



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.

The Group's full objective and policy is set out on page 16.

Benchmark

Performance is measured against the FTSE All-Share Index.

Total assets less current liabilities

£585,480,000

Total equity*

£522,040,000

Market capitalisation

£512,237,729

Capital structure

| | |
|-----------------------------|-------------------|
| Ordinary shares | 59,701,367 shares |
| 5.5% Debenture Stock 2021 | £38,000,000 |
| 9.875% Debenture Stock 2017 | £25,000,000 |

Voting structure

Ordinary shares 100%.

Manager's fee

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

ISA status

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

Association of Investment Companies (AIC): Member

www.templebarinvestments.co.uk

*with debenture stocks at book value.

Contents

| | |
|---|---|
| ifc Group summary | 28 Consolidated Statement of Comprehensive Income |
| 1 Summary of results | 29 Consolidated Statement of Changes in Equity |
| 2 Directors | 29 Company Statement of Changes in Equity |
| 3 Management and administration | 30 Consolidated Statement of Financial Position |
| 4 Chairman's statement | 31 Company Statement of Financial Position |
| 6 Performance summary | 32 Consolidated and Company Statement of Cash Flows |
| 7 Manager's report | 33 Notes to the Consolidated Financial Statements |
| 12 Portfolio of investments | 45 Notice of meeting |
| 16 Report of the directors | 49 Useful information for shareholders |
| 22 Report on directors' remuneration | 50 Temple Bar Investment Trust Savings Scheme |
| 23 Corporate governance | |
| 26 Statement of directors' responsibilities | |
| 27 Independent auditor's report | |

Summary of results

| Assets as at 31 December | 2011 £000 | 2010 £000 | % change |
|---------------------------------|----------------------|----------------------|-----------------|
| Consolidated net assets | 522,040 | 540,022 | (3.3) |

Ordinary shares

| | | | |
|---|---------|---------|-------|
| Net asset value per share with debt at book value | 874.42p | 915.89p | (4.5) |
| Net asset value per share with debt at market value | 849.54p | 901.50p | (5.8) |
| Market price | 858.00p | 885.00p | (3.1) |
| Discount with debt at book value | (1.9%) | (3.4%) | |
| Premium/(discount) with debt at market value | 1.0% | (1.8%) | |

| Revenue for the year ended 31 December | £000 | £000 | |
|---|-------------|-------------|-----|
| Revenue return attributable to ordinary shareholders | 22,552 | 18,915 | |
| Revenue return per ordinary share | 38.08p | 32.08p | |
| Dividends per ordinary share – interim and proposed final | 35.23p | 34.20p | 3.0 |

Capital for the year ended 31 December

| | | | |
|--|----------|--------|--|
| Capital return attributable to ordinary shareholders | (24,322) | 50,873 | |
| Capital return attributable per ordinary share | (41.07p) | 86.28p | |

| | | | |
|-----------------------------|-------|-------|--|
| Total expense ratio* | 0.44% | 0.44% | |
|-----------------------------|-------|-------|--|

| Total returns for the year to 31 December 2011 | % |
|---|----------|
| Return on net assets | (0.5) |
| Return on gross assets | 0.6 |
| Return on share price | 1.4 |
| FTSE All-Share Index | (3.5) |
| Change in Retail Prices Index over year | 4.8 |

| Dividend yields (net) as at 31 December 2011 | % |
|---|----------|
| Yield on ordinary share price (858p) | 4.1 |
| Yield on FTSE All-Share Index | 3.5 |

* Management fees and all other operating expenses (including tax relief, where allowable, but excluding interest payments and commissions) expressed as a percentage of average month-end net assets over the year.

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 February 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. Currently, he acts as an adviser to investment management groups and is a director of a number of other companies.

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 Archant Limited, and a non-executive director of Grafton Group PLC and other private companies.

June de Moller

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

Martin Riley

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

David Webster

David Webster was appointed a director in 2009. His career started in corporate finance at Samuel Montagu before becoming a founder and subsequently chairman of Safeway PLC from which he retired in 2004. He is currently chairman of InterContinental Hotels Group PLC and 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 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.

Below, left to right: John Reeve, Martin Riley, June de Moller.
Bottom, left to right: Richard Jewson, David Webster, Arthur Copple.



Management and administration

Investment manager

Investec Asset Management Limited
Authorised and Regulated by the Financial Services Authority
 Portfolio Manager, Alastair Mundy
 2 Gresham Street
 London EC2V 7QP
 Telephone No. 020 7597 2000
 Facsimile No. 020 7597 1803

Registered office

2 Gresham Street
 London EC2V 7QP
 Secretary:
 Investec Asset Management Limited, represented by
 M K Slade

Registered number

Registered in England No. 214601

Registrar

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

*Calls to this number cost 8p per minute from a BT landline; other providers' costs may vary. Lines open 8.30 a.m. to 5.30 p.m., Monday to Friday.

Savings Scheme administrator

Capita IRG Trustees Limited
 The Registry
 34 Beckenham Road
 Beckenham
 Kent BR3 4TU
 Telephone No: 0871 664 0335

Independent auditor

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

Bankers and custodian

HSBC Bank plc
 Poultry
 London EC2P 2BX

Stockbrokers

JPMorgan Cazenove
 10 Aldermanbury
 London EC2V 7RF

Solicitors

Eversheds LLP
 1 Wood Street
 London EC2V 7WS

Right: Martin Slade (Secretary)
 Far right: Alastair Mundy (Portfolio Manager)



Chairman's statement

Performance

The total return on the net assets of Temple Bar during 2011 was -0.5%, which compares with a total return for the FTSE All-Share Index of -3.5%. In share price terms this outperformance was enhanced by the Temple Bar shares moving from a discount at the beginning of the year to a premium at the year end. It is pleasing to report that Temple Bar continues to significantly outperform its benchmark over the past five years.

Revenue growth on the portfolio in 2011 was very strong and the sizeable deficit generated in the previous year, mainly due to the suspension of the BP dividend, was more than fully eliminated. Post-tax earnings increased by 19.2% in 2011.

The Board is recommending a final dividend of 21.23p, to produce a total increase of 3.0% for the year. The final dividend is lower than that paid last year but I would remind shareholders that this is due to the rebalancing exercise that took place at the interim stage which saw a significant increase in the level of the interim payment. The pattern of annual and interim dividend payments over the past two financial years is set out in the Report of the Directors on page 19. The

dividend will be payable on 30 March 2012 to shareholders on the register at 16 March 2012, subject to shareholders' approval. The shares go ex dividend on 14 March 2012. This is the 28th consecutive year in which the dividend has been increased. This dividend increase also allows approximately £1.5 million to be transferred to the revenue reserve account. In deciding the size of the dividend increase the Board has taken into account both the current level of inflation and potential risks in the current volatile market conditions.

Whilst returns for the UK equity market were pedestrian in 2011, this should be considered against the backdrop of the European economic crisis. Our portfolio manager does not use macro-economic analysis to shape the portfolio or drive his views on valuations; the dislocation between market movements and economic newsflow perhaps illustrates the merits of this approach.

At the year-end, capital gearing, defined as gross assets divided by net assets, was 112%. However, cash and other similar assets together with the short-dated bond portfolio are currently offsetting virtually all of this gearing.



Board of Directors

It is with great sadness that I report the death in November of Gary Allen, a former Senior Independent Director of the Company.

Retail Distribution Review (RDR)

With effect from 2013 independent financial advisers will be required to offer advice to investors after considering a full range of investment options. Commission for advice will no longer be payable and, instead, a fee basis must be agreed with the client.

Revenue growth on the portfolio in 2011 was very strong and the sizeable deficit generated in the previous year, mainly due to the suspension of the BP dividend, was more than fully eliminated.

Chairman's statement continued

It is expected that RDR will create the opportunity for a greater number of private investors to place funds in investment trusts; these have not previously been considered due to a lack of commission incentive, limited platform availability and less familiarity of investment trusts within the IFA community. We are taking a variety of measures to ensure that Temple Bar is optimally placed to attract any additional demand for investment trust shares that might result from RDR.

Annual General Meeting

The 2012 Annual General Meeting will be held at 2 Gresham Street, London EC2V 7QP on 26 March 2012 at 11.00am. I look forward to meeting as many of you as are able to attend. In addition to the formal business of

the meeting the portfolio manager, Alastair Mundy, will make a presentation reviewing the past year and commenting on the outlook. He will also be available to answer any questions alongside the directors.

Outlook

The portfolio manager and his team remain committed to their analytical, detailed and balance sheet aware approach to contrarian investing and will continue to search for new investment opportunities arising in these volatile market conditions.

John Reeve

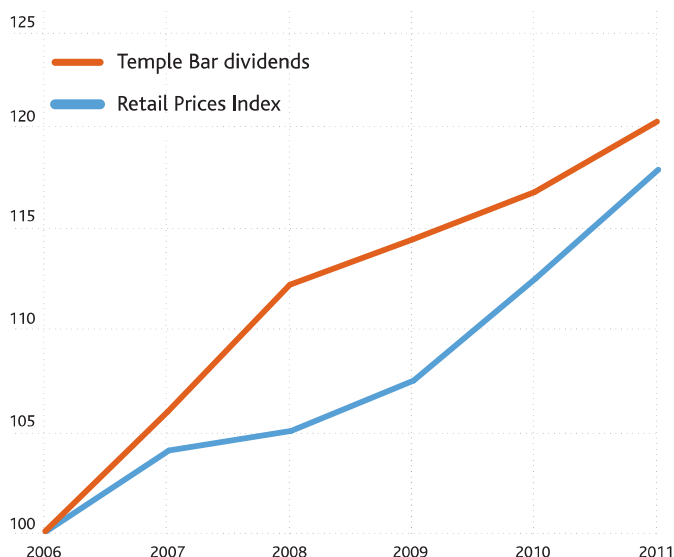
Chairman

22 February 2012

This is the 28th consecutive year in which the dividend has been increased.

Comparative dividend growth

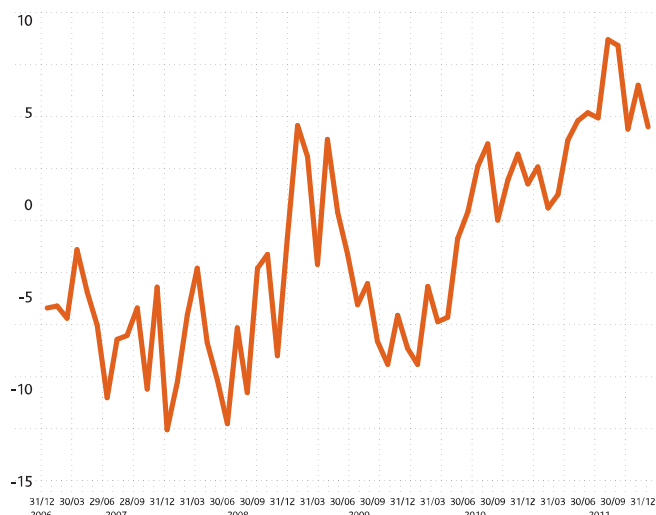
Source: Datastream



Performance summary

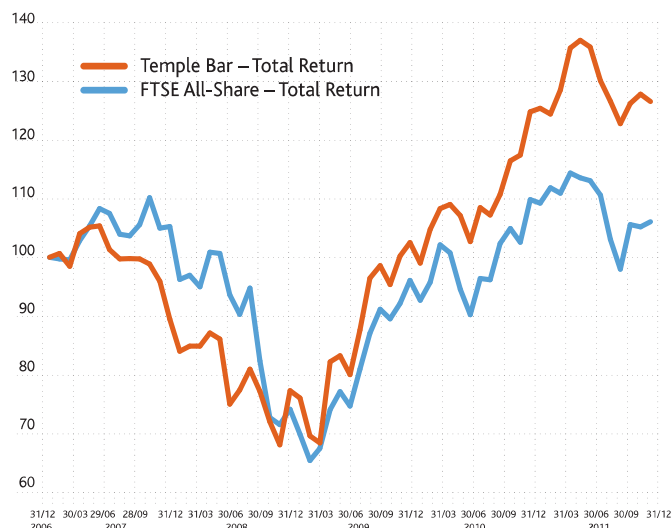
(Discount)/premium to net asset value (excluding current year revenue)

