TEMPLE BAR INVESTMENT TRUST PLC
HALF-YEAR REPORT FOR THE
SIX MONTHS ENDED 30 JUNE 2011

temple bar
active investment working for you

Group Summary

Temple Bar Investment Trust PLC's ('the Group') 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 Group'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 100 Index.

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

Total assets less current liabilities
£611,857,000

Total equity
£548,445,000

Market capitalisation
£552,468,009

Capital structure

Ordinary shares	58,961,367 shares
5.5% Debenture Stock 2021	£38,000,000
9.875% Debenture Stock 2017	£25,000,000

Voting structure
Ordinary shares 100%

Winding-up date
None

Manager's fee
0.35% per annum based on the value of the investments (including cash) of the Group, payable quarterly in arrears.

Total Expense Ratio
0.44%

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

Principal risks and uncertainties
The Board believes that the principal risks and uncertainties faced by the Company continue to be as set out in the Report of the Directors section of the Annual Report for the year ended 31 December 2010.

Association of Investment Companies (AIC):
Member

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 advisor 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 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 affected for delivery to the purchaser or transferee.

Summary of results

ASSETS as at	30 June 2011 £'000	31 December 2010 £'000	% change
Consolidated net assets	**548,445**	540,022	1.6

Ordinary shares			
Net asset value per share	**930.18p**	915.89p	1.6
Net asset value per share adjusted for market value of debt	**914.74p**	901.50p	1.5
Market price	**937.00p**	885.00p	5.9
Premium/(discount) with debt at book value	**0.7%**	(3.4%)	
Premium/(discount) with debt at market value	**2.4%**	(1.8%)	

REVENUE for the half year ended 30 June	2011	2010
Revenue return per ordinary share	**19.55p**	17.26p
Interim dividend per ordinary share	**14.00p**	10.50p

CAPITAL for the half year ended 30 June	2011 £'000	2010 £'000
Capital return attributable to ordinary shareholders	**10,868**	(40,533)
Capital return attributable per ordinary share	**18.43p**	(68.75)p

TOTAL RETURNS for the half year ended 30 June 2011	%
Return on net assets	4.9
Return on gross assets	4.4
Return on share price	5.9
FTSE All-Share Index	3.0
FTSE 350 Higher Yield Index	5.2

Chairman's statement

The total return on the net assets of Temple Bar during the first half of 2011 was 4.9%, which compares with a total return for the FTSE All-Share Index of 3.0%. Post-tax revenue earnings for the half year were £11.5m compared with £10.2m in the equivalent period last year.

The Board has declared an interim dividend of 14.0p, an increase of 33.3% over last year, payable on 30 September 2011 to shareholders on the register at 16 September 2011. This increase mainly reflects a rebalancing exercise between the interim and final dividends; the underlying increase disregarding the rebalancing is approximately 2.0%.

John Reeve
26 July 2011

Manager's report

Market Environment
We live in such volatile times that any report on an historic period runs the risk of becoming outdated very quickly. It is clear, however, that in contrast to the bank solvency fears of previous years, investor focus by 2011 had shifted to the state of Governments' balance sheets.

Winners and Losers on the Portfolio
It is always difficult to discuss the performance of our portfolio in relation to major macro-economic themes as the portfolio consists of a number of individual stocks from different sectors bought at varying times and for very specific reasons. The outperformance during the period was, therefore, not surprisingly driven by a number of factors. The best performer of the stocks held was Filtrona, a mini conglomerate which has recovered strongly from its lows. The appointment as Chief Executive of the ex Reckitt Benckiser Finance Director persuaded investors that a similar financial transformation was possible at Filtrona and this pushed the shares higher. Three stocks which have been on the portfolio for many years, GlaxoSmithKline, BT and Computacenter also performed well.

The largest underperformer was Travis Perkins although its negative contribution to performance was as much a function of its large portfolio size as to its actual underperformance. The Market Vectors (Gold Shares) ETF also underperformed as gold shares lagged gold bullion, a relationship which we do not think can be sustained.

Portfolio Activity
By far the largest transaction in the period was the sale of the entire holding in BP at an average price of £4.81. We increased our weighting post the disaster in the Gulf of Mexico in the summer of 2010 and the shares had recovered strongly. However, we came to the view that the long-term operational and financial effects of the tragedy were important enough significantly to change the prospects for the company. The sizeable trust set aside to finance claims from various parties weakened the balance sheet sufficiently to force the company to sell some good assets quickly; not usually an optimal way to secure the best prices. Consequently, the long term oil production forecasts for the company were reduced and, therefore, spending plans were increased to fund organic growth and growth via acquisition.

