

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.

CONTENTS

STRATEGIC REPORT

- 1 Summary of results
- 2 Chairman's statement
- 3 Ten year record
- 4 Manager's review
- 10 Attribution analysis
- 11 Overview of strategy
- 16 Portfolio of investments

GOVERNANCE REPORT

- 18 Directors
- 19 Report of Directors
- 22 Report on directors' remuneration
- 24 Corporate governance
- 27 Report of the audit committee
- 29 Statement of directors' responsibilities
- 30 Independent auditor's report

FINANCIAL REPORT

- 36 Statement of Comprehensive Income
- 37 Statement of Changes in Equity
- 38 Statement of Financial Position
- 39 Statement of Cash Flows
- 40 Notes to the Financial Statements

SHAREHOLDER INFORMATION

- 51 Notice of meeting
- 55 Useful information for shareholders
- 56 Management and administration
- 57 Glossary of terms
- 59 Temple Bar Investment Trust Savings Scheme

SUMMARY OF RESULTS

| | 2015 £000 | 2014 £000 | % change |
|---|--------------|--------------|-------------|
| Assets as at 31 December | | | |
| Net assets | 755,755 | 799,444 | (5.5) |
| Ordinary Shares | | | |
| Net asset value per share with debt at book value | 1,130.14p | 1,195.47p | (5.5) |
| Net asset value per share with debt at market value | 1,115.46p | 1,174.37p | (5.0) |
| Market price | 1,052.00p | 1,191.00p | (11.7) |
| (Discount)/premium with debt at book value | (6.9%) | (0.4%) | |
| (Discount)/premium with debt at market value | (5.6%) | 1.4% | |
| Revenue for the year ended 31 December | | | |
| Revenue return attributable to ordinary shareholders | 26,663 | 25,782 | |
| Revenue return per ordinary share | 39.87p | 39.82p | |
| Dividends per ordinary share – interim and proposed final | 39.66p | 38.88p | 2.0 |
| Capital for the year ended 31 December | | | |
| Capital return attributable to ordinary shareholders | (38,877) | (36,813) | |
| Capital return attributable per ordinary share | (58.14p) | (56.86p) | |
| Net gearing* | 3.8% | 0.0% | |
| Ongoing charges** | 0.49% | 0.48% | |
| Total Returns for the year to 31 December 2015 | | | |
| Return on share price | | | (7.9%) |
| Return on net assets | | | (1.0%) |
| Return on gross assets | | | (0.7%) |
| Return on FTSE All-share Index | | | 1.0% |
| Change in Retail Prices Index over year | | | 1.2% |
| Dividend Yields (Net) as at 31 December 2015 | | | |
| Yield on ordinary share price (1,052p)*** | | | 3.8% |
| Yield on FTSE All-Share Index | | | 3.7% |

* 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.

*** Based on the three interim dividends paid during the year together with the recommended final dividend for the year.

BENCHMARK

Performance is measured against the FTSE All-Share Index.

TOTAL ASSETS LESS CURRENT LIABILITIES

£869,535,000

TOTAL EQUITY*

£755,755,000

MARKET CAPITALISATION

£703,501,000

CAPITAL STRUCTURE

| | |
|-----------------------------------|-------------|
| Ordinary Shares | 66,872,765 |
| 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%

* With debenture and loan stocks at book value



CHAIRMAN'S STATEMENT

/// The Company's portfolio is constructed to deliver both capital and income growth. The portfolio manager remains fully focussed on identifying good quality companies with attractive yields and run by strong management teams. ///

PERFORMANCE

The year under review has seen a continuation of volatile markets together with conditions generally unfavourable for Temple Bar's value oriented investment approach. The total return on net assets of Temple Bar in 2015 was -1.0% which compares with a total return for the FTSE All Share Index of 1.0%. It is always disappointing when the Trust endures periods of underperformance but this is a natural consequence of our chosen investment style which very much favours a longer term standpoint. Temple Bar continues to outperform its benchmark over both five and ten year periods.

The Company's portfolio is constructed to deliver both capital and income growth. The portfolio manager remains fully focussed on identifying good quality companies with attractive yields and run by strong management teams. Sometimes such companies are under-appreciated by the market for various reasons and accordingly offer value to a long term, patient investor. The benefits of this approach are reflected in Temple Bar's returns over longer time periods.

The main themes leading to the recent underperformance of the NAV relative to the benchmark index are set out in the Manager's Review together with some of the positive and negative contributors to performance at an individual investment level during the year.

DIVIDEND

This is the first year in which the Company has paid dividends on a quarterly basis, a change implemented on our understanding of shareholder preference. There have already been three interim dividend payments of 7.93p per share and the directors are now recommending a final dividend of 15.87p per share to be paid on 31 March 2016 to those shareholders on the register as at 11 March 2016. The ex-dividend date for this payment is 10 March 2016. If approved, this would give a total dividend of 39.66p, an increase for the year as a whole of 2% and the 32nd consecutive year in which the Company has increased its annual dividend payment.

GEARING

The Company was only moderately geared at the year end, its long term borrowings largely matched by the relatively high cash and near cash position on the portfolio. At the year end, gearing (calculated net of cash and related liquid assets, including our investment in a UK short dated gilt) was 3.8%. The Manager is only prepared to invest the available funds when he considers that suitable opportunities are available. This has generally not been the case in the recent past.

SHARE CAPITAL MANAGEMENT

For large parts of 2013–14 the Company's shares were trading at a premium to net asset value and it was therefore able to issue new shares to market participants. Throughout the majority of 2015 the Company's shares have traded at a modest discount to their net asset value; consequently it has not been possible to issue new shares. While there were also no share repurchases during the year, the Board is prepared to undertake such action, subject to market conditions, if the discount widens both in absolute terms and relative to the Company's peer group, as part of a proactive approach to discount/premium management. The Board recommends that the existing authorities to issue new ordinary shares 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.



32nd consecutive year in which the Company has increased its annual dividend payment.

THE BOARD

As mentioned in the half year report, we were pleased to welcome to the Board during the year Lesley Sherratt, who is already making a positive contribution to Board discussion. We were also sorry to lose the services of Martin Riley, for health reasons, after 10 years of excellent service on the Board.

In common with best practice, all directors are subject to annual re-election by shareholders. I refer you to the directors' biographies on page 18 for further details. Every year the Board undertakes a formal and rigorous evaluation of each director including myself as Chairman.

ANNUAL GENERAL MEETING

The AGM will be held at Woolgate Exchange, 25 Basinghall Street, London EC2V 5HA on 30 March 2016 at 11am. In addition to the formal business of the meeting the portfolio manager, Alastair Mundy, will, as usual, make a presentation reviewing the past year and commenting on the outlook. He will also be available to answer questions alongside the directors. Shareholders who are unable to attend the meeting are encouraged to use their proxy votes.

OUTLOOK

There is no getting away from the fact that the last few years have been an uncomfortable time for committed adherents of the value investing approach. While in relative terms our portfolio has suffered as a consequence, investment is a long term matter and I am reassured that many of our shareholders appear to understand this. They appreciate that the value investment style is inherently cyclical but that, if one is patient and adheres to this approach, eventually some great opportunities will arise. Clearly we hope that this occurs sooner rather than later but if needs be we will remain patient before investing any of the surplus cash currently held on the portfolio.

John Reeve
Chairman

23 February 2016

TEN YEAR RECORD

| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|--|---------|---------|---------|---------|---------|---------|---------|----------|----------|----------|
| Total assets less current liabilities (£000) | 598,485 | 557,712 | 422,408 | 553,392 | 603,444 | 585,480 | 664,648 | 905,775 | 913,198 | 869,535 |
| Net assets (£000) | 535,128 | 494,340 | 359,020 | 489,988 | 540,022 | 522,040 | 601,191 | 792,070 | 799,444 | 755,755 |
| Net assets per ordinary share (pence) | 917.25 | 847.33 | 612.76 | 831.03 | 915.89 | 874.42 | 992.86 | 1,250.84 | 1,195.47 | 1,130.14 |
| Revenue return to ordinary shareholders (£000) | 17,620 | 19,361 | 20,614 | 20,017 | 18,915 | 22,552 | 24,873 | 22,274 | 25,782 | 26,663 |
| Revenue return per share (pence) | 30.20 | 33.19 | 35.33 | 33.98 | 32.08 | 38.08 | 41.39 | 36.17 | 39.82 | 39.87 |
| Dividends per share* (pence) | 29.23 | 30.98 | 32.84 | 33.50 | 34.20 | 35.23 | 36.65 | 37.75 | 38.88 | 39.66 |

* Interim(s) and proposed final for the year

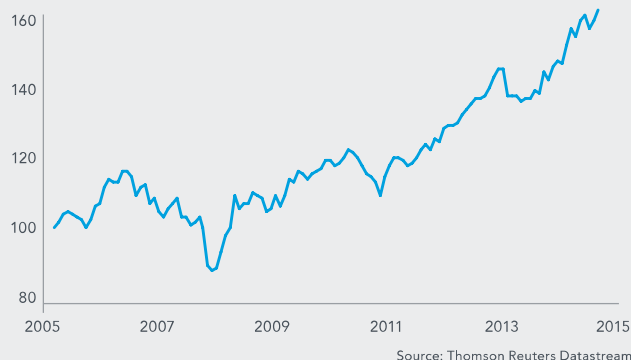
MANAGER'S REVIEW

Over the year, the FTSE All-Share Index, the index most relevant to the Temple Bar portfolio, generated a total return of 1.0% while the FTSE 250 Index returned 11.2% and the FTSE Smaller Companies Index delivered 9.2%. This compares with a total return for Temple Bar of -1.0%.

The FTSE 250 has now outperformed the FTSE 100 for the fourth year in a row and for six of the last seven years. Over the longer term the performance differential is extraordinary, as evidenced by the adjacent graph, and there are very few conventional broadly spread investments that a sterling-based UK investor could have made 10 years ago that would have performed as well.

It is sometimes painful being a value investor. We buy stocks that are out of favour. If they fall further, we risk excoriation for ignoring the 'obvious' negative factors. Fortunately, history informs us that the valuation discount received from buying into such negativity typically rewards a patient investor. The current stage of the market cycle is one of those demanding such patience.

Total Return of FTSE 250 relative to FTSE 100



The most sought after stocks in the UK market last year were 'quality compounders'; companies operating in areas with high barriers to entry ('a moat'), generating high returns on equity and using some of these returns to drive future profits growth. In short, those companies most attractive to investors employing an investment style akin to that of Warren Buffett. Although Mr Buffett has generated astonishing long term returns using this approach, he has made it look rather easier than is the case. Many stocks once regarded as high quality tend to disappoint ultimately, through a process of mean reversion, thus making it risky to pay a high price for them. And even Mr Buffett has sometimes experienced periods of great discomfort; the Berkshire Hathaway price has fallen more than 40% on two occasions while under his stewardship. The most intuitively appealing investment processes can also have their times in the shade.

Many of the weakest stocks and sectors in 2015 were those that had been poor in 2014. Resource related stocks, banks, and food retailers took the brunt of the pain. In summary, 2015 was a year to stick with one's winners.



ALASTAIR MUNDY

Alastair is head of the Value Team at Investec Asset Management having joined in 2000 from Morley Fund Management.

In addition to Temple Bar Investment Trust, Alastair manages a number of funds including the Investec Cautious Managed Fund and the Investec UK Special Situations Fund.

Alastair graduated from City University in 1988 with a Bachelor of Science degree in Actuarial Science.

Many of the weakest stocks and sectors in 2015 were those that had been poor in 2014. Resource-related stocks, banks, and food retailers took the brunt of the pain.

With these themes in mind, many of the most significant positive contributors on the portfolio in 2015 had also performed well in 2014: Direct Line, Carnival, CRH and Kingspan all progressed well. Being significantly underweight to the mining sector also assisted performance relative to our benchmark index.

At the other end of the scale, the most expensive detractors from performance were Drax, Royal Bank of Scotland, Avon Products, Joy Global and Vallourec, all affected by weak trading and, in the case of the latter three, by deteriorating balance sheets.