Source: Datastream



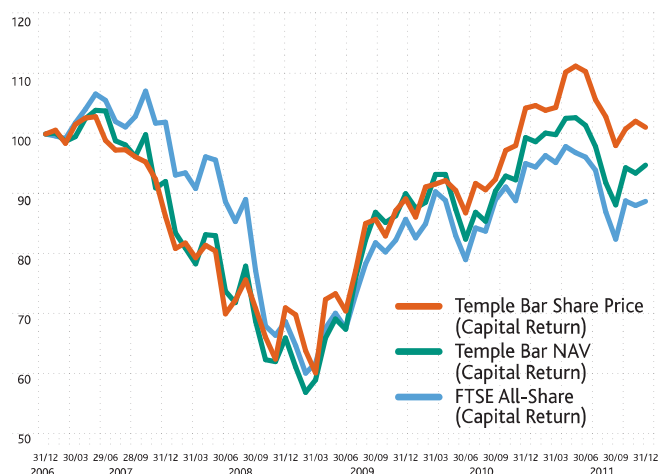
Share price total return

Source: Datastream



Net asset value capital return

Source: Datastream



Ten year record

| | 2002 | 2003 ¹ | 2004 | 2005 ² | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
|--|---------|-------------------|---------|-------------------|---------|---------|---------|---------|---------|---------|
| Total assets less current liabilities (£000) | 341,066 | 395,341 | 462,254 | 532,965 | 598,485 | 557,712 | 422,408 | 553,392 | 603,444 | 585,480 |
| Group net assets (£000) | 278,066 | 332,341 | 398,880 | 469,621 | 535,128 | 494,340 | 359,020 | 489,988 | 540,022 | 522,040 |
| Net assets per ordinary share (pence) | 480.24 | 573.88 | 688.78 | 804.96 | 917.25 | 847.33 | 612.76 | 831.03 | 915.89 | 874.42 |
| Revenue return to ordinary shareholders (£000) | 14,674 | 16,483 | 15,851 | 17,076 | 17,620 | 19,361 | 20,614 | 20,017 | 18,915 | 22,552 |
| Revenue return per share (pence) | 25.34 | 28.46 | 27.37 | 29.35 | 30.20 | 33.19 | 35.33 | 33.98 | 32.08 | 38.08 |
| Net dividends per share* (pence) | 25.59 | 26.23 | 27.02 | 27.83 | 29.23 | 30.98 | 32.84 | 33.50 | 34.20 | 35.23 |

Notes

¹ In 2003 there was a change of policy on the charging of finance expenses and management fees such that 60% of these (previously 50%) are now charged to capital. No prior years have been restated.

² In 2005 the Group adopted International Financial Reporting Standards. As a result the 2004 data has been restated but no prior years have been restated.

* Interim and proposed final for the year.

Manager's report



Sometimes, just one or two key decisions make or break performance over a twelve month period, although obviously that is only clear at the year end. Last year was a case in point, as our avoidance of UK listed mining stocks and all bank shares, other than HSBC, was primarily responsible for the portfolio's positive relative performance.

It would be pushing the truth to claim that we had expected bank shares to continue unwinding as aggressively as they did. In recent

years, we believed there was a significant probability that banking profitability would revert to the levels of pre-bubble years. We also thought that banks needed to wean themselves off financing via governments and feckless financial institutions and return to the more reliable source of retail customer deposits. However, this transition was risky, with a realistic worst-case scenario of failure and nationalisation – shrinking to greatness was not an easy option. As the duration of the restructuring process was clarified, many investors joined us on the sidelines and the shares fell significantly.

During the year, some commentators suggested that the negative risks were sufficiently discounted in the valuations of bank shares, particularly when comparing their market capitalisations to their net assets. Although this valuation was optically attractive, it tended to over-sanitize the discussion as the net assets of a bank are the difference between two huge numbers: the gross assets (its loans and investments – a very hard number to pin down during an economic malaise) and its gross liabilities (deposits and bonds) which are more certain.

With our worries about their long-term financing and potentially misleading valuations churning around in our minds, we felt the best place for investment decisions for the UK centric banks was in what Warren Buffett has called the 'too hard' box.

We have written many times before on mining stocks. The shares still discount commodity prices much higher than those which have prevailed over the last few decades. The bulls have justified these higher prices claiming that demand for the commodities from developing economies, and in particular China, would remain strong. This supposition extrapolates demand levels of recent years – a time when infrastructure spend has been very high. We began, and ended, the year concerned that if this extrapolation proved inaccurate, it could lead to significantly lower commodity and share prices.

Our avoidance of UK listed mining stocks and all bank shares, other than HSBC, was primarily responsible for the portfolio's positive relative performance.

Manager's report continued

Unfortunately, catching falling knives was a reasonably fruitless activity in 2011. In fact, many of the worst market performers in 2010 were once again poor last year. As contrarian investors, we must question whether anything has occurred to adversely affect our style of investing in out of favour shares. Experience has taught us that although there are clear long-term benefits to contrarian investing, some shares do stay out of favour for years. This is possibly one of the greatest risks of the purest forms of contrarian investing. Too great an exposure to these losers, often through a large position in a sector or industry, can produce lumpy returns – an unattractive characteristic in many investors' eyes regardless of the long term returns. Over the years we have, to a certain extent, flattened this lumpiness by diversifying across a number of stocks and sectors.

In our view, some rules of engagement have, however, changed significantly. The first is the influence of the economic and financial backdrop. Company turnarounds are most straightforward when economic conditions are sound; there is simply more turnover within an industry to

Unfortunately, catching falling knives was a reasonably fruitless activity in 2011. Many of the worst market performers in 2010 were once again poor last year.

divide between the various protagonists. In weaker times, the battle for turnover remains intense and the weaker players struggle to recover their poise. This is even tougher if financing opportunities are scarce, as turnarounds typically require the support and patience of banks. To take just one example, Dixons Retail has refurbished its UK stores (Currys and PC World) and re-trained its staff, but the process has been hampered by the debt burden it carries. Despite most independent commentators reacting positively to the changes at Dixons Retail, its market share has continued to fall as competitor intensity (from Amazon, John Lewis and superstores) has increased in a declining market.

The second noteworthy change is technological. It is interesting that

many forecasts of technological progress made by even the most fervent analysts in the late 1990s were insufficiently bullish. Technology has developed extraordinarily quickly in the intervening period and, in the process, destroyed a number of business models which had endured for many decades. For example, regional newspapers (an area where we continue to embarrass ourselves) appear to have lost their pricing power in recruitment and classified advertising to on-line competitors. It appears very unlikely that former glories such as these will be revived.

Each generation probably believes that the changes it experiences are more significant and wider-reaching than others. However, the effect of recent changes in technology on companies in retailing, media (and

| Portfolio distribution % | Temple Bar portfolio % | FTSE All-Share Index % |
|-----------------------------|------------------------|------------------------|
| Health Care | 15.72 | 8.01 |
| Industrial Goods & Services | 12.39 | 7.27 |
| Telecommunications | 9.73 | 6.52 |
| Oil & Gas | 9.48 | 18.92 |
| Food & Beverage | 8.08 | 6.00 |
| Personal & Household Goods | 7.86 | 7.20 |
| Retail | 7.73 | 4.21 |
| Banks | 6.53 | 9.25 |
| Real Estate | 3.46 | 1.58 |
| Construction & Materials | 3.17 | 0.75 |
| Utilities | 2.19 | 3.93 |
| Technology | 1.33 | 1.45 |
| Basic Resources | 1.28 | 10.64 |
| Travel & Leisure | 1.01 | 2.52 |
| Media | 0.92 | 2.76 |
| Chemicals | 0.14 | 0.56 |
| Automobiles & Parts | – | 0.17 |
| Insurance | – | 3.64 |
| Financial Services | – | 4.62 |
| Total equities | 91.02 | 100.00 |
| Cash & Fixed Interest | 8.98 | – |
| Total | 100.00 | 100.00 |

Manager's report continued

even technology) industries in particular, certainly suggests this claim currently has some credibility.

So how should a contrarian investor respond if conditions are less propitious? We have always warned against catching all falling knives and have constantly made detailed analysis of the balance sheet of each potential investment we investigate. In the absence of long-term financing, a weakly capitalised company must recover quickly. We prefer to, where possible, minimise the balance sheet in our concerns so that the companies we own have as much time as possible to manufacture a turnaround.

In addition to a sound balance sheet – not just at the point of analysis, but most importantly under a number of alternative scenarios of the future – there are a number of other indicators that we believe can help to slightly improve our hit rate when we purchase out of favour stocks.

The quantum of companies' operational underperformance can vary across industries. In some industries, particularly where companies have established brands, market shares are reasonably stable and declines can be relatively slow. However, in other industries, particularly those more fashion related or commoditised, market shares are more volatile – and once

lost are much harder to regain. This is particularly so when there are few barriers to entry and 'brands' can be built very quickly. It is, for example, interesting to see how quickly aggregators (such as Confused.com and Compare The Market) have built brands and won large market shares in the motor insurance market. Similarly, supermarkets have built substantial market shares in many non-food related products over the last decade. To make matters worse, they have been comfortable to sell products as loss leaders, thus dragging down overall industry profitability as price competition bites.

It is also revealing to consider barriers to exit. If a company finds it too expensive to leave an industry (because of, for example, onerous lease payments), it may be forced to remain in the market and thus reduce the returns for other profitable competitors.

Few of these considerations are clear cut. Industry dynamics can change, even following stability over many decades, and share prices can move quickly to discount a new era. As a rule of thumb, we now prefer to search for underperforming companies in industries in which market shares move slowly and reasonable barriers to entry exist and we are ever more diligent in our balance sheet analysis.

It is rather liberating to have written so much without reference to the ongoing economic crisis in Europe. That omission is easily justified. We have no meaningful analysis to add to the vast output of the (supposed) experts. Our approach to fund management is to focus on areas in which we believe we hold a competitive advantage. We certainly have no such claim in European economic and currency analysis, and even if we did, would struggle to profitably use our knowledge.

However, the current shenanigans clearly have moved share prices and underperforming stocks may fall into our laps as a result of extreme economic fears. When this occurs, we study the valuation of the affected shares and endeavour to determine how poor a future they discount. Sometimes they envisage an abysmal future and make no allowance for positive surprises. The low valuation, therefore, provides us with a 'margin of safety' – an absolute essential for all value investors. The negative issues which have been discounted are not always economic; they can represent the market's views on the incumbent management team, the potential for structural decline in the industry or simply a high level of existing competition for the company. Provided we believe these negatives have been very well discounted, we are comfortable taking a view against the consensus.

Technology has developed extraordinarily quickly in the intervening period and, in the process, destroyed a number of business models which had endured for many decades.

Manager’s report continued

One positive aspect of fund management as opposed to mission critical professions, is the acceptance that errors are made. Although it is a fund management cliché – and requires no end of simplifying assumptions – a career hit rate of 60% successful ideas to 40% unsuccessful ideas is probably sufficient to keep a fund manager gainfully employed. A pleasant side-effect of this rather sobering statistic is that one can talk openly about mistakes and learn from them without excessive embarrassment or risk of legal redress. Not all professions are similarly structured and this possibly acts as a brake on self-improvement in those areas.

Cable & Wireless Worldwide proved to be our costliest investment decision during the year. We purchased the shares following their separation from Cable & Wireless Communications. Our thesis was that the second largest player in the UK corporate telecommunications market was finally turning a corner and would soon generate increased profitability and cash. However, the recovery did not materialise and profit warnings, admissions of under-spending on capital expenditure and

management departures proved a nasty cocktail of negatives and the shares fell heavily.

We have completed a detailed analysis of our decision to purchase Cable & Wireless to search for any mistakes we made, but do not have precise conclusions. We have considered whether we asked too much of the capital expenditure hungry telecommunications market or whether we under-estimated the significant change from voice to data in the fast-moving telecommunications industry (see the earlier comments on market instability). We also considered the possibility that the company was run poorly, focusing on short-term share price performance at the cost of productive long-term investment (although capital expenditure has been high, much appears to have been wasted). Probably the largest error we made was to assume a successful turnaround for the company despite its reputation as a perennial disappointment. Given our time again, we may have waited for greater proof that this time really was different.

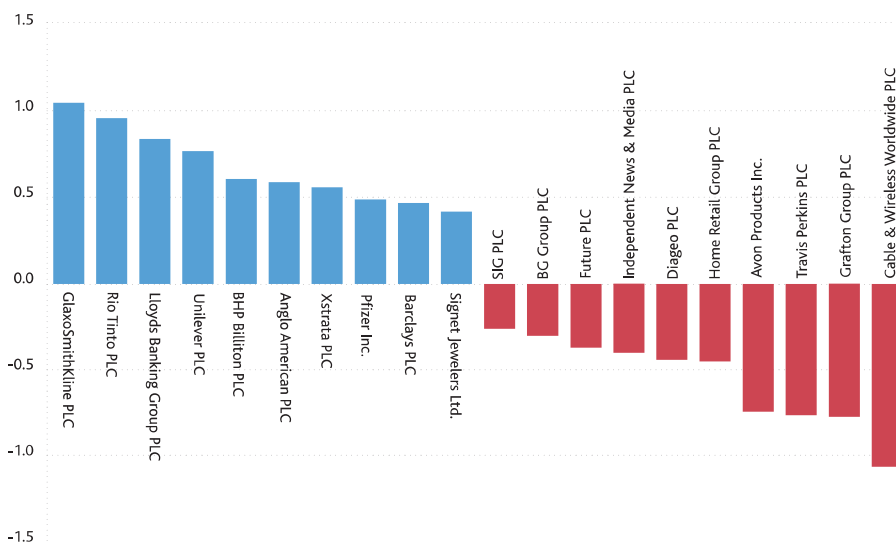
Our exposure to builder’s merchants was also quite painful last

year although it should be stressed that it follows two years of very strong performance from the stocks. Investors lost heart as building activity in western economies remained weak. We added to our positions as the shares discounted an indefinite continuation of the current bleak conditions. Construction related activity is now very low and surely must ultimately recover. The companies’ balance sheets are strong enough to withstand the current trading malaise and when the good times return we think much higher levels of profitability can be generated.

