value will offer investment opportunities. This will allow the Company to purchase shares at significant discounts to their fair value and to sell them as they become more fully valued, principally as a result of predictable patterns in human psychology.

The Manager's process is designed to produce 'best ideas' to drive active fund management within a rigorous control framework. The framework begins through narrowing down the universe of stocks by passing those companies with a market capitalisation above £200 million through a screening process which highlights the weakest performing stocks. This isolates opportunities with the most negative sentiment characteristics which are then in turn scrutinised in greater detail to identify investment opportunities.

The process is very much bottom up and can result in large sector positions being taken if enough stocks of sufficient interest are found within a single sector. However, top down risk analysis is undertaken to identify potential concentration of risk and to factor this awareness into portfolio construction. The portfolio comprises stocks which have been purchased for different reasons and at different times. In general, because of the bottom up approach to stockpicking, each of these reasons is independent of the other and the portfolio, therefore, is not excessively vulnerable to longer term macro trends. Cash is a residual of the process and normally will not exceed 5% of the portfolio value.

Strategic report – overview of strategy continued

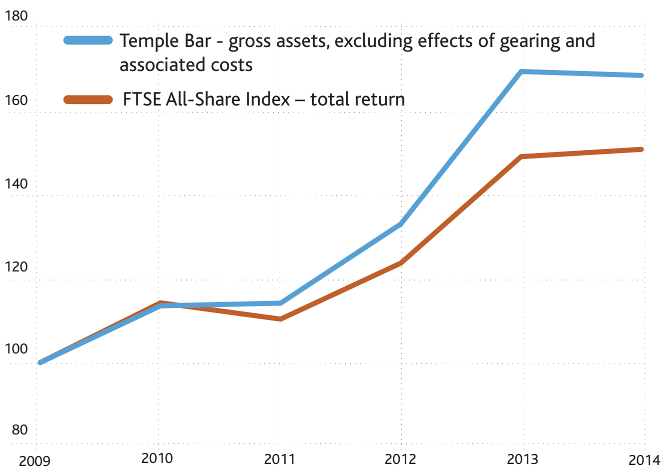
The approach to stock selection and portfolio construction is driven by four core beliefs:

1. Markets overreact to news on the upside and the downside. The Manager aims to be sceptical of the crowd and aware of investor psychology, which often causes overvaluation of those stocks that are deemed to have good prospects and an undervaluation of those which are out of favour.
2. There are few companies which sustain below normal profits over the longer term. Weaker companies tend to leave an industry, thus improving the balance of supply and demand, are bid for or management is changed. Similarly, there are few companies which can sustain supernormal profits over the longer term. Such profits tend to be competed or regulated away.
3. Fundamental valuation is the key determinant of share price performance over the long term. In other words 'cheap' stocks will outperform 'expensive' stocks.
4. Diversification is an important control. Particular companies or sectors can be out of favour for a considerable time.

Performance

In the year to 31 December 2014 the net asset value total return of the Company was -1.7% compared with a total return of the Company's benchmark index of 1.2%. The effect of removing gearing from the performance calculation is shown in the following graph of investment performance over a five year period compared with the FTSE All-Share Index. The Chairman's Statement on pages 2 to 3 and the Manager's Review on pages 5 to 8 include a review of developments during the year together with information on investment activity within the Company's portfolio and an assessment of future developments.

Ungeared 5 year performance



Key performance indicators

The principal key performance indicators ('KPIs') used to determine the progress and performance of the Company over time, and which are comparable to those reported by other investment trusts, are:

- Net asset value total return relative to the FTSE All-Share Index and to competitors within the UK Equity Income sector of investment trust companies.
- Discount/premium on net asset value
- Earnings and dividends per share
- Ongoing charges

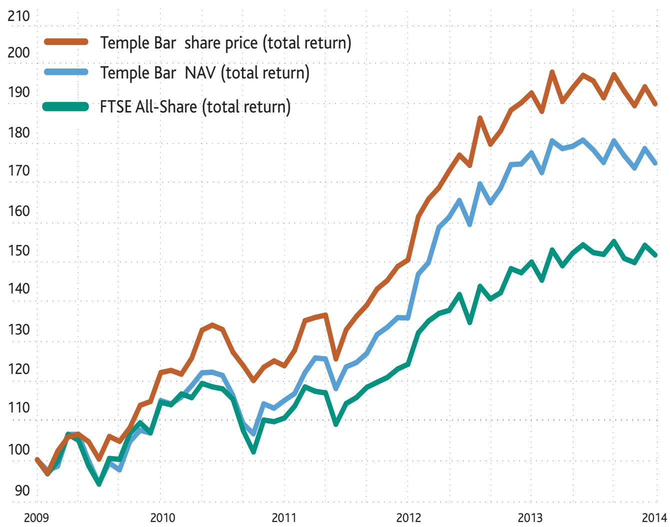
While some elements of performance against KPIs are beyond management control they provide measures of the Company's absolute and relative performance and are, therefore, monitored by the Board on a regular basis.

Net asset value ('NAV') total return

In reviewing the performance of the assets of the Company's portfolio the Board monitors the NAV in relation to the FTSE All-Share Index. This is the most important KPI by which performance is judged. During the year the net asset value total return of the Company was -1.7% compared with a total return of 1.2% by the FTSE All-Share Index. The five year net asset value total return performance is shown below.

Net asset value total return

Source: Datastream/Morningstar



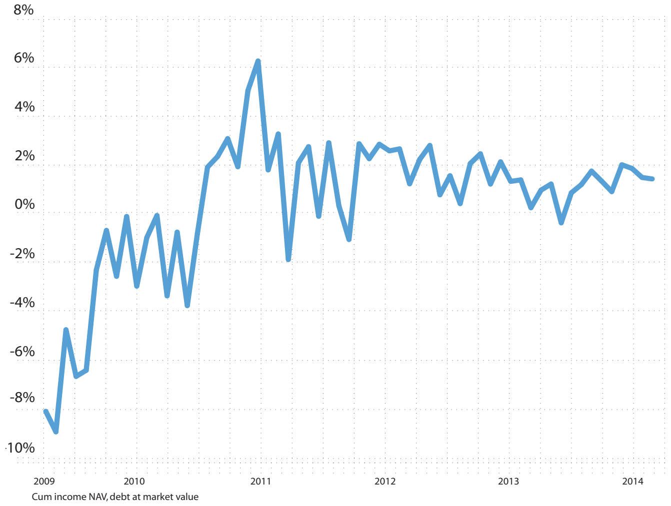
Discount on net asset value

The Board monitors the premium/discount at which the Company's shares trade in relation to the net assets. During the year the shares traded at an average premium to NAV of 1.0%. This compares with an average premium of 3.5% in the previous year. The Board and Manager closely monitor both movements in the Company's share price and significant dealings in the shares. In order to avoid substantial overhangs or shortages of shares in the market the Board asks shareholders to approve resolutions which allow for the buy back of shares and their issuance which can assist in the management of the discount or premium. Regular demand generated by monthly investment in the Savings Scheme and the use of marketing and promotional activity also assist in keeping the discount to an acceptable level.

Strategic report – overview of strategy continued

(Discount)/premium to net asset value (excluding current year revenue)

Source: Morningstar



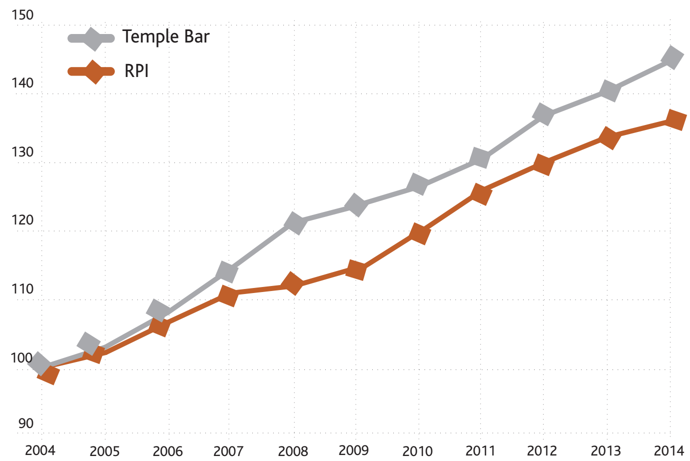
Earnings and dividend per share

It remains the directors' intention to distribute, over time, by way of dividends substantially all of the Company's net revenue income after expenses and taxation, subject to preserving a prudent balance in revenue reserves to facilitate a smooth dividend progression. The Manager aims to maximise total returns from the portfolio and attaches great importance to dividends in achieving total return.

The portfolio will typically provide a yield premium to the market. The final dividend recommended for the year is 23.33p per ordinary share which brings the total for the year to 38.88p per ordinary share, an increase of 3.0%. This will be the 31st consecutive year in which the Company has increased the overall level of its dividend payment.

10 year comparative dividend growth

Source: Datastream



Ongoing charges

Ongoing charges is an expression of the Company's management fees and other operating expenses as a percentage of average daily net assets over the year. The ongoing charges for the year ended 31 December 2014 were 0.48% (2013: 0.48%). The Board compares the Company's ongoing charges with those of its peers on a regular basis. At the present time the Company has one of the lowest ongoing charges in the UK Equity Income sector of investment trust companies.

Principal risks and uncertainties

With the assistance of the Manager the Board has drawn up a risk matrix which identifies the key risks to the Company. The Board reviews and agrees policies, which have remained unchanged since the beginning of the accounting period, for managing these risks, as summarised below.

Investment strategy risk

An inappropriate investment strategy on matters such as asset allocation or the level of gearing may lead to underperformance against the Company's benchmark index or peer companies, resulting in the Company's shares trading on a wider discount. The Board manages such risks by diversification of investments through its investment restrictions and guidelines, which are monitored and reported on by the Manager. The Manager provides the directors with regular management information including absolute and relative performance data, attribution analysis, revenue estimates, liquidity reports, risk profile and shareholder analysis. The Board monitors the implementation and results of the investment process with the portfolio manager, who attends Board meetings. Periodically the Board holds a separate meeting devoted to strategy, the most recent being in March 2013.

Income risk – dividends

Generating the necessary level of income from portfolio investments to meet the Company's expenses and to provide adequate reserves from which to base a sustainable programme of increasing dividend payments to shareholders is subject to the risk that income generation from investments fails to meet the level required. The Board monitors this risk through the receipt of detailed income reports and forecasts which are considered at each meeting. As at 31 December 2014 the Company had distributable revenue reserves of £34.4 million before declaration of the final dividend for 2014 of £15.6 million.

Share price risk

The Company's share price and premium or discount to NAV are monitored by the Manager and considered by the Board at each meeting. The directors attach considerable importance to any premium or discount to Net Asset Value (NAV) at which the shares trade, both in absolute terms and relative to the average rating at which the UK Equity Income sector of investment trusts as a whole is trading. Premiums judged to be excessive will be addressed by repeated share issues, either new or from Treasury. Discounts judged to be excessive will be addressed by repeated share buybacks, for Treasury or cancellation. The directors are prepared to be proactive in premium/discount management to minimise potential disadvantages to

Strategic report – overview of strategy continued

shareholders. However, market sentiment is beyond the absolute control of the Manager and the Board.

Accounting, legal & regulatory

In order to qualify as an investment trust the Company must comply with Section 1158 of the Corporation Tax Act 2010. Were the Company to breach Section 1158 it might lose investment trust status and, as a consequence, gains within the Company's portfolio would be subject to capital gains tax. The Section 1158 qualification criteria are, therefore, monitored by the Board at each meeting.

The Company must also comply with the provisions of the Companies Act and, since its shares are listed on the London Stock Exchange, the UKLA Listing Rules. A breach of the Companies Act could result in the Company being fined or subject to criminal proceedings. Breach of the UKLA Listing Rules could result in the Company's shares being suspended from Listing which in turn would breach Section 1158. The Board relies on the services of its Company Secretary, IAM, and its professional advisers to ensure compliance with the Companies Act and the UKLA Listing Rules and is satisfied that they are able to provide an appropriate service in this regard.

Corporate governance and shareholder relations

Details of the Company's compliance with corporate governance best practice including information on relations with shareholders, are set out in the corporate governance report on pages 22 to 24 which forms part of this strategic report.

Control systems risk

Disruption to, or failure of, IFM's accounting, dealing or payments systems or the custodian's records could prevent accurate reporting and monitoring of the Company's financial position or adversely impact the ability to trade. Details of how the Board monitors the services provided by IFM and its associates and the key elements designed to provide effective internal control are included within the internal control section of the corporate governance report on pages 22 to 24.

Other risks

Other risks to which the Company is exposed and which form part of the market risks referred to above are included in note 22 to the financial statements together with summaries of the policies for managing these risks. These comprise; market price risk, interest rate risk, liquidity risk, credit risk and currency risk.

The Board confirms that there is an ongoing process for identifying, evaluating and managing strategic and operational risks. This process is regularly reviewed by the Board in accordance with the Turnbull guidance on internal controls.

Gender Diversity

At the year end there were five male directors and one female director on the Board. The Company has no employees and therefore there is nothing further to report in respect of gender representation within the Company.

The Company's policy on diversity is detailed in the corporate governance report on pages 22 to 24.

Greenhouse Gas Emissions

All the Company's activities are outsourced to third parties. The Company therefore has no greenhouse gas emissions to report from its operations.