The inevitable tightening of health and safety discipline within the company and increased scrutiny from regulators would, we expected, both increase costs and hamper growth. Finally, BP's decision to increase its exposure to the Russian market raised questions about the quality of both the company's earnings and corporate governance. Usually we tiptoe out of our holdings,

Manager's report continued

particularly if they are large positions, but in this case we felt the negatives were concerning enough to make a quick dash for the exit.

We sold four other stocks in their entirety: Invensys, Sainsbury, Paddy Power and Drax. The first three had performed well and reached their target prices. With Drax, we felt that as a result of the increased complexity of the business our understanding of the company's operations was insufficient to provide the confidence necessary to remain holders.

As we have commented previously, the most attractive time for contrarian ideas is when the valuations and profitability of companies are low. Following the equity market recovery and the bounce in corporate profitability from the 2009 lows, this is clearly not one of those periods. We have, therefore, made few new purchases on the portfolio in the last six months. Of course, in an industry obsessed with short-term performance and commentators eager for portfolio managers always to have strong views, inactivity is rarely lauded. However, we believe it is imperative to guard one's liquidity jealously until exciting investment opportunities are found; and if none exist, we see no incentive to lower the bar. As legendary investor Seth Klarman has noted: "Why should the immediate opportunity set be the only one considered, when tomorrow's may well be considerably more fertile than today's?"

Most of the acquisitions completed during the period were, therefore, additions to existing holdings and were generally made following weakness in the companies' shares. For example, HSBC continued to underperform as investors fretted about increasing labour costs and the demanding regulatory burden post the financial crisis. However, we believe that HSBC's very strong balance sheet continues to set it apart from its closest peers and will provide a competitive advantage for some years to come.

We also added to a number of stocks such as Home Retail, Cable & Wireless Worldwide and QinetiQ after they had issued profit warnings. A cross that all contrarian investors bear is that many of the stocks purchased often appear extraordinarily unpopular to the consensus. Of course, this is usually part of the appeal, but when the purchases are unsuccessful there is often an orderly queue of soothsayers only too happy to announce that 'I told you so'. These three stocks fall straight into the 'I told you so' category: a general retailer under extraordinary competitive pressure from the ever expanding food retailers while also struggling against the economic backdrop, a corporate telecommunications provider which has failed to generate cash in thirteen years and a defence contractor with great dependence on UK and US government spending at a time of significant budget cuts.

The comfort we have in buying apparently unattractive companies is because we typically take little interest in their immediate earnings power at purchase. Instead, we focus on what the company can achieve in the longer term. This can generate a completely different assessment of a company's virtues from the consensus and which is far more interesting in the short-term.

While we usually assume a company will maintain its independence and that shareholders will ultimately benefit from an earnings recovery, even if it is delayed, it is always possible that underperforming companies will be acquired by predators. We never seek to pay a premium for the possibility of a takeover as experience informs us they are virtually impossible to forecast, but instead we regard their presence as a 'free bet'. Cable & Wireless Worldwide and Home Retail are both potential takeover candidates. Cable & Wireless's strong market position in the UK could be a valuable asset for a number of international operators. Home Retail's strong brands of Argos and Homebase combined with their delivery and internet retailing skills might prove an attractive acquisition to the food retailers as they strive to match the success of Tesco in non-food products.

Manager's report continued

Market Outlook

A common theme amongst investors currently is that we are living in times of great uncertainty and that anyone espousing strong views on market directions is either brave or mad. Clearly, the future is by definition uncertain, but concerns seem, in particular, to focus on 'fat tails' – extreme outcomes such as, for example, the euro collapsing, worldwide inflation accelerating or the Federal Reserve System turning on the printing press.

These worries are understandable, but what is less comprehensible is the investor actions that follow. Investor sentiment can be nicely summarised by looking at equity market activity. The FTSE 250 Index (income not re-invested) is a hair's breadth away from reaching its all time high. A financially literate martian landing on Planet Earth would surely be left scratching his head – mid caps up 120% since the lows of November 2008 appear to indicate little uncertainty. Similarly, the FTSE 100 ended June within 10% of the highest levels it reached in the last decade and virtually the whole of that gap is due to the meltdown in the banking sector. It seems that talk of uncertainty is just that; animal spirits are back.