Avon Products disappointed throughout the year as earnings were continually shy of analysts’ forecasts. Although the company management preferred to blame this on competition in the Brazilian and US markets, our belief is that the company has scored a number of own-goals and consequently its margins are well below that of its closest competitors. A new Chief Financial Officer has been appointed and will soon be joined by a new Chief Executive. We hope this could presage a turnaround in the company’s fortunes.

Attribution analysis by stock %

Source: Datastream



Manager's report continued

Our approach to fund management is to focus on areas in which we believe we hold a competitive advantage. We certainly have no such claim in European economic and currency analysis, and even if we did, would struggle to profitably use our knowledge.

As indicated earlier in this report, a primary reason for the portfolio's outperformance versus its benchmark, the FTSE All-Share Index, during the year was the avoidance of a number of stocks. The absence of Lloyds Banking Group, Barclays Bank, Rio Tinto, Anglo American, BHP Billiton and Xstrata proved particularly positive. Of stocks owned, the exposure to pharmaceutical companies GlaxoSmithKline, Pfizer and AstraZeneca was a benefit; the companies' strong balance sheets and low valuations were finally noticed by investors eager to avoid nasty surprises. Unilever also continued to perform well as the turnaround story appeared to be working better than its previous attempts.

Overall, activity on the portfolio was, as in previous years, fairly low and mostly consisted of adding to existing holdings such as Avon Products, Grafton Group, HSBC, Qinetiq, C&C and GlaxoSmithKline. The largest disposals, BP, Paddy Power, Filtrona, Invensys and Drax were in the first half of the year and comprehensively covered in the interim report. The only sizeable sale in the second half of the year was of SSE, the electricity generator and supplier. Despite its defensive characteristics we saw no great merit in a business model which requires increased levels of indebtedness to maintain dividend payments.

It is always challenging to characterise a portfolio which is built from the bottom-up with no regard to economic outlook. The portfolio maintains a mix of two types of stock. Firstly, defensive holdings (those stocks relatively insensitive to the vagaries of the economic cycle) such as those from the pharmaceutical, tobacco and food manufacturing sectors and secondly, a number of companies we describe as quality growth cyclicals: companies with good long term growth prospects, but whose growth, due to the nature of their business, will come in fits and starts rather than in a straight line.

As was the case a year ago we believe investors are assuming the current elevated levels of corporate profitability are sustainable, or are even likely to grow further. While this may be the case, we believe it represents a long odds bet and instead prefer to assume profitability will revert to more normal levels. Many commentators read the high levels of corporate profitability as an unalloyed positive, but an alternative view is to consider it as just one side of a coin. On the other, are low interest rates, low tax rates and low labour costs – some important factors that have helped profits to boom. With all of these variables at historically low levels, we believe the risks are asymmetrical and, therefore,

our expectations of profitability tend to be lower than most.

Over the last few years we have, therefore, found few new ideas in which to invest. Our 2011 vintage – Carrefour, Reed Elsevier, Independent News & Media, Cable & Wireless and CRH – has had a disappointing start, but our average holding period is approximately five years so it may be too early to judge most of these investments. Patience remains key and we will, as always, adhere closely to our investment principles, preferring to sit on our hands and acting only when we see the most exciting investment opportunities.

Alastair Mundy

For Investec Asset Management Limited
22 February 2012

Overall, activity on the portfolio was, as in previous years, fairly low and mostly consisted of adding to existing holdings

Portfolio of investments

| Company | Supersector | Place of listing | Valuation 2011 £000 | % of portfolio |
|--|-----------------|------------------|------------------------|----------------|
| <p>Royal Dutch Shell Royal Dutch Shell is a global oil and gas company. It is the largest energy company in the world measured by revenues 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.</p> | Oil & Gas | UK | 54,818 | 9.48 |
| <p>GlaxoSmithKline GlaxoSmithKline is a global, and increasingly diversified, 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 nutritional health care products. GlaxoSmithKline has one of the largest pipelines of new drugs and innovative vaccines in the industry. Its pipeline is now beginning to deliver a number of drugs and emphasis is increasingly placed on innovation.</p> | Health Care | UK | 51,187 | 8.86 |
| <p>Signet Jewelers Signet is the world's largest specialist jewellery retailer and is the clear market leader in both the UK and the US. The group operates over 500 stores in the UK, where it trades under the Ernest Jones, Leslie Davies and H Samuel brands. The US operations are larger, accounting for more than 80% of sales and profits, with a total of about 1,300 stores. In the US, Signet operates the largest mall-based chain, Kay, and also the leading off-mall jewellery superstore concept, Jared. Offering best-in-class store standards and an increasingly differentiated product range, Signet continues to win market share in the US and retains significant scope for further growth.</p> | Retail | UK/USA | 41,657 | 7.21 |
| <p>Unilever Unilever is one of the world's leading companies in food manufacturing, household products and personal care. The group's activities cover a number of categories including detergents, deodorants, hair care, ice cream, frozen food, spreads and culinary. Unilever operates a range of global and regional brands including Dove, Axe, Ben & Jerry's, Cif and Domestos throughout the developed and developing world.</p> | Food & Beverage | UK | 37,930 | 6.56 |
| <p>HSBC HSBC Holdings, Europe's largest banking company and the third largest in the world, 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. Its regional banking franchises are largely focused on retail banking and consumer finance, but the group also has strong foreign exchange and treasury capabilities based on trade finance skills. Approximately half its assets are in Europe, a quarter in the Americas and a quarter in Asia.</p> | Banks | UK | 37,304 | 6.45 |

Portfolio of investments continued

| Company | Supersector | Place of listing | Valuation 2011 £000 | % of portfolio |
|--|-----------------------------|------------------|------------------------|----------------|
| Vodafone Vodafone Group is one of the world's leading mobile telecommunications companies by revenue, with a significant presence in Europe, the Middle East, Africa, Asia Pacific and the United States (through its partnership with Verizon on Verizon Wireless). | Telecommunications | UK | 30,921 | 5.35 |
| AstraZeneca AstraZeneca is a pure pharmaceutical company with blockbuster drugs focused on anti-cholesterol, ulcers and schizophrenia driving historic revenue growth. Emerging market sales growth is strong and this should be a material driver of growth over the next few years. AstraZeneca needs new medicines as it faces material and sustained generic competition over the period to 2014 for its highly profitable blockbuster drugs. AstraZeneca has shown strong cost management in recent years. | Health Care | UK | 24,113 | 4.17 |
| BT BT is one of the largest telecommunications services companies in the world and is the UK incumbent operator for fixed line telecom services. Through its BT Global Services division it is a leading supplier of telecommunications services to corporate and government customers worldwide and its BT Retail division is a leading supplier of telephony, broadband and subscription television services in the UK, with over 18 million customers. | Telecommunications | UK | 21,292 | 3.68 |
| British American Tobacco BAT is the world's second largest quoted tobacco group by global market share, with brands sold in more than 180 markets and leadership in more than 50 markets. The four Global Drive Brands – Dunhill, Kent, Lucky Strike and Pall Mall – cover the premium and value for money price segments. Increasingly the company is raising the profiles of Vogue in the premium segment and Viceroy, a leading low price international brand. Much of the growth in the leading brands has been driven by innovation – from filters to flavours and packaging to cigarette formats. Overall the brand mix is broadly balanced between premium, mid-price and low price. | Personal & Household Goods | UK | 20,396 | 3.53 |
| Travis Perkins Travis Perkins is the UK's leading builder's merchant and, through its 200-strong Wickes chain, also the third largest DIY retailer. The builder's merchanting operations comprise the core Travis Perkins chain (over 600 branches) and a variety of specialist merchanting businesses including the Keyline heavyside business, Benchmarx kitchens and CCF, an insulation products distributor. Following the acquisition of BSS Group at the end of 2010, Travis Perkins is now also the largest distributor of plumbing and heating products. In addition to Wickes, the retail operations also include Tile Giant, which is the UK's second largest specialist tile seller and Toolstation, a tools and hardware retailer with over 100 branches. Builder's merchanting is an attractive sector, offering high returns, good cash generation and significant barriers to entry. Travis Perkins is widely acknowledged to be the best operator in the business and has massively outperformed all its peers through the downturn, leaving it well placed for the recovery, whenever it comes. | Industrial Goods & Services | UK | 19,847 | 3.44 |
| Top ten investments | | | 339,465 | 58.73 |

Portfolio of investments continued

| Company | Supersector | Place of listing | Valuation 2011 £000 | % of portfolio |
|-------------------------------------|-----------------------------|------------------|------------------------|----------------|
| Qinetiq Group | Industrial Goods & Services | UK | 14,371 | 2.48 |
| UK Treasury 5.25% 2012 | Fixed Interest | UK | 13,159 | 2.28 |
| Centrica | Utilities | UK | 12,688 | 2.19 |
| Grafton Group | Industrial Goods & Services | UK/Ireland | 11,712 | 2.02 |
| Pfizer | Health Care | USA | 11,370 | 1.97 |
| Avon Products | Personal & Household Goods | USA | 10,404 | 1.80 |
| Charter International | Industrial Goods & Services | UK | 10,101 | 1.75 |
| CRH | Construction & Materials | Ireland | 10,048 | 1.74 |
| UK Commercial Property Trust | Real Estate | UK | 8,937 | 1.55 |
| Wolseley | Industrial Goods & Services | UK | 7,722 | 1.33 |
| Top twenty investments | | | 449,977 | 77.84 |
| Computacenter | Technology | UK | 7,659 | 1.33 |
| Imperial Tobacco Group | Personal & Household Goods | UK | 7,482 | 1.29 |
| Market Vectors - ETF Gold Miners | Basic Resources | USA | 7,399 | 1.28 |
| Games Workshop Group | Personal & Household Goods | UK | 6,989 | 1.21 |
| Kingspan Group | Construction & Materials | UK/Ireland | 6,935 | 1.20 |
| Compass Group | Travel & Leisure | UK | 5,814 | 1.01 |
| British Land REIT | Real Estate | UK | 5,721 | 0.99 |
| SIG | Industrial Goods & Services | UK | 5,664 | 0.98 |
| Land Securities REIT | Real Estate | UK | 5,311 | 0.92 |
| Nationwide 09/49 Variable Perpetual | Fixed Interest | UK | 5,273 | 0.91 |
| Top thirty investments | | | 514,224 | 88.96 |
| Medtronic | Health Care | USA | 4,187 | 0.72 |
| Nationwide 01/49 Variable Perpetual | Fixed Interest | UK | 3,784 | 0.65 |
| Cable & Wireless Worldwide | Telecommunications | UK | 3,691 | 0.64 |
| C&C Group | Food & Beverage | Ireland | 3,621 | 0.63 |
| Devro | Food & Beverage | UK | 3,536 | 0.61 |
| Home Retail Group | Retail | UK | 3,033 | 0.52 |
| Reed Elsevier | Media | UK | 2,918 | 0.51 |
| Hammerson 6.875% 2020 | Fixed Interest | UK | 2,870 | 0.50 |
| Nationwide 02/49 Variable Perpetual | Fixed Interest | UK | 2,434 | 0.42 |
| Top forty investments | | | 544,298 | 94.16 |

Portfolio of investments continued

| Company | Supersector | Place of listing | Valuation 2011 £000 | % of portfolio |
|--|-----------------------------|------------------|------------------------|----------------|
| Compass 7% 2014 | Fixed Interest | UK | 2,268 | 0.39 |
| Santander UK 09/49 FRN | Fixed Interest | UK | 2,150 | 0.37 |
| Vodafone Group 4.625% 2014 | Fixed Interest | UK | 2,146 | 0.37 |
| Next 5.25% 2013 | Fixed Interest | UK | 2,086 | 0.36 |
| Daily Mail & General Trust 7.5% 2013 | Fixed Interest | UK | 2,078 | 0.36 |
| Imperial Tobacco Finance 6.857% 2012 | Fixed Interest | UK | 2,038 | 0.36 |
| GKN Holdings 7% 2012 | Fixed Interest | UK | 2,030 | 0.35 |
| Marks & Spencer 5.785% 2012 | Fixed Interest | UK | 2,024 | 0.35 |
| Ladbrokes Group Finance 7.125% 2012 | Fixed Interest | UK | 1,998 | 0.35 |
| Provident Financial 8% 2019 | Fixed Interest | UK | 1,981 | 0.34 |
| Top fifty investments | | | 565,097 | 97.76 |
| Carrefour | Food & Beverage | France | 1,610 | 0.28 |
| Morgan Sindall Group | Construction & Materials | UK | 1,334 | 0.23 |
| Independent News & Media | Media | UK | 1,189 | 0.21 |
| Nationwide 03/49 Variable Perpetual | Fixed Interest | UK | 1,144 | 0.20 |
| HSBC 09/49 Variable | Fixed Interest | UK | 1,014 | 0.17 |
| Future | Media | UK | 977 | 0.17 |
| Cookson Group | Industrial Goods & Services | UK | 923 | 0.16 |
| Scapa Group | Chemicals | UK | 827 | 0.14 |
| Rentokil Initial | Industrial Goods & Services | UK | 817 | 0.14 |
| RSA Insurance 05/49 Variable Perpetual | Fixed Interest | UK | 803 | 0.14 |
| Top sixty investments | | | 575,735 | 99.60 |
| Aviva 11/49 FRN Perpetual | Fixed Interest | UK | 611 | 0.11 |
| St. Ives | Industrial Goods & Services | UK | 512 | 0.09 |
| Lloyds Banking Group (preference shares) | Banks | UK | 447 | 0.08 |
| Colt Group | Telecommunications | UK | 376 | 0.06 |
| Harvard International | Personal & Household Goods | UK | 186 | 0.03 |
| Johnston Press | Media | UK | 181 | 0.03 |
| Total valuation of portfolio | | | 578,048 | 100.00 |

Report of the directors

The directors present their report and accounts for the year ended 31 December 2011.