Employee, Social, Environmental, Ethical and Human Rights Policy

The Company is managed by IFM, has no employees and all its directors are non-executive. There are, therefore, no disclosures to be made in respect of employees. The Board notes the Manager's policy statement in respect of Social, Environmental and Governance issues, as outlined below.

Stewardship/engagement

The Manager recognises its wider stewardship responsibilities to its clients as a major asset owner. To this end, it supports the FRC Stewardship Code, which sets out the responsibilities of institutional shareholders in respect of investee companies. Under the Code, managers should:

- publicly disclose their policy on how they will discharge their stewardship responsibilities to their clients;
- disclose their policy on managing conflicts of interest;
- monitor their investee companies;
- establish clear guidelines on how they escalate engagement;
- be willing to act collectively with other investors where appropriate;
- have a clear policy on proxy voting and disclose their voting record; and
- report to clients.

The Manager endorses the Stewardship Code for its UK investments and supports the principles as best practice elsewhere. The Manager believes that regular contact with the companies in which it invests is central to its investment process and it also recognises the importance of being an 'active' owner on behalf of its clients.

The Manager believes that companies should act in a socially responsible manner. Although its priority at all times is the best economic interests of its clients, it recognises that, increasingly, non-financial issues such as social and environmental factors have the potential to impact the share price, as well as the reputation of companies. Specialists within the Manager's environmental, social and governance team are tasked with assessing how companies deal with and report on social and environmental risks and issues specific to their industry.

The Manager's Voting Policy and Corporate Governance Guidelines are available on request from the Company Secretary or can be downloaded from its website.

Future developments

The future development of the Company is dependent on the success of its investment strategy in the light of economic and equity market developments. The outlook is discussed in the Chairman's Statement on page 2.

By order of the Board of Directors
John Reeve
Chairman
24 February 2015

Portfolio of investments

Company	Supersector	Place of primary listing	**Valuation £000**	% of portfolio
UK Treasury 4.75% 2015 Held in the portfolio in lieu of cash	Fixed Interest	UK	**100,401**	11.49%
HSBC HSBC Holdings is one of the world's largest banks. It is the leading international banking group in Asia (ex Japan) with a strong presence in the Middle East, North and South America and the UK. Approximately 2/3 of pre-tax profits are from Asia and emerging markets.	Financials	UK	**76,443**	8.75%
Royal Dutch Shell Royal Dutch Shell is a global oil and gas company. It is one of the six oil and gas "supermajors". It is vertically-integrated and is active in every area of the oil and gas industry, including exploration and production, refining, distribution and marketing, petrochemicals, power generation and trading.	Oil & Gas	UK	**72,071**	8.25%
GlaxoSmithKline GlaxoSmithKline is a global health care company with leading positions in large therapeutic areas such as respiratory, anti-infectives, diabetes and central nervous system disorders. The company has a consumer health division that markets a number of over-the-counter oral health and other health care products.	Health Care	UK	**57,693**	6.60%
BP BP is a global oil and gas company and is one of the six oil and gas "supermajors". It is vertically-integrated and is active in every area of the oil and gas industry, including exploration and production, refining, distribution and marketing, petrochemicals, power generation and trading.	Oil & Gas	UK	**48,744**	5.58%
Grafton Group Grafton is a distributor of building products that operates across the British Isles and also has a small Belgian and a very small Polish business. The group operates from about 500 sites in the UK, and this is by far its most important market, accounting for approximately 75% of sales. The group's origins lie in Ireland, where it is very clearly the largest builder's merchant, with a 30% market share. Grafton also has a significant presence in the Irish DIY market, where it is even more dominant, accounting for over 60% of big box DIY space. Builder's merchants operate in a structurally attractive market, with deep economic "moats" existing and there are no obvious threats to the business model.	Industrials	UK	**38,933**	4.46%
British American Tobacco BAT is one of the world's largest tobacco groups with over 200 brands and leadership in more than 60 markets. The company's leading brands are Dunhill, Kent, Lucky Strike and Pall Mall. BAT derives over half of its net turnover from developing markets.	Consumer Goods	UK	**30,638**	3.51%

Portfolio of investments continued

Company	Supersector	Place of primary listing	**Valuation £000**	% of portfolio
BT Group BT is one of the largest telecommunications services companies in the world and is the UK incumbent operator for fixed line telecom services.Through its BT Global Services division it is a leading supplier of telecommunications services to corporate and government customers worldwide and its BT Retail division is a leading supplier of telephony, broadband and subscription television services in the UK, with over 18 million customers.	Telecommunications	UK	**25,696**	2.94%
Royal Bank of Scotland RBS operates across a wide range of banking activities including personal and corporate lending, capital markets, leasing, insurance, personal financial services and private banking. Geographically, some 50% of the bank's assets are located in the UK. RBS is concentrating on building capital, completing planned business sales (US retail and commercial and part of UK retail), cutting costs, and refreshing bank infrastructure. The bank targets a return on equity above 12% in 2018-2020.	Financials	UK	**24,202**	2.77%
Direct Line Insurance Direct Line group is the largest UK personal lines insurer, accounting for 90% of premiums. It has the leading market share in motor and home insurance and top five positions in travel, pet, rescue and commercial lines. In 2014 the company sold its international business.	Financials	UK	**22,326**	2.56%
Top Ten Investments			**497,147**	**56.91%**
Lloyds Banking Group	Financials	UK	**22,031**	2.52%
TNT Express	Industrials	Netherlands	**20,031**	2.29%
SIG	Industrials	UK	**19,773**	2.26%
Qinetiq	Industrials	UK	**19,521**	2.23%
Gold Bullion Securities ETF	Financials	UK	**18,330**	2.10%
Carnival	Consumer Services	UK	**17,601**	2.01%
Unilever	Consumer Goods	UK	**17,001**	1.95%
CitiGroup	Financials	USA	**16,744**	1.92%
Imperial Tobacco	Consumer Goods	UK	**16,200**	1.85%
Go-Ahead	Consumer Services	UK	**13,747**	1.57%
Top Twenty Investments			**678,126**	**77.61%**

Portfolio of investments continued

Company	Supersector	Place of primary listing	Valuation £000	% of portfolio
Centrica	Utilities	UK	**12,698**	1.45%
CRH	Industrials	UK	**12,638**	1.45%
Computacenter	Technology	UK	**12,511**	1.43%
Kingspan	Industrials	UK	**12,461**	1.43%
UK Commercial Property Trust	Financials	UK	**11,871**	1.36%
Chemring	Industrials	UK	**10,871**	1.24%
Wm Morrison Supermarkets	Consumer Services	UK	**10,505**	1.20%
Marks & Spencer	Consumer Services	UK	**10,451**	1.20%
Land Securities REIT	Financials	UK	**10,035**	1.15%
British Land REIT	Financials	UK	**9,995**	1.14%
Top Thirty Investments			**792,162**	**90.66%**
BG	Oil & Gas	UK	**9,685**	1.11%
Carrefour	Consumer Services	France	**9,547**	1.09%
Market Vectors Gold Miners ETF	Basic Materials	USA	**8,763**	1.00%
Avon Products	Consumer Goods	USA	**8,609**	0.99%
Green REIT	Financials	Ireland	**8,495**	0.97%
Tesco	Consumer Services	UK	**6,643**	0.76%
Royal Mail	Industrials	UK	**6,069**	0.69%
Nationwide 7.971% 2015 Variable Perpetual	Fixed Interest	UK	**5,558**	0.64%
Fresnillo	Basic Materials	UK	**4,833**	0.55%
Hammerson 6.875% 2020	Fixed Interest	UK	**3,039**	0.35%
Top Forty Investments			**863,403**	**98.81%**
Games Workshop	Consumer Goods	UK	**2,448**	0.28%
Future	Consumer Services	UK	**1,301**	0.15%
St. Ives	Industrials	UK	**1,195**	0.14%
RSA Insurance 6.701% 2017 Variable Perpetual	Fixed Interest	UK	**1,074**	0.13%
HSBC 8.208% 2015 Variable	Fixed Interest	UK	**1,030**	0.12%
Aviva 2020 5.9021% FRN Perpetual	Fixed Interest	UK	**995**	0.11%
Lloyds Banking Group - preference shares	Financials	UK	**825**	0.09%
Alent	Basic Materials	UK	**557**	0.06%
Colt Group	Telecommunications	UK	**540**	0.06%
Serco	Industrials	UK	**319**	0.04%
Top Fifty Investments			**873,687**	**99.99%**
Johnston Press	Consumer Services	UK	**94**	0.01%
Total Valuation of Portfolio			**873,781**	**100.00%**

Directors

John Reeve
John Reeve, Chairman, was appointed a director in 1992. He was formerly executive chairman of the Willis Group, group managing director of Sun Life Assurance Society and a member of the boards of the Association of British Insurers and the International Insurance Society. He is a director of a number of other companies.

Arthur Copple
Arthur Copple was appointed a director in 2011. He has specialised in the investment company sector for over 30 years. He was a partner at Kitcat & Aitken, an executive director of Smith New Court PLC and a managing director of Merrill Lynch.

Richard Jewson*
Richard Jewson was appointed a director in 2001. He first worked in the timber and building material supply industry, becoming managing director of Jewson, the builders' merchants, for twelve years from 1974, and then managing director and chairman of its parent company Meyer International PLC from which he retired in 1993. He is currently chairman of Raven Russia Limited and Tritax Big Box REIT PLC and a non-executive director of other private companies.

June de Moller
June de Moller was appointed a director in 2005. She is a non-executive director of Derwent London PLC and a former managing director of Carlton Communications PLC. She was previously a non-executive director of J Sainsbury PLC, Cookson Group PLC and BT PLC.

Martin Riley
Martin Riley was appointed a director in 2004. He had 30 years' experience in stockbroking and fund management in the City and is a former director of Henderson Crosthwaite Ltd, Guinness Mahon & Co Ltd and Barlows PLC. He is a director of various private investment companies.

David Webster
David Webster was appointed a director in 2009. His career started in corporate finance at Samuel Montagu before becoming a founder and subsequently chairman of Safeway PLC from which he retired in 2004. He is currently a non-executive director of Amadeus IT Holdings SA. He has a wide range of other business interests including membership of the Appeals Committee of the Panel on Takeovers and Mergers. He was previously chairman of InterContinental Hotels Group PLC and a non-executive director of Reed Elsevier PLC.

All the directors are independent and members of the audit and nomination committees.
* Chairman of the audit committee and Senior Independent Director.

Report of the directors

The directors present their report and accounts for the year ended 31 December 2014.

THE ALTERNATIVE INVESTMENT FUND MANAGERS DIRECTIVE ('AIFMD')

Investec Fund Managers Limited ('IFM'), an affiliate of Investec Asset Management Limited ('IAM'), was appointed as the Company's alternative investment fund manager ('AIFM' or 'Manager') on 21 July 2014. For the purposes of the AIFMD the Company is an alternative investment fund ('AIF'). IFM has delegated responsibility for the day to day management of the Company's portfolio to IAM.

IFM is required to ensure that a depositary is appointed and accordingly IFM and the Company have appointed HSBC as the depositary and custodian. HSBC is responsible for the custody of the Company's assets and for monitoring its cash flows.

The AIFMD requires certain information to be made available to investors in AIFs before they invest and requires that material changes to this information be disclosed in the annual report of each AIF. An Investor Information Document, which sets out information on the Company's investment strategy and policies, leverage, risk, liquidity, administration, management, fees, conflicts of interest and other shareholder information is available on the Company's website at www.templebarinvestments.co.uk.

There have been no material changes to this information requiring disclosure. Any information requiring immediate disclosure pursuant to the AIFMD will be disclosed to the London Stock Exchange through a primary information provider. As an authorised AIFM, IFM will make the requisite disclosures on remuneration levels and policies to the Financial Conduct Authority ('FCA') at the appropriate time.

MANAGEMENT FEES

The Company has a management agreement with Investec Fund Managers Limited ('IFM') for the provision of investment management services. The agreement is subject to one year's notice of termination by either party.

IFM receives an investment management fee of 0.35% per annum, payable quarterly, based on the value of the investments (including cash) of the Company together with an additional fee of £125,000 pa, plus or minus 0.005% of the value of the investments (including cash) of the Company above or below £750 million, calculated and payable quarterly. Investments in funds managed by IFM are wholly excluded from this charge.

There is also a fee payable to Investec Asset Management Limited of £40,000 pa in respect of the provision of secretarial and administrative services, adjusted annually in line with the Retail Price Index.

IFM's performance under the contract and the contract terms are reviewed at least annually. This covers, inter alia, the performance of the Manager, its management processes, investment style, resources and risk controls. The Board endorses the investment approach adopted by the Manager, recognising that while the contrarian style can sometimes lead to short-term periods of underperformance it usually delivers superior investment returns over the longer term. In addition, the portfolio has produced high and growing dividend income to shareholders. In the opinion of the directors the continued appointment of the Manager on the terms set out above is, therefore, in the best interests of shareholders.

GOING CONCERN

The directors have reviewed the going concern basis of accounting for the Company. The Company's assets consist substantially of equity shares in listed companies and in most circumstances are realisable within a short timescale. The use of the going concern basis of accounting is appropriate because there are no material uncertainties related to events or conditions that may cast significant doubt about the ability of the Company to continue as a going concern. After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the directors continue to adopt the going concern basis in preparing the accounts.