We were attracted to Joy Global, a manufacturer of mining equipment, and Vallourec, a manufacturer of steel pipes, primarily for the oil industry, by their strong market positions and impressive long term returns. Having analysed a number of UK listed alternatives we selected these overseas listed companies as a way of building our exposure to the resources industry believing that, in the long term, suppliers to these industries are placed to make superior returns to those of the resource producers. However, both companies have encountered extraordinarily tough operating conditions and investor sentiment has been badly damaged. Drax owns the most efficient coal-fired electricity generators in the UK and is also the biggest generator of electricity from biomass. It has been badly affected by the fall in oil price, making electricity generated from gas cheaper, as well as by a reduction in government sponsored renewables subsidies and an aggressive UK government policy towards coal. Avon Products continued to be hurt by its large exposure to weakening emerging markets whilst sentiment towards the Royal Bank of Scotland was affected by continued fines and no clear news as to when dividends would be reinstated.

PORTFOLIO ACTIVITY

A number of the disposals on the portfolio in the last year have been of stocks that have performed well, but whose valuations now look full: BT, Carnival, Kingspan and Unilever, the latter disposed of in its entirety. Our sales are typically made when shares stand at, or slightly above, our estimate of their fair value; thus we often find ourselves selling into the positive newsflow that attracts the attention of investors more eager to extrapolate this information.

At certain times, 1999 and 2007 come to mind, it would have been better to leave the portfolio untouched during the course of the year and 2015 was another of those occasions. Purchases of stocks such as Vallourec, Joy Global, Standard Chartered, Drax and Centrica proved to be far too early in a deteriorating environment.

We cannot say that the bad news is over for our recent purchases, but they are already discounting a fair degree of negative news. On the other hand, we believe a lot of companies in the market are trading at prices which leave little in their valuations for disappointment. Rather like the two previous periods highlighted, we think we have taken the majority of our medicine, particularly relative to the rest of the market.

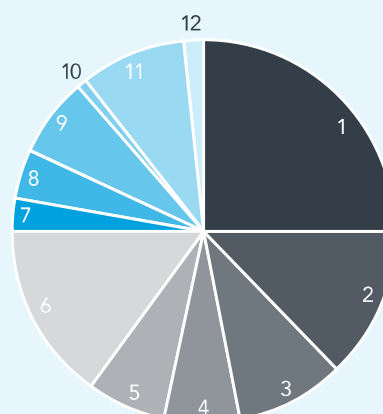
THE OUT OF FAVOUR SECTORS

In terms of sector positioning, the three largest positions on the portfolio in both absolute terms and relative to the FTSE All-Share are Banks, Oil & Gas, and Industrial Goods & Services.

As we highlighted in the interim report, many investors remain wary of banks, voicing concerns such as a never-ending list of fines, onerous regulation, balance sheet opacity and vulnerability to future recessions. While these issues are certainly genuine, it is worth considering how conventional wisdom can be opposed.

PORTFOLIO DISTRIBUTION %

| | Temple Bar portfolio % | FTSE All-Share Index % |
|----------------------|------------------------|------------------------|
| 1 Financials | 25.1 | 26.5 |
| 2 Oil & Gas | 12.7 | 10.2 |
| 3 Consumer Services | 9.4 | 12.6 |
| 4 Consumer Goods | 6.4 | 16.5 |
| 5 Health Care | 6.6 | 8.8 |
| 6 Industrials | 14.9 | 10.4 |
| 7 Telecommunications | 2.9 | 5.3 |
| 8 Utilities | 4.0 | 3.8 |
| 9 Basic Materials | 6.8 | 4.2 |
| 10 Technology | 0.8 | 1.7 |
| Total Equities | 89.6 | 100.00 |
| 11 Fixed Interest | 9.0 | |
| 12 Cash | 1.4 | |
| | 100.00 | |



At certain times, 1999 and 2007 come to mind, it would have been better to leave the portfolio untouched during the course of the year and 2015 was another of those occasions.

Balance sheets of banks were inarguably weak and opaque a decade ago, but much has changed for the better as a consequence of rights issues, retained profits, cut or suspended dividends and disposals of non-core businesses. Clearly regulation has increased, but this is both positive and negative. Banks have been stress-tested against – and passed – a variety of nasty outcomes, providing investors with confidence that future cyclicalities may be shallower than experienced previously. It is interesting to ponder the necessary actions for listed companies in other industries if they were to pass similar stress tests. While the financial crisis remains fresh in the memory, senior bank management will surely remain focused on their core business areas in preference to finding novel ways of eroding shareholder returns.

As with any industry, there are many moving parts to the investment argument, but perhaps the major factor supporting the retention of bank shares is fairly simple. A number of constituents of the FTSE 100 Index cut dividends in 2015 and, given that a number of dividends remain poorly covered, there are likely to be further cuts and omissions in the next few years. The UK listed banks we hold, Royal Bank of Scotland, Lloyds Banking Group and HSBC have modest capital requirements to finance their relatively low growth in the future and regulation seems to be easing. Therefore, it appears likely that, post regulatory approval, the companies will pay out a higher percentage of their earnings as dividends.

Over the last two years, the oil price has fallen further than virtually all commentators predicted. OPEC has failed, so far, to drive sufficient production out of the market at a time of relatively weak demand. Perhaps, with the consensus believing that the oil price fall was temporary, producers were unwilling to leave the market; commentary has now turned decidedly negative and consequently may lead to the necessary supply actions.

Royal Dutch Shell and BP's high dividend yields suggest investors are highly sceptical about their sustainability. We have no great insight regarding these dividends, but would argue the low oil price is a once in a generation opportunity for these companies properly to consider their cost bases and to lock into attractive prices on contracts for new developments. As we have commented previously, the Armageddon scenario of countries such as Saudi Arabia deciding to pump oil as quickly as possible to minimise the threat from technological developments is genuine but, we think, too early to be concerned with, particularly after these exceptionally negative share price movements.

Food retailers were under continued pressure in 2015 as the discounters continued to win market share. Most independent forecasts assume that Aldi and Lidl will increase their market share from around 10% to 15% over the next five years. This is a meaningful amount of market share for other participants to relinquish, particularly for an industry in which volumes are quite stable and price increases are very reliant on food price inflation. However, not all of the constituents of the other 85% of market share are necessarily losers. We believe that Tesco, with its huge market position and relatively new management, can be run more efficiently, focus on areas that the discounters do not and cannot, and win back lost customers to drive profitability. Meanwhile, Wm Morrison, under new management as well, is reversing its confused strategy of recent years and has brought a more entrepreneurial approach to the business. Its significant freehold property backing, thus avoiding rent, also offers a significant competitive advantage.

The very poor performance of the mining sector (the FTSE All-Share Mining Index fell 69% over five years relative to a 36% gain in the FTSE All-Share Index) has obviously attracted our attention. The mining bubble inflated enormously almost a decade ago and its deflation, although temporarily halted by a splurge in government sponsored capital expenditure in China, has been equally shocking. A common theory in commodity investing is that the commodity price must be sufficiently high to incentivise production. If the cost of production was stable this would be straightforward but, when conditions are most testing, the empirical evidence is that producers find ways of reducing costs. Furthermore, demand is highly variable, particularly as in the last 15 years a significant amount of the growth has come from China. Even if one can be comfortable with all these moving parts, to find a sensible equilibrium commodity price it is important to consider that the fixed costs of production will already have been borne and, therefore, it is the marginal costs of production which often determine whether the producer keeps mining. And finally for investors in mining shares, it is important that the miner has a sufficiently strong balance sheet to ensure its survival during any particularly elongated periods of low commodity pricing.

Given that a bubble is normally followed by a bust of roughly equal proportions that lasts longer than most would expect, we have patiently been watching the underperformance of the mining sector. As the end of the year approached we purchased some Rio Tinto. The company's low production cost status, together with its best in class transport links to customers and relatively strong balance sheet provides us with some confidence that the company is a long term survivor. It is very possible that the mining cycle may deteriorate further in the short term and that this could impact Rio's share price and dividend payment; at the end of the year Rio had a dividend yield of 7.4%. We would envisage building the stock's position in the portfolio on such weakness.

Given that a bubble is normally followed by a bust of roughly equal proportions that lasts longer than most would expect, we have patiently been watching the underperformance of the mining sector.

LESSONS LEARNT

We like, to quote Charlie Munger, to 'rub our noses in our mistakes' with the objective of becoming better investors. However, we know that sometimes our investment style does move out of favour and accordingly we should not necessarily be hardest on ourselves in our poorest years.

It is, after all, not unusual for us to hold, and to keep buying, shares which fall far beyond their fair value; being early still seems a minor guilt. But simply believing one is early can blind an investor from the risk or fact that he may be wrong.

Having watched Avon Products unwind over a number of years it is hard to believe there are not lessons to take. As a company with a significant amount of turnover in Latin America one must accept it has had a tough hand to play. Nonetheless, with challenges in many of its operations, management should probably have selected their preferred operations early and decided to focus. Fighting so many fires has proved extremely difficult and could have been an indicator to sell earlier.

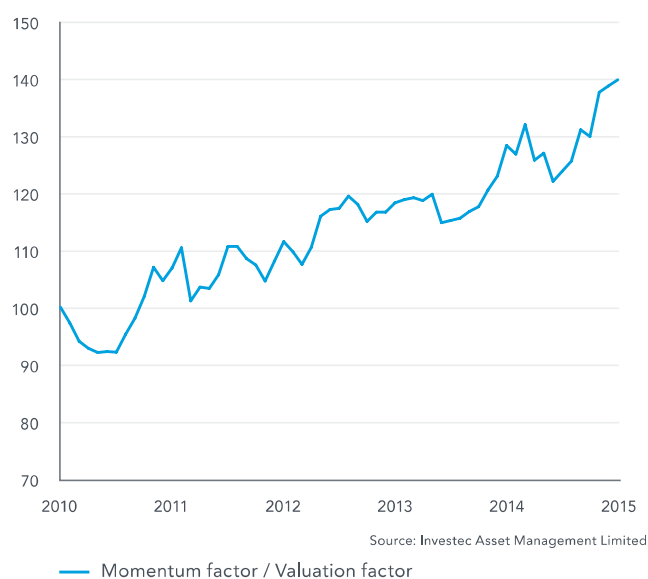
The acquisitions of Vallourec and Joy Global were clearly made too early and we paid insufficient attention to the likely size of the bust of the oil and mining bubbles we outlined earlier. Sometimes when judging companies, a view looking back seven or ten years is most relevant, but in these cases we would have minimised the effect of the bubble years had we looked over 20 years. Often, this may prove impossible given the changes, via acquisitions and disposals, companies frequently make. If that is the case, sitting on one's hands may be the preferable option.

Our investments in gold miners have proved particularly expensive. The lesson here may be that these companies were simply too complex a proposition. The marginal cost of production argument mentioned earlier for other commodities as a method of price determination is not necessarily useful here. Most other commodities are consumed after being mined and consequently there is limited stock to call on when demand picks up. In contrast, gold is not consumed and the stock that exists comprises virtually everything that has been mined. Therefore, the amount of new production does not really have a meaningful effect on price because this flow is so small relative to the stock that has been accumulated. The operational and balance sheet idiosyncrasies of mining companies further increases the challenge. With the gold price having fallen significantly in the last few years and, having a number of attractions as highlighted later, and with gold miners massively out of favour, it seems the wrong time to capitulate. We are particularly encouraged that, post a number of management changes at these companies, there is a far greater focus on efficiency rather than growth.

In terms of portfolio construction, we have historically taken the view that if our portfolio outperforms the index over the long term, then outperformance against the average of our peers is quite likely and this has proved to be the case. However, the last ten years have been very different as many of the very largest stocks in the market (banks, miners and oils in particular) have performed very poorly indeed and the majority of our competitors have been underweight the sum of these sectors, to the benefit of their performance. There is an argument we should pay less attention to our benchmark index and build the portfolio with far more reference to our favourite stocks in absolute terms. While this may be intuitively superior it does increase the portfolio's volatility against the index so ultimately comes down to how risk and performance are best assessed.

VALUE V GROWTH

The following chart uses Investec Asset Management's proprietary system which tracks the success of buying shares showing positive momentum versus buying those shares which are cheap versus the market on various measures. It assesses the factors which drive investment returns in the UK stockmarket, illustrating the travails of a value investor. Those companies with strong earnings and share price momentum have consistently provided the best returns, with other valuation factors such as dividend yield or price to book value of little attraction. This is not an unusual phenomenon, but that does not make it any more comfortable to experience. These periods test the mettle of value investors.



MANAGER'S REVIEW CONTINUED

This trend has been accompanied by, and probably caused by, a long term downward trend in bond yields. Some commentators argue that bond yields must reverse for value stocks to outperform growth stocks. While higher interest rates would probably affect the valuation of growth stocks, we believe that lower bond yields could also prove unhelpful. After all, these bond yields imply lower economic growth in the future, a burden for all companies.