BUSINESS REVIEW

Introduction

This business review forms part of the Report of the Directors. Its function is to provide a balanced and comprehensive review of the Group's performance and development during the year and its position at the year-end. The review also covers the principal risks and uncertainties faced by the Group and sets out key performance indicators used to measure, monitor and manage the Group's business.

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

Business of the Group

The Group carries on business as an investment company under Section 833 of the Companies Act 2006 and was approved by HM Revenue & Customs as an investment trust in accordance with Section 1158 of the Corporation Tax Act 2010 for the year ended 31 December 2010, subject to any further enquiry by HMRC. In the opinion of the directors the Group has subsequently conducted its affairs so that it should continue to qualify.

The Group's principal business activity of investment management is sub-contracted to Investec Asset Management Limited ('IAM') under the ultimate supervision of the board of directors. The Group has one wholly owned subsidiary company, whose principal business is investment dealing; this company is currently dormant.

A review of the business is given in the Chairman's Statement and the Manager's Report. The results of the Group are shown on page 28.

Going concern

The directors have reviewed the going concern basis of accounting for the Group. The Group'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 Group to continue as a going concern. After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, including recourse to a £25 million overdraft facility with HSBC Bank. Accordingly, the directors continue to adopt the going concern basis in preparing the accounts.

Investment objective and policy

The Group'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 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.

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 10% of the portfolio may be held in listed international equities in developed economies. The Group 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% on individual stocks with a maximum exposure to a specific industrial or commercial sector of 25%, in each case irrespective of their weightings in the benchmark index.

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

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

The Group'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 on an opportunistic basis.

Derivative instruments are not normally used but in certain circumstances, and with the prior approval of the Board, their use may be considered either for hedging purposes or to exploit a specific investment opportunity.

Liquidity and borrowings are managed with the aim of increasing returns to shareholders. The Group's gearing range (total gross assets divided by total net assets) may fluctuate between 75% and 130%, based on the current balance sheet structure, with an absolute limit of 150%.

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 our Manager is premised on a contrarian view on the timing of buy and sell decisions,

Report of the directors continued

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 Group 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 £100 million through a screening process which highlights the weakest performing stocks. This isolates opportunities with attractive 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.

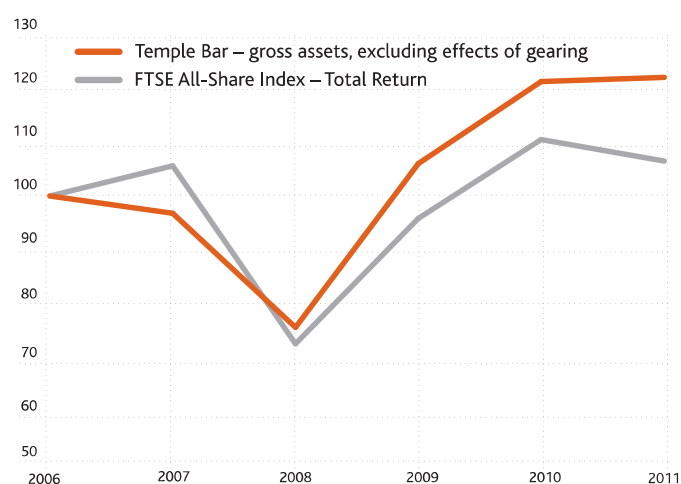
The approach to stock selection and portfolio construction is driven by four core beliefs:

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 stock prices 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 2011 the net asset value total return of the Group was -0.5% compared with a total return of the Group's benchmark index of -3.5%. In addition, the graph below shows the ungeared investment performance over a five year period compared with the FTSE All-Share Index. The Chairman's Statement on pages 4 to 5 and the Manager's Report on pages 7 to 11 include a review of developments during the year together with information on investment activity within the Group's portfolio and an assessment of future developments.

Ungeared 5 year performance



Key performance indicators

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

- Net asset value total return relative to the FTSE All-Share Index
- Performance attribution
- Discount on net asset value
- Earnings and dividends per share
- Total expense ratio

While some elements of performance against KPIs are beyond management control they provide measures of the Group'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 Group's portfolio the Board monitors the net asset value in relation to the FTSE All-Share Index. During the year the net asset value total return of the Group was -0.5% compared with a total return of -3.5% by the FTSE All-Share Index.

Report of the directors continued

Discount on net asset value

The Board monitors the premium/discount at which the Group's shares trade in relation to the assets. During the year the shares traded at an average premium to NAV of 3.8%. This compares with an average discount of 0.9% in the previous year. The Board and Manager closely monitor both movements in the Group'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. Regular demand generated by monthly investment in the Savings Scheme and the use of marketing and promotional activity also assist in keeping the discount at an acceptable level.

Earnings and dividend per share

It remains the directors' intention to distribute over time by way of dividends substantially all of the Group's net revenue income after expenses and taxation. 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 21.23p per ordinary share which brings the total for the year to 35.23p per ordinary share, an increase of 3.0%. This will be the 28th consecutive year in which the Group has increased the overall level of its dividend payment.

Total expense ratio ('TER')

The TER is an expression of the Group's management fees and all other operating expenses (including tax relief where allowable but excluding interest payments) as a percentage of average month-end net assets over the year. The TER for the year ended 31 December 2011 was 0.44% (2010: 0.44%). The Board reviews each year a comparison of the Group's TER with those of its peers. At the present time the Group has one of the lowest TERs in the growth and income sector of investment trust companies.

Principal risks and uncertainties

With the assistance of the Manager the Board has drawn up a risk matrix which identifies the key risks to the Group. 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

An inappropriate investment strategy on matters such as asset allocation or the level of gearing may lead to underperformance against the Group's benchmark index or peer companies, resulting in the Group'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 and accurate 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 one being in September 2010.

Income risk – dividends

Generating the necessary level of income from portfolio investments to meet the Group'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 2011 the Group had distributable revenue reserves of £30.163 million before declaration of the final dividend for 2011 of £12.675 million.

Share price risk

The Group's share price and discount to NAV are monitored by the Manager and considered by the Board at each meeting. Some short-term influences over the discount may be exercised by the use of share repurchases at acceptable prices; however, market sentiment is beyond the absolute control of the Manager and Board.

Report of the directors continued

Accounting, legal & regulatory

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

The Group 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 Group being fined or subject to criminal proceedings. Breach of the UKLA Listing Rules could result in the Group'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 Group's compliance with corporate governance best practice including information on relations with shareholders, are set out in the corporate governance report on pages 23 to 25 which forms part of this directors' report.

Control systems risk

Disruption to, or failure of, IAM's accounting, dealing or payments systems or the custodian's records could prevent accurate reporting and monitoring of the Group's financial position or adversely impact the ability to trade. Details of how the Board monitors the services provided by IAM and its associates and the key elements designed to provide effective internal control are included within the internal control section of the corporate governance report on pages 23 to 25.

Other risks

Other risks to which the Group is exposed and which form part of the market risks referred to above are included in note 24 to the financial statements together with summaries of the policies for managing these risks. These comprise; market price risk, interest rate risk, liquidity risk, credit risk and currency risk.

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

ORDINARY DIVIDENDS

An interim dividend of 14.0p per ordinary share was paid on 30 September 2011 (2010: 10.50p) and the directors are recommending a final dividend of 21.23p per ordinary share (2010: 23.7p), a total for the year of 35.23p (2010: 34.2p). Subject to shareholders' approval, the final dividend will be paid on 30 March 2012 to shareholders on the register on 16 March 2012. The dividends paid in the last two years are as follows.

| | Interim | Final | Total |
|------|---------|--------|--------|
| 2010 | 10.50p | 23.70p | 34.20p |
| 2011 | 14.00p | 21.23p | 35.23p |

ISAs

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

SHARE CAPITAL

During August 2011, 740,000 ordinary shares of 25p were allotted fully paid for a total consideration of £6.1 million at prices representing a premium to the prevailing net asset value.

Section 992 of the Companies Act 2006

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

Capital Structure

The Group's capital structure is summarised on page 41.

Voting Rights in the Group's Shares

The voting rights at 31 December 2011 were:

| Share class | Number of shares issued | Voting rights per share | Total voting rights |
|-----------------------------|-------------------------|-------------------------|---------------------|
| Ordinary shares of 25p each | 59,701,367 | 1 | 59,701,367 |

As at 22 February 2012, the share capital of the Group and total voting rights was 59,701,367. Deadlines for the exercise of voting rights and details of arrangements by which someone other than the registered shareholder can exercise voting rights are detailed in the Notes to the Notice of Meeting on page 47. The Company's ordinary shares have a premium listing on the London Stock Exchange.

Report of the directors continued

DIRECTORS

The directors of the Group during the year were as stated below and their interests in the ordinary share capital of the Group are as follows. Each of the directors held office throughout the year except Mr Copple who was appointed on 3 February 2011.

| | 31 December 2011 | 1 January 2011 |
|---------------|---------------------|-------------------|
| A T Copple | 6,250 | —* |
| J F de Moller | 6,051 | 5,136 |
| R W Jewson | 7,654 | 7,065 |
| J Reeve | 46,580 | 43,362 |
| M R Riley | 15,000 | 15,000 |
| D G C Webster | 3,601 | 3,451 |

*as at date of appointment

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

On 11 January 2012 Mr Reeve acquired a further 112 ordinary shares in the Group through his regular monthly saving in an ISA and on 10 February 2012 he acquired a further 110 ordinary shares. On 23 January 2012 Mr Copple, Mr Jewson and Mrs de Moller acquired a further 554, 28 and 56 ordinary shares respectively in the Group 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 2011 and 22 February 2012.

No other person was a director during any part of the year.

All the directors will be retiring in compliance with the provisions of the AIC Code. Each of the directors 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 Group is or was interested and which are or were significant in relation to the Group's business. No director has a service contract with the Group.

PAYMENT OF SUPPLIERS

The Group's policy is to obtain the best possible terms of payment from suppliers for all forms of business. All terms agreed with suppliers have been complied with during the year. There were no trade creditors at the year-end (2010: nil).

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2011 and 22 February 2012 the following had indicated an interest in 3% or more of the issued ordinary shares of the Group.

| | % |
|---------------------------|------|
| Brewin Dolphin Limited | 5.01 |
| Legal & General Group plc | 3.98 |
| AXA SA | 3.12 |

MANAGEMENT CONTRACT

The Group has a management agreement with IAM for the provision of investment management, secretarial, accounting and administrative services. The agreement is subject to one year's notice of termination by either party.

IAM receives an investment management fee of 0.35% per annum, payable quarterly, based on the value of the investments (including cash) of the Group. Investments in funds managed by the Investec Group are wholly excluded from this charge.

The investment management fee charged for the year ended 31 December 2011 amounted to £2,040,000 (2010: £1,938,000).

IAM's performance under the contract and the contract terms are reviewed at least annually. This covers, inter alia, the performance of the Manager, their 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 good investment returns over a longer term. The Group's performance over three and five year periods relative to both its benchmark and its peer group has been excellent. 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.

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 Group's auditor is aware of that information.