ORDINARY DIVIDENDS

An interim dividend of 15.55p per ordinary share was paid on 30 September 2014 (2013: 15.10p) and the directors are recommending a final dividend of 23.33p per ordinary share (2013: 22.65p), a total for the year of 38.88p (2013: 37.75p). Subject to shareholders' approval, the final dividend will be paid on 31 March 2015 to shareholders on the register on 13 March 2015.

ISAs

The Company has conducted its investment policy so as to remain a qualifying investment trust under the ISA regulations. It is the intention of the Board to continue to satisfy these regulations.

SHARE CAPITAL

During the year 3,549,517 ordinary shares of 25p were allotted fully paid for a total consideration of £42,926,070 at prices representing a premium to the prevailing net asset value.

Section 992 of the Companies Act 2006

The following information is disclosed in accordance with Section 992 of the Companies Act 2006.

Capital Structure

The Company's capital structure is summarised on page 40.

Report of the directors continued

Voting Rights in the Company's Shares

The voting rights at 31 December 2014 were:

Share class	Number of shares issued	Voting rights per share	Total voting rights
Ordinary shares of 25p each	66,872,765	1	66,872,765

As at 24 February 2015, the share capital of the Company and total voting rights was 66,872,765. Deadlines for the exercise of voting rights and details of arrangements by which someone other than the registered shareholder can exercise voting rights are detailed in the Notes to the Notice of Meeting on page 47. The Company's ordinary shares have a Premium listing on the London Stock Exchange.

DIRECTORS

The directors of the Company who held office at the end of the year are detailed on page 16. No other person was a director during any part of the year. Details of directors' beneficial shareholdings may be found in the Report on directors remuneration on page 20.

All the directors will be retiring in compliance with the provisions of the AIC Code and, each being eligible, the Board recommends their re-election. In making these recommendations the Board has carefully reviewed the composition of the Board as a whole and borne in mind the need for a proper balance of skills and experience. The Board does not believe that length of service of itself detracts from the independence of a director, particularly in relation to an investment trust, and on that basis considers that all directors standing for re-election are independent. It is confirmed that, following formal evaluation, the performance of each director continues to be effective and each continues to demonstrate commitment to the role.

There were no contracts subsisting during or at the end of the year in which a director of the Company is or was interested and which are or were significant in relation to the Company's business. No director has a service contract with the Company.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2014 and 24 February 2015 the following were registered or had indicated an interest in 3% or more of the issued ordinary shares of the Company.

	%
Brewin Dolphin Ltd	8.7
Alliance Trust Savings Ltd	7.9
Speirs & Jeffrey Ltd	6.5
Investec Wealth & Investment Ltd	6.1
Temple Bar Savings Scheme	5.5
AXA SA	3.1

DISCLOSURE OF INFORMATION TO AUDITOR

The directors are not aware of any relevant information of which the auditor is unaware and have taken all the steps that they ought 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.

AUDITOR

A resolution to re-appoint Ernst & Young LLP as auditor to the Company will be proposed at the Annual General Meeting on 30 March 2015.

ANNUAL GENERAL MEETING

The notice of the Annual General Meeting of the Company to be held on 30 March 2015 is on page 45. In addition to the ordinary business the following matters are proposed as special business.

Authority to allot shares and disapplication of pre-emption rights

It is proposed that the directors be authorised to allot up to £1,671,819 of relevant securities in the Company (equivalent to 6,687,276 ordinary shares of 25p each, representing 10.0% of its ordinary shares in issue as at 24 February 2015).

When shares are to be allotted for cash, the Companies Act 2006 requires such new shares to be offered first to existing shareholders in proportion to their existing holdings of ordinary shares. However, in certain circumstances, it is beneficial to allot shares for cash otherwise than pro rata to existing shareholders and the ordinary shareholders can by special resolution waive their pre-emption rights. Therefore, a special resolution will be proposed at the AGM which, if passed, will give the directors the power to allot for cash equity securities up to an aggregate nominal amount of £1,671,819 (equivalent to 6,687,276 ordinary shares of 25p each or 10.0% of the Company's existing issued ordinary share capital).

The directors intend to use this authority to issue new shares to participants in the Temple Bar Investment Trust Savings Scheme or to other prospective purchasers whenever they believe it may be advantageous to shareholders to do so. Any such issues would only be made at prices greater than net asset value, as adjusted for the market value of the Company's debt, and would, therefore, increase the assets underlying each share. The issue proceeds would be available for investment in line with the Company's investment policy.

No issues of shares will be made which would alter the control of the Company without the prior approval of shareholders in general meeting.

Report of the directors continued

Directors' authority to purchase the Company's own shares
The directors consider it desirable to give the Company the opportunity to buy back shares in circumstances where the shares may be bought for a price which is below the net asset value per share of the Company. The purchase of ordinary shares is intended to reduce the discount at which ordinary shares trade in the market through the Company becoming a new source of demand for such shares. The rules of the UK Listing Authority provide that the maximum price which can be paid by the Company is 5% above the average of the market value of the ordinary shares for the five business days before the purchase is made.

Recommendation
The Board considers the resolutions to be proposed at the AGM to be in the best interests of the Company and its members as a whole. Accordingly, the directors unanimously recommend that shareholders should vote in favour of the resolutions to be proposed at the AGM, as they intend to do so in respect of their own beneficial holdings, amounting to 114,655 ordinary shares.

By order of the Board of Directors
John Reeve
Chairman
24 February 2015

Report on directors' remuneration

The Board presents the report on directors' remuneration for the year ended 31 December 2014 which has been prepared in accordance with Section 421 of the Companies Act 2006. The report comprises a policy report, which is subject to a triennial binding shareholder vote, or sooner if an alteration to the policy is proposed, and a remuneration policy implementation report, which is subject to an annual advisory vote. The remuneration policy, which is subject to a binding vote, is set out in the future policy table on this page.

The law requires the Company's auditor to audit certain parts of the disclosures provided. Where disclosures have been audited, they are indicated as such. The auditor's opinion is included in their report on page 28.

The principles remain the same as for previous years. There have been no changes to remuneration policy during the period of this Report nor are there any proposals for change in the foreseeable future.

DIRECTORS' REMUNERATION POLICY REPORT

The Company does not have any executive directors and, as permitted under the Listing Rules, has not, therefore, established a remuneration committee. Remuneration of non-executive directors is viewed as a decision of the Board, subject to any shareholder approvals which may be necessary.

The level of directors' fees is determined with reference to a range of factors including the remuneration paid to the directors of other investment trusts, comparable in terms of both size and investment characteristics, and the rate of inflation. The Manager of the Company compiles such analysis as part of the management and secretarial services provided to the Company. These data, together with consideration of any alteration in non-executive directors' responsibilities, are used to review whether any change in remuneration is necessary. No other external advice is taken in considering such fees.

It is the Company's policy that no director shall be entitled to any performance related remuneration, benefits in kind, long-term incentive schemes, share options, pensions or other retirement benefits or compensation for loss of office. None of the Directors has a service contract with the Company.

The Company has no employees and consequently no consideration is required to be given to employment conditions elsewhere in setting directors' pay.

Consideration of Shareholders' Views

An ordinary resolution to approve the remuneration report is put to shareholders at each AGM, and shareholders have the opportunity to express their views and raise any queries in respect of remuneration policy at this meeting. To date, no shareholders have commented in respect of remuneration policy.

At the AGM held on 24 March 2014 an ordinary resolution for the approval of the remuneration policy, as set out above and in the future policy table below, was approved by 99.1% of proxy votes, 0.4% were against and 0.5% of votes were withheld. It is the intention of the Board that the policy on remuneration will continue to apply for the next two financial years to 31 December 2016.

Future policy table

Purpose and link to strategy	Fees payable to directors should be sufficient to attract and retain individuals of high calibre with suitable knowledge and experience. Those chairing the Board and key committees should be paid higher fees than other directors in recognition of their more demanding roles. Fees should reflect the time spent by directors on the Company's affairs and the responsibilities borne by the directors.
Maximum and minimum levels	Remuneration consists of a fixed fee each year, set in accordance with the stated policies and any increase granted must be in line with the stated policies. The Company's Articles of Association set a limit of £250,000 in respect of the total remuneration that may be paid to directors in any financial year. The Board reviews the quantum of directors' pay each year to ensure this is in line with the level of remuneration for other investment trusts of a similar size. When making recommendations for any changes in pay, the Board will consider wider factors such as the average rate of inflation over the period since the previous review, and the level and any change in complexity of the directors' responsibilities (including additional time commitments as a result of increased regulatory or corporate governance requirements). There is no compensation for loss of office.

Report on directors' remuneration continued

REMUNERATION IMPLEMENTATION REPORT

A single figure for the total remuneration of each Director is set out in the table below for the year ended 31 December 2014. These fees exclude employers' national insurance contributions and VAT where applicable:

	Total amount of salary and fees[1] 2014	2013
John Reeve	32,750	31,800
Arthur Copple	22,150	21,500
June de Moller	22,150	21,500
Richard Jewson	25,000	24,200
Martin Riley	22,150	21,500
David Webster	22,150	21,500
Total	146,350	142,000

[1]Other columns have been omitted as no payments of any other type were made.

The information in the above table has been audited. The amounts paid by the Company to the directors were for services as non-executive directors.

Expenditure by the Company on remuneration and distributions to shareholders

As the Company has no employees, the directors do not consider it appropriate to present a table comparing remuneration paid to employees with distributions to shareholders.

Directors' shareholdings

The directors' shareholdings are detailed below:

	31 December 2014	1 January 2014
Arthur Copple	22,661	17,796
June de Moller	8,415	7,679
Richard Jewson	9,168	8,694
John Reeve	54,784	52,204
Martin Riley	15,000	15,000
David Webster	3,983	3,861

All the above interests are beneficial. None of the directors had at any date any interest in either of the Company's debenture stocks.

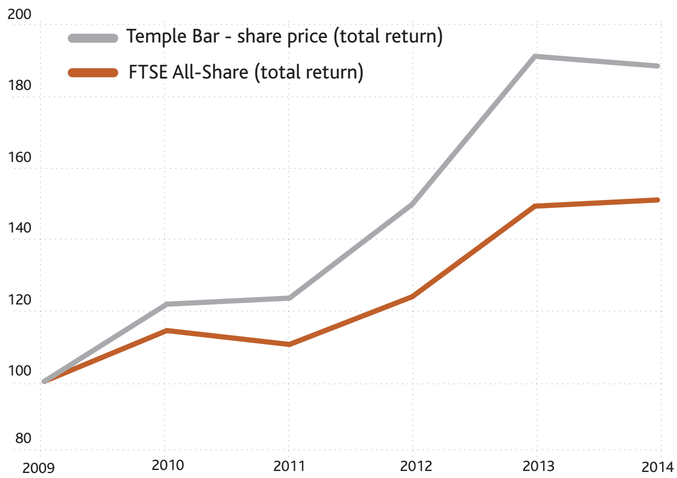
On 12 January 2015 Mr Reeve acquired a further 83 ordinary shares in the Company through his regular monthly saving in an ISA and on 11 February 2015 he acquired a further 81 ordinary shares. On 22 January 2015 Mr Copple, Mr Jewson and Mrs de Moller acquired a further 418, 21 and 41 ordinary shares respectively in the Company through their regular monthly savings in the Temple Bar Investment Trust Savings Scheme. No other changes in the interests shown above occurred between 31 December 2014 and 24 February 2015.

Performance graph

The directors consider that the most appropriate measure of the Company's performance is its share price total return compared with the total return on the FTSE All-Share Index. A graph illustrating this relative performance over a five year period is shown below.

Share price total return

Source: Datastream



Annual statement

The Board confirms that the above Remuneration Implementation Report in respect of the year ended 31 December 2014 summarises:

- the major decisions on Directors' remuneration;
- any significant changes relating to Directors' remuneration made during the year; and
- the context in which the changes occurred and decisions have been taken.

By order of the Board of Directors

John Reeve

Chairman

24 February 2015

Corporate governance

APPLICATION OF AIC CODE PRINCIPLES
Corporate Governance is the process by which the board of directors of a company looks after shareholders' interests and by which it seeks to enhance shareholder value. Shareholders hold the directors responsible for the stewardship of a company's affairs, delegating authority and responsibility to the directors to manage the company on their behalf and holding them accountable for its performance.

The Board is ultimately responsible for framing and executing the Company's strategy and for closely monitoring risks. It considers the practice of good governance to be an integral part of the way it manages the Company and is committed to maintaining high standards of financial reporting, transparency and business integrity.

As a UK-listed investment trust company the Board's principal reporting obligation is driven by the UK Corporate Governance Code (the "UK Code") issued by the Financial Reporting Council in September 2012. However, as listed investment trust companies differ in many ways from other listed companies, the Association of Investment Companies has drawn up its own set of guidelines, the AIC Code of Corporate Governance (the "AIC Code") issued in February 2013, which addresses the governance issues relevant to investment companies and meets the approval of the Financial Reporting Council. The Board believes that reporting against the principles and recommendations of the AIC Code will provide better information to shareholders.