Of course, when growth investing is in vogue, value characteristics lose their potency with investors. Earnings downgrades place dividends under pressure and lead to queries over the correctness of asset values on balance sheets. However, this has always been the case for value investors and particularly so near the bottom of the cycle.

DIVIDEND YIELD AND PORTFOLIO CONCENTRATION

The portfolio remains relatively concentrated by number of holdings. The mean dividend yield of the UK equity market is greater than the median and the number of stocks yielding more than the market is the lowest it has been for many years.

Percentage of UK stocks with a dividend yield above the market yield is near all time lows



In addition, many of the highest yielding stocks are now paying their dividends out of debt and consequently these payments are vulnerable. Of course, one should be supportive of companies paying their dividends with an eye to their long term earnings, provided that these are not paid out in preference to essential expenditure in the core business. The high dividend yields of a number of stocks suggest that shareholders now believe this is the case.

FTSE All-Share dividend cover



MACRO/GOLD

Despite some aggressive monetary policy by the world's largest central banks and a prolonged period of very low interest rates, it is striking how deflation and debt, the major anxieties of the global financial crisis, remain as significant problems as ever. Notwithstanding the increase in short term interest rates by the US Federal Reserve at the end of the year and the accompanying positive commentary on improving economic conditions, markets are not pricing in many more increases. Relative to previous economic cycles the first rise in interest rates seems to have been left very late, leaving in doubt how high they can go.

A growing risk for a number of economies is that, come the next recession, central banks and politicians may be forced to find even more experimental ways to kick-start growth. Our fear remains that investors may be less than enthusiastic about these policies. Consequently, we continue to regard gold and gold shares as a bet against the credibility of central bankers.

THE FUTURE – A HIGHER EQUITY RISK PREMIUM/LOWER P/E?

One of the striking aspects of many companies and industries in the stockmarket is the significant change that is occurring in their business models and which consequently dissuades us from blind faith in a mean reversion cycle. For example, banks are unlikely ever to generate the return on equity they made in the ten years prior to the global financial crisis due to the heightened levels of regulation. Food retailers are dealing with the advance of the discounters plus the increased costs of on-line delivery and oil companies face an uncertain future as renewable technology becomes ever cheaper. Of course, we own companies in all these sectors, but at least the issues are well aired and, surely to some extent, discounted in share prices. What's more we do not require these companies to return to previous levels of profitability to generate capital gains.

We would argue that other sectors, such as media, telecommunications and car manufacturers, are also under pressure from technological change and/or regulation. Even those companies considered beyond criticism, in areas such as food manufacturing or beverages, are vulnerable to an increase in local competition, such as craft brewers, the expansion in discounters selling non-branded items and the potential for regulation as, for example, the anti-sugar lobby grows. These companies are definitely not priced for any trips or stumbles.

The final quarter of the year was, therefore, interesting as profit downgrades started to stretch across a broader number of sectors, with companies in the UK market warning in areas as diverse as the aviation market, the US education market, Chinese and US manufacturing and the Polish spirits market. It is perhaps interesting to draw parallels between 2015 and 2008. In 2008, the developed market was beginning to struggle as the effects of the financial crisis became more widespread. Despite this, many commentators discussed global decoupling, claiming that emerging markets were invulnerable to the woes of the developed world. This assertion had little substance and ultimately emerging markets contained some of the worst performing stocks in the bear market. In this cycle, it has been the resource stocks and banks which have suffered most, with stocks in other industries allegedly protected by their exposure to improving economic growth in developed markets and a boost generally from a lower oil price. The swathe of fourth quarter profit warnings suggests that the pain is spreading rather than being contained.

PORTFOLIO CONSTRUCTION

One is therefore left with a fairly stark choice. Ugly stocks, with well aired problems, but fairly forgiving valuations, and glamour stocks priced for perfection. We think the ugly/glamour elastic has been stretched too far by investors and will snap back at some stage.

Markets continue to be highly valued and there remain a host of uncertainties: the Eurozone continues to wobble, the UK referendum vote on EU membership is fairly evenly poised, government debt worldwide remains uncomfortably high, share buy-backs in the US have been financed in aggregate through increases in debt, company profitability remains high relative to GDP and valuations of many stocks and sectors remain expensive relative to history, the slowdown in the Chinese economy continues, the unintended consequences of almost a decade of quantitative easing remain unknown and new central bank policies might be on the verge of introduction. We recognise our disappointing performance in recent times and apologise for it, but continue to believe that certain parts of the market are significantly overvalued and dangerous to investors. We look forward to investing our liquid assets when opportunities arise.

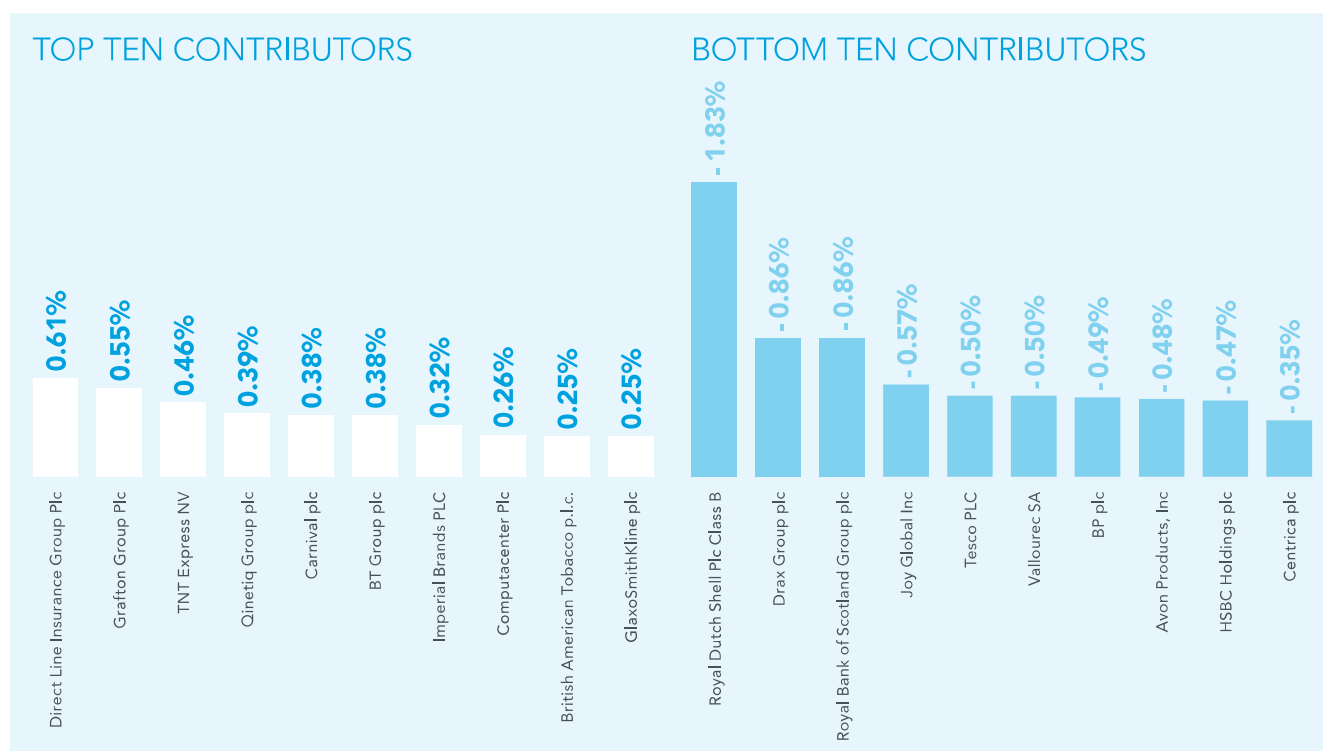
Alastair Mundy
For Investec Fund Managers Limited

23 February 2016

ATTRIBUTION ANALYSIS

By stocks held in the portfolio

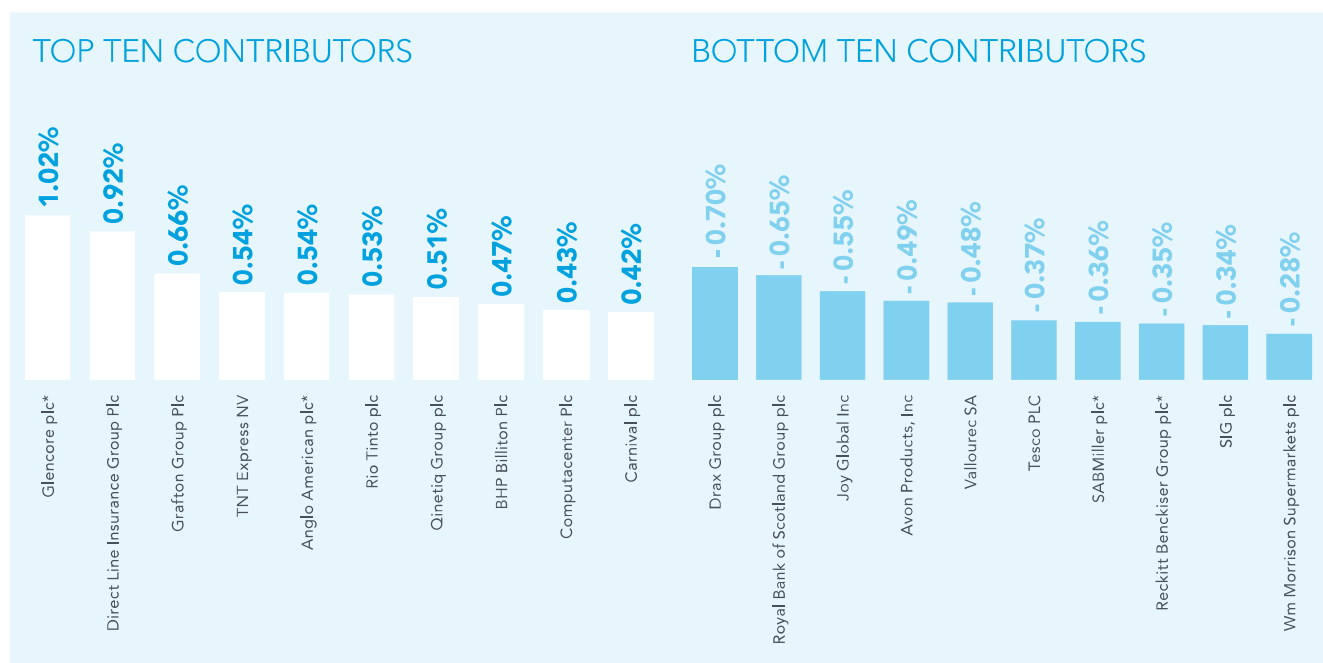
Source: Factset



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

Relative to the benchmark index

Source: Factset



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

OVERVIEW OF STRATEGY

The directors present the strategic report for the Company for the year ended 31 December 2015.

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'), the Alternative Investment Fund Manager of the Company. 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 36.

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 any individual stock 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.

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.

OVERVIEW OF STRATEGY CONTINUED

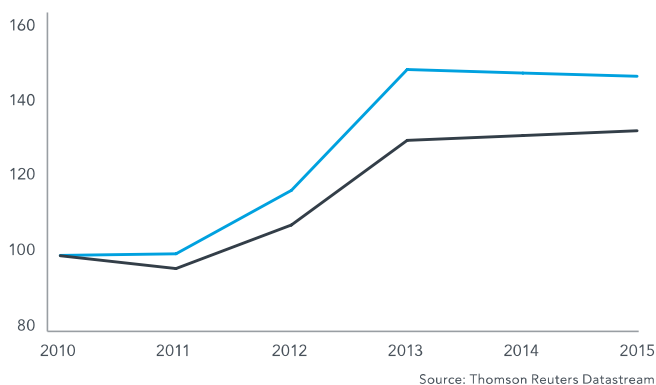
The approach to stock selection and portfolio construction is driven by four core beliefs:

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 2015 the net asset value total return of the Company was -1.0% compared with a total return of the Company's benchmark index of 1.0%. 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 and 3 and the Manager's Review on pages 4 to 9 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.