AUDITOR

A resolution to re-appoint Ernst & Young LLP as auditor to the Group will be proposed at the Annual General Meeting ('AGM') on 26 March 2012.

Report of the directors continued

ANNUAL GENERAL MEETING

The notice of the Annual General Meeting of the Company to be held on 26 March 2012 is on pages 45 to 48. In addition to the ordinary business three resolutions 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 £1,492,534 of relevant securities in the Group (equivalent to 5,970,136 ordinary shares of 25p each, representing 10.0% of its ordinary shares in issue as at 22 February 2012).

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 £1,492,534 (equivalent to 5,970,136 ordinary shares of 25p each or 10.0% of the Group's existing issued ordinary share capital).

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

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

The appropriate resolutions are set out in the Notice of Meeting on page 45.

Directors' authority to purchase the Group's own shares

The directors consider it desirable to give the Group 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 Group. The purchase of ordinary shares is intended to reduce the discount at which ordinary shares trade in the market through the Group becoming a new source of demand for ordinary shares. The rules of the UK Listing Authority provide that the maximum price which can be paid by the Group is 5% above the average of the market value of the ordinary shares for the five business days before the purchase is made.

It is expected that any shares bought back pursuant to this authority will be cancelled rather than being held in Treasury. The appropriate resolution is set out in the Notice of Meeting on page 45.

Recommendation

The Board considers the resolutions to be proposed at the AGM to be in the best interests of the Group 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 85,996 ordinary shares.

By order of the Board of Directors

M K Slade

For Investec Asset Management Limited

Secretary

22 February 2012

Report on directors' remuneration

This report has been prepared in accordance with Section 421 of the Companies Act 2006 in respect of the year ended 31 December 2011. An ordinary resolution will be proposed at the AGM to approve this report, but the directors' remuneration is not conditional upon the resolution being passed. The law requires the Group'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 27.

The Group 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. In effect, therefore, the Board as a whole fulfils the function of a remuneration committee. The Group's Articles of Association currently state that the Board shall determine the rate at which directors shall be paid, provided that the aggregate of all such fees shall not exceed £250,000 p.a. This does not include any sums paid to directors that are not classed as remuneration, e.g. expense reimbursements. The limit on the aggregate amount of directors' fees paid is subject to the approval of shareholders by an ordinary resolution.

POLICY ON DIRECTORS' REMUNERATION

The level of directors' fees is determined with reference to a review of the remuneration paid to the directors of a range of other investment trusts, comparable in terms of both size and investment characteristics. The Manager of the Group compiles such analysis as part of the management and secretarial services provided to the Group. No other external advice is taken in considering such fees. It is expected that the level of directors' fees will continue to be assessed on this basis in forthcoming years.

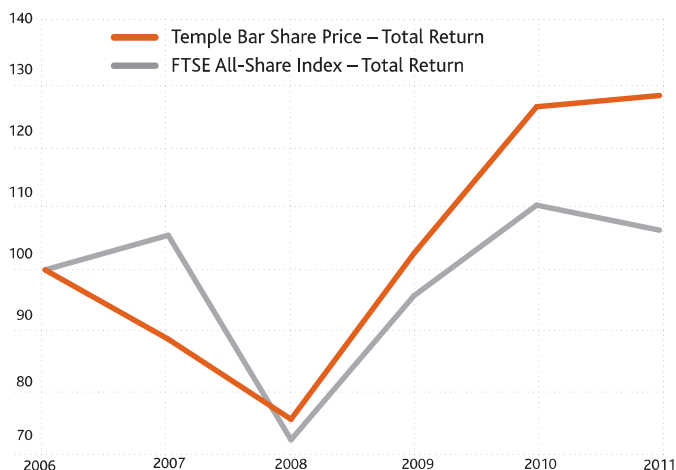
Following the most recent review the Board concluded that the remuneration be increased by 5.1% to £31,000 p.a. for the Chairman and by 5.0% to £21,000 p.a. for the other directors with effect from 1 January 2012. In addition, the Chairman of the Audit Committee, currently Mr Jewson, will receive an annual remuneration of £23,600, an increase of 4.9%.

PERFORMANCE GRAPH

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

Share price total return

Source: Datastream



DIRECTORS' EMOLUMENTS

The fee level for directors is shown below. There is no performance related fee. There is a formal letter of appointment for each director.

Directors are initially appointed until the following AGM when, under the Group's Articles of Association, it is required that they are offered for re-election by shareholders. Thereafter, a director's continuing appointment is subject to annual re-election by shareholders.

| Director | Audited | |
|----------------|----------------|----------------|
| | 2011 £ | 2010 £ |
| John Reeve | 29,500 | 28,500 |
| Arthur Copple | 18,051 | – |
| June de Moller | 20,000 | 19,350 |
| Richard Jewson | 22,500 | 21,650 |
| Martin Riley | 20,000 | 19,350 |
| Field Walton | – | 4,750 |
| David Webster | 20,000 | 19,350 |
| | 130,051 | 112,950 |

The fees disclosed above exclude employers' national insurance contributions and VAT where applicable.

No director received any other benefits (2010: Nil).

By order of the Board of Directors

M K Slade

For Investec Asset Management Limited

Secretary

22 February 2012

Corporate governance

APPLICATION OF AIC CODE PRINCIPLES

The Board attaches great importance to ensuring that the Group operates to high ethical and compliance standards. In addition, the Board seeks to observe the principles set out in the AIC Code of Corporate Governance, established specifically for investment trust companies and endorsed by the Financial Reporting Council. By following the Code, the Group continues to meet its obligations in relation to the FRC's UK Corporate Governance Code.

The Code provides a guide to best practice in certain areas of governance where the specific characteristics of investment trusts suggest that alternative approaches to those set out in the UK Corporate Governance Code may be preferable.

COMPLIANCE WITH THE PRINCIPLES OF THE AIC CODE OF CORPORATE GOVERNANCE

Operation of the Board

Each of the directors is independent of any association with the Manager which might interfere with the exercise of independent judgement. There is a formal schedule of matters to be specifically approved by the Board and individual directors may seek independent advice at the expense of the Group within certain limits. The Board has delegated the investment management, within clearly defined parameters and dealing limits, and the administration of the business to Investec Asset Management Limited ('IAM'). The Board makes all strategic decisions, reviews the performance of the Group at Board meetings and sets the objectives for the Manager. The directors have a range of business and financial skills or experience relevant to the direction of the Group. Mr R W Jewson is the Senior Independent Director.

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

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

There were seven Board meetings, two audit committee meetings and one nomination committee meeting 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 | 1 |
| Arthur Copple* | 6 | 2 | — |
| June de Moller | 7 | 2 | 1 |
| Richard Jewson | 7 | 2 | 1 |
| Martin Riley | 7 | 2 | 1 |
| David Webster | 5 | 2 | 1 |

* appointed 3 February 2011

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. Two of the six directors (Mr Reeve and Mr Jewson) have served on the Board for more than nine years from the date of their first election, but given the nature of the Group as an investment trust and the strongly independent mindset 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.

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 Group 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.

Corporate governance continued

Audit committee

The audit committee is a formally constituted committee of the Board with defined terms of reference which are available for inspection at the AGM and can be inspected at the registered office of the Group. It normally meets twice yearly and among its specific responsibilities are a review of the audit plan for the year, the review of the Group's annual and half yearly results, together with associated documentation, and the review of the internal and financial controls applicable to the management company. The Committee also reviews the cost effectiveness, independence and objectivity of the auditor with particular regard to non-audit fees, of which there were none in either the current or prior financial years. All of the directors are members of the audit committee and the Chairman is Mr Jewson. The Board believes that it is appropriate for the Company Chairman to be a member of the audit committee as it is important for him to be conversant with the detailed discussion related to the annual and interim report processes, including his own Statements to shareholders. The Board is satisfied that members of the audit committee have relevant and recent financial experience to fulfil their role effectively. The auditor, who the Board has identified as being independent, is invited to attend the audit committee meeting at which the annual accounts are considered and any other meetings that the committee deems necessary.

Nomination committee

A nomination committee 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. During the year the committee initiated a search for an additional director, having identified the skills and experience that would strengthen the Board and after taking account of the benefits of diversity on the Board. The committee considered several high quality candidates and identified Mr Arthur Copple as the preferred candidate due to his extensive investment experience. He was appointed to the Board on 3 February 2011. Given the quality of the candidates considered it was not felt necessary to appoint external search consultants or use open advertising on this occasion though independent advice and recommendations were sought.

The committee is also responsible for assessing the individual performance of directors and for making recommendations as to whether they should remain in office. This committee is chaired by Mr Reeve.

Management engagement committee

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

Board/audit committee/nomination committee/director ongoing evaluation

On an annual basis the Board formally reviews its performance, together with that of the audit and nomination committees and the effectiveness and contribution of the individual directors, including the Chairman, within the context of service on those bodies. The review encompasses an assessment of how cohesively these bodies work as a whole as well as the performance of the individuals within them. On the basis of these reviews the Board has concluded that it has a proper balance of skills and is operating effectively.

Relations with shareholders

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

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

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. A separate resolution will be proposed at the AGM in respect of each substantially separate issue. Following the formal AGM proceedings the Manager makes a presentation to the meeting outlining the key investment issues that face the Group.

Accountability, internal controls and audit

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

The directors are responsible for the Group'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 Group's affairs in compliance with the legal and regulatory obligations which apply to the Group and to report on the systems and procedures within IAM 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

Corporate governance continued

information to enable it to monitor adequately the investment performance and status of the business.

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

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

The Board receives reports from its advisers on internal control matters and does not believe that there is scope or necessity for an internal audit function in addition to that employed by the Manager. Based on the foregoing the Group 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 and is regularly reviewed by the Board in accordance with the Turnbull Guidance and the UK Corporate Governance Code.

Stewardship/engagement

The Manager recognises its wider stewardship responsibilities to its clients as a major asset owner. To this end, it supports the introduction of 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 IAM'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.

Statement of directors' responsibilities

in respect of the financial statements

The directors are responsible for preparing the Report of the Directors 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 Group and of the profit or loss of the Group 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 them 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 Group 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 Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group 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 Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for ensuring that the Manager's Report includes a fair review of the development and performance of the business and the position of the Group and its undertakings, together with a description of the principal risks and uncertainties that they face.

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 Group; and
- the Report of the Directors includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that the Group faces.

On behalf of the Board

John Reeve

Chairman

22 February 2012

Independent auditor's report

to the members of Temple Bar Investment Trust PLC

We have audited the financial statements of Temple Bar Investment Trust PLC for the year ended 31 December 2011 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity, the Company Statement of Changes in Equity, the Consolidated Statement of Financial Position, the Company Statement of Financial Position, the Consolidated and Company Statement of Cash Flows and the related notes 1 to 24. 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 and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Group'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 Group'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 Group and the Group's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 26, 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 ('APB') Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the Parent 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 and Accounts to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs

as at 31 December 2011 and of the Group's loss for the year then ended;

- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

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

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

Under the Listing Rules we are required to review:

- the directors' statement, set out on page 16, in relation to going concern;
- the part of the Corporate Governance Statement on pages 23 to 25 relating to the Group's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to shareholders by the Board on directors' remuneration.

Caroline Gulliver (Senior statutory auditor)
for and on behalf of
Ernst & Young LLP, Statutory Auditor
London
22 February 2012

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2011

| | Notes | 2011 | | | 2010 | | |
|--|-------|------------------------|------------------------|----------------|------------------------|------------------------|---------------|
| | | Revenue return £000 | Capital return £000 | Total £000 | Revenue return £000 | Capital return £000 | Total £000 |
| Investment income | 5 | 25,640 | – | 25,640 | 22,030 | – | 22,030 |
| Other operating income | 5 | 79 | – | 79 | 26 | – | 26 |
| | | 25,719 | – | 25,719 | 22,056 | – | 22,056 |
| (Losses)/gains on investments | | | | | | | |
| (Losses)/gains on investments held at fair value through profit and loss | 13(b) | – | (19,776) | (19,776) | – | 55,254 | 55,254 |
| Total income/(loss) | | 25,719 | (19,776) | 5,943 | 22,056 | 55,254 | 77,310 |
| Expenses | | | | | | | |
| Management fees | 7 | (816) | (1,224) | (2,040) | (776) | (1,162) | (1,938) |
| Other expenses | 8 | (527) | (569) | (1,096) | (534) | (473) | (1,007) |
| Profit before finance costs and tax | | 24,376 | (21,569) | 2,807 | 20,746 | 53,619 | 74,365 |
| Finance costs | 9 | (1,824) | (2,753) | (4,577) | (1,831) | (2,746) | (4,577) |
| (Loss)/profit before tax | | 22,552 | (24,322) | (1,770) | 18,915 | 50,873 | 69,788 |
| Tax | 10 | – | – | – | – | – | – |
| (Loss)/profit for the year | | 22,552 | (24,322) | (1,770) | 18,915 | 50,873 | 69,788 |
| Earnings/(loss) per share (basic and diluted) | 12 | 38.08p | (41.07)p | (2.99)p | 32.08p | 86.28p | 118.36p |

The total column of this statement represents the Consolidated 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.