The Company has complied with the recommendations of the AIC Code and the relevant provisions of the UK Corporate Governance Code, except as set out below. The UK Corporate Governance Code includes provisions relating to:

- the role of the chief executive
- executive directors' remuneration
- the need for an internal audit function

The Board considers these provisions are not relevant to the position of Temple Bar, being an externally managed investment company. In particular, all of the Company's day-to-day management and administrative functions are outsourced to third parties. As a result, the Company has no executive directors, employees or internal operations. The Company has therefore not reported further in respect of these provisions.

COMPLIANCE WITH THE PRINCIPLES OF THE AIC CODE OF CORPORATE GOVERNANCE
Operation of the Board
There is a formal schedule of matters to be specifically approved by the Board and individual directors may seek independent advice at the expense of the Company within certain limits. The Board has delegated the investment management, within clearly defined parameters and dealing limits, to Investec Fund Managers Limited ('IFM') and the administration of the business to Investec Asset Management Limited ('IAM'). The Board makes all strategic decisions, reviews the performance of the Company at Board meetings and sets the objectives for the Manager. The directors have a range of business and financial skills and experience relevant to the direction of the Company. Mr R W Jewson is the Senior Independent Director.

The Corporate Company Secretary ('the Company Secretary') is responsible to the Board, inter alia, for ensuring that Board procedures are followed and for compliance with applicable rules and regulations including the AIC Code. Appointment or removal of the nominated representative of the Company Secretary is a matter for the Board as a whole.

The content and presentation of Board papers circulated before each meeting contain sufficient information on the financial condition of the Company. Key representatives of IFM attend each Board meeting enabling directors to probe on matters of concern or seek clarification on certain issues.

There were seven Board meetings, two audit committee meetings and four nomination committee meetings held during the year and the attendance by the directors was as follows:

	Number of meetings attended		
	Board	Audit Committee	Nomination Committee
John Reeve	7	2	4
Arthur Copple	7	2	4
June de Moller	7	2	4
Richard Jewson	7	2	4
Martin Riley	7	2	4
David Webster	7	2	4

Diversity
The Board's policy on diversity, including gender, is to take this into consideration during the recruitment and appointment process. Typically, the Board seeks to ensure that there is a suitable balance between directors with industrial/commercial and traditional 'City' backgrounds. However, the Board is committed to appointing the most appropriate candidate, regardless of gender or other forms of diversity, and therefore no targets have been set against which to report.

Independence of the directors
Each of the directors is independent of any association with the Manager and has no other relationships or circumstances which might be perceived to interfere with the exercise of independent judgement. Four of the six directors (Mr Reeve, Mr Jewson, Mr Riley and Mrs de Moller) have served on the Board for more than nine years from the date of their first election, but given the nature of the Company as an investment trust and the strongly independent mindset of the individuals involved, the Board

Corporate governance continued

is firmly of the view that all of the directors can be considered to be independent. In arriving at this conclusion the Board makes a clear distinction between the activities of an investment trust and a conventional trading company. An investment trust has no employees or executive directors, the only significant relationship being with the Manager. In overseeing this relationship it is the view of the Board that long service aids the understanding, judgement, objectivity and independence of the directors and in no way detracts from any of these qualities.

Induction and training
New directors appointed to the Board are provided with an induction programme which is tailored to the particular circumstances of the appointee. Regular briefings are provided during the year on industry and regulatory matters and the directors receive other relevant training as required.

Re-election of directors
Directors are subject to re-election by shareholders at the first AGM following their appointment and, thereafter, are subject to retirement on an annual basis. In addition, the appointment of each director is reviewed by other members of the Board every year. Directors are not, therefore, subject to automatic re-appointment. Non-executive directors are not appointed for specified terms. Because of the nature of an investment trust the Board believes that the contribution and independence of a director is not diminished by long service and, conversely, that a more detailed knowledge of the Company and its business has a beneficial impact.

The Board has carefully considered the position of each of the directors and believes it would be appropriate for them to be proposed for re-election. Each of the directors continues to be effective and to display an undiminished enthusiasm and commitment to the role.

Audit committee
The audit committee is a formally constituted committee of the Board with defined terms of reference. Its role and responsibilities are set out in the Report of the Audit Committee on page 25. The Board is satisfied that members of the audit committee have relevant and recent financial experience to fulfil their role effectively. The auditor, who the Board has identified as being independent, is invited to attend the audit committee meeting at which the annual accounts are considered and any other meetings that the committee deems necessary.

Nomination committee
A nomination committee comprising all the directors has been established to oversee a formal review procedure governing the appointment of new directors and to evaluate the overall composition of the Board from time to time, taking into account the existing balance of skills and knowledge. This committee is chaired by Mr Reeve.

The committee is also responsible for assessing on an annual basis the individual performance of directors and for making recommendations as to whether they should remain in office.

Management engagement committee
As all the directors are fully independent of the management company, the Board as a whole fulfils the function of a management engagement committee.

Board/audit committee/nomination committee/director ongoing evaluation
On an annual basis the Board formally reviews its performance, together with that of the audit and nomination committees and the effectiveness and contribution of the individual directors, including the Chairman, within the context of service on those bodies. The review encompasses an assessment of how cohesively these bodies work as a whole as well as the performance of the individuals within them. In 2013 the Board also employed the services of the Institute of Directors to carry out an external evaluation of its performance. On the basis of these reviews the Board has concluded that it has an appropriate balance of skills and is operating effectively.

Relations with shareholders
Shareholder relations are given high priority by both the Board and the Manager. The principal medium by which the Company communicates with shareholders is through half yearly reports and annual reports. The information contained therein is supplemented by daily NAV announcements and by a monthly fact sheet available on the Company's website.

The Board largely delegates responsibility for communication with shareholders to the management company and, through feedback, expects to be able to develop an understanding of their views. Members of the Board are willing to meet with shareholders for the purpose of discussing matters in relation to the operation and prospects of the Company.

The Board encourages investors to attend the AGM and welcomes questions and discussion on issues of concern or areas of uncertainty. In addition, special arrangements have been established to allow Temple Bar Savings Scheme investors to participate fully at AGMs. Following the formal AGM proceedings the Manager makes a presentation to the meeting outlining the key investment issues that face the Company.

Accountability, internal controls and audit
The Board pays careful attention to ensuring that all documents released by the Company, including the Annual Report, present a fair and accurate assessment of the Company's position and prospects.

Corporate governance continued

The directors are responsible for the Company's system of internal control and for reviewing its effectiveness. In order to facilitate the control process the Board has requested the Manager to confirm annually that it has conducted the Company's affairs in compliance with the legal and regulatory obligations which apply to the Company and to report on the systems and procedures within IFM which are applicable to the management of Temple Bar's affairs. The Board meets on seven scheduled occasions in each year and at each meeting receives sufficient financial and statistical information to enable it to monitor adequately the investment performance and status of the business.

The Board has also established a series of investment parameters, which are reviewed annually, designed to limit the risk inherent in managing a portfolio of investments. The safeguarding of assets is entrusted to an independent reputable custodian with whom the holdings are regularly reconciled.

The effectiveness of the overall system of internal control is reviewed on an annual basis by the Board. Such a system can provide only reasonable and not absolute assurance against material misstatement or loss. The Board believes that there is a robust framework of internal controls in place to meet the requirements of the AIC Code.

The Board receives reports from its advisers on internal control matters. Based on the foregoing the Company has a continuing process for identifying, evaluating and managing the risks it faces. This process has been in place for the reporting period and to the date of this report.

Report of the Audit Committee

I am pleased to present the Committee's report to shareholders on the effectiveness of the external audit process and how this has been assessed for the year ended 31 December 2014.

Role and responsibilities

The Company has established a separately chaired Audit Committee ("the Committee") whose duties include considering and recommending to the Board for approval the contents of the half yearly and annual financial statements, and providing an opinion as to whether the Annual Report, taken as a whole, is fair, balanced, understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy. The Committee also reviews the external auditor's report thereon and is responsible for reviewing and forming an opinion on the effectiveness of the external audit process and audit quality. Other duties include reviewing the appropriateness of the Company's accounting policies and ensuring the adequacy of the internal control systems and standards, as set out in more detail below. The Terms of Reference of the Committee are available on the Company's website at www.templebarinvestments.co.uk

The Committee meets at least twice a year. The two planned meetings are held prior to the Board meetings to approve the half yearly and annual results.

Composition

All the Directors are members of the Committee, which is chaired by Mr Jewson. The Board considers that the members of the Committee have sufficient recent and relevant financial experience for the Committee to discharge its function effectively. The Chairman of the Company is a member of the Committee to enable him to be kept fully informed of any issues which may arise.

Responsibilities and review of the external audit

During the year the principal activities of the Committee included:

- considering and recommending to the Board for approval the contents of the half yearly and annual financial statements and reviewing the external auditor's report thereon;
- reviewing the scope, execution, results, cost effectiveness, independence and objectivity of the external auditor;
- reviewing and recommending to the Board for approval the audit and non-audit fees payable to the external auditor and the terms of their engagement;
- reviewing and approving the external auditor's plan for the financial year, with a focus on the identification of areas of audit risk, and consideration of the appropriateness of the level of audit materiality adopted;
- reviewing the quality of the audit engagement partner and the audit team, and making a recommendation to the Board with respect to the re-appointment of the auditor;
- reviewing the appropriateness of the Company's accounting policies; and
- ensuring the adequacy of the internal control systems and standards.

Significant issues considered regarding the Annual Report and Financial Statements

During the year, the Committee considered a number of significant issues and areas of key audit risk in respect of the Annual Report and Financial Statements, as outlined below. The Committee reviewed the external audit plan at an early stage and concluded that the appropriate areas of audit risk relevant to the Company had been identified and that suitable audit procedures had been put in place to obtain reasonable assurance that the financial statements as a whole would be free of material misstatements. The table below sets out the key areas of risk identified and also explains how these were addressed by the Committee.

Significant issue	How the issue was addressed
Verification of the existence of the assets in the portfolio	The Committee reviews reports from its service providers on key controls over the assets of the Company. Any significant issues are reported by the Manager to the Committee. The audit also includes checks on the existence and ownership of investments.
The valuation of the investment portfolio	The Committee reviews detailed portfolio valuations on a regular basis throughout the year and receives confirmation from the Manager that the pricing basis is appropriate. The audit includes a check of pricing back to source data to confirm that the correct valuation basis has been applied in accordance with the accounting policies adopted, as disclosed in note 1 to the Financial Statements.
Going concern	Having considered the Company's investment objective, risk management policies and cash flow projections the Committee is satisfied that the Company has adequate resources and an appropriate financial structure to continue in operational existence for the foreseeable future.
Compliance with Sections 1158 and 1159 of the Corporation Tax Act 2010	Ongoing compliance with the eligibility criteria is monitored on a regular basis.

Report of the Audit Committee continued

The verification of investment income	The Committee reviews income forecasts and receives explanations from the Manager for any variations or significant movements from previous forecasts and prior year numbers.
The accuracy of the calculation of management fees	The audit includes checks on the calculation of the management fees to ensure these are correct and in accordance with contractual arrangements.

As the provision of portfolio valuation, accounting and administration services is delegated to the Company's Manager, who sub-delegates fund accounting to a third party service provider, and the provision of custody services is contracted to HSBC, the Committee has also reviewed the Service Organisation Control Reports (SOC) and Audit and Assurance Faculty (AAF) reports prepared by the Manager, custodian and fund accountants to ensure that the relevant control procedures are in place to cover these areas of risk as identified above and are adequate, appropriate and have been designated as operating effectively by the reporting accountant.

Auditors and audit tenure

The Company's current auditors, Ernst & Young LLP, have acted in this role since 2003. The appointment of the auditor is reviewed each year and the audit partner changes at least every five years in accordance with professional and regulatory standards in order to protect independence and objectivity and to provide fresh challenge to the business. The last five yearly audit rotation took place in 2012. The Committee is aware that the European Parliament has adopted a directive which will introduce reforms to the statutory audit of listed companies, including the mandatory rotation of audit firms. The Committee will consider the impact of the reforms once they are introduced into UK law. There are no contractual obligations that restrict the Company's choice of auditors. Other audit service fees of £1,595 (excluding VAT) paid to Ernst & Young LLP relate to their services in the electronic filing of tax returns.

Assessment of the efficiency of the external audit process

To assess the effectiveness of the external audit, members of the Committee work closely with the Manager to obtain a good understanding of the progress and efficiency of the audit.

Feedback in relation to the audit process, and also of the effectiveness of the Manager in performing its role, is also sought from relevant involved parties, notably the audit partner and team. The external auditor is invited to attend the Committee meeting at which the annual accounts are considered, where they have the opportunity to meet with the Committee without representatives of the Manager being present.

The effectiveness of the Board and the Manager in the external audit process is assessed principally in relation to the timely identification and resolution of any process errors or control breaches that might impact the Company's NAVs and accounting records. It is also assessed by reference to how successfully any issues in respect of areas of accounting judgement are identified and resolved, the quality and timeliness of papers analysing these judgements, the Board and the Manager's approach to the value of independent audit, the booking of any audit adjustments arising and the timely provision of draft public documents, for review by the auditor and the Committee.