Ung geared 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:

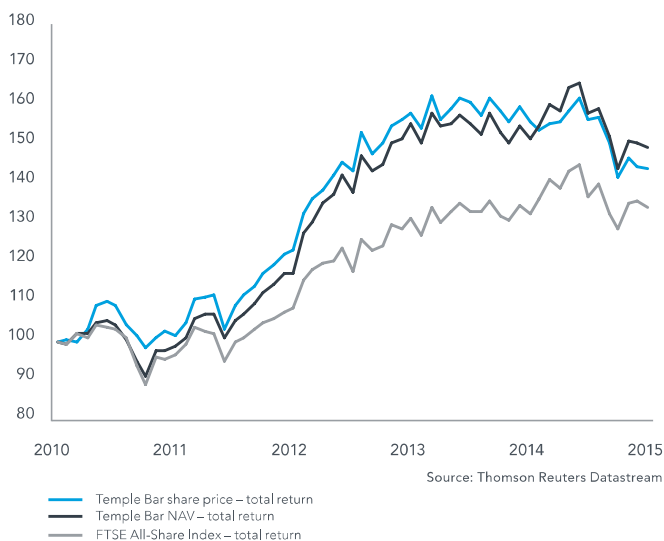
- Net asset value total return relative to the FTSE All-Share Index and to competitors within the UK Equity Income sector of investment trust companies;
- Discount/premium on net asset value;
- Earnings and dividends per share; and
- Ongoing charges.

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 -1.0% compared with a total return of 1.0% by the FTSE All-Share Index. The five year net asset value total return performance is shown below.

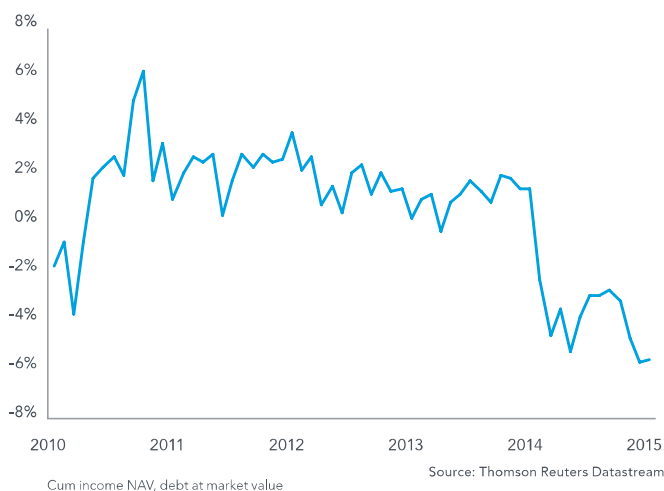
Net asset value total return



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 discount to NAV of 3.7%. This compares with an average premium of 1.0% 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.

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

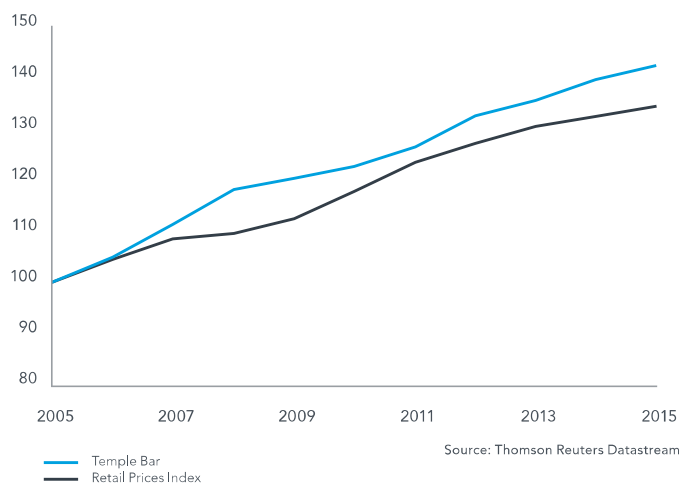


Earnings and dividend per share

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 15.87p per ordinary share which brings the total for the year to 39.66p per ordinary share, an increase of 2%. This will be the 32nd consecutive year in which the Company has increased the overall level of its dividend payment.

10 Year Comparative Dividend Growth



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 2015 were 0.49% (2014: 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.

OVERVIEW OF STRATEGY CONTINUED

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 January 2016.

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 2015 the Company had distributable revenue reserves of £29.6 million before declaration of the final dividend for 2015 of £10.6 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 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 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 24 to 26 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 page 26.

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.

VIABILITY STATEMENT

The Board makes an assessment of the longer term prospects of the Company beyond the timeframe envisaged under the going concern basis of accounting having regard to the Company's current position and the principal risks it faces. The Company is a long term investment vehicle and the directors, therefore, believe that it is appropriate to assess its viability over a long term horizon. For the purposes of assessing the Company's prospects in accordance with Code Provision C.2.2 of the UK Corporate Governance Code, the Board considers that assessing the Company's prospects over a period of five years is appropriate given the nature of the Company and the inherent uncertainties of looking out over a longer time period. The directors believe that a five year period appropriately reflects the long term strategy of the Company and over which, in the absence of any adverse change to the regulatory environment and the favourable tax treatment afforded to UK investment trusts, they do not expect there to be any significant change to the current principal risks and to the adequacy of the mitigating controls in place.

In assessing the viability of the Company the directors have conducted a thorough assessment of each of the Company's principal risks and uncertainties as set out on page 14. Particular scrutiny was given to the impact of a significant fall in global equity markets on the value of the Company's investment portfolio. The directors have also considered the Company's leverage and liquidity in the context of its fixed rate borrowings, notably the £25 million debenture due to expire in December 2017, its income and expenditure projections and the fact the Company's investments comprise mainly readily realisable quoted securities which can be sold to meet funding requirements if necessary.

All the key operations required by the Company are outsourced to third party providers and alternative providers could be secured at relatively short notice if necessary.

Having taken into account the Company's current position and the potential impact of its principal risks and uncertainties, the directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due for a period of five years from the date of this Report.

GENDER DIVERSITY

At the year end there were four male directors and two female directors 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 page 25.

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
23 February 2016

PORTFOLIO OF INVESTMENTS

| | | INDUSTRY | PLACE OF PRIMARY LISTING | VALUATION OF HOLDING £M | % OF PORTFOLIO |
|----------------------------|--|--|--------------------------|-------------------------|----------------|
| 1 | UK TREASURY 4.00% 2016 <i>Held in the portfolio in lieu of cash.</i> |  Fixed Interest | UK | 73.171 | 8.6% |
| 2 | HSBC HOLDINGS <i>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.</i> |  Financials | UK | 71.808 | 8.4% |
| 3 | GLAXOSMITHKLINE <i>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.</i> |  Healthcare | UK | 57.567 | 6.7% |
| 4 | BP <i>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.</i> |  Oil & Gas | UK | 55.995 | 6.5% |
| 5 | ROYAL DUTCH SHELL <i>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.</i> |  Oil & Gas | UK | 42.842 | 5.0% |
| 6 | GRAFTON GROUP <i>Grafton is a distributor of building products that operates across the UK and Ireland and also has a small Belgian 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.</i> |  Industrials | UK | 40.995 | 4.8% |
| 7 | LLOYDS BANKING GROUP <i>Lloyds Banking Group operates across a wide range of banking activities including retail and commercial banking and insurance.</i> |  Financials | UK | 40.665 | 4.8% |
| 8 | BRITISH AMERICAN TOBACCO <i>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.</i> |  Consumer Goods | UK | 33.011 | 3.9% |
| 9 | ROYAL BANK OF SCOTLAND <i>RBS operates across a wide range of banking activities including personal and corporate lending, capital markets, leasing, personal financial services and private banking. The majority of the bank's assets are located in the UK.</i> |  Financials | UK | 32.467 | 3.8% |
| 10 | DIRECT LINE INSURANCE <i>Direct Line group is the largest UK personal insurer. It has the leading market share in motor and home insurance and top five positions in travel, pet, rescue and commercial lines.</i> |  Financials | UK | 28.597 | 3.3% |
| Top Ten Investments | | | | £477.118m | 55.8% |

PORTFOLIO OF INVESTMENTS CONTINUED

| | | INDUSTRY | PLACE OF PRIMARY LISTING | VALUATION OF HOLDING £M | % OF PORTFOLIO |
|-------------------------------------|--|--------------------|-----------------------------|----------------------------|-------------------|
| 11 | BT Group | Telecommunications | UK | 24.903 | 2.9% |
| 12 | Gold Bullion Securities ETF | Financials | UK | 19.297 | 2.3% |
| 13 | Wm Morrison Supermarkets | Consumer Services | UK | 18.294 | 2.1% |
| 14 | Centrica | Utilities | UK | 18.235 | 2.1% |
| 15 | Tesco | Consumer Services | UK | 17.995 | 2.1% |
| 16 | SIG | Industrials | UK | 17.603 | 2.1% |
| 17 | CitiGroup | Financials | USA | 16.938 | 2.0% |
| 18 | Drax | Utilities | UK | 16.404 | 1.9% |
| 19 | CRH | Industrials | UK | 16.033 | 1.9% |
| 20 | Imperial Brands | Consumer Goods | UK | 15.362 | 1.8% |
| Top Twenty Investments | | | | 658.182 | 77.0% |
| 21 | Go-Ahead | Consumer Services | UK | 14.876 | 1.7% |
| 22 | Rio Tinto | Basic Materials | UK | 13.191 | 1.5% |
| 23 | Qinetiq | Industrials | UK | 12.860 | 1.5% |
| 24 | BG | Oil & Gas | UK | 11.027 | 1.3% |
| 25 | Carnival | Consumer Services | UK | 10.994 | 1.3% |
| 26 | Vallourec | Industrials | France | 10.158 | 1.2% |
| 27 | Green REIT | Financials | Ireland | 10.045 | 1.2% |
| 28 | Marks & Spencer | Consumer Services | UK | 9.875 | 1.2% |
| 29 | Fresnillo | Basic Materials | UK | 9.486 | 1.1% |
| 30 | TNT Express | Industrials | Netherlands | 9.143 | 1.1% |
| Top Thirty Investments | | | | 769.837 | 90.1% |
| 31 | Standard Chartered | Financials | UK | 8.883 | 1.0% |
| 32 | Market Vectors Gold Miners ETF | Basic Materials | USA | 8.621 | 1.0% |
| 33 | Ladbrokes | Consumer Services | UK | 8.336 | 1.0% |
| 34 | Land Securities REIT | Financials | UK | 8.225 | 1.0% |
| 35 | British Land REIT | Financials | UK | 8.103 | 1.0% |
| 36 | Computacenter | Technology | UK | 7.049 | 0.8% |
| 37 | Royal Mail | Industrials | UK | 6.268 | 0.7% |
| 38 | Joy Global | Industrials | USA | 6.224 | 0.7% |
| 39 | Chemring | Industrials | UK | 4.342 | 0.5% |
| 40 | Kingspan | Industrials | UK | 4.252 | 0.5% |
| Top Forty Investments | | | | 840.140 | 98.3% |
| 41 | Avon Products | Consumer Goods | USA | 3.923 | 0.5% |
| 42 | Hammerson 6.875% 2020 | Fixed Interest | UK | 2.920 | 0.3% |
| 43 | Games Workshop | Consumer Goods | UK | 2.837 | 0.3% |
| 44 | St Ives | Industrials | UK | 1.449 | 0.2% |
| 45 | Future | Consumer Services | UK | 1.213 | 0.1% |
| 46 | RSA Insurance 6.701% 2017 Variable Perpetual | Fixed Interest | UK | 1.055 | 0.1% |
| 47 | Aviva 2020 5.9021% FRN Perpetual | Fixed Interest | UK | 0.971 | 0.1% |
| 48 | Lloyds Banking Group – preference shares | Financials | UK | 0.805 | 0.1% |
| 49 | Hochschild Mining | Basic Materials | UK | 0.173 | 0.0% |
| 50 | Home Retail Group | Consumer Services | UK | 0.095 | 0.0% |
| Top Fifty Investments | | | | 855.581 | 100.0% |
| 51 | Johnston Press | Consumer Services | UK | 0.029 | 0.0% |
| 52 | Lonmin | Basic Materials | UK | 0.015 | 0.0% |
| Total Valuation of Portfolio | | | | £855.625m | 100.0% |

BOARD OF 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 former managing director of Carlton Communications PLC and was previously a non-executive director of J Sainsbury PLC, Cookson Group PLC, BT PLC and Derwent London PLC.



LESLEY SHERRATT

Lesley Sherratt was appointed a director in 2015. She was formerly Investment Director for the Save & Prosper and Fleming Flagship range of funds, and CEO & CIO of Ark Asset Management Ltd. She has over twenty years experience investing in the financial sector, including investment trusts, and served as a director and Chair of US Small Companies Investment Trust. She is currently a director of a private foundation, lectures in global business ethics at King's College London and is the author of 'Can Microfinance Work? How to Improve its Ethical Balance and Effectiveness'.