One solution to this paradox is the Chuck Prince response. The former chief executive officer of Citigroup is often credited with producing one of the craziest quotes of the last bull market when he acknowledged that: 'as long as the music is playing, you've got to get up and dance'. Perhaps a number of investors are unwittingly behaving in the same way as Mr Prince. After all, we live in a world where short-term performance is considered as, if not more, important than long term performance. Therefore, many investors are tempted to remain for just one more dance despite knowing the consequences may be severe. After all, many of them would say, the worst-case scenario is so bad that it is not worth worrying about. Alternatively, other investors may be backing themselves to leave the dance floor just before events turn sour believing their interpretation of short-term market information is superior to the majority. In light of this background we continue to favour a defensively positioned portfolio.

While investors typically fear volatility it is essential to remember that it also provides opportunities. We need to remain objective and rational at these times and to act decisively when necessary.

Alastair Mundy
Investec Asset Management Limited
26 July 2011

Responsibility statement

The directors confirm to the best of their knowledge that:

- the condensed set of financial statements contained within the half-year report has been prepared in accordance with the Accounting Standards Board's Statement 'Half-Yearly Financial Reports';
- the half-yearly financial report, which incorporates the interim management report, includes a fair review of the information required by Disclosure and Transparency Rule 4.2.7R of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- in accordance with Disclosure and Transparency Rule 4.2.8R there have been no related parties transactions during the six months to 30 June 2011 and therefore nothing to report on any material effect by such a transaction on the financial position or performance of the Company during that period.

The half-yearly financial report was approved by the Board on 26 July 2011 and the above responsibility statement was signed on its behalf by:

John Reeve
Chairman

Twenty largest holdings
as at 30 June 2011

Company	Sector	Place of Listing	Valuation £'000	% of Portfolio
Royal Dutch Shell	Oil & Gas	UK	49,635	8.17
HSBC	Banks	UK	46,933	7.72
GlaxoSmithKline	Health Care	UK	46,419	7.64
Signet Jewelers	Retail	UK/USA	42,134	6.93
Unilever	Food & Beverage	UK	35,158	5.79
Vodafone	Telecommunications	UK	28,570	4.70
AstraZeneca	Health Care	UK	25,234	4.15
Travis Perkins	Industrial Goods & Services	UK	22,927	3.77
BT	Telecommunications	UK	22,474	3.70
British American Tobacco	Personal & Household Goods	UK	18,230	3.00
UK Treasury 3.25% Stock 2011	Fixed Interest	UK	15,457	2.55
Grafton Group	Industrial Goods & Services	UK/Ireland	14,916	2.46
Centrica	Utilities	UK	14,185	2.34
QinetiQ Group	Industrial Goods & Services	UK	13,082	2.15
Avon Products	Personal & Household Goods	USA	12,115	1.99
Computacenter	Technology	UK	10,934	1.80
UK Commercial Property Trust	Real Estate	UK	10,532	1.73
Pfizer	Health Care	USA	10,472	1.72
UK Treasury 2.5% Index-linked Stock 2011	Fixed Interest	UK	9,826	1.62
Charter International	Industrial Goods & Services	UK	8,466	1.39
			457,699	**75.32**