To form a conclusion with regard to the independence of the external auditor, the Committee considers whether the skills and experience of the auditor make them a suitable supplier of the non-audit service and whether there is any threat to their objectivity and independence in the conduct of the audit resulting from the provision of such services. On an annual basis, Ernst & Young LLP review the independence of their relationship with the Company and report to the Board, providing details of any other relationships with the Manager. As part of this review, the Committee also receives information about policies and processes for maintaining independence and monitoring compliance with relevant requirements from the Company's auditor, including information on the rotation of audit partners and staff, and details of any relationships between the audit firm and its staff and the Company, as well as an overall confirmation from the auditor of their independence and objectivity. As a result of their review, the Committee has concluded that Ernst & Young LLP is independent of the Company and the Manager.

Conclusions in respect of the Annual Report and Financial Statements

The production and audit of the Company's Annual Report and Financial Statements is a comprehensive process requiring input from a number of different contributors. One of the key governance requirements of a Company's financial statements is for the Report and Financial Statements to be fair, balanced and understandable. In order to reach a conclusion on this matter, the Board has requested that the Committee advise on whether it considers that the Annual Report and Financial Statements fulfils these requirements.

As a result of the work performed, the Committee has concluded that the Annual Report for the year ended 31 December 2014, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy. The Committee has reported on these findings to the Board. The Board's conclusions in this respect are set out in the Statement of Directors' Responsibilities on page 27.

Richard Jewson
Chairman
Audit Committee
24 February 2015

Statement of directors' responsibilities
in respect of the financial statements

The directors are responsible for preparing the Annual Report, the Report on Directors' Remuneration and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors are required to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. 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 IAS8: Accounting Policies, Changes in Accounting Estimates and Errors, and then apply these consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- state that the Company has complied with IFRS, subject to any material departures disclosed and explained in the financial statements.

The directors are responsible for keeping adequate accounting records which are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006 and Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for ensuring that the Annual 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 it faces.

The directors confirm that to the best of their knowledge:

- the financial statements, prepared in accordance with the applicable accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- the Annual 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 the Company faces.

The 2012 UK Corporate Governance Code also requires Directors to ensure that the Annual Report and Accounts are fair, balanced and understandable. In order to reach a conclusion on this matter, the Board has requested that the Audit Committee advise on whether it considers that the Annual Report and Accounts fulfils these requirements. The process by which the Committee has reached these conclusions is set out in the Audit Committee's report on pages 25 to 26. As a result, the Board has concluded that the Annual Report for the year ended 31 December 2014, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

On behalf of the Board
John Reeve
Chairman
24 February 2015

Independent auditor's report
to the members of Temple Bar Investment Trust PLC

Opinion on financial statements
In our opinion the financial statements:
- give a true and fair view of the state of the Company's affairs as at 31 December 2014 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRS as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited
We have audited the financial statements of Temple Bar Investment Trust PLC ("the Company") for the year ended 31 December 2014 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Equity and the related notes 1 to 23. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union.

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

Respective responsibilities of directors and auditor
As explained more fully in the Directors' Responsibilities Statement set out on page 27 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

Our assessment of risks of material misstatement
We identified the following risks of material misstatement 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. The table also contains our response to the risks:

Risks Identified	Our Response
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 asset pricing or a failure to maintain proper legal title of the assets held by the Company could have a significant impact on portfolio valuation and, therefore, the return generated for shareholders.	• We agreed the year end prices of the investments to an independent source. • We agreed the number of shares held in each security to a confirmation of legal title received from the Company's custodian.

Our application of materiality
We determined planning materiality for the Company to be £7.99 million (2013: £7.92 million) which is 1% of total equity. This provided a basis for determining the nature, timing and extent of our risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures. We have derived our materiality calculation based on a proportion of total equity as we consider it to be the most important financial metric on which shareholders would judge the performance of the Company.

On the basis of our risk assessments, together with our assessment of the Company's overall control environment, our judgment was that overall performance materiality (i.e. our tolerance for misstatement in an individual account or balance) for the Company should be 75% of planning materiality, namely £5.99 million (2013: £5.94 million). Our objective in adopting this approach was to ensure that total detected and undetected audit differences in all accounts did not exceed our planning materiality level.

We have reported to the Committee all audit differences in excess of £0.39 million (2013: £0.39 million) as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

Independent auditor's report continued

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

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

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

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

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

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

Under the Listing Rules we are required to review:

- the directors' statement, set out on page 17 in relation to going concern; and
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review.

Ashley Coups (Senior statutory auditor)
for and on behalf of
Ernst & Young LLP, Statutory Auditor
London
24 February 2015

Statement of Comprehensive Income
for the year ended 31 December 2014

		2014			2013		
	Notes	**Revenue £000**	**Capital £000**	**Total £000**	Revenue £000	Capital £000	Total £000
Investment income	4	30,262	–	30,262	26,064	–	26,064
Other operating income	4	12	–	12	10	–	10
		30,274	–	30,274	26,074	–	26,074
(Losses)/gains on investments							
(Losses)/gains on investments held at fair value through profit or loss	12(b)	–	(29,867)	(29,867)	–	164,732	164,732
Total income		30,274	(29,867)	407	26,074	164,732	190,806
Expenses							
Management fees	6	(1,315)	(1,938)	(3,253)	(1,141)	(1,711)	(2,852)
Other expenses	7	(538)	(1,009)	(1,547)	(569)	(1,154)	(1,723)
Profit/(loss) before finance costs and tax		28,421	(32,814)	(4,393)	24,364	161,867	186,231
Finance costs	8	(2,639)	(3,999)	(6,638)	(2,090)	(3,163)	(5,253)
Profit/(loss) before tax		25,782	(36,813)	(11,031)	22,274	158,704	180,978
Tax	9	–	–	–	–	–	–
Profit/(loss) for the year		25,782	(36,813)	(11,031)	22,274	158,704	180,978
Earnings per share (basic and diluted)	11	39.82p	(56.86p)	(17.04p)	36.17p	257.72p	293.89p

The total column of this statement represents the Statement of Comprehensive Income prepared in accordance with IFRS. The supplementary revenue return and capital return columns are both prepared under guidance issued by the Association of Investment Companies. All items in the above statement derive from continuing operations.
No operations were acquired or discontinued during the year.

The Company does not have any income or expense that is not included in net profit for the year. Accordingly, the net profit for the year is also the Total Comprehensive Income for the Year, as defined in IAS1 (revised).

There are no minority interests.

The notes on pages 34-44 form an integral part of the financial statements.

Statement of Changes in Equity
for the year ended 31 December 2014

	Ordinary share capital £000	Share premium account £000	Capital reserves £000	Retained earnings £000	Total equity £000
Balance at 1 January 2013	15,138	22,105	530,413	33,535	601,191
Unclaimed dividends – 12 years	–	–	–	29	29
Profit for the year	–	–	158,704	22,274	180,978
Issue of share capital	693	31,897	–	–	32,590
Dividends paid to equity shareholders	–	–	–	(22,718)	(22,718)
Balance at 31 December 2013	15,831	54,002	689,117	33,120	792,070
Unclaimed dividends	–	–	–	17	17
Profit for the year	–	–	(36,813)	25,782	(11,031)
Issue of share capital	888	42,038	–	–	42,926
Dividends paid to equity shareholders	–	–	–	(24,538)	(24,538)
Balance at 31 December 2014	16,719	96,040	652,304	34,381	799,444

The notes on pages 34-44 form an integral part of the financial statements.

Statement of Financial Position
as at 31 December 2014

	Notes	31 December 2014 £000	31 December 2014 £000	31 December 2013 £000	31 December 2013 £000
Non-current assets					
Investments held at fair value through profit or loss	12(a)		873,781		889,385
					889,385
Current assets					
Receivables	13	3,256		4,087	
Cash and cash equivalents		37,225		14,139	
			40,481		18,226
Total assets			914,262		907,611
Current liabilities					
Payables	14		(1,064)		(1,836)
Total assets less current liabilities			913,198		905,775
Non-current liabilities					
Interest bearing borrowings	15		(113,754)		(113,705)
Net assets			799,444		792,070
Equity attributable to equity holders					
Ordinary share capital	16	16,719		15,831	
Share premium	17	96,040		54,002	
Capital reserves	18	652,304		689,117	
Retained earnings	18	34,381		33,120	
			799,444		792,070
Total equity			799,444		792,070
Net asset value per share	20		1,195.47p		1,250.84p

The notes on pages 34-44 form an integral part of the financial statements.

The financial statements on pages 30 to 44 were approved by the board of directors and authorised for issue on 24 February 2015. They were signed on its behalf by:

J Reeve
Chairman

Statement of Cash Flows
for the year ended 31 December 2014

	Notes	2014 £000	2014 £000	2013 £000	2013 £000
Cash flows from operating activities					
(Loss)/profit before tax			(11,031)		180,978
Adjustments for:					
Purchases of investments[1]		(305,944)		(351,220)	
Sales of investments[1]		291,681		261,070	
			(14,263)		(90,150)
Gains/(losses) on investments			29,867		(164,732)
Financing costs	8		6,638		5,253
Operating cash flows before movements in working capital			11,211		(68,651)
Increase in accrued income			(78)		(332)
Decrease/(increase) in receivables			909		(929)
(Decrease)/increase in payables			(460)		779
Net cash flows from operating activities before and after income tax			**11,582**		**(69,133)**
Cash flows from financing activities					
Proceeds from issue of new shares			42,926		32,590
Proceeds from the issue of 4.05% Private Placement Loan			–		50,000
Issue costs relating to 4.05% Private Placement Loan			(313)		(133)
Unclaimed dividends			17		29
Interest paid on borrowings			(6,588)		(4,559)
Equity dividends paid	10		(24,538)		(22,718)
Net cash used in financing activities			**11,504**		**55,209**
Net increase/(decrease) in cash and cash equivalents			**23,086**		**(13,924)**
Cash and cash equivalents at the start of the year			14,139		28,063
Cash and cash equivalents at the end of the year			**37,225**		**14,139**

[1] Purchases and sales of investments are considered to be operating activities of the Company, given its purpose, rather than investing activities.

The notes on pages 34-44 form an integral part of the financial statements.

Notes to the Financial Statements

1 PRINCIPAL ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS'), which comprise standards and interpretations approved by the International Accounting Standards Board ('IASB'), and International Accounting Standards and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee ('IASC') that remain in effect, and to the extent that they have been adopted by the European Union.

The principal accounting policies adopted by the Company are set out below. Where presentational guidance set out in the Statement of Recommended Practice ('SORP') for investment trusts issued by the Association of Investment Companies ('AIC') in January 2009 is consistent with the requirements of IFRS, the directors have sought to prepare the financial statements on a basis compliant with the recommendations of the SORP.

All values are rounded to the nearest thousand pounds unless otherwise indicated.

Presentation of Statement of Comprehensive Income

In order better to reflect the activities of an investment trust company and in accordance with guidance issued by the AIC, supplementary information which analyses the Statement of Comprehensive Income between items of a revenue and capital nature has been presented alongside the Statement of Comprehensive Income.

Income

Dividend income from investments is recognised when the Company's right to receive payment has been established, normally the ex-dividend date.

Where the Company has elected to receive its dividends in the form of additional shares rather than cash, the amount of cash dividend foregone is recognised as income. Any excess in the value of shares received over the amount of cash dividend foregone is recognised as a gain in the Statement of Comprehensive Income.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Special dividends are credited to capital or revenue according to their circumstances.

Foreign Currency

The financial statements are prepared in Pounds Sterling because that is the currency of the primary economic environment in which the Company operates.

The primary objective of the Company is to generate returns in Pounds Sterling, its capital-raising currency. The liquidity of the Company is managed on a day-to-day basis in Sterling as the Company's performance is evaluated in that currency. Therefore, the directors consider Pounds Sterling as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions.

Transactions involving foreign currencies are converted at the exchange rate ruling at the date of the transaction. Foreign currency monetary assets and liabilities are translated into Pounds Sterling at the exchange rate ruling on the year-end date. Foreign exchange differences arising on translation are recognised in the Statement of Comprehensive Income.

Expenses

All expenses are accounted for on the accruals basis. In respect of the analysis between revenue and capital items presented within the Statement of Comprehensive Income, all expenses have been presented as revenue items except as follows:

- Transaction costs which are incurred on the purchases or sales of investments designated as fair value through profit or loss are expensed to capital in the Statement of Comprehensive Income.
- Expenses are split and presented partly as capital items where a connection with the maintenance or enhancement of the value of the investments held can be demonstrated and, accordingly, the investment management fee and finance costs have been allocated 40% to revenue and 60% to capital, in order to reflect the directors' long-term view of the nature of the expected investment returns of the Company.

Notes to the Financial Statements continued

1 PRINCIPAL ACCOUNTING POLICIES CONTINUED

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on the taxable profit for the year. The taxable profit differs from profit before tax as reported in the Statement of Comprehensive Income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using a blended rate as applicable throughout the year.

In line with the recommendations of the SORP, the allocation method used to calculate tax relief on expenses presented against capital returns in the supplementary information in the Statement of Comprehensive Income is the 'marginal basis'. Under this basis, if taxable income is capable of being entirely offset by expenses in the revenue column of the income statement, then no tax relief is transferred to the capital return column.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the revenue return column of the Statement of Comprehensive Income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Investment trusts which have approval under Section 1158 of the Corporation Tax Act 2010 are not liable for taxation on capital gains.

Irrecoverable withholding tax is recognised on any overseas dividends on an accruals basis using the applicable rate for the country of origin.