There are no minority interests.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2011

| | Notes | Ordinary share capital £000 | Share premium account £000 | Capital reserves £000 | Retained earnings £000 | Total equity £000 |
|--|-------|-----------------------------------|----------------------------------|--------------------------|---------------------------|----------------------|
| Balance at 1 January 2010 | | 14,740 | 8,507 | 435,959 | 30,782 | 489,988 |
| Changes in equity for 2010 | | | | | | |
| Profit for the year | | – | – | 50,873 | 18,915 | 69,788 |
| Dividends paid to equity shareholders | 11 | – | – | – | (19,754) | (19,754) |
| Balance at 31 December 2010 | | 14,740 | 8,507 | 486,832 | 29,943 | 540,022 |
| Changes in equity for 2011 | | | | | | |
| Loss for the year | | – | – | (24,322) | 22,552 | (1,770) |
| Issue of share capital | | 185 | 5,935 | – | – | 6,120 |
| Dividends paid to equity shareholders | 11 | – | – | – | (22,332) | (22,332) |
| Balance at 31 December 2011 | | 14,925 | 14,442 | 462,510 | 30,163 | 522,040 |

Company Statement of Changes in Equity

for the year ended 31 December 2011

| | Notes | Ordinary share capital £000 | Share premium account £000 | Capital reserves £000 | Retained earnings £000 | Total equity £000 |
|--|-------|-----------------------------------|----------------------------------|--------------------------|---------------------------|----------------------|
| Balance at 1 January 2010 | | 14,740 | 8,507 | 435,959 | 30,403 | 489,609 |
| Changes in equity for 2010 | | | | | | |
| Profit for the year | | – | – | 50,873 | 18,915 | 69,788 |
| Dividends paid to equity shareholders | 11 | – | – | – | (19,754) | (19,754) |
| Balance at 31 December 2010 | | 14,740 | 8,507 | 486,832 | 29,564 | 539,643 |
| Changes in equity for 2011 | | | | | | |
| Loss for the year | | – | – | (24,322) | 22,552 | (1,770) |
| Issue of share capital | | 185 | 5,935 | – | – | 6,120 |
| Dividends paid to equity shareholders | 11 | – | – | – | (22,332) | (22,332) |
| Balance at 31 December 2011 | | 14,925 | 14,442 | 462,510 | 29,784 | 521,661 |

Consolidated Statement of Financial Position

as at 31 December 2011

| | Notes | 31 December 2011 | | 31 December 2010 | |
|---|-------|------------------|-----------------|------------------|----------|
| | | £000 | £000 | £000 | £000 |
| Non-current assets | | | | | |
| Investments held at fair value through profit or loss | 13(a) | | 578,048 | | 599,878 |
| | | | 578,048 | | 599,878 |
| Current assets | | | | | |
| Other receivables | 15 | 4,634 | | 3,202 | |
| Cash and cash equivalents | | 3,883 | | 1,974 | |
| | | | 8,517 | | 5,176 |
| Total assets | | | 586,565 | | 605,054 |
| Current liabilities | | | | | |
| Other payables | 16 | | (1,085) | | (1,610) |
| Total assets less current liabilities | | | 585,480 | | 603,444 |
| Non-current liabilities | | | | | |
| Interest bearing borrowings | 17 | | (63,440) | | (63,422) |
| Net assets | | | 522,040 | | 540,022 |
| Equity attributable to equity holders | | | | | |
| Ordinary share capital | 18 | 14,925 | | 14,740 | |
| Share premium | 19 | 14,442 | | 8,507 | |
| Capital reserves | 20 | 462,510 | | 486,832 | |
| Retained earnings | 20 | 30,163 | | 29,943 | |
| | | | 522,040 | | 540,022 |
| Total equity | | | 522,040 | | 540,022 |
| Net asset value per share | 22 | | 874.42p | | 915.89p |

The financial statements on pages 28 to 44 were approved by the board of directors and authorised for issue on 22 February 2012. They were signed on its behalf by:

J Reeve
Chairman

Company Statement of Financial Position

as at 31 December 2011

| | Notes | 31 December 2011 | | 31 December 2010 | |
|---|-------|------------------|-----------------|------------------|----------|
| | | £000 | £000 | £000 | £000 |
| Non-current assets | | | | | |
| Investments held at fair value through profit or loss | 13(a) | | 578,048 | | 599,878 |
| Investment in subsidiary company | 14 | | 50 | | 50 |
| | | | 578,098 | | 599,928 |
| Current assets | | | | | |
| Other receivables | 15 | 4,640 | | 3,208 | |
| Cash and cash equivalents | | 3,883 | | 1,974 | |
| | | | 8,523 | | 5,182 |
| Total assets | | | 586,621 | | 605,110 |
| Current liabilities | | | | | |
| Other payables | 16 | | (1,520) | | (2,045) |
| Total assets less current liabilities | | | 585,101 | | 603,065 |
| Non-current liabilities | | | | | |
| Interest bearing borrowings | 17 | | (63,440) | | (63,422) |
| Net assets | | | 521,661 | | 539,643 |
| Equity attributable to equity holders | | | | | |
| Ordinary share capital | 18 | 14,925 | | 14,740 | |
| Share premium | 19 | 14,442 | | 8,507 | |
| Capital reserves | 20 | 462,510 | | 486,832 | |
| Retained earnings | 20 | 29,784 | | 29,564 | |
| | | | 521,661 | | 539,643 |
| Total equity | | | 521,661 | | 539,643 |

The financial statements on pages 28 to 44 were approved by the board of directors and authorised for issue on 22 February 2012. They were signed on its behalf by:

J Reeve
Chairman

Consolidated and Company Statement of Cash Flows

for the year ended 31 December 2011

| | Notes | 2011 | | 2010 | |
|---|-------|-----------|-----------------|----------|-----------------|
| | | £000 | £000 | £000 | £000 |
| Cash flows from operating activities | | | | | |
| (Loss)/profit before tax | | | (1,770) | | 69,788 |
| Adjustments for: | | | | | |
| Purchases of investments ¹ | | (162,877) | | (97,611) | |
| Sales of investments ¹ | | 163,921 | | 95,608 | |
| Loss/(gains) on investments | | | 1,044 | | (2,003) |
| Financing costs | 9 | | 19,776 | | (55,254) |
| | | | 4,577 | | 4,577 |
| Operating cash flows before movements in working capital | | | 23,627 | | 17,108 |
| (Increase)/decrease in accrued income and prepayments | | | (4) | | 257 |
| (Increase)/decrease in receivables | | | (1,428) | | 3 |
| Increase in payables | | | 485 | | 20 |
| Net cash flows from operating activities before and after income tax | | | 22,680 | | 17,388 |
| Cash flows from financing activities | | | | | |
| Proceeds from issue of new shares | | | 6,120 | | – |
| Interest paid on borrowings | | | (4,559) | | (4,559) |
| Equity dividends paid | 11 | | (22,332) | | (19,754) |
| Net cash used in financing activities | | | (20,771) | | (24,313) |
| Net increase/(decrease) in cash and cash equivalents | | | 1,909 | | (6,925) |
| Cash and cash equivalents at the start of the year | | | 1,974 | | 8,899 |
| Cash and cash equivalents at the end of the year | | | 3,883 | | 1,974 |

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

Notes to the Consolidated Financial Statements

1 PRINCIPAL ACCOUNTING POLICIES

Basis of accounting

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

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

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Group and entities controlled by the Group (its subsidiaries) made up to 31 December each year. Control is achieved where the Group has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Presentation of Consolidated 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 Consolidated Statement of Comprehensive Income between items of a revenue and capital nature has been presented alongside the Consolidated Statement of Comprehensive Income. In accordance with the Group's status as a UK investment company under Section 833 of the Companies Act 2006, net capital returns may not be distributed by way of dividend. Additionally, the net revenue is the measure the directors believe appropriate in assessing the Group's compliance with certain requirements set out in Section 1158 of the Corporation Tax Act 2010.

Income

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

Where the Group 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 Consolidated 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.

Foreign Currency

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

The primary objective of the Group is to generate returns in Pounds Sterling, its capital-raising currency. The liquidity of the Group is managed on a day-to-day basis in Sterling as the Group'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 Consolidated 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 Consolidated 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 Consolidated 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 Group.

Notes to the Consolidated Financial Statements continued

1 PRINCIPAL ACCOUNTING POLICIES CONTINUED

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on the taxable profit for the year. The taxable profit differs from profit before tax as reported in the Consolidated 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 Group'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 Consolidated 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 consolidated 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 income statement, 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.

Financial instruments

Financial assets and financial liabilities are recognised on the Group's Statement of Financial Position when the Group becomes a party to the contractual provisions of the instrument. The Group shall offset financial assets and financial liabilities if the Group 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 Group settles its obligations relating to the instrument.

Other receivables

Other 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 Group 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 Group after deducting all of its liabilities.

Interest bearing borrowings

Interest bearing borrowings, being the debenture stocks issued by the Group, are initially recognised at cost, being 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 method.

Other payables

Other 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 debentures in issue is accrued at the effective interest rate. In accordance with the expected long-term division of returns, 40% of the interest for the year is charged to revenue, and the other 60% is charged to capital, net of any incremental corporation tax relief.

Notes to the Consolidated Financial Statements continued

1 PRINCIPAL ACCOUNTING POLICIES CONTINUED

Investment in subsidiaries

Investments in subsidiaries are recorded at cost less any provision for impairment.

Cash and cash equivalents

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

The carrying value of these assets approximates their fair value.

2 COMPANY STATEMENT OF COMPREHENSIVE INCOME

The Company has taken advantage of the exemption from presenting its own Statement of Comprehensive Income provided by Section 408 of the Companies Act 2006.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group'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.

4 STANDARDS, INTERPRETATIONS AND AMENDMENTS ISSUED BUT NOT YET EFFECTIVE

Standards issued but not yet effective at the date of issuance of the Group's financial statements are listed below.

IAS/IFRS

IFRS 7 – (Amendment) Disclosures – Transfer of Financial Assets 1 July 2011

IFRS 9 – Financial Instruments 1 January 2015

IFRS 10 – Consolidated Financial Statements 1 January 2013

IFRS 12 – Disclosure of Interests in Other Entities 1 January 2013

IFRS 13 – Fair Value Measurements 1 January 2013

IAS 1 – (Amendment) Presentation of Items of Other Comprehensive Income 1 July 2012

IAS 12 – (Amendment) Deferred Tax – Recovery of Underlying Assets 1 January 2012

IAS 27 – Separate Financial Statements 1 January 2013

*The effective dates stated are those given in the original IASB standards and interpretations.

The Directors anticipate that the adoption of the above Standards and interpretations in future periods will have no material impact on the financial statements of the Group. The Group intends to adopt the Standards in the reporting period when they become effective.

Notes to the Consolidated Financial Statements continued

5 INCOME

| | 2011 £000 | 2010 £000 |
|---|---------------|--------------|
| Income from investments | | |
| UK dividends | 18,677 | 16,756 |
| Overseas dividends | 2,382 | 786 |
| Interest from fixed interest securities | 4,581 | 4,488 |
| | 25,640 | 22,030 |
| Other income | | |
| Deposit interest | 79 | 26 |
| | 79 | 26 |
| Total income | 25,719 | 22,056 |
| Investment income comprises: | | |
| Listed investments | 25,640 | 22,030 |
| Unlisted investments | – | – |
| | 25,640 | 22,030 |

6 SEGMENTAL REPORTING

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

7 INVESTMENT MANAGEMENT FEE

| | 2011 | | | 2010 | | |
|---------------------------|------------------------|------------------------|---------------|------------------------|------------------------|---------------|
| | Revenue return £000 | Capital return £000 | Total £000 | Revenue return £000 | Capital return £000 | Total £000 |
| Investment management fee | 816 | 1,224 | 2,040 | 776 | 1,162 | 1,938 |
| | 816 | 1,224 | 2,040 | 776 | 1,162 | 1,938 |

As at 31 December 2011 an amount of £510,000 (2010: £525,000) was payable to the Manager in relation to the management fees for the quarter ended 31 December 2011.

Details of the terms of the investment management agreement are provided on page 20.