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 DIRECTORS

The directors present their report and accounts for the year ended 31 December 2015.

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 £45,000 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, including recourse to a £7.5 million overdraft facility with HSBC Bank. Accordingly, the directors continue to adopt the going concern basis in preparing the accounts.

ORDINARY DIVIDENDS

Interim dividends of 7.93p per ordinary share were paid on 30 June 2015, 30 September 2015 and 30 December 2015 (2014: a single interim dividend payment of 15.55p) and the directors are recommending a final dividend of 15.87p per ordinary share (2014: 23.33p), a total for the year of 39.66p (2014: 38.88p). Subject to shareholders' approval, the final dividend will be paid on 31 March 2016 to shareholders on the register on 11 March 2016.

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.

REPORT OF DIRECTORS CONTINUED

SHARE CAPITAL

No new ordinary shares were issued during the year.

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 46.

Voting Rights in the Company's Shares

The voting rights at 31 December 2015 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 23 February 2016, the share capital of the Company and total voting rights was 66,872,765. There are no restrictions on the transfer of securities in the Company and there are no special rights attached to any of the shares. Deadlines for the exercise of voting rights and details of arrangements by which someone other than the registered shareholder can exercise voting rights are provided in the Notes to the Notice of Meeting on page 53. The Company's ordinary shares have a Premium listing on the London Stock Exchange.

Change of control

There are no agreements that may be altered or terminated on change of control of the Company.

DIRECTORS

The directors of the Company who held office at the end of the year are detailed on page 18. Martin Riley retired as a director on 30 March 2015. 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 22.

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 2015 and 23 February 2016 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 | 7.8 |
| Speirs & Jeffrey Ltd | 6.5 |
| Temple Bar Savings Scheme | 5.3 |
| Investec Wealth & Investment Ltd | 5.1 |
| 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 2016.

ANNUAL GENERAL MEETING

The notice of the Annual General Meeting of the Company to be held on 30 March 2016 is on page 51. 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 23 February 2016).

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 per share, 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.

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 110,010 ordinary shares.

By order of the Board of Directors

John Reeve

Chairman

23 February 2016

REPORT ON DIRECTORS' REMUNERATION

The Board presents the report on directors' remuneration for the year ended 31 December 2015 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 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 30.

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. It is the intention of the Board that the policy on remuneration will continue to apply for the next financial year 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.

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 2015. These fees exclude employers' national insurance contributions and VAT where applicable:

| | Total amount of salary and fees ¹ | |
|-----------------|--|---------|
| | 2015 | 2014 |
| John Reeve | 33,400 | 32,750 |
| Arthur Copple | 22,600 | 22,150 |
| June de Moller | 22,600 | 22,150 |
| Richard Jewson | 25,500 | 25,000 |
| Martin Riley | 5,650 | 22,150 |
| Lesley Sherratt | 16,950 | – |
| David Webster | 22,600 | 22,150 |
| Total | 149,300 | 146,350 |

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 2015 | 1 January 2015 |
|-------------------|------------------|----------------|
| John Reeve | 57,613 | 54,784 |
| Arthur Copple | 27,924 | 22,661 |
| June de Moller | 9,305 | 8,415 |
| Richard Jewson | 9,760 | 9,168 |
| Martin Riley* | N/A | 15,000 |
| Lesley Sherratt** | – | N/A |
| David Webster | 4,151 | 3,983 |

* Retired 30 March 2015.

** Appointed 1 April 2015.

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 4 January 2016 Mr Reeve acquired an additional 428 ordinary shares as a result of a dividend reinvestment. On 12 January 2016 Mr Reeve acquired a further 147 ordinary shares in the Company through his regular monthly saving in an ISA and on 10 February 2016 he acquired a further 104 ordinary shares. On 22 January 2016 Mr Copple, Mr Jewson and Mrs de Moller acquired a further 502, 25 and 51 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 2015 and 23 February 2016.

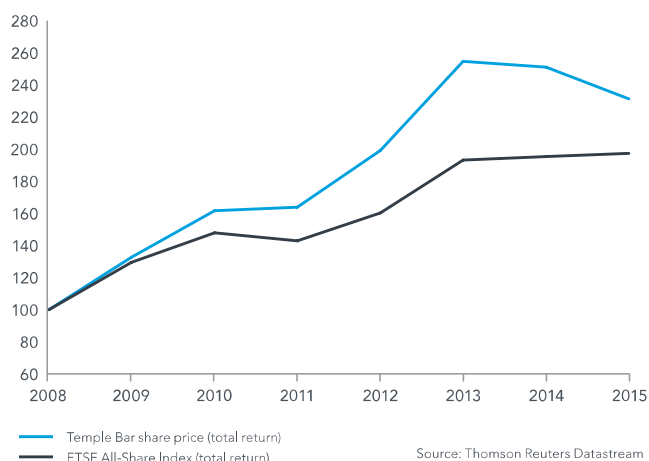
Statement of Voting at General Meeting

At the Company's last AGM held on 30 March 2015 shareholders approved the Directors' Remuneration Report in respect of the year ended 31 December 2014. 99.6% of proxy votes were in favour of the resolution, 0.4% were against and 63,659 votes were withheld.

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 seven year period is shown below.

Share price total return



Annual statement

The Board confirms that the above Remuneration Implementation Report in respect of the year ended 31 December 2015 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

23 February 2016

CORPORATE GOVERNANCE

THE AIC CODE OF CORPORATE GOVERNANCE

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 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 Temple Bar is a UK-listed company the Board's principal governance reporting obligation is in relation to the UK Corporate Governance Code (the "UK Code") issued by the Financial Reporting Council ('FRC') in September 2014. However, it is recognised that investment companies have special circumstances which have an impact on their governance arrangements. An investment company typically has no employees and the roles of CEO, portfolio manager, administration, accounting and company secretarial tend to be outsourced to a third party. The Association of Investment Companies has therefore drawn up its own set of guidelines known as the AIC Code of Corporate Governance (the "AIC Code") issued in February 2013 and updated in 2015, which recognises the nature of investment companies by focusing on matters such as board independence and the review of management and other third party contracts. The FRC has endorsed the AIC Code and confirmed that companies which report against the AIC Code will be meeting their obligations in relation to the UK Corporate Governance Code and paragraph LR9.8.6 of the FCA's Listing Rules. 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 (which incorporates 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

The Board is ultimately responsible for framing and executing the Company's strategy and for closely monitoring risks. There is a formal schedule of matters to be specifically approved by the Board and it has delegated 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 reviews the performance of the Company at Board meetings and sets the objectives for the Manager.

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.

Biographies of those directors in office at the date of signing of the financial statements are set out on page 18. Martin Riley stood down as a director on 30 March 2015 and Lesley Sherratt was appointed as a director with effect from 1 April 2015. There were seven Board meetings, two audit committee meetings and two 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 | 2 |
| Arthur Copple | 7 | 2 | 2 |
| June de Moller | 7 | 2 | 2 |
| Richard Jewson | 7 | 2 | 2 |
| Martin Riley* | 2 | – | 1 |
| Lesley Sherratt** | 4 | 1 | – |
| David Webster | 7 | 2 | 2 |

* retired 30 March 2015

** appointed 1 April 2015

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 27. 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. The committee is chaired by Mr Jewson, the Senior Independent Director.

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.

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. Three of the six directors (Mr Reeve, Mr Jewson 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 mind-set of the individuals involved, the Board 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. The directors have a range of business and financial skills and experience relevant to the direction of the Company. Mr Jewson is the Senior Independent Director.

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.

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.

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. Individual directors may seek independent advice at the expense of the Company within certain limits.

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.

CORPORATE GOVERNANCE CONTINUED

Shareholder communications

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, both from the Manager and the Company's stockbroker, 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.

The Board confirms that there is an ongoing process for identifying, evaluating and managing the risks faced by the Company in accordance with the FRC's document 'Guidance on Risk Management, Internal Controls and Related Financial and Business Reporting'.

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. 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 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 2015.

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 Audit Quality Review ('AQR') team within the Financial Reporting Council ('FRC') reported to the Audit Committee that it had concluded a review of the audit of the Company performed by Ernst & Young in respect of the year to 31 December 2014. The FRC's activities include the independent inspection of the overall quality of the auditing function in the UK, and the AQR team carries out a number of reviews of company audits annually. The Audit Committee carefully considered the AQR's findings and discussed them with Ernst & Young. The findings were noted for subsequent years but were not considered significant in the context of the audit as a whole.

The Committee also considered 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 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 by the board. |
| 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 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.

REPORT OF THE AUDIT COMMITTEE CONTINUED

AUDITOR AND AUDIT TENURE

The Company's current auditor, Ernst & Young LLP, has acted in this role since 2003 pursuant to a competitive tender process which took place at that time. There has not been a subsequent tender process. 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 impending EU legislation will require listed companies to rotate their auditor every 10 years. Under the transitional arrangements for firms where the tenure was between 11 and 20 years on the effective date under the new EU rules, there will be a grace period of nine years after the enactment of the EU legislation. Accordingly, based upon the new legislation, Ernst & Young will not be able to act as auditor to the Company after June 2023 so the last financial year that they could serve as auditor would end on 31 December 2022. The Committee has not decided when to put the audit out to tender but will keep this matter under review. There are no contractual obligations that restrict the Company's choice of auditor. Other non-audit fees of £1,500 (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 any 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 2015, 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 29.

Richard Jewson
Chairman
Audit Committee
23 February 2016

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 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 27 and 28. As a result, the Board has concluded that the Annual Report for the year ended 31 December 2015, 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
 23 February 2016

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF TEMPLE BAR INVESTMENT TRUST PLC

Our opinion on the 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 2015 and of the Company's loss for the year then ended;
- the financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

What we have audited

Temple Bar Investment Trust PLC's financial statements comprise:

Statement of Comprehensive Income for the year ended 31 December 2015

Statement of Changes in Equity for the year ended 31 December 2015

Statement of Financial Position as at 31 December 2015

Statement of Cash Flows for the year ended 31 December 2015

Related notes 1 to 23 to the financial statements

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Overview of our audit approach

| | |
|--------------------------------|---|
| Risks of material misstatement | <ul style="list-style-type: none">• Incorrect valuation and existence of the investment portfolio.• Incomplete or inaccurate income recognition through failure to recognise proper income entitlements or apply appropriate accounting treatment (Significant risk and Fraud risk). |
| Audit scope | <ul style="list-style-type: none">• We performed an audit of Temple Bar Investment Trust PLC. |
| Materiality | <ul style="list-style-type: none">• Materiality of £7.6m which represents 1% of total equity (2014: £7.9m). |

Our assessment of risk of material misstatement

We identified the risks of material misstatement described below as those that had the greatest effect on our overall audit strategy, the allocation of resources in the audit and the direction of the efforts of the audit team. In addressing these risks, we have performed the procedures below which were designed in the context of the financial statements as a whole and, consequently, we do not express any opinion on these individual areas.

| Risk | Our response to the risk | What we concluded to the Audit Committee |
|---|---|--|
| Incorrect valuation and existence of the investment portfolio (as described on page 27 in the Report of the Audit Committee). | We performed the following procedures: | For all investments, we noted no material differences in market value or exchange rates. |
| The valuation of the portfolio at 31 December 2015 was £856m (2014: £874m) comprising £778m (2014: £762m) of listed equities and £78m (2014: £112m) of corporate bonds. | We have independently valued 100% of the investment prices in the portfolio using our bespoke asset pricing tool. | We noted no differences between the custodian and depositary confirmations and the Company's underlying financial records. |
| 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. | For those investments priced in currencies other than sterling we have agreed the exchange rates to an independent source. We independently obtained confirmations from the Company's custodian and depositary to confirm the existence of the assets held as at 31 December 2015. | |

| Risk | Our response to the risk | What we concluded to the Audit Committee |
|---|---|---|
| <p>Incomplete or inaccurate income recognition through failure to recognise proper income entitlements or apply appropriate accounting treatment (Significant and Fraud risk) (as described on page 27 in the Report of the Audit Committee).</p> <p>Most of the Company's income is received in the form of dividends and interest from fixed income investments, being £30m (2014: £27m) and £1m (2014: £3m) respectively for the period.</p> <p>Given the judgemental aspect of allocating special dividends between revenue and capital and the risk of management override from processing of topside journals, we consider this an area warranting specific audit focus.</p> | <p>We performed the following procedures:</p> <p>We agreed, on a sample basis, dividend and interest receipts to an independent source.</p> <p>We agreed, on a sample basis, investee company dividend announcements and fixed interest coupon dates from an independent source to the income recorded by the Company.</p> <p>We agreed all accrued dividends and fixed interest to an independent source.</p> <p>We performed a walkthrough of the process for the allocation of special dividends between revenue and capital and considered the effectiveness of controls in place.</p> <p>We reviewed the recognition criteria applied to the special dividends received during the year and assessed the appropriateness of the conclusion on the relevant treatment as documented by the Manager.</p> | <p>We noted no issues in agreeing the sample of dividend and interest receipts to and from the independent source.</p> <p>We noted no issues in agreeing the accrued dividend and interest receipts to an independent source.</p> <p>We ensured that the accounting treatment adopted for the special dividends was consistent with the evidence provided and our understanding of the underlying circumstances giving rise to the related dividends.</p> |

In the prior year, our auditor's report included only a risk of material misstatement in relation to the valuation and existence of the investment portfolio. In the current year, we also recognise a risk of material misstatement in relation to the recognition of revenue. We have assessed this as a fraud risk and a significant risk this year as investment income receivable by the Company during the period directly affects the Company's ability to pay a dividend to shareholders and judgement is used in allocating special dividends between revenue and capital. Potentially, these factors could give the Manager both the incentive and the opportunity to misstate the revenue of the Company in order to meet shareholder expectations.