Financial instruments

Financial assets and financial liabilities are recognised in the Statement of Financial Position when the Company becomes a party to the contractual provisions of the instrument. The Company shall offset financial assets and financial liabilities if it has a legally enforceable right to set off the recognised amounts and interests and intends to settle on a net basis. Financial assets and liabilities are derecognised when the Company settles its obligations relating to the instrument.

Receivables

Receivables do not carry any interest, are short-term in nature and are accordingly stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

Investments

Investments held at fair value through profit or loss are initially recognised at fair value, being the consideration given and excluding transaction or other dealing costs associated with the investment.

After initial recognition, investments are measured at fair value through profit or loss. Gains or losses on investments measured at fair value through profit or loss are included in net profit or loss as a capital item and transaction costs on acquisition or disposal of investments are expensed. For investments that are actively traded in organised financial markets, fair value is determined by reference to stock exchange quoted market bid prices at the close of business on the year-end date.

All purchases and sales of investments are recognised on the trade date i.e. the date that the Company commits to purchase or sell an asset.

Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

Interest bearing borrowings

Interest bearing borrowings, being the debenture stocks and loan issued by the Company, are initially recognised at a carrying value equivalent to the proceeds received net of issue costs associated with the borrowings. After initial recognition, interest bearing borrowings are subsequently measured at amortised cost using the effective interest rate method.

Payables

Payables are non interest bearing and are stated at their nominal value.

Equity dividends payable

Equity dividends payable are recognised when the shareholders' right to receive payment is established.

Finance costs

Interest payable on the debenture stocks and loan in issue is accrued on the effective interest rate basis. In accordance with the expected long-term division of returns, 40% of the interest for the year is charged to revenue, and the other 60% is charged to capital, net of any incremental corporation tax relief.

Notes to the Financial Statements continued

1 PRINCIPAL ACCOUNTING POLICIES CONTINUED

Cash and cash equivalents

Cash and cash equivalents (which are presented as a single class of asset on the Statement of Financial Position) comprise cash at bank and in hand and deposits with an original maturity of three months or less.

The carrying value of these assets approximates their fair value.

2 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company's financial statements requires the directors to make judgements, estimates and assumptions that affect the reported amounts recognised in the financial statements and disclosure of contingent liabilities. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in future periods. There have been no significant judgements, estimates or assumptions for the current or preceding financial year.

3 ADOPTION OF NEW AND REVISED STANDARDS

At the date of authorisation of these financial statements, the following Standards and Interpretations, which have not been applied in these financial statements, were in issue but were not yet effective (and in some cases had not yet been adopted by the European Union):

IAS 32 (amended) Offsetting Financial Assets and Financial Liabilities
IFRS 9 Financial Instruments
IFRS10, IFRS 12 and IAS 27 (amended) Investment Entities
IFRS 15 Revenue from Contracts with Customers
IAS 36 (amended) Recoverable Amount Disclosures for Non-Financial Assets
IAS 39 (amended) Novation of Derivatives and Continuation of Hedge Accounting

The Company does not believe that there will be a material impact on the financial statements from the adoption of these standards/interpretations.

4 INCOME

	2014 £000	2013 £000
Income from investments		
UK dividends	25,542	20,324
UK REITs	601	500
Overseas dividends	1,282	2,185
Interest from fixed interest securities	2,837	3,055
	30,262	26,064
Other income		
Deposit interest	12	10
Total income	30,274	26,074
Investment income comprises:		
Listed investments	30,262	26,064
Unlisted investments	–	–
	30,262	26,064

5 SEGMENTAL REPORTING

The directors are of the opinion that the Company is engaged in a single segment of business being investment business.

6 INVESTMENT MANAGEMENT FEE

	2014			2013		
	Revenue £000	**Capital £000**	**Total £000**	Revenue £000	Capital £000	Total £000
Investment management fee	1,268	1,902	3,170	1,141	1,711	2,852
AIFM fee	23	36	59	–	–	–
Secretarial fee	24	–	24	–	–	–
	1,315	1,938	3,253	1,141	1,711	2,852

As at 31 December 2014 an amount of £799,930 (2013: £792,553) was payable to the Manager in relation to the management fees for the quarter ended 31 December 2014.

Details of the terms of the investment management agreement are provided on page 17.

Notes to the Financial Statements continued

7 OTHER EXPENSES

	2014 Revenue £000	2014 Capital £000	2014 Total £000	2013 Revenue £000	2013 Capital £000	2013 Total £000
Transaction costs on fair value through profit or loss assets[1]	–	1,009	1,009	–	1,154	1,154
Directors' fees (see Report on Directors' Remuneration on page 20)	154	–	154	155	–	155
Registrar's fees	104	–	104	109	–	109
AIC membership costs	21	–	21	25	–	25
Marketing costs	25	–	25	31	–	31
Printing & postage	52	–	52	77	–	77
Directors' liability insurance	15	–	15	15	–	15
Auditor's remuneration – annual audit[2]	28	–	28	28	–	28
Stock exchange fees	23	–	23	16	–	16
FCA fee	20	–	20	16	–	16
Depositary fee	42	–	42	–	–	–
Safe custody fees	18	–	18	17	–	17
Other expenses	36	–	36	80	–	80
	538	1,009	1,547	569	1,154	1,723

All expenses are inclusive of VAT where applicable.

[1] Transaction costs on fair value through profit or loss assets represent such costs incurred on both the purchase and sale of those assets. Transaction costs on purchases amounted to £880,741 (2013: £999,832) and on sales amounted to £128,156 (2013: £153,772).

[2] During the year there were also non-audit fees of £1,595 (2013: £2,300) (excluding VAT) paid to the Auditor.

8 FINANCE COSTS

	2014 Revenue £000	2014 Capital £000	2014 Total £000	2013 Revenue £000	2013 Capital £000	2013 Total £000
Interest on borrowings						
9.875% debenture stock 2017	988	1,481	2,469	988	1,481	2,469
5.5% debenture stock 2021	836	1,272	2,108	836	1,272	2,108
4.05% Private placement loan 2028[1]	810	1,246	2,056	266	410	676
	2,634	3,999	6,633	2,090	3,163	5,253
Bank interest payable	5	–	5	–	–	–
Total finance costs	2,639	3,999	6,638	2,090	3,163	5,253

The amortisation of the debenture and loan issue costs is calculated using the effective interest method.

[1] The 4.05% Private Placement Loan contains the following principal financial or other covenants, with which failure to comply could necessitate the early repayment of the loan:
- net tangible assets of at least £275 million.
- aggregate principal amount of financial indebtedness not to exceed 50% of net tangible assets.
- prior approval by the note holder of any change of Manager.
- prior approval by the note holder of any change in the Company's investment objectives and policies.

Notes to the Financial Statements continued

9 TAXATION

(a) There is no corporation tax payable (2013: nil).

(b) The charge for the year can be reconciled to the profit per the Statement of Comprehensive Income as follows:

	2014 Revenue £000	**2014** Capital £000	**2014** Total £000	2013 Revenue £000	2013 Capital £000	2013 Total £000
Profit/(loss) before taxation	25,782	(36,813)	(11,031)	22,274	158,704	180,978
Tax at UK corporation tax rate of 21.50% (2013: 23.25%)	5,543	(7,914)	(2,371)	5,178	36,893	42,071
Tax effects of:						
Non-taxable gains on investments	–	6,421	6,421	–	(38,310)	(38,310)
Disallowed expenses	–	217	217	–	284	284
Non-taxable UK dividends	(5,491)	–	(5,491)	(4,725)	–	(4,725)
Income taxable in later periods	(16)	–	(16)	–	–	–
Non-taxable overseas dividends	(276)	–	(276)	(508)	–	(508)
Increase in excess expenses in the year	240	1,276	1,516	55	1,133	1,188
Total tax charge for the year	–	–	–	–	–	–

[1] Investment trusts are not subject to corporation tax on these items.
[2] The Company has not recognised a deferred tax asset of £12,960,000 (2013: £12,428,009) based on an effective tax rate of 20.0% (2013: 21.50%) arising as a result of having unutilised management expenses since, under current tax legislation, it is unlikely that the Company will obtain any benefit for the asset.

10 DIVIDENDS

	2014 £000	2013 £000
Amounts recognised as distributions to equity holders in the year		
Final dividend for the year ended 31 December 2013 of 22.65p (2012: 22.0p) per share	14,395	13,366
Interim dividend for the year ended 31 December 2014 of 15.55p (2013: 15.1p) per share	10,143	9,352
	24,538	22,718
Proposed final dividend for the year ended 31 December 2014 of 23.33p (2013: 22.65p) per share	15,601	14,343

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

Also set out below is the total dividend payable in respect of these financial years, which is the basis on which the requirements of Section 1158 of the Corporation Tax Act 2010 are considered.

	2014 £000	2013 £000
Interim dividend for the year ended 31 December 2014 of 15.55p (2013: 15.1p) per share	10,143	9,352
Proposed final dividend for the year ended 31 December 2014 of 23.33p (2013: 22.65p) per share	15,601	14,343
	25,744	23,695

11 EARNINGS PER SHARE

	2014 Revenue Pence	**2014** Capital Pence	**2014** Total Pence	2013 Revenue Pence	2013 Capital Pence	2013 Total Pence
Earnings per ordinary share	39.82	(56.86)	(17.04)	36.17	257.72	293.89

The calculation of the above is based on revenue returns of £25,782,000 (2013: £22,274,000), capital returns of £(36,813,000) (2013: £158,704,000) and total returns of £(11,031,000) (2013: £180,978,000) and a weighted average number of ordinary shares of 64,742,831 (2013: 61,579,755).

Notes to the Financial Statements continued

12 INVESTMENTS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS

	2014 £000	2013 £000
(a) Movements in the year		
Opening cost at 1 January	651,383	483,941
Investment holding gains at 1 January	238,002	150,562
Opening fair value	889,385	634,503
Purchases at cost	305,944	351,220
Sales – proceeds	(291,681)	(261,070)
– realised gains on sales	77,846	77,292
(Decrease)/increase in investment holding gains	(107,713)	87,440
Closing fair value at 31 December	873,781	889,385
Closing cost at 31 December	743,492	651,383
Investment holding gains at 31 December	130,289	238,002
	873,781	889,385
(b) Gains on investments		
Gains on sales of investments on book cost	77,846	77,292
(Decrease)/increase in investment holding gains	(107,713)	87,440
	(29,867)	164,732

All investments are listed.

(c) Fair value of financial instruments

The following table shows financial assets recognised at fair value, analysed between those whose fair value is based on:

- Level 1 – quoted prices in active markets for identical investments.
- Level 2 – other significant observable inputs (including quoted prices for similar investments, interest rates, prepayments, credit risk, etc). There are no level 2 investments (2013: £nil).
- Level 3 – significant unobservable inputs (including the Company's own assumptions in determining the fair value of investments). There are no level 3 investments (2013: £nil).

The following is a summary of the classifications used as at 31 December 2014 in valuing the Company's financial instruments:

	2014		2013	
	Level 1 £000	Total £000	Level 1 £000	Total £000
Financial assets				
Other financial assets held for trading:				
Quoted equities	761,684	761,684	787,545	787,545
Debt securities	112,097	112,097	101,840	101,840
	873,781	873,781	889,385	889,385

13 RECEIVABLES

	2014 £000	2013 £000
Accrued income	3,190	3,112
Other receivables	66	975
	3,256	4,087

The above receivables do not carry any interest and are short-term in nature. The directors consider that the carrying values of these receivables approximate their fair value.

Notes to the Financial Statements continued

14 PAYABLES

	2014 £000	2013 £000
Purchases for future settlement	–	538
Accruals and deferred income	1,064	1,298
	1,064	1,836

The above payables do not carry any interest and are short-term in nature. The directors consider that the carrying values of these payables approximate their fair value.

15 NON-CURRENT LIABILITIES

Interest bearing borrowings	2014 £000	2013 £000
Amounts payable after more than one year:		
9.875% Debenture stock 2017	25,000	25,000
5.5% Debenture stock 2021	38,506	38,488
4.05% Private placement loan 2028	50,248	50,217
	113,754	113,705

The 9.875% Debenture stock 2017 is secured by a floating charge over the assets of the Company. The stock is repayable at par on 31 December 2017. No issue costs were capitalised on the issue of this debenture.
The 5.5% Debenture stock 2021 is secured by a floating charge over the assets of the Company. The stock is repayable at par on 8 March 2021.
The 4.05% Private Placement Loan is secured by a floating charge over the assets of the Company. The loan is repayable at par on 3 September 2028.

16 ORDINARY SHARE CAPITAL

	Shares 2014 Number	Shares 2013 Number	2014 £	2013 £
Issued, allotted and fully paid				
Ordinary shares of 25p each	66,872,765	63,323,248	16,718,191	15,830,812

3,549,517 shares were issued during the year for a total consideration of £42,926,070 at a premium to the prevailing net asset value due to investor demand (2013: 2,771,881 shares, £32,590,335).