Notes to the Consolidated Financial Statements continued

8 OTHER EXPENSES

| | 2011 | | | 2010 | | |
|--|------------------------|------------------------|---------------|------------------------|------------------------|---------------|
| | Revenue return £000 | Capital return £000 | Total £000 | Revenue return £000 | Capital return £000 | Total £000 |
| Transaction costs on fair value through profit or loss assets ¹ | – | 569 | 569 | – | 473 | 473 |
| Directors' fees (see Report on Directors' Remuneration on page 22) | 141 | – | 141 | 125 | – | 125 |
| Registrars' fees | 120 | – | 120 | 123 | – | 123 |
| AIC membership costs | 30 | – | 30 | 36 | – | 36 |
| Advertising & marketing costs | 8 | – | 8 | 87 | – | 87 |
| Printing & postage | 72 | – | 72 | 41 | – | 41 |
| Directors' liability insurance | 21 | – | 21 | 21 | – | 21 |
| Auditor's remuneration – annual audit ² | 25 | – | 25 | 24 | – | 24 |
| Stock exchange fees | 13 | – | 13 | 7 | – | 7 |
| Safe custody fees | 17 | – | 17 | 13 | – | 13 |
| Other expenses | 80 | – | 80 | 57 | – | 57 |
| | 527 | 569 | 1,096 | 534 | 473 | 1,007 |

All expenses are inclusive of VAT where applicable.

¹ Transaction costs on fair value through profit or loss assets represent such costs incurred on both the purchase and sale of those assets. Transaction costs on purchases amounted to £460,000 (2010: £399,000) and on sales amounted to £109,000 (2010: £74,000).

² During the year there were no non-audit fees paid to the Auditor.

9 FINANCE COSTS

| | 2011 | | | 2010 | | |
|-------------------------------|------------------------|------------------------|---------------|------------------------|------------------------|---------------|
| | Revenue return £000 | Capital return £000 | Total £000 | Revenue return £000 | Capital return £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 | 843 | 1,265 | 2,108 |
| | 1,824 | 2,753 | 4,577 | 1,831 | 2,746 | 4,577 |

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

Notes to the Consolidated Financial Statements continued

10 TAXATION

(a) There is no corporation tax payable (2010: nil).

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

| | 2011 | | | 2010 | | |
|---|------------------------|------------------------|---------------|------------------------|------------------------|---------------|
| | Revenue return £000 | Capital return £000 | Total £000 | Revenue return £000 | Capital return £000 | Total £000 |
| Profit before taxation | 22,552 | (24,322) | (1,770) | 18,915 | 50,873 | 69,788 |
| Tax at UK corporation tax rate of 26.5% (2010: 28%) | 5,974 | (6,443) | (469) | 5,296 | 14,244 | 19,540 |
| Tax effects of: | | | | | | |
| Non-taxable gains on investments | – | 5,394 | 5,394 | – | (15,339) | (15,339) |
| Income not chargeable to tax: | | | | | | |
| UK and overseas dividends ¹ | (5,430) | – | (5,430) | (4,671) | – | (4,671) |
| Movement in excess management expenses ² | (544) | 1,049 | 505 | (625) | 1,095 | 470 |
| Tax expense for the year | – | – | – | – | – | – |

¹ Investment trusts are not subject to corporation tax on these items.

² The Group has not recognised a deferred tax asset of £13,176,000 (2010: £13,418,000) arising as a result of having unutilised management expenses since, under current tax legislation, it is unlikely that the Group will obtain any benefit for the asset.

11 DIVIDENDS

| | 2011 £000 | 2010 £000 |
|--|---------------|--------------|
| Amounts recognised as distributions to equity holders in the year | | |
| Final dividend for the year ended 31 December 2010 of 23.70p (2009: 23.0p) per share | 13,974 | 13,564 |
| Interim dividend for the year ended 31 December 2011 of 14.0p (2010: 10.50p) per share | 8,358 | 6,190 |
| | 22,332 | 19,754 |
| Proposed final dividend for the year ended 31 December 2011 of 21.23p (2010: 23.70p) per share | 12,675 | 13,974 |

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

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

| | 2011 £000 | 2010 £000 |
|--|---------------|--------------|
| Interim dividend for the year ended 31 December 2011 of 14.0p (2010: 10.50p) per share | 8,358 | 6,190 |
| Proposed final dividend for the year ended 31 December 2011 of 21.23p (2010: 23.70p) per share | 12,675 | 13,974 |
| | 21,033 | 20,164 |

12 EARNINGS/(LOSS) PER SHARE

| | 2011 | | | 2010 | | |
|------------------------------------|-------------------------|-------------------------|----------------|-------------------------|-------------------------|----------------|
| | Revenue return Pence | Capital return Pence | Total Pence | Revenue return Pence | Capital return Pence | Total Pence |
| Earnings/(loss) per ordinary share | 38.08 | (41.07) | (2.99) | 32.08 | 86.28 | 118.36 |

The calculation of the above is based on revenue returns of £22,552,000 (2010: £18,915,000), capital returns of £(24,322,000) (2010: £50,873,000) and total returns of £(1,770,000) (2010: £69,788,000) and a weighted average number of ordinary shares of 59,224,928 (2010: 58,961,367).

Notes to the Consolidated Financial Statements continued

13 INVESTMENTS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS – Group and Company

| | 2011 £000 | 2010 £000 |
|---|--------------|--------------|
| (a) Movements in the year | | |
| Opening cost at 1 January | 467,450 | 459,747 |
| Investment holding gains at 1 January | 132,428 | 81,864 |
| Opening fair value | 599,878 | 541,611 |
| Purchases at cost | 161,867 | 98,621 |
| Sales – proceeds | (163,921) | (95,608) |
| – realised gain on sales | 16,215 | 4,692 |
| (Decrease)/increase in investment holding gains | (35,991) | 50,562 |
| Closing fair value at 31 December | 578,048 | 599,878 |
| Closing cost at 31 December | 481,611 | 467,450 |
| Investment holding gains at 31 December | 96,437 | 132,428 |
| | 578,048 | 599,878 |
| (b) (Losses)/gains on investments | | |
| Gains on sales of investments | 16,215 | 4,692 |
| (Decrease)/increase in investment holding gains | (35,991) | 50,562 |
| | (19,776) | 55,254 |

All investments held by the Group and Company are listed.

(c) Fair value of financial instruments

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

- Level 1 – quoted prices in active markets for identical investments.
- Level 2 – other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment, credit risk, etc).
- Level 3 – significant unobservable inputs (including the Group's own assumptions in determining the fair value of investments). There are no level 3 investments (2010: £nil).

The following is a summary of the classifications used as at 31 December 2011 in valuing the Group's financial instruments:

| | 2011 | | | 2010 | | |
|--|-----------------|-----------------|---------------|-----------------|-----------------|---------------|
| | Level 1 £000 | Level 2 £000 | Total £000 | Level 1 £000 | Level 2 £000 | Total £000 |
| Financial assets | | | | | | |
| Other financial assets held for trading: | | | | | | |
| Quoted equities | 526,156 | – | 526,156 | 542,965 | – | 542,965 |
| Debt securities | 51,892 | – | 51,892 | 42,733 | – | 42,733 |
| Collective investment schemes | – | – | – | – | 14,180 | 14,180 |
| | 578,048 | – | 578,048 | 585,698 | 14,180 | 599,878 |

Notes to the Consolidated Financial Statements continued

14 SUBSIDIARY COMPANY

The cost of shares in the subsidiary company is £50,000 (2010: £50,000).

The subsidiary company, which is dormant and is wholly owned, incorporated and operating in Great Britain and registered in England and Wales is:

| | Holding | Cost £ |
|-------------------------------|-----------------------------------|--------|
| Temple Bar Securities Limited | 50,000 ordinary shares of £1 each | 50,000 |

15 OTHER RECEIVABLES

| | Group | | Company | |
|-----------------------------|--------------|--------------|--------------|--------------|
| | 2011 £000 | 2010 £000 | 2011 £000 | 2010 £000 |
| Due from subsidiary company | – | – | 6 | 6 |
| Accrued income | 4,589 | 3,161 | 4,589 | 3,161 |
| Other receivables | 45 | 41 | 45 | 41 |
| | 4,634 | 3,202 | 4,640 | 3,208 |

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

16 OTHER PAYABLES

| | Group | | Company | |
|---|--------------|--------------|--------------|--------------|
| | 2011 £000 | 2010 £000 | 2011 £000 | 2010 £000 |
| Purchases for future settlement | – | 1,010 | – | 1,010 |
| Accruals and deferred income | 1,085 | 600 | 1,085 | 600 |
| Amounts payable to subsidiary companies | – | – | 435 | 435 |
| | 1,085 | 1,610 | 1,520 | 2,045 |

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

17 NON-CURRENT LIABILITIES

| | Group | | Company | |
|--|---------------|---------------|---------------|---------------|
| | 2011 £000 | 2010 £000 | 2011 £000 | 2010 £000 |
| Interest bearing borrowings | | | | |
| Amounts payable in more than five years: | | | | |
| 9.875% Debenture stock 2017 | 25,000 | 25,000 | 25,000 | 25,000 |
| 5.5% Debenture stock 2021 | 38,440 | 38,422 | 38,440 | 38,422 |
| | 63,440 | 63,422 | 63,440 | 63,422 |

The 9.875% Debenture stock 2017 is secured by a floating charge over the assets of the Group. 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 Group. The stock is repayable at par on 8 March 2021.

Notes to the Consolidated Financial Statements continued

18 ORDINARY SHARE CAPITAL

| | 2011 Number | Shares 2010 Number | 2011 £ | 2010 £ |
|--|-------------------|--------------------------|-------------------|------------|
| Issued, allotted and fully paid | | | | |
| Ordinary shares of 25p each | 59,701,367 | 58,961,367 | 14,925,328 | 14,740,342 |

740,000 shares were issued during the year for a total consideration of £6,119,800 at a premium to the prevailing net asset value due to investor demand (2010: nil).

19 SHARE PREMIUM

| | 2011 £000 | Group 2010 £000 | 2011 £000 | Company 2010 £000 |
|--|---------------|-----------------------|---------------|-------------------------|
| Group and Company | | | | |
| Balance at 1 January 2011 | 8,507 | 8,507 | 8,507 | 8,507 |
| Premium arising on issue of new shares | 5,935 | – | 5,935 | – |
| Balance at 31 December 2011 | 14,442 | 8,507 | 14,442 | 8,507 |

20 RETAINED EARNINGS AND CAPITAL RESERVES

| | Retained earnings | | Capital reserves | |
|---|-------------------|-----------------|------------------|-----------------|
| | Group £000 | Company £000 | Group £000 | Company £000 |
| Balance at 1 January 2011 | 29,943 | 29,564 | 486,832 | 486,832 |
| Dividends paid | (22,332) | (22,332) | – | – |
| Net loss for the year | (1,770) | (1,770) | – | – |
| | 5,841 | 5,462 | 486,832 | 486,832 |
| Transfer from retained earnings to capital reserves | 24,322 | 24,322 | (24,322) | (24,322) |
| Balance at 31 December 2011 | 30,163 | 29,784 | 462,510 | 462,510 |

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

| | 2011 | | 2010 | |
|---|----------------|-----------------|----------------|-----------------|
| | Group £000 | Company £000 | Group £000 | Company £000 |
| Capital reserves realised | 366,073 | 366,073 | 354,403 | 354,403 |
| Capital reserves – investment holding gains | 96,437 | 96,437 | 132,429 | 132,429 |
| | 462,510 | 462,510 | 486,832 | 486,832 |

21 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

There were no contingent liabilities or capital commitments for the Company and the Group (2010: £nil).

22 NET ASSET VALUES

| | Net asset value per ordinary share Pence | Net assets attributable £000 |
|-----------------------------|--|------------------------------------|
| Ordinary shares of 25p each | 874.42 | 522,040 |

The net asset value per ordinary share is based on net assets at the year-end of £522,040,000 (2010: £540,022,000) and on 59,701,367 (2010: 58,961,367) ordinary shares in issue at the year-end.

Notes to the Consolidated Financial Statements continued

23 RELATED PARTY TRANSACTIONS

IAS 24 'Related party disclosures' requires the disclosure of the details of material transactions between the Group 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 Group is or was interested and which are or were significant in relation to the Group's business. There were no other material transactions during the year with the directors of the Group.

Details of the management fees paid and payable to the Manager are set out in note 7. At 31 December 2011 the Group had an investment of £nil (2010: £14.2 million) in the Investec Sterling Liquidity Fund. No management fee was paid on this holding.

24 RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

The Group's investing activities undertaken in pursuit of its investment objective, as set out on page 16, involve certain inherent risks. The main risks arising from the Group'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 Group's business. It represents the potential loss the Group 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 Group's borrowings have the effect of increasing the risk faced by shareholders. This gearing effect is such that, for example, for a 10% movement in the valuation of the Group's investments, the net assets attributable to shareholders would move by approximately 11.1%.

Interest rate risk

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

Liquidity risk

The Group'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 Group's custodian bank is responsible for the collection of income on behalf of the Group. Cash is held either with reputable banks with high quality external credit enhancements or in liquidity/cash funds providing a spread of exposures to various underlying banks in order to diversify risk.