The scope of our audit

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the Company. This enables us to form an opinion on the financial statements. We take into account size, risk profile, the organisation of the Company and effectiveness of controls, including controls and changes in the business environment when assessing the level of work to be performed. The Company is a single component and we perform a full audit on this Company.

Our application of materiality

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

Materiality

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

We determined planning materiality for the Company to be £7.6m (2014: £7.9m), 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 risks of material misstatement and determining the nature, timing and extent of further audit procedures. We derived our materiality calculation from a proportion of total equity as we consider that to be the most important financial metric on which shareholders judge the performance of the Company.

INDEPENDENT AUDITOR'S REPORT CONTINUED

TO THE MEMBERS OF TEMPLE BAR INVESTMENT TRUST PLC

Performance materiality

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

On the basis of our risk assessments, together with our assessment of the Company's overall control environment, our 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, being £5.7m (2014: £5.9m). Our objective in adopting this approach was to ensure that total undetected and uncorrected audit differences in all accounts did not exceed our planning materiality level. We have set performance materiality at this percentage due to our past experience of the audit that indicates a lower risk of misstatements, both corrected and uncorrected.

Given the importance of the distinction between revenue and capital for the Company we also applied a separate testing threshold of £1.3m (2014: £1.2m) for the revenue column of the Income Statement, being 5% of the return on ordinary activities before taxation.

Reporting threshold

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

We agreed with the audit committee that we would report all audit differences in excess of £0.4m (2014: £0.4m) as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

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

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 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.

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 29, 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.

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.

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

| | | |
|--|---|----------------------------------|
| ISAs (UK and Ireland) reporting | <p>We are required to report to you if, in our opinion, financial and non-financial information in the annual report is:</p> <ul style="list-style-type: none"> • 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 • otherwise misleading. <p>In particular, we are required to report whether we have identified any inconsistencies between our knowledge acquired in the course of performing the audit and the directors' statement that they consider the annual report and accounts taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the entity's performance, business model and strategy; and whether the annual report appropriately addresses those matters that we communicated to the audit committee that we consider should have been disclosed.</p> | We have no exceptions to report. |
| Companies Act 2006 reporting | <p>We are required to report to you if, in our opinion:</p> <ul style="list-style-type: none"> • adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or • the Company 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. | We have no exceptions to report. |
| Listing Rules review requirements | <p>We are required to review:</p> <ul style="list-style-type: none"> • the directors' statement in relation to going concern set out on page 19, and longer term viability, set out on page 14; and • the part of the Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review | We have no exceptions to report. |

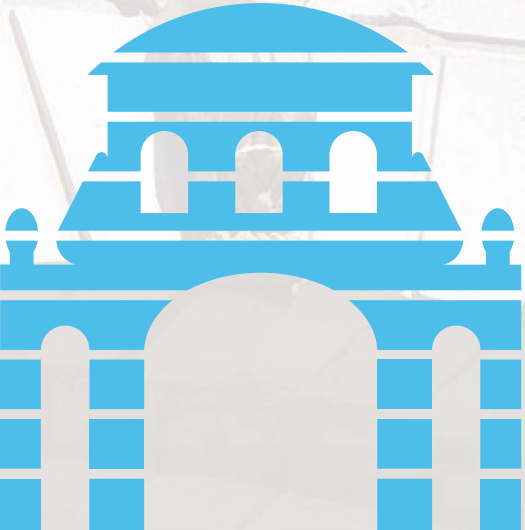
Statement on the Directors' Assessment of the Principal Risks that Would Threaten the Solvency or Liquidity of the Entity

| | | |
|--|--|--|
| ISAs (UK and Ireland) reporting | <p>We are required to give a statement as to whether we have anything material to add or to draw attention to in relation to:</p> <ul style="list-style-type: none"> • the directors' confirmation in the annual report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity; • the disclosures in the annual report that describe those risks and explain how they are being managed or mitigated; • the directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements; and • the directors' explanation in the annual report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions. | We have nothing material to add or to draw attention to. |
|--|--|--|

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

23 February 2016





FINANCIAL REPORT

- 36 Statement of Comprehensive Income
- 37 Statement of Changes in Equity
- 38 Statement of Financial Position
- 39 Statement of Cash Flows
- 40 Notes to the Financial Statements

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2015

| | Notes | 2015 | | | 2014 | | |
|---|-------|-----------------|-----------------|---------------|-----------------|-----------------|---------------|
| | | Revenue £000 | Capital £000 | Total £000 | Revenue £000 | Capital £000 | Total £000 |
| Investment Income | 4 | 31,243 | – | 31,243 | 30,262 | – | 30,262 |
| Other operating income | 4 | 10 | – | 10 | 12 | – | 12 |
| | | 31,253 | – | 31,253 | 30,274 | – | 30,274 |
| Losses on investments | | | | | | | |
| Losses on investments held at fair value through profit or loss | 12(b) | – | (31,615) | (31,615) | – | (29,867) | (29,867) |
| Total income | | 31,253 | (31,615) | (362) | 30,274 | (29,867) | 407 |
| Expenses | | | | | | | |
| Management fees | 6 | (1,374) | (1,980) | (3,354) | (1,315) | (1,938) | (3,253) |
| Other expenses | 7 | (581) | (1,282) | (1,863) | (538) | (1,009) | (1,547) |
| Profit/(loss) before finance costs and tax | | 29,298 | (34,877) | (5,579) | 28,421 | (32,814) | (4,393) |
| Finance costs | 8 | (2,635) | (4,000) | (6,635) | (2,639) | (3,999) | (6,638) |
| Profit/(loss) before tax | | 26,663 | (38,877) | (12,214) | 25,782 | (36,813) | (11,031) |
| Tax | 9 | – | – | – | – | – | – |
| Profit/(loss) for the year | | 26,663 | (38,877) | (12,214) | 25,782 | (36,813) | (11,031) |
| Earnings per share (basic and diluted) | 11 | 39.87p | (58.14p) | (18.27p) | 39.82p | (56.86p) | (17.04p) |

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).

The notes on pages 40 to 50 form an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2015

| | Notes | Ordinary share capital £000 | Share premium account £000 | Capital reserves £000 | Retained earnings £000 | Total equity £000 |
|---------------------------------------|-------|-----------------------------------|-------------------------------------|-----------------------------|------------------------------|-------------------------|
| Balance at 1 January 2014 | | 15,831 | 54,002 | 689,117 | 33,120 | 792,070 |
| Unclaimed dividends | | – | – | – | 17 | 17 |
| (Loss)/profit for the year | | – | – | (36,813) | 25,782 | (11,031) |
| Issue of share capital | | 888 | 42,038 | – | – | 42,926 |
| Dividends paid to equity shareholders | 10 | – | – | – | (24,538) | (24,538) |
| Balance at 31 December 2014 | | 16,719 | 96,040 | 652,304 | 34,381 | 799,444 |
| Unclaimed dividends | | – | – | – | 35 | 35 |
| (Loss)/profit for the year | | – | – | (38,877) | 26,663 | (12,214) |
| Issue of share capital | | – | – | – | – | – |
| Dividends paid to equity shareholders | 10 | – | – | – | (31,510) | (31,510) |
| Balance at 31 December 2015 | | 16,719 | 96,040 | 613,427 | 29,569 | 755,755 |

As at 31 December 2015 the Company had distributable revenue reserves of £29,569,000 (2014: £34,381,000) for the payment of future dividends. The only distributable reserves are the retained earnings and realised capital reserves.

The notes on pages 40 to 50 form an integral part of the financial statements.

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2015

| | Notes | 31 December 2015 | | 31 December 2014 | |
|---|-------|------------------|-----------|------------------|-----------|
| | | £000 | £000 | £000 | £000 |
| Non-current assets | | | | | |
| Investments held at fair value through profit or loss | 12 | | 855,625 | | 873,781 |
| Current assets | | | | | |
| Receivables | 13 | 2,722 | | 3,256 | |
| Cash and cash equivalents | | 12,262 | | 37,225 | |
| | | | 14,984 | | 40,481 |
| Total assets | | | 870,609 | | 914,262 |
| Current liabilities | | | | | |
| Payables | 14 | | (1,074) | | (1,064) |
| Total assets less current liabilities | | | 869,535 | | 913,198 |
| Non-current liabilities | | | | | |
| Interest bearing borrowings | 15 | | (113,780) | | (113,754) |
| Net assets | | | 755,755 | | 799,444 |
| Equity attributable to equity holders | | | | | |
| Ordinary share capital | 16 | 16,719 | | 16,719 | |
| Share premium | 17 | 96,040 | | 96,040 | |
| Capital reserves | 18 | 613,427 | | 652,304 | |
| Retained earnings | | 29,569 | | 34,381 | |
| | | | 755,755 | | 799,444 |
| Total equity | | | 755,755 | | 799,444 |
| Net asset value per share | 20 | | 1,130.14p | | 1,195.47p |

The notes on pages 40 to 50 form an integral part of the financial statements.

The financial statements on pages 36 to 50 were approved by the board of directors and authorised for issue on 23 February 2016. They were signed on its behalf by:

J Reeve
Chairman

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2015

| | Notes | 2015 | | 2014 | |
|---|-------|-----------|----------|-----------|----------|
| | | £000 | £000 | £000 | £000 |
| Cash flows from operating activities | | | | | |
| Loss before tax | | | (12,214) | | (11,031) |
| Adjustments for: | | | | | |
| Purchases of investments ¹ | | (360,358) | | (305,944) | |
| Sales of investments ¹ | | 346,899 | | 291,681 | |
| | | | (13,459) | | (14,263) |
| Losses on investments | 12(b) | | 31,615 | | 29,867 |
| Financing costs | 8 | | 6,635 | | 6,638 |
| Operating cash flows before movements in working capital | | | 12,577 | | 11,211 |
| Increase/(decrease) in accrued interest | | | 743 | | (835) |
| Increase in accrued dividend income | | | 10 | | 757 |
| (Decrease)/increase in receivables | | | (219) | | 909 |
| Increase/(decrease) in payables | | | 10 | | (460) |
| Net cash flows from operating activities before and after income tax | | | 13,121 | | 11,582 |
| Cash flows from financing activities | | | | | |
| Proceeds from issue of new shares | | | – | | 42,926 |
| Issue costs relating to 4.05% Private Placement Loan | | | (24) | | (313) |
| Unclaimed dividends | | | 35 | | 17 |
| Interest paid on borrowings | | | (6,585) | | (6,588) |
| Equity dividends paid | 10 | | (31,510) | | (24,538) |
| Net cash used in financing activities | | | (38,084) | | 11,504 |
| Net (decrease)/increase in cash and cash equivalents | | | (24,963) | | 23,086 |
| Cash and cash equivalents at the start of the year | | | 37,225 | | 14,139 |
| Cash and cash equivalents at the end of the year | | | 12,262 | | 37,225 |

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 40 to 50 form an integral part of the financial statements.

Certain comparative figures have been dis-aggregated to provide more detailed information in line with the current presentation adopted. There was no impact on the comparative net profit or net losses as a result of the new presentation.

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 November 2014 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.