17 SHARE PREMIUM

	2014 £000	2013 £000
Balance at 1 January 2014	54,002	22,105
Premium arising on issue of new shares	42,038	31,897
Balance at 31 December 2014	96,040	54,002

18 RETAINED EARNINGS AND CAPITAL RESERVES

	2014 Retained earnings £000	2014 Capital reserves £000	2013 Retained earnings £000	2013 Capital reserves £000
Balance at 1 January 2014	33,120	689,117	33,535	530,413
Dividends paid	(24,538)	–	(22,718)	–
Net (loss)/gain for the year	(11,031)	–	180,978	–
	(2,449)	689,117	191,795	530,413
Transfer from retained earnings to capital reserves	36,813	(36,813)	(158,704)	158,704
Unclaimed dividends	17	–	29	–
Balance at 31 December 2014	34,381	652,304	33,120	689,117

Notes to the Financial Statements continued

18 RETAINED EARNINGS AND CAPITAL RESERVES CONTINUED

The capital reserves shown above comprise both realised and unrealised gains. A summary of the split is shown below:

	2014 £000	2013 £000
Capital reserves – realised	522,015	451,115
Capital reserves – unrealised	130,289	238,002
	652,304	689,117

19 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

As at 31 December 2014 there were no contingent liabilities or capital commitments for the Company (2013: £nil).

20 NET ASSET VALUES

	Net asset value per ordinary share Pence	Net assets attributable £000
Ordinary shares of 25p each	1,195.47p	799,444

The net asset value per ordinary share is based on net assets at the year-end of £799,444,000 (2013: £792,070,000) and on 66,872,765 (2013: 63,323,248) ordinary shares in issue at the year-end.

21 RELATED PARTY TRANSACTIONS AND TRANSACTIONS WITH THE MANAGER

IAS 24 'Related party disclosures' requires the disclosure of the details of material transactions between the Company and any related parties. Accordingly, the disclosures required are set out below:

Directors – The remuneration of the directors is set out in the Report on Directors' Remuneration on page 20. There were no contracts subsisting during or at the end of the year in which a director of the Company is or was interested and which are or were significant in relation to the Company's business. There were no other material transactions during the year with the directors of the Company.

Manager – Investec Fund Managers Limited is the Alternative Investment Fund Manager of the Company and has delegated portfolio management to Investec Asset Management Limited, the previous Manager. Details of the services provided by the Manager and the fees paid are given on pages 17 and 36.

22 RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

The Company's investing activities undertaken in pursuit of its investment objective, as set out on page 9, involve certain inherent risks. The main financial risks arising from the Company's financial instruments are market price risk, interest rate risk, liquidity risk, credit risk and currency risk. The Board reviews and agrees policies for managing each of these risks as summarised below. These policies have remained substantially unchanged during the current and preceding periods.

Market price risk

Market price risk arises mainly from uncertainty about future prices of financial instruments used in the Company's business. It represents the potential loss the Company might suffer through holding market positions in the face of price movements. The Board meets on seven scheduled occasions in each year and at each meeting it receives sufficient financial and statistical information to enable it to monitor adequately the investment performance and status of the business. In addition, financial information is circulated to the directors on a monthly basis. The Board has also established a series of investment parameters, which are reviewed annually, designed to limit the risk inherent in managing a portfolio of investments. The Company's borrowings have the effect of increasing the market risk faced by shareholders. This gearing effect is such that, for example, for a 10% movement in the valuation of the Company's investments, the net assets attributable to shareholders would move by approximately 10.9%.

Interest rate risk

Interest rate risk is the risk of movements in the value of financial instruments or interest income cash flows that arise as a result of fluctuations in interest rates. The Company finances its operations through retained profits including capital profits, and additional financing is obtained through the two debenture stocks in issue and the Private Placement Loan, on all of which interest is paid at a fixed rate.

Notes to the Financial Statements continued

22 RISK MANAGEMENT AND FINANCIAL INSTRUMENTS CONTINUED

Liquidity risk

The Company's assets comprise mainly readily realisable securities, which can be sold to meet funding commitments if necessary. Short-term flexibility is achieved through the use of cash balances and short-term bank deposits.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. This is mitigated by the Manager reviewing the credit ratings of broker counterparties. The risk attached to dividend flows is mitigated by the Manager's research of potential investee companies. The Company's custodian bank is responsible for the collection of income on behalf of the Company. Cash is held either with reputable banks with high quality external credit enhancements or in liquidity/cash funds providing a spread of exposures to various underlying banks in order to diversify risk. The full portfolio can be found on pages 13 to 15.

Currency risk

The income and capital value of the Company's investments and liabilities can be affected by exchange rate movements as some of the Company's assets and income are denominated in currencies other than Pounds Sterling which is the Company's reporting currency. The key areas where foreign currency risk could have an impact on the Company are:

- movements in rates that would affect the value of investments and liabilities; and
- movements in rates that would affect the income received.

The Company had the following currency exposures, all of which are included in the Statement of Financial Position at fair value based on the exchange rates ruling at the respective year-ends. They are not representative of the currency exposures during the year as a whole.

31 December 2014

	Investments £000	Cash £000	Receivables £000	Payables £000	Non-current liabilities £000	Total £000
Euro	63,171	–	–	–	–	63,171
US Dollar	52,445	2	–	–	–	52,447
Pounds Sterling	758,165	37,223	3,256	(1,064)	(113,754)	683,826
	873,781	37,225	3,256	(1,064)	(113,754)	799,444

31 December 2013

	Investments £000	Cash £000	Receivables £000	Payables £000	Non-current liabilities £000	Total £000
Euro	48,441	859	47	–	–	49,347
US Dollar	82,340	4	–	–	–	82,344
Pounds Sterling	758,604	13,276	4,040	(1,836)	(113,705)	660,379
	889,385	14,139	4,087	(1,836)	(113,705)	792,070

Foreign currency sensitivity

The following table illustrates the sensitivity of the profit after tax for the year and the net assets for the year in relation to foreign exchange movements in Euro and US Dollar. The Company mitigates some of the currency risk through the use of forward currency contracts. The analysis below assumes that the Euro and US Dollar exchange rates may move +/-2% against Pounds Sterling.

	£000	£000
Projected movement	+2%	-2%
Effect on net assets for the year	2,312	(2,312)
Effect on capital return	2,312	(2,312)

Notes to the Financial Statements continued

22 RISK MANAGEMENT AND FINANCIAL INSTRUMENTS CONTINUED

Financial assets – Interest rate risk

The majority of the Company's financial assets are equity shares and other investments which neither pay interest nor have a maturity date. The Company's fixed interest holdings have a market value of £112,097,000, representing 14.0% of net assets of £799,444,000 (2013: £101,840,000; 12.9%). The weighted average running yield as at 31 December 2014 was 5.0% (2013: 3.1%) and the weighted average remaining life was 3.4 years (2013: 4.5 years). The Company's cash balance of £37,225,000 (2013: £14,139,000) earns interest, calculated on a tiered basis, depending on the balance held, by reference to the base rate.

If the bank base rate had increased by 0.5%, the impact on the profit or loss and net assets would have been a positive £186,124 (2013: £70,695). If the bank base rate had decreased by 0.5%, the impact on the profit or loss and net assets would have been a negative £186,124 (2013: negative £70,695). The calculations are based on the cash balances at the respective balance sheet dates and are not representative of the year as a whole.

Financial liabilities – Interest rate risk

All of the Company's financial liabilities of £114,818,000 (2013: £115,541,000) are denominated in Pounds Sterling. All current liabilities have no interest rate and are repayable within one year. The 9.875% debenture stock, the 5.5% debenture stock and the 4.05% Private Placement Loan, which are repayable in 2017, 2021 and 2028 respectively, pay interest at fixed rates. The weighted average period until maturity of the loans is 9 years (2013: 9 years) and the weighted average interest rate payable is 6.0% (2013: 6.0%) p.a.

Other price risk exposure

If the investment valuation fell by 10% at 31 December 2014, the impact on profit or loss and net assets would have been negative £87.4 million (2013: negative £88.9 million). If the investment portfolio valuation rose by 10% at 31 December 2014, the impact on profit or loss and net assets would have been positive £87.4 million (2013: positive £88.9 million). The calculations are based on the portfolio valuations as at the respective year-end dates and are not representative of the year as a whole.

The Company held the following categories of financial instruments, all of which are included in the Statement of Financial Position at fair value, with the exception of interest bearing borrowings which are shown at book value at 31 December 2014.

	2014		2013	
	Book value £000	**Fair value £000**	Book value £000	Fair value £000
Assets at fair value through profit or loss	873,781	873,781	889,385	889,385
Cash	37,225	37,225	14,139	14,139
Loans and receivables				
Investment income receivable	3,190	3,190	3,112	3,112
Other receivables	66	66	975	975
Payables	(1,064)	(1,064)	(1,836)	(1,836)
Interest bearing borrowings				
9.875% Debenture Stock[1]	(25,000)	(30,638)	(25,000)	(30,596)
5.5% Debenture Stock[2]	(38,506)	(44,339)	(38,488)	(42,011)
4.05% Private Placement Loan[3]	(50,248)	(52,765)	(50,217)	(46,080)
	799,444	785,456	792,070	787,088

[1] Effective interest rate is 9.875%
[2] Effective interest rate is 5.583%
[3] Effective interest rate is 4.133%

Notes to the Financial Statements continued

22 RISK MANAGEMENT AND FINANCIAL INSTRUMENTS CONTINUED

Liquidity risk exposure

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

Contractual maturities of the financial liabilities at the year end, based on the earliest date on which payment can be required, are as follows:

	2014				2013			
	Three months or less £000	Not more than one year £000	More than one year £000	Total £000	Three months or less £000	Not more than one year £000	More than one year £000	Total £000
Creditors: amounts falling due after more than one year								
Debenture stocks and Loan	2,058	6,584	155,758	164,400	2,058	6,584	162,341	170,983
Creditors: amounts falling due within one year								
Purchases for future settlement	–	–	–	–	538	–	–	538
Accruals and deferred income	812	252	–	1,064	796	189	–	985
	2,870	6,836	155,758	165,464	3,392	6,773	162,341	172,506

Capital management policies and procedures

The Company's capital management objectives are to ensure that it will be able to continue as a going concern, and to provide long-term growth in revenue and capital, principally by investment in UK securities.

The Company's capital is its equity share capital and reserves that are shown in the Statement of Financial Position and debentures and fixed term loan (see note 15) at a total of £913,198,000 (2013: £905,775,000).

The Company is subject to several externally imposed capital requirements:

– as a public company, the Company has a minimum share capital of £50,000.

– in order to be able to pay dividends out of profits available for distribution by way of dividends, the Company has to be able to meet one of the two capital restriction tests imposed on investment companies by company law.

– the terms of the debenture trust deeds have various covenants that prescribe that moneys borrowed should not exceed the adjusted total capital and reserves as defined in the debenture trust deeds. The Note Purchase Agreement governing the terms of the Private Placement Loan also contains certain financial covenants. These are measured in accordance with the policies used in the annual financial statements.

The Company has complied with all of the above requirements.

23 ALTERNATIVE INVESTMENT FUND MANAGERS (AIFM) DIRECTIVE

In accordance with the AIFM Directive, information in relation to the Company's leverage and the remuneration of the Company's AIFM, Investec Fund Managers Limited, is required to be made available to investors. In accordance with the Directive, the AIFM remuneration policy is available from the Company Secretary on request (see contact details on page 50) and the numerical remuneration disclosures in respect of the AIFM's first relevant reporting period (year ended 31 March 2016) will be made available in due course.

For the purposes of the AIFM Directive, leverage is any method which increases the Company's exposure, including the borrowing of cash and the use of derivatives. It is expressed as a ratio between the Company's exposure and its net asset value and can be calculated on a gross and a commitment method. Under the gross method, exposure represents the sum of the Company's positions after the deduction of sterling cash balances, without taking into account any hedging and netting arrangements. Under the commitment method, exposure is calculated without the deduction of sterling cash balances and after certain hedging and netting positions are offset against each other. The Company's maximum and actual leverage levels at 31 December 2014 are shown below:

Leverage Exposure	Gross method	Commitment method
Maximum limit	250%	200%
Actual	112%	114%

Notice of meeting

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take you should consult your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000 immediately.

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

NOTICE IS HEREBY GIVEN that the eighty-ninth Annual General Meeting of Temple Bar Investment Trust PLC will be held at 11.00am on Monday 30 March 2015 at Woolgate Exchange, 25 Basinghall Street, London EC2V 5HA for the following purposes:

ORDINARY BUSINESS:

1. To approve the Company's accounts for the year ended 31 December 2014 together with the reports of the directors and auditor thereon.
2. To approve the report on directors' remuneration for the year ended 31 December 2014.
3. To declare a final dividend of 23.33p per ordinary share.
4. To re-elect Mr A T Copple as a director.
5. To re-elect Mrs J F de Moller as a director.
6. To re-elect Mr R W Jewson as a director.
7. To re-elect Mr J Reeve as a director.
8. To re-elect Mr M R Riley as a director.
9. To re-elect Mr D G C Webster as a director.
10. To re-appoint the auditor and to authorise the directors to determine their remuneration.

SPECIAL BUSINESS:

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

ORDINARY RESOLUTION:

11. That the directors be and are hereby generally and unconditionally authorised in accordance with Section 551 of the Companies Act 2006 to allot shares in the Company or grant rights to subscribe for or to convert any security into shares in the Company ('Rights') up to an aggregate maximum nominal amount of £1,671,819, being approximately 10% of the issued share capital of the Company as at 24 February 2015, provided that:
    (i) the authority granted shall expire at the conclusion of the Annual General Meeting of the Company in 2016 but may be revoked or varied by the Company in general meeting and may be renewed by the Company in general meeting; and
    (ii) the said authority shall allow and enable the directors to make an offer or agreement before the expiry of that authority which would or might require shares to be allotted or Rights to be granted after such expiry and the directors may allot shares and grant Rights in pursuance of any such offer or agreement as if that authority had not expired.