Consolidated statement of comprehensive income

for the six months ended 30 June 2011

	Notes	**30 June 2011 (unaudited)** Revenue return £'000	**Capital return £'000**	**Total £'000**	30 June 2010 (unaudited) Revenue return £'000	Capital return £'000	Total £'000	31 December 2010 (audited) Revenue return £'000	Capital return £'000	Total £'000
Investment income	4	**13,132**	**–**	**13,132**	11,738	–	11,738	22,030	–	22,030
Other operating income	4	**72**	**–**	**72**	41	–	41	26	–	26
Total income		**13,204**	**–**	**13,204**	11,779	–	11,779	22,056	–	22,056
Gains/(losses) on investments										
Gains/(losses) on fair value through profit or loss assets	3	**–**	**13,317**	**13,317**	–	(38,309)	(38,309)	–	55,254	55,254
		13,204	**13,317**	**26,521**	11,779	(38,309)	(26,530)	22,056	55,254	77,310
Expenses										
Management fees		**(421)**	**(632)**	**(1,053)**	(373)	(559)	(932)	(776)	(1,162)	(1,938)
Other expenses including dealing costs		**(346)**	**(455)**	**(801)**	(315)	(292)	(607)	(534)	(473)	(1,007)
Profit/(loss) before finance costs and tax		**12,437**	**12,230**	**24,667**	11,091	(39,160)	(28,069)	20,746	53,619	74,365
Finance costs		**(908)**	**(1,362)**	**(2,270)**	(915)	(1,373)	(2,288)	(1,831)	(2,746)	(4,577)
Profit/(loss) before tax		**11,529**	**10,868**	**22,397**	10,176	(40,533)	(30,357)	18,915	50,873	69,788
Tax		**–**	**–**	**–**	–	–	–	–	–	–
Profit/(loss) for the period		**11,529**	**10,868**	**22,397**	10,176	(40,533)	(30,357)	18,915	50,873	69,788
Earnings per share (basic and diluted)		**19.55p**	**18.43p**	**37.98p**	17.26p	(68.75)p	(51.49)p	32.08p	86.28p	118.36p

An interim dividend of 14.0 pence per share (£8,255,000) in respect of the six months ended 30 June 2011 was declared on 26 July 2011 and is payable on 30 September 2011. An interim dividend of 10.50 pence per share (£6,191,000) in respect of the six months ended 30 June 2010 was declared on 28 July 2010 and was paid on 30 September 2010. A final dividend of 23.7 pence per share (£13,974,000) in respect of the year ended 31 December 2010 was declared on 23 February 2011 and was paid on 31 March 2011. The total column of this statement represents the Group's Income Statement, prepared in accordance with IFRS. The supplementary revenue return and capital return columns are both prepared under guidance published by the Association of Investment Companies. All items in the above statement derive from continuing operations.

All income is attributable to the equity holders of the parent company. There are no minority interests.

Consolidated statement of changes in equity

for the six months ended 30 June 2011

	Ordinary share capital £'000	Share premium account £'000	Capital reserve realised £'000	Capital reserve unrealised £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2011	14,740	8,507	354,403	132,429	29,943	540,022
Profit for the period	–	–	12,273	(1,405)	11,529	22,397
	14,740	8,507	366,676	131,024	41,472	562,419
Dividends paid to equity shareholders	–	–	–	–	(13,974)	(13,974)
Balance at 30 June 2011	14,740	8,507	366,676	131,024	27,498	548,445

Consolidated statement of changes in equity

for the six months ended 30 June 2010

	Ordinary share capital £'000	Share premium account £'000	Capital reserve realised £'000	Capital reserve unrealised £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2010	14,740	8,507	354,093	81,866	30,782	489,988
Loss for the period	–	–	4,439	(44,972)	10,176	(30,357)
	14,740	8,507	358,532	36,894	40,958	459,631
Dividends paid to equity shareholders	–	–	–	–	(13,561)	(13,561)
Balance at 30 June 2010	14,740	8,507	358,532	36,894	27,397	446,070

Consolidated statement of financial position

as at 30 June 2011

	30 June 2011 (unaudited) £'000	30 June 2010 (unaudited) £'000	31 December 2010 (audited) £'000
Non-current assets			
Investments held at fair value through profit or loss	**607,639**	507,284	599,878
Current assets			
Cash and cash equivalents	**1,978**	881	1,974
Other receivables	**5,989**	4,873	3,202
	7,967	5,754	5,176
Total assets	**615,606**	513,038	605,054
Current liabilities			
Other payables	**(3,749)**	(3,555)	(1,610)
Total assets less current liabilities	**611,857**	509,483	603,444
Non-current liabilities			
Interest bearing borrowings	**(63,412)**	(63,413)	(63,422)
Net assets	**548,445**	446,070	540,022
Equity attributable to equity holders			
Ordinary share capital	**14,740**	14,740	14,740
Share premium	**8,507**	8,507	8,507
Capital reserve – realised	**366,676**	358,532	354,403
Capital reserve – unrealised	**131,024**	36,894	132,429
Retained earnings	**27,498**	27,397	29,943
Total equity	**548,445**	446,070	540,022
Net asset value per share	**930.18p**	756.56p	915.89p