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. The fair value is determined by reference to quoted market mid prices at close of business on the year-end date.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

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):

IFRS 9 Financial Instruments
IFRS 10, IFRS 12 and IAS 27 (amended) Investment Entities
IFRS 15 Revenue from Contracts with Customers

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

| | 2015 £000 | 2014 £000 |
|---|--------------|--------------|
| Income from investments | | |
| UK dividends | 27,212 | 25,542 |
| UK REITs | 749 | 601 |
| Overseas dividends | 1,958 | 1,282 |
| Interest from fixed interest securities | 1,324 | 2,837 |
| | 31,243 | 30,262 |
| Other income | | |
| Deposit interest | 10 | 12 |
| Total income | 31,253 | 30,274 |
| Investment income comprises: | | |
| Listed investments | 31,243 | 30,262 |
| | 31,243 | 30,262 |

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

| | 2015 | | | 2014 | | |
|---------------------------|-----------------|-----------------|---------------|-----------------|-----------------|---------------|
| | Revenue £000 | Capital £000 | Total £000 | Revenue £000 | Capital £000 | Total £000 |
| Investment management fee | 1,268 | 1,902 | 3,170 | 1,268 | 1,902 | 3,170 |
| AIFM fee | 52 | 78 | 130 | 23 | 36 | 59 |
| Secretarial fee | 54 | – | 54 | 24 | – | 24 |
| | 1,374 | 1,980 | 3,354 | 1,315 | 1,938 | 3,253 |

As at 31 December 2015 an amount of £761,789 (2014: £799,930) was payable to the Manager in relation to the management fees for the quarter ended 31 December 2015.

Details of the terms of the investment management agreement are provided on page 19.

7 OTHER EXPENSES

| | 2015 | | | 2014 | | |
|--|-----------------|-----------------|---------------|-----------------|-----------------|---------------|
| | Revenue £000 | Capital £000 | Total £000 | Revenue £000 | Capital £000 | Total £000 |
| Transaction costs on fair value through profit or loss assets ¹ | – | 1,282 | 1,282 | – | 1,009 | 1,009 |
| Directors' fees (see Report on Directors Remuneration on page 22) | 160 | – | 160 | 154 | – | 154 |
| Registrar's fees | 111 | – | 111 | 104 | – | 104 |
| AIC membership costs | 21 | – | 21 | 21 | – | 21 |
| Marketing costs | 29 | – | 29 | 25 | – | 25 |
| Printing & postage | 35 | – | 35 | 52 | – | 52 |
| Directors' liability insurance | 14 | – | 14 | 15 | – | 15 |
| Auditor's remuneration – annual audit ² | 30 | – | 30 | 28 | – | 28 |
| – non audit fee | 2 | – | 2 | 2 | – | 2 |
| Stock exchange fees | 24 | – | 24 | 23 | – | 23 |
| FCA fee | 22 | – | 22 | 20 | – | 20 |
| Depository fee | 87 | – | 87 | 42 | – | 42 |
| Safe custody fees | 15 | – | 15 | 18 | – | 18 |
| Other expenses | 31 | – | 31 | 34 | – | 34 |
| | 581 | 1,282 | 1,863 | 538 | 1,009 | 1,547 |

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 £1,147,897 (2014: £880,741) and on sales amounted to £134,285 (2014: £128,156).

2 During the year there were audit fees of £25,000 (2014: £23,500) (excluding VAT) paid to the Auditor.

All expenses are inclusive of VAT where applicable. Certain comparative figures have been dis-aggregated to provide more detailed information in line with the current presentation adopted. There was no impact on the comparative net profit or net losses as a result of the new presentation.

8 FINANCE COSTS

| | 2015 | | | 2014 | | |
|--|-----------------|-----------------|---------------|-----------------|-----------------|---------------|
| | Revenue £000 | Capital £000 | Total £000 | Revenue £000 | Capital £000 | 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 | 1,247 | 2,057 | 810 | 1,246 | 2,056 |
| | 2,634 | 4,000 | 6,634 | 2,634 | 3,999 | 6,633 |
| Bank interest payable | 1 | – | 1 | 5 | – | 5 |
| Total finance costs | 2,635 | 4,000 | 6,635 | 2,639 | 3,999 | 6,638 |

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 (2014:nil).

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

| | 2015 | | | 2014 | | |
|---|-----------------|-----------------|---------------|-----------------|-----------------|---------------|
| | Revenue £000 | Capital £000 | Total £000 | Revenue £000 | Capital £000 | Total £000 |
| Profit/(loss) before taxation | 26,663 | (38,877) | (12,214) | 25,782 | (36,813) | (11,031) |
| Tax at UK corporation tax rate of 20.25% (2014:21.50%) | 5,430 | (7,871) | (2,441) | 5,543 | (7,914) | (2,371) |
| Tax effects of: | | | | | | |
| Non-taxable gains on investments | – | 6,401 | 6,401 | – | 6,421 | 6,421 |
| Disallowed expenses | – | 259 | 259 | – | 217 | 217 |
| Non-taxable UK dividends ¹ | (5,521) | – | (5,521) | (5,491) | – | (5,491) |
| Income taxable in later periods | – | – | – | (16) | – | (16) |
| Non-taxable overseas dividends ¹ | (454) | – | (454) | (276) | – | (276) |
| Increase in excess management expenses in the year ² | 545 | 1,211 | 1,756 | 240 | 1,276 | 1,516 |
| 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 £13,225,300 (2014: £12,960,000) based on an effective tax rate of 20.0% (2014: 20.0%) 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

| | 2015 £000 | 2014 £000 |
|---|--------------|--------------|
| Amounts recognised as distributions to equity holders in the year | | |
| Final dividend for the year ended 31 December 2014 of 23.33p (2013: 22.65p) per share | 15,601 | 14,395 |
| Interim dividends (three) for the year ended 31 December 2015 of 7.93p (2014: single payment of 15.55p) per share | 15,909 | 10,143 |
| | 31,510 | 24,538 |
| Proposed final dividend for the year ended 31 December 2015 of 15.87p (2014: 23.33p) per share | 10,613 | 15,601 |

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. In 2015 the Company adopted a policy of paying dividends on a quarterly basis. As all three interim dividends paid during the year are reflected in the above 2015 numbers the comparison with 2014 has been slightly distorted. In 2014 only the single interim dividend payment made during the year was included. Therefore, 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.

| | 2015 £000 | 2014 £000 |
|---|--------------|--------------|
| Interim dividends (three) for the year ended 31 December 2015 of 7.93p (2014: single payment of 15.55p) per share | 15,909 | 10,143 |
| Proposed final dividend for the year ended 31 December 2015 of 15.87p (2014: 23.33p) per share | 10,613 | 15,601 |
| | 26,522 | 25,744 |

11 EARNINGS PER SHARE

| | 2015 | | | 2014 | | |
|-----------------------------|------------------|------------------|----------------|------------------|------------------|----------------|
| | Revenue pence | Capital pence | Total pence | Revenue pence | Capital pence | Total pence |
| Earnings per ordinary share | 39.87p | (58.14p) | (18.27p) | 39.82 | (56.86) | (17.04) |

The calculation of the above is based on revenue returns of £26,663,000 (2014: £25,782,000), capital returns of (£38,877,000) (2014: (£36,813,000)) and total returns of (£12,214,000) (2014: (£11,031,000)) and a weighted average number of ordinary shares of 66,872,765 (2014: 64,742,831).

12 INVESTMENTS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS

| | 2015 £000 | 2014 £000 |
|--|--------------|--------------|
| (a) Movements in the year | | |
| Opening cost at 1 January | 743,492 | 651,383 |
| Investment holding gains at 1 January | 130,289 | 238,002 |
| Opening fair value | 873,781 | 889,385 |
| Purchases at cost | 360,358 | 305,944 |
| Sales – proceeds | (346,899) | (291,681) |
| – realised gains on sales | 58,358 | 77,846 |
| Decrease in investment holding gains | (89,973) | (107,713) |
| Closing fair value at 31 December | 855,625 | 873,781 |
| Closing cost at 31 December | 815,311 | 743,492 |
| Investment holding gains at 31 December | 40,314 | 130,289 |
| | 855,625 | 873,781 |
| (b) Gains on investments | | |
| Gains on sales of investments on book cost | 58,358 | 77,846 |
| Decrease in investment holding gains | (89,973) | (107,713) |
| | (31,615) | (29,867) |

All investments are listed.

(c) Fair value of financial instruments

The following table shows financial instruments 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 financial assets (2014: £nil).
- Level 3 – significant unobservable inputs (including the Company's own assumptions in determining the fair value of investments). There are no level 3 financial assets (2014: £nil).

The following is a summary of the classifications used as at 31 December 2015 in valuing the Company's financial instruments:

| | 2015 | | 2014 | |
|-------------------------|-----------------|---------------|-----------------|---------------|
| | Level 1 £000 | Total £000 | Level 1 £000 | Total £000 |
| Financial assets | | | | |
| Quoted equities | 777,507 | 777,507 | 761,684 | 761,684 |
| Debt securities | 78,118 | 78,118 | 112,097 | 112,097 |
| | 855,625 | 855,625 | 873,781 | 873,781 |

Please refer to Note 22 on page 49 for the disclosure and fair value categorisation of the financial liabilities.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

13 RECEIVABLES

| | 2015 £000 | 2014 £000 |
|-------------------|--------------|--------------|
| Accrued income | 2,437 | 3,190 |
| Other receivables | 285 | 66 |
| | 2,722 | 3,256 |

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.

14 PAYABLES

| | 2015 £000 | 2014 £000 |
|------------------------------|--------------|--------------|
| Accruals and deferred income | 1,074 | 1,064 |
| | 1,074 | 1,064 |

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

| | 2015 £000 | 2014 £000 |
|---|--------------|--------------|
| Interest bearing borrowings | | |
| Amounts payable after more than one year: | | |
| 9.875% Debenture stock 2017 | 25,000 | 25,000 |
| 5.5% Debenture stock 2021 | 38,491 | 38,506 |
| 4.05% Private placement loan 2028 | 50,289 | 50,248 |
| | 113,780 | 113,754 |

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

| | 2015 Number | 2014 Number | 2015 £000 | 2014 £000 |
|--|----------------|----------------|--------------|--------------|
| Issued, allotted and fully paid | | | | |
| Ordinary shares of 25p each | 66,872,765 | 66,872,765 | 16,718,191 | 16,718,191 |

There were no shares issued during 2015 (2014: 3,549,517)

17 SHARE PREMIUM

| | 2015 £000 | 2014 £000 |
|--|--------------|--------------|
| Balance at 1 January 2015 | 96,040 | 54,002 |
| Premium arising on issue of new shares | – | 42,038 |
| Balance at 31 December 2015 | 96,040 | 96,040 |

18 CAPITAL RESERVES

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

| | 2015 £000 | 2014 £000 |
|-------------------------------|--------------|--------------|
| Capital reserves – realised | 573,113 | 522,015 |
| Capital reserves – unrealised | 40,314 | 130,289 |
| | 613,427 | 652,304 |

19 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

As at 31 December 2015 there were no contingent liabilities or capital commitments for the Company (2014: £nil).

20 NET ASSET VALUES

| | Net asset value per ordinary share Pence | Net assets attributable £000 |
|-----------------------------|---|------------------------------------|
| Ordinary shares of 25p each | 1,130.14p | 755,755 |

The net asset value per ordinary share is based on net assets at the year-end of £755,755,000 (2014: £799,444,000) and on 66,872,765 (2014: 66,872,765) 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 22. 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.

At 31 December 2015 there was £40,797 (2014: £37,989) payable to the directors for fees and expenses.

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 19 and 42.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

22 RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

The Company's investing activities undertaken in pursuit of its investment objective, as set out on page 11, 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 11.3%.

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.

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 is responsible for the collection of income on behalf of the Company. Cash is held either with reputable banks with high quality external credit ratings 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 16 to 17.

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 2015 | | | | | Total £000 |
|-----------------|---------------------|--------------|---------------------|------------------|------------------------------------|---------------|
| | Investments £000 | Cash £000 | Receivables £000 | Payables £000 | Non-current liabilities £000 | |
| Euro | 49,631 | 236 | 124 | – | – | 49,991 |
| US Dollar | 55,003 | – | 1,102 | – | – | 56,105 |
| Pounds Sterling | 750,991 | 12,026 | 1,496 | (1,074) | (113,780) | 649,659 |
| | 855,625 | 12,262 | 2,722 | (1,074) | (113,780) | 755,755 |

| | 31 December 2014 | | | | | Total £000 |
|-----------------|---------------------|--------------|---------------------|------------------|------------------------------------|---------------|
| | Investments £000 | Cash £000 | Receivables £000 | Payables £000 | Non-current liabilities £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 |

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.