Notice of meeting continued

SPECIAL RESOLUTIONS:

12. That, subject to the passing of resolution 11 set out above, the directors be and they are hereby empowered pursuant to Section 570-573 of the Companies Act 2006 to allot equity securities (as defined in Section 560 of that Act) for cash, including, for the avoidance of doubt, the sale of shares held by the Company as treasury shares, in accordance with the authority conferred on them by this meeting to allot shares, as if Section 561(i) of that Act did not apply to the allotment, provided that the power conferred by this resolution shall be limited to:
    (i) the allotment of equity securities in connection with a rights issue, open offer or the pre-emptive offer in favour of ordinary shareholders where the equity securities respectively attributable to the interests of all ordinary shareholders are proportionate to the respective numbers of ordinary shares held by them on the record date of such allotment (but subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to fractional entitlements or legal problems under the law of or the requirements of any recognised regulatory body or any stock exchange in any territory); and
    (ii) the allotment (otherwise than pursuant to sub paragraph (i) above) of equity securities up to an aggregate nominal value not exceeding £1,671,819; and

    shall expire at the conclusion of the Annual General Meeting of the Company in 2016 save that the Company may make an offer or agreement before this power has expired, which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired.

13. That the Company generally be and is hereby authorised for the purpose of Section 701 of the Companies Act 2006 to make market purchases (as defined in Section 693 of the Act) of ordinary shares of 25p each in the capital of the Company ('ordinary shares') either for retention as treasury shares for future reissue, resale, transfer or cancellation provided that:
    (i) the maximum number of ordinary shares hereby authorised to be purchased is 14.99% of the issued share capital of the Company as at the date of the passing of this resolution;
    (ii) the minimum price which may be paid for such shares is 25p per share;
    (iii) the maximum price (exclusive of expenses payable by the Company) which may be paid for such shares shall be 5% above the average of the market value of the share quotations taken from the London Stock Exchange Daily Official List for the five business days before the purchase is made;
    (iv) the authority hereby conferred shall (unless previously renewed or revoked) expire at the end of the Annual General Meeting of the Company in 2016, or, if earlier, the date falling fifteen months from the date of this resolution;
    (v) the Company may make a contract to purchase its own shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority, and may make a purchase of its own shares in pursuance of any such contract.

By order of the Board of Directors
M K Slade
For Investec Asset Management Limited
Secretary
24 February 2015

Woolgate Exchange
25 Basinghall Street
London EC2V 5HA

Notice of meeting continued

Shown is a plan of the location of Investec Asset Management Limited, Woolgate Exchange, 25 Basinghall Street, London EC2V 5HA where the Annual General Meeting will be held on Monday 30 March 2015 at 11.00am.

NOTES

1. A member entitled to attend and vote at the above meeting is entitled to appoint a proxy to attend the meeting to speak and vote on a show of hands and, on a poll, to vote instead of him. A proxy need not be a member of the Company. A member wishing to appoint more than one proxy must appoint each proxy in respect of a specified number of shares within his holding. For this purpose, a member may photocopy the enclosed Form of Proxy before completion and must indicate the number of shares in respect of which each proxy is appointed.

2. Instruments of proxy should be sent to Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA so as to arrive no later than 11.00am on 26 March 2015. Completion and return of the form of proxy will not preclude shareholders from attending and voting at the meeting in person should they wish to do so.

3. Members who hold ordinary shares in the Company in uncertificated form must have been entered on the Company's register of members by 6.00pm on 26 March 2015 in order to be able to attend and vote at the meeting, or if the meeting is adjourned, 6.00pm on the day two business days before the time fixed for the adjourned meeting. Such members may only vote at the meeting in respect of ordinary shares held at the time.

4. In accordance with Section 325 of the Companies Act 2006, the right to appoint proxies does not apply to persons nominated to receive information rights under Section 146 of the Act. Persons nominated to receive information rights under Section 146 of the Act who have been sent a copy of this notice of meeting are hereby informed, in accordance with Section 149 (2) of the Act, that they may have a right under an agreement with the registered member by whom they were nominated to be appointed, or to have someone else appointed, as a proxy for this meeting. If they have no such right, or do not wish to exercise it, they may have a right under such an agreement to give instructions to the member as to the exercise of voting rights. Nominated persons should contact the registered member by whom they were nominated in respect of these arrangements.

5. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the meeting and any adjournment(s) thereof by using the procedures described in the CREST Manual. 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.

   In order for a proxy appointment made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear's specifications and must

Notice of meeting continued

NOTES CONTINUED

contain the information required for such instructions, as described in the CREST Manual (available via www.euroclear.com). The CREST message must be transmitted so as to be received by the issuer's agent (ID RA19) by not later than 48 hours (excluding non-working days) before the time appointed for the holding of the meeting or the adjourned meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the CREST message by the CREST Applications Host) from which the issuer's agent is able to retrieve the CREST 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.

CREST members and, where applicable, their CREST sponsors or voting service provider(s), should note that Euroclear does not make available special procedures in CREST for any particular messages. 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(s) is/are a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that the CREST sponsor or voting service provider takes) such action as shall be necessary to ensure that a CREST 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) is/are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

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.

6. As an alternative to completing a hard copy Form of Proxy, you can appoint a proxy or proxies electronically by visiting www.sharevote.co.uk.

   You will need your Voting ID, Task ID and Shareholder Reference Number (this is the series of numbers printed at the top right-hand side of the Form of Proxy). Alternatively, if you have already registered with Equiniti Limited's online portfolio service, Shareview, you can submit your Form of Proxy at www.shareview.co.uk. Full instructions are given on both websites. To be valid, your proxy appointment(s) and instructions should reach Equiniti Limited no later than 11am on Thursday 26 March 2015.

7. Shareholders should note that, under Section 527 of the Companies Act 2006 members meeting the threshold requirements set out in that section have the right to require the Company to publish on a website a statement setting out any matter relating to:
   (i) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the Annual General Meeting for the financial year beginning 1 January 2014; or
   (ii) any circumstance connected with an auditor of the Company appointed for the financial year 1 January 2014 ceasing to hold office since the previous meeting at which annual accounts and reports were laid. The Company may not require the shareholders requesting any such website publication to pay its expenses in complying with Sections 527 or 528 (requirements as to website availability) of the Companies Act 2006. Where the Company is required to place a statement on a website under Section 527 of the Companies Act 2006, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the Annual General Meeting for the relevant financial year includes any statement that the Company has been required under Section 527 of the Companies Act 2006 to publish on a website.

8. A member of the Company which is a corporation may authorise a person or persons to act as its representative(s) at the AGM. In accordance with the provisions of the Companies Act 2006, each such representative may exercise (on behalf of the corporation) the same powers as the corporation could exercise if it were an individual member of the Company, provided that they do not do so in relation to the same shares. It is no longer necessary to nominate a designated corporate representative.

9. You may not use any electronic address provided in this notice of meeting to communicate with the Company for any purposes other than those expressly stated.

10. Any member attending the meeting has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the meeting but no such answer need be given if (a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information, (b) the answer has already been given on a website in the form of an answer to a question, or (c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

11. None of the directors has a service contract with the Company.

12. As at 24 February 2015, the latest practicable date prior to publication of this document, the Company had 66,872,765 ordinary shares in issue with a total of 66,872,765 voting rights.

13. In accordance with Section 311A of the Companies Act 2006, the contents of this notice of meeting, details of the total number of shares in respect of which members are entitled to exercise voting rights at the AGM and, if applicable, any members' statements, members' resolutions or members' matters of business received by the Company after the date of this notice will be available on the Company's website: www.templebarinvestments.co.uk.

Useful information for shareholders

ANNUAL GENERAL MEETING
The Annual General Meeting will be held at Woolgate Exchange, 25 Basinghall Street, London EC2V 5HA (see map on page 47), on 30 March 2015 at 11.00am.

FINANCIAL CALENDAR
The financial calendar for 2015 is set out below:

Ordinary shares	
Final dividend, 2014 – payable	31 March 2015
– ex-dividend	12 March 2015
– record date	13 March 2015
First interim dividend, 2015	30 June 2015
Second interim dividend, 2015	30 September 2015
Third interim dividend, 2015	30 December 2015
Final dividend, 2015	End of March 2016
9.875% Debenture Stock 2017	
Interest payments	30 June and 31 December
5.5% Debenture Stock 2021	
Interest payments	8 March and 8 September

PAYMENT OF DIVIDENDS
Cash dividends will be sent by cheque to the first-named shareholder on the Register at his or her registered address together with a tax voucher. At shareholders' request, dividends may instead be paid direct into the shareholder's bank account through the Bankers' Automated Clearing System ('BACS'). This may be arranged by contacting the Company's Registrar on 0871 384 2432 (calls to this number cost 8p per minute plus network extras).

PRICE AND PERFORMANCE INFORMATION
The Company's ordinary shares and debenture stocks are traded on the London Stock Exchange. The market price of the ordinary shares is shown daily in the Financial Times, other leading newspapers and on the Company's website.

SHARE REGISTER ENQUIRIES
The Company's Registrar, Equiniti, maintains the share register. In the event of queries regarding your holding, please contact the Registrar on 0871 384 2432 (overseas +44 (0)121 415 7047). Lines are open from 8.30am to 5.30pm Monday to Friday. Calls to this number cost 8p per minute plus network extras. Changes of name or address must be notified in writing to the Registrar.

SEDOL CODES FOR ORDINARY SHARES AND DEBENTURE STOCKS
Ordinary shares – 0882532
9.875% Debenture Stock 2017 – 0882640
5.5% Debenture Stock 2021 – 0530529

TEMPLE BAR INVESTMENT TRUST SAVINGS SCHEME
Details of the Temple Bar Savings Scheme are set out on page 51 of this report. This enables individuals to buy shares in the Company in a straightforward and accessible way.

ASSOCIATION OF INVESTMENT COMPANIES
The Company is a member of the Association of Investment Companies, which produces monthly publications of detailed information on the majority of investment trusts. The Association of Investment Companies can be contacted by telephone on 020 7282 5555.

TEMPLE BAR WEBSITE
The Company's own website can be found at www.templebarinvestments.co.uk and includes useful background information on the Company together with helpful downloads of published documentation such as previous Annual Reports and Savings Scheme application forms.

Management and administration

Alternative Investment Fund Manager (AIFM)
Investec Fund Managers Limited
Authorised and Regulated by the Financial Conduct Authority
Portfolio Manager, Alastair Mundy
Woolgate Exchange
25 Basinghall Street
London EC2V 5HA
Telephone No. 020 7597 2000

Registered office
Woolgate Exchange
25 Basinghall Street
London EC2V 5HA

Company Secretary
Investec Asset Management Limited, represented by
Martin Slade

Registered number
Registered in England No. 214601

Registrar and Savings Scheme administrator
Equiniti Limited
Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA
Telephone No:
+44 121 415 7047 (overseas shareholder helpline)
0871 384 2432 (shareholder helpline)*
0906 559 6025 (broker helpline)

*Calls cost 8p per minute plus network extras.
Lines open 8.30 a.m. to 5.30 p.m., Monday to Friday.

Independent auditor
Ernst & Young LLP
1 More London Place
London SE1 2AF

Depositary, bankers and custodian
HSBC Bank plc
Poultry
London EC2P 2BX

Stockbrokers
JPMorgan Cazenove
25 Bank Street
Canary Wharf
London E14 5JP

Solicitors
Eversheds LLP
1 Wood Street
London EC2V 7WS

Temple Bar Investment Trust Savings Scheme

Temple Bar offers an inexpensive way of investing in the Company.

The Temple Bar Investment Trust Savings Scheme offers:
- monthly savings from as little as £50 a month
- a daily dealing facility for lump sum investments or sales
- income reinvestment

If you would like to receive information about the Savings Scheme, call the Investor Services Department on 020 7597 1800 or visit our website **www.templebarinvestments.co.uk**. Alternatively please write to:
Investor Services Department
Investec Asset Management Limited
Woolgate Exchange
25 Basinghall Street
London EC2V 5HA

Past performance will not necessarily be repeated. You are not certain to make a profit; you may lose money and any income is not fixed – it can go up or down. Tax benefits detailed are those currently applicable and will vary from one investor to another and may change in the future. The government's 0.5% stamp duty is payable on all share purchases. Shares will be purchased at Temple Bar's buying price and will be sold at Temple Bar's selling price. Phone calls may be recorded to confirm your instructions.

The above information has been issued by Investec Fund Managers Limited, authorised and regulated by the Financial Conduct Authority, the AIFM of Temple Bar Investment Trust PLC.

aic
The Association of Investment Companies

A member of the Association of Investment Companies

Perivan Financial Print 234791

temple bar

active investment working for you

Temple Bar Investment Trust PLC

Registered office
Woolgate Exchange
25 Basinghall Street
London EC2V 5HA
www.templebarinvestments.co.uk

Investment Manager
Investec Fund Managers Limited
Woolgate Exchange
25 Basinghall Street
London EC2V 5HA
Telephone 020 7597 2000