Consolidated statement of cash flows

for the six months ended 30 June 2011

	30 June 2011 (unaudited) £'000	30 June 2010 (unaudited) £'000	31 December 2010 (audited) £'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax	**22,397**	(30,357)	69,788
Adjustments for:			
Purchases of investments[1]	**(97,511)**	(57,975)	(97,611)
Sales of investments[1]	**103,066**	53,991	95,608
	5,555	(3,984)	(2,003)
(Gains)/losses on investments	**(13,317)**	38,309	(55,254)
Financing costs	**2,270**	2,288	4,577
Operating cash flows before movements in working capital	**16,905**	6,256	17,108
(Increase)/decrease in accrued income and prepayments	**(824)**	(457)	257
(Increase)/decrease in receivables	**(1,963)**	(954)	3
Increase in payables	**2,139**	2,977	20
NET CASH FLOW FROM OPERATING ACTIVITIES BEFORE AND AFTER INCOME TAX	**16,257**	7,822	17,388
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid on borrowings	**(2,279)**	(2,279)	(4,559)
Equity dividends paid	**(13,974)**	(13,561)	(19,754)
NET CASH USED IN FINANCING ACTIVITIES	**(16,253)**	**(15,840)**	**(24,313)**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**4**	(8,018)	(6,925)
Cash and cash equivalents at the start of the period	**1,974**	8,899	8,899
Cash and cash equivalents at the end of the period	**1,978**	881	1,974

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

Notes to the financial statements

1 GENERAL INFORMATION

Temple Bar Investment Trust PLC is a company incorporated in the United Kingdom under the Companies Acts 1908 to 1917.

Principal activity

The principal activity of Temple Bar Investment Trust PLC is that of an investment company within the meaning of Section 833 of the Companies Act 2006. The principal activity of its trading subsidiary is investment dealing.

2 SIGNIFICANT ACCOUNTING POLICIES

The half yearly financial statements have been prepared on the basis of the accounting policies set out in the Company's annual report and financial statements for the year ended 31 December 2010 and have not been audited or reviewed by the Auditors pursuant to the Auditing Practices Board Guidance on 'Review of Interim Financial Information'. They have been prepared on the going concern basis as it is the Directors' opinion that the Company will continue in operational existence for the foreseeable future.

3 GAINS ON INVESTMENTS

	30 June 2011 (unaudited) £'000	30 June 2010 (unaudited) £'000	31 December 2010 (audited) £'000
Net gains realised on sale of investments	**14,721**	6,663	4,692
Movement in unrealised (losses)/gains	**(1,404)**	(44,972)	50,562
Gains/(losses) on investments	**13,317**	(38,309)	55,254

4 INCOME

	30 June 2011 (unaudited) £'000	30 June 2010 (unaudited) £'000	31 December 2010 (audited) £'000
Income from investments			
UK dividends	**9,528**	8,913	16,409
Overseas dividends	**935**	417	786
REIT	**332**	130	347
Income on fixed income securities	**2,337**	2,278	4,488
	13,132	11,738	22,030
Other income			
Deposit interest	**72**	41	26
Total income	**13,204**	11,779	22,056

Notes to the financial statements continued

5 DIVIDENDS

The final dividend relating to the year ended 31 December 2010 of 23.7 pence per ordinary share was paid during the six months ended 30 June 2011, and amounted to £13,974,000.

An interim dividend of 14.0 pence per ordinary share (amounting to £8,255,000) will be paid on 30 September 2011 to shareholders registered on 16 September 2011. In accordance with IFRS, this dividend has not been recognised in these financial statements.

6 COMPARATIVE FIGURES

The financial information contained in this half-year report does not constitute statutory accounts as defined in sections 434-436 of the Companies Act 2006. The financial information for the six months ended 30 June 2011 and 30 June 2010 has not been audited.

The information for the year ended 31 December 2010 does not constitute statutory accounts, but has been extracted from the latest published audited accounts, which have been filed with the Registrar of Companies. The report of the auditors on those accounts contained no qualification or statement under section 498 (2) or (3) of the Companies Act 2006.

7 PUBLICATION

This half-year report is being sent to shareholders and copies will be made available to the public at the registered office of Temple Bar.

Directors and administration

Directors

J Reeve (Chairman)
A T Copple
R W Jewson
J F de Moller
M R Riley
D G C Webster

Investment Manager, Secretary and Registered Office

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temple bar
active investment working for you

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