There were no forward currency contracts used during 2015.

| | £000 | £000 |
|-----------------------------------|-------|---------|
| Projected movement | +2% | -2% |
| Effect on net assets for the year | 2,122 | (2,122) |
| Effect on capital return | 2,093 | (2,093) |

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 £78,118,000, representing 10.34% of net assets of £755,755,000 (2014: £112,097,000; 14.0%). The weighted average running yield as at 31 December 2015 was 4.9% (2014: 5.0%) and the weighted average remaining life was 2.0 years (2014: 3.4 years). The Company's cash balance of £12,262,000 (2014: £37,225,000) 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 £61,309 (2014: £186,124). 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 £61,309 (2014: negative £186,124). 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 £114,854,000 (2014: £114,818,000) 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 8 years (2014: 9 years) and the weighted average interest rate payable is 6.0% (2014: 6.0%) p.a.

Other price risk exposure

If the investment valuation fell by 10% at 31 December 2015, the impact on profit or loss and net assets would have been negative £85.6 million (2014: negative £87.4 million). If the investment portfolio valuation rose by 10% at 31 December 2015, the impact on profit or loss and net assets would have been positive £85.6 million (2014: positive £87.4 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 or an approximation to fair value, with the exception of interest bearing borrowings which are shown at book value at 31 December 2015.

| | 2015 | | 2014 | |
|--|--------------------|--------------------|--------------------|--------------------|
| | Book value £000 | Fair value £000 | Book value £000 | Fair value £000 |
| Assets at fair value through profit or loss | | | | |
| Cash | 12,262 | 12,262 | 37,225 | 37,225 |
| Loans and receivables | | | | |
| Investment income receivable | 2,437 | 2,437 | 3,190 | 3,190 |
| Other receivables | 285 | 285 | 66 | 66 |
| Payables | (1,074) | (1,074) | (1,064) | (1,064) |
| Interest bearing borrowings: | | | | |
| 9.875% Debenture Stock ¹ | (25,000) | (28,568) | (25,000) | (30,638) |
| 5.5% Debenture Stock ² | (38,491) | (43,010) | (38,506) | (44,339) |
| 4.05% Private Placement Loan ³ | (50,289) | (52,018) | (50,248) | (52,765) |
| | 755,755 | 745,939 | 799,444 | 785,456 |

1 Effective interest rate is 9.875%

2 Effective interest rate is 5.583%

3 Effective interest rate is 4.133%

The 9.875% Debenture Stock 2017 and the 5.5% Debenture Stock 2021 are classified as Level 1 instruments (2014: Level 1).

The 4.05% Private Placement Loan 2028 is classified as a Level 2 instrument (2014: Level 2).

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:

| | 2015 | | | | 2014 | | | |
|---|---------------------------|-----------------------------|-------------------------|------------|---------------------------|-----------------------------|-------------------------|------------|
| | 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 | | | | | | | | |
| Debtenture stocks and Loan | 2,058 | 6,584 | 155,759 | 164,401 | 2,058 | 6,584 | 155,758 | 164,400 |
| Creditors: amounts falling due within one year | | | | | | | | |
| Accruals and deferred income | 766 | 308 | – | 1,074 | 812 | 252 | – | 1,064 |
| | 2,824 | 6,892 | 155,759 | 165,475 | 2,870 | 6,836 | 155,758 | 165,464 |

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 £869,535,000 (2014: £913,198,000).

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 59) 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 2015 are shown below:

| Leverage Exposure | Gross method | Commitment method |
|-------------------|--------------|-------------------|
| Maximum limit | 250% | 200% |
| Actual | 114% | 115% |

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 ninetieth Annual General Meeting of Temple Bar Investment Trust PLC will be held at 11.00am on Wednesday 30 March 2016 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 2015 together with the reports of the directors and auditor thereon.
2. To approve the report on directors' remuneration for the year ended 31 December 2015.
3. To declare a final dividend of 15.87p 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 elect Dr L R Sherratt 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 audit committee 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 23 February 2016, provided that:
 - (i) the authority granted shall expire at the conclusion of the Annual General Meeting of the Company in 2017 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:

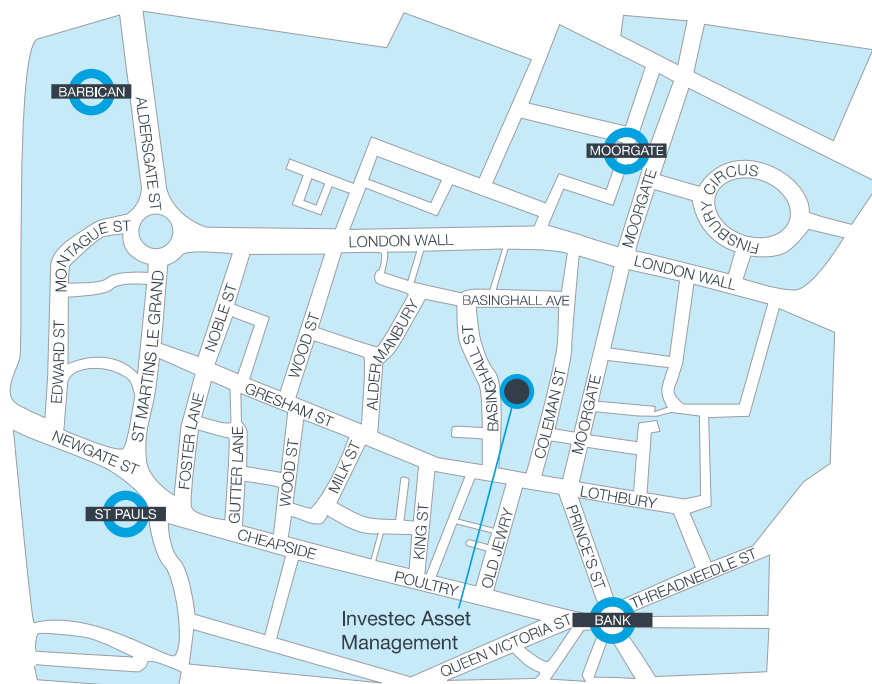
12. That, subject to the passing of resolution 11 set out above, the directors be and they are hereby empowered pursuant to Section 570-573 of the Companies Act 2006 to allot equity securities (as defined in Section 560 of that Act) for cash, including, for the avoidance of doubt, the sale of shares 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 2017 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 2017, 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

23 February 2016

Woolgate Exchange
25 Basinghall Street
London EC2V 5HA



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 WEDNESDAY 30 MARCH 2016 AT 11.00AM.

NOTES

1. Entitlement to attend and vote

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 24 March 2016 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.

2. Proxies

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.

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 24 March 2016. 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.

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. 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. 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 24 March 2016.

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 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.

NOTICE OF MEETING CONTINUED

2. Proxies continued

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.

3. Corporate representatives

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.

4. Nominated persons

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. Members' requests under Section 527 of the 2006 Act

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 2015; or (ii) any circumstance connected with an auditor of the Company appointed for the financial year 1 January 2015 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.

6. Members' rights to ask questions

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.

7. Inspection of documents

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

8. Total number of shares and voting rights

As at 23 February 2016, 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.

9. Website

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 53), on 30 March 2016 at 11.00am.

FINANCIAL CALENDAR

The financial calendar for 2016 is set out below:

Ordinary shares

| | |
|--------------------------------|-------------------|
| Final dividend, 2015 – payable | 31 March 2016 |
| – ex-dividend | 10 March 2016 |
| – record date | 11 March 2016 |
| First interim dividend, 2016 | 30 June 2016 |
| Second interim dividend, 2016 | 30 September 2016 |
| Third interim dividend, 2016 | 30 December 2016 |
| Final dividend, 2016 | End of March 2017 |

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 0371 384 2432.

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 0371 384 2432 (overseas +44 (0)121 415 7047). Lines are open from 8.30am to 5.30pm Monday to Friday. 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 |

The ISIN Number for the ordinary shares is GB0008825324

TAX INFORMATION EXCHANGE

Local laws may require Temple Bar to disclose investor, holding and income data to UK and other tax authorities. This will only happen where required by law.

TEMPLE BAR INVESTMENT TRUST SAVINGS SCHEME

Details of the Temple Bar Savings Scheme are set out on page 59 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)
0371 384 2432 (shareholder helpline)*
0906 559 6025 (broker helpline)

*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

Depository, 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

GLOSSARY OF TERMS

ABSOLUTE PERFORMANCE

The return that an asset achieves over a period of time, relative to the investment itself.

ANNUAL MANAGEMENT FEE

The annual consideration paid to an asset management company for managing clients' investments.

ATTRIBUTION ANALYSIS

A performance-evaluation tool used to analyse the abilities of portfolio or fund managers. Attribution analysis uncovers the impact of the manager's investment decisions with regard to overall investment policy, asset allocation, security selection and activity.

BENCHMARK

A comparative performance index.

BORROWING

See gearing.

BOTTOM-UP STOCK SELECTION

An investment approach that concentrates on the analysis of individual companies and considers the company's history, management and potential as more important than macroeconomic trends.

CASH ALTERNATIVES/EQUIVALENT

Also known as cash equivalents. A class of investments considered relatively low-risk because of their high liquidity, meaning they can be quickly converted into cash.

CONTRARIAN APPROACH

An investment style that goes against prevailing market trends. In very simple terms the approach is defined by buying assets that are performing poorly and then selling when they perform well.

DEBENTURE STOCKS

A type of stock entitling the bearer to a certain fixed dividend at set periods of time.

DERIVATIVE INSTRUMENTS

An instrument whose value depends on the performance of an underlying security or rate which requires no initial exchange of principal. Options, futures and swaps are all examples of derivatives.

DIVERSIFICATION

Holding a range of assets to reduce risk.

DIVIDEND

The portion of company net profits paid out to shareholders.

FIXED INTEREST

Fixed interest securities, also known as bonds, are loans usually taken out by a government or company which normally pay a fixed rate of interest over a given time period, at the end of which the loan is repaid.

FTSE ALL-SHARE INDEX

A comparative index that tracks the market price of the UK's leading companies listed on the London Stock Exchange. Covering around 900 companies, including investment trusts, the name FTSE is taken from the Financial Times (FT) and the London Stock Exchange (SE), who are its joint owners.

FTSE 350 INDEX

A comparative index that tracks the market price of the UK's 350 largest companies, by market value, listed on the London Stock Exchange.

GEARING

In accounting terms, gearing is the amount of a company's total borrowings divided by its share capital. High gearing means a proportionately large amount of debt, which may be considered more risky for equity holders. However, gearing also entails tax advantages. In investment analysis, a highly geared company is one where small changes in sales produce big swings in profits. Also known as leverage.

GLOSSARY OF TERMS CONTINUED

GILTS

A bond that is issued by the British government which is generally considered low risk.

HEDGING

A technique seeking to offset or minimise the exposure to a specific risk by entering an opposing position.

LIQUIDITY

The ease with which an asset can be sold at a reasonable price for cash.

MARKET CAPITALISATION

The total value of a company's equity, calculated by the number of shares multiplied by their market price.

NET ASSET VALUE

In a company context, the net asset value describes total assets minus total liabilities.

ONGOING CHARGE

This figure includes the annual management fee and administrative costs but excludes any performance fee or portfolio transaction costs. Ongoing charges may vary from year to year.

PEER COMPANIES

Companies that operate in the same industry sector and are of similar size.

RELATIVE PERFORMANCE

The return that an asset achieves over a period of time, compared to a benchmark.

SHARE BUYBACK

When a company buys some of its own shares in the market, which leads to a rise in the share price. It changes the company's debt-to-equity ratio and is a tax-efficient alternative to paying out dividends.

STOCK LENDING

Also known as securities lending. The act of loaning a stock, derivative, or other security to an investor or firm. It requires the borrower to put up collateral, whether cash, security or a letter of credit. When a security is loaned, the title and the ownership is also transferred to the borrower.

TOTAL RETURN

Captures both the capital appreciation/depreciation of an investment as well as the income generated over a holding period.

VALUATION

Determination of the value of a company's stock based on earnings and the market value of assets.

YIELD

A measure of the income return earned on an investment. In the case of a share the yield expresses the annual dividend payment as the percentage of the market price of the share. In the case of a bond the running yield (or flat or current yield) is the annual interest payable as a percentage of the current market price. The redemption yield (or yield to maturity) allows for any gain or loss of capital which will be realised at the maturity date.

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.



The Association of
Investment Companies

A member of the Association of Investment Companies