Notes to the Consolidated Financial Statements continued

24 RISK MANAGEMENT AND FINANCIAL INSTRUMENTS CONTINUED

Currency risk

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

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

The Group had the following currency exposures all of which are included in the Consolidated Statement of Financial Position at fair value based on the exchange rates ruling at the respective year-ends.

| 31 December 2011 | | | | | | |
|------------------|---------------------|--------------|---------------------|------------------|------------------------------------|---------------|
| | Investments £000 | Cash £000 | Receivables £000 | Payables £000 | Non-current liabilities £000 | Total £000 |
| Euro | 35,115 | 1 | – | – | – | 35,116 |
| US Dollar | 64,695 | 1 | 441 | – | – | 65,137 |
| Pounds Sterling | 478,238 | 3,881 | 4,193 | (1,085) | (63,440) | 421,787 |
| | 578,048 | 3,883 | 4,634 | (1,085) | (63,440) | 522,040 |

| 31 December 2010 | | | | | | |
|------------------|---------------------|--------------|-----------------|------------------|------------------------------------|---------------|
| | Investments £000 | Cash £000 | Debtors £000 | Payables £000 | Non-current liabilities £000 | Total £000 |
| Euro | 26,327 | 1 | – | – | – | 26,328 |
| US Dollar | 66,779 | – | – | – | – | 66,779 |
| Pounds Sterling | 506,772 | 1,973 | 3,202 | (1,610) | (63,422) | 446,915 |
| | 599,878 | 1,974 | 3,202 | (1,610) | (63,422) | 540,022 |

Foreign currency sensitivity

The Group hedges its currency risk against the Euro and US dollar through the use of forward currency contracts and therefore mitigates the currency risk. At 31 December 2010 the Group also hedged its risk against the Euro but the sensitivity to the US dollar was as follows based on an assumed +/-2% movement

| | £000 | £000 |
|-----------------------------------|-------|---------|
| Projected movement | +2% | -2% |
| Effect on net assets for the year | 1,336 | (1,309) |
| Effect on capital return | 616 | (604) |

Financial assets – Interest rate risk

The majority of the Group's financial assets are equity shares and other investments which neither pay interest nor have a maturity date with the exception of the Group's fixed interest holdings which have a market value of £51,892,000, representing 9.94% of net assets of £522,040,000 (2010: £42,733,000; 7.91%). The weighted average running yield as at 31 December 2011 was 6.4% (2010: 6.8%) and the weighted average remaining life was 6.2 years (2010: 4.4 years). The Group's cash balance of £3,883,000 (2010: £1,974,000) 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 £19,415 (2010: £9,870). 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 £19,415 (2010: negative £9,870). 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 Group's financial liabilities of £64,525,000 (2010: £65,032,000) are denominated in Sterling. All current liabilities have no interest rate and are repayable within one year. The 9.875% debenture stock and the 5.5% debenture stock, which are repayable in 2017 and 2021 respectively, pay interest at fixed rates. The weighted average period until maturity of the debenture stocks is 8 years (2010: 9 years) and the weighted average interest rate payable is 7.2% (2010: 7.2%) p.a. The Group also has recourse to a £25 million overdraft facility with HSBC Bank, which was undrawn at the year end and throughout the year.

Notes to the Consolidated Financial Statements continued

24 RISK MANAGEMENT AND FINANCIAL INSTRUMENTS CONTINUED**Other price risk exposure**

If the investment valuation fell by 10% at 31 December 2011, the impact on profit or loss and net assets would have been negative £57.8 million (2010: negative £55.7 million). If the investment portfolio valuation rose by 10% at 31 December 2011, the impact on profit or loss and net assets would have been positive £57.8 million (2010: positive £55.7 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 Group held the following categories of financial instruments, all of which are included in the Statement of Financial Position at fair value, with the exception of interest bearing borrowings which are shown at book value at 31 December 2011.

| | 2011 | | 2010 | |
|--|--------------------|--------------------|--------------------|--------------------|
| | Book value £000 | Fair value £000 | Book value £000 | Fair value £000 |
| Assets at fair value through profit or loss | 578,048 | 578,048 | 599,878 | 599,878 |
| Cash | 3,883 | 3,883 | 1,974 | 1,974 |
| Loans and receivables | | | | |
| Investment income receivable | 4,589 | 4,589 | 3,161 | 3,161 |
| Other debtors | 45 | 45 | 41 | 41 |
| Other creditors | (1,085) | (1,085) | (1,610) | (1,610) |
| Interest bearing borrowings | | | | |
| 9.875% Debenture Stock ¹ | (25,000) | (33,900) | (25,000) | (32,432) |
| 5.5% Debenture Stock ² | (38,440) | (43,955) | (38,422) | (39,053) |
| | 522,040 | 507,625 | 540,022 | 531,959 |

¹ Effective rate is 9.875%

² Effective rate is 5.583%

Liquidity risk exposure

This is the risk that the Group 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:

| | 2011 | | | | 2010 | | | |
|---|---------------------------------|-----------------------------------|-------------------------------|---------------|---------------------------------|-----------------------------------|-------------------------------|----------------|
| | Three months or less £000 | Not more than one year £000 | More than one year £000 | Total £000 | Three months or less £000 | Not more than one year £000 | More than one year £000 | Total £000 |
| Creditors: amounts falling due after more than one year | | | | | | | | |
| Debenture stocks | 1,045 | 3,324 | 93,816 | 98,185 | 1,045 | 3,514 | 97,667 | 102,226 |
| Creditors: amounts falling due within one year | | | | | | | | |
| Purchases for future settlement | – | – | – | – | 1,010 | – | – | 1,010 |
| Accruals and deferred income | 510 | 575 | – | 1,085 | – | 600 | – | 600 |
| | 1,555 | 3,899 | 93,816 | 99,270 | 2,055 | 4,114 | 97,667 | 103,836 |

Capital management policies and procedures

The Group'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 Group's capital is its equity share capital and reserves that are shown in the Statement of Financial Position and debentures (see note 17) at a total of £585,480,000 (2010: £603,444,000).

The Group is subject to several externally imposed capital requirements:

- as a public company, the Group 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 Group 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. These are measured in accordance with the policies used in the annual financial statements.

The Group has complied with all of the above requirements.

Notice of meeting

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

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

NOTICE IS HEREBY GIVEN that the eighty-sixth Annual General Meeting of Temple Bar Investment Trust PLC will be held at 11.00am on Monday 26 March 2012 at 2 Gresham Street, London EC2V 7QP for the following purposes:

ORDINARY BUSINESS:

1. To approve the Group accounts for the year ended 31 December 2011 together with the reports of the directors and auditor thereon.
2. To approve the report on directors' remuneration for the year ended 31 December 2011.
3. To declare a final dividend of 21.23p per ordinary share.
4. To re-elect Mr R W Jewson as a director.
5. To re-elect Mr J Reeve as a director.
6. To re-elect Mr M R Riley as a director.
7. To re-elect Mr A T Copple as a director.
8. To re-elect Mr D G C Webster as a director.
9. To re-elect Mrs J F de Moller as a director.
10. To re-appoint the auditor and to authorise the directors to determine their remuneration.

SPECIAL BUSINESS:

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

ORDINARY RESOLUTION:

11. That the directors be and are hereby generally and unconditionally authorised in accordance with Section 551 of the Companies Act 2006 to allot shares or grant rights to subscribe for or to convert any security into shares ('Rights') up to an aggregate maximum nominal amount of £1,492,534, being approximately 10% of the issued share capital of the Group as at 22 February 2012, provided that:
 - (i) the authority granted shall expire at the conclusion of the Annual General Meeting of the Group in 2013 but may be revoked or varied by the Group in general meeting and may be renewed by the Group 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.

SPECIAL RESOLUTIONS:

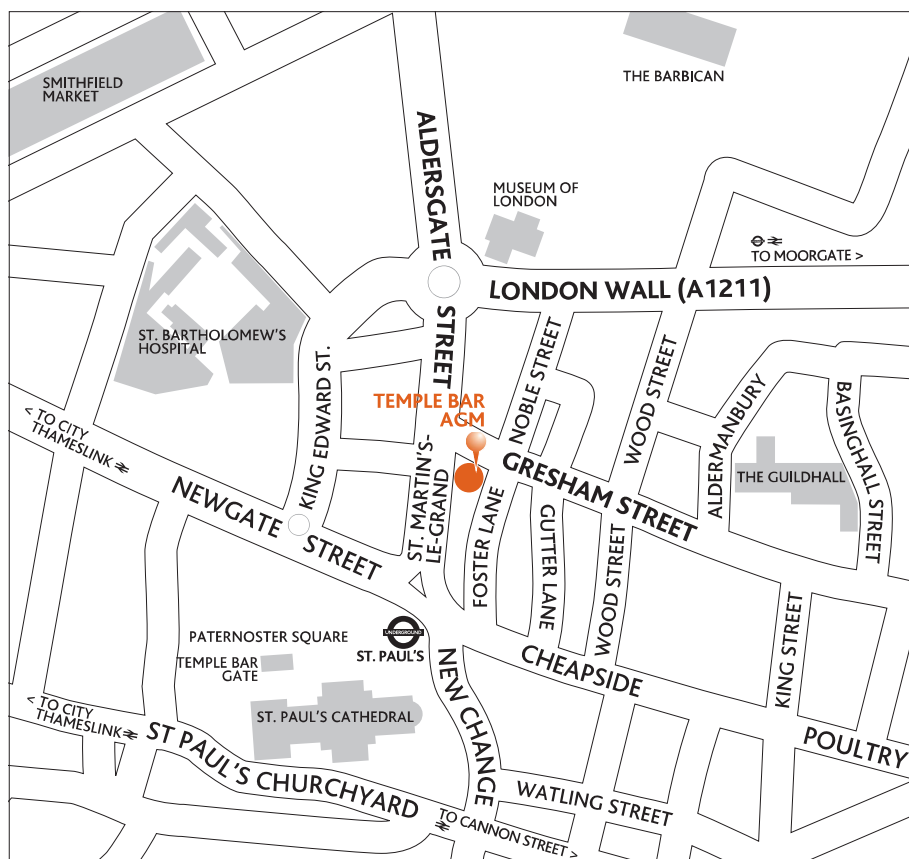
12. That, subject to the passing of resolution 11 set out above, the directors be and they are hereby empowered pursuant to Section 570-573 of the Companies Act 2006 to allot equity securities (as defined in Section 570-573 of that Act) for cash, in accordance with the authority conferred on them by 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 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 £1,492,534; andshall expire at the conclusion of the Annual General Meeting of the Group in 2013 save that the Group 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.

Notice of meeting continued

13. That the Group 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 Group ('ordinary shares') provided that:
- (i) the maximum number of ordinary shares hereby authorised to be purchased is 14.99% of the issued share capital of the Group 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 Group) 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 Group in 2013, or, if earlier, the date falling fifteen months from the date of this resolution;
 - (v) the Group 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
 22 February 2012

2 Gresham Street
 London EC2V 7QP



Shown is a plan of the location of Investec Asset Management Limited, 2 Gresham Street, London EC2V 7QP where the Annual General Meeting will be held on Monday 26 March 2012 at 11.00am.

Notice of meeting continued

NOTES

1. A member entitled to attend and vote at the above meeting is entitled to appoint a proxy to attend the meeting to speak and vote on a show of hands and, on a poll, to vote instead of him. A proxy need not be a member of the Group. A member wishing to appoint more than one proxy must appoint each proxy in respect of a specified number of shares within his holding. For this purpose, a member may photocopy the enclosed Form of Proxy before completion and must indicate the number of shares in respect of which each proxy is appointed.
2. Instruments of proxy should be sent to Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA so as to arrive no later than 11.00am on 22 March 2012. Completion and return of the form of proxy will not preclude shareholders from attending and voting at the meeting in person should they wish to do so.
3. Members who hold ordinary shares in the Group in uncertificated form must have been entered on the Group's register of members by 6.00pm on 22 March 2012 in order to be able to attend and vote at the meeting, or if the meeting is adjourned, 6.00pm on the day two business days before the time fixed for the adjourned meeting. Such members may only vote at the meeting in respect of ordinary shares held at the time.
4. In accordance with Section 325 of the Companies Act 2006, the right to appoint proxies does not apply to persons nominated to receive information rights under Section 146 of the Act. Persons nominated to receive information rights under Section 146 of the Act who have been sent a copy of this notice of meeting are hereby informed, in accordance with Section 149 (2) of the Act, that they may have a right under an agreement with the registered member by whom they were nominated to be appointed, or to have someone else appointed, as a proxy for this meeting. If they have no such right, or do not wish to exercise it, they may have a right under such an agreement to give instructions to the member as to the exercise of voting rights. Nominated persons should contact the registered member by whom they were nominated in respect of these arrangements.
5. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the meeting and any adjournment(s) thereof by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members and those CREST members who have appointed a voting service provider(s) should refer to their CREST sponsor or voting service provider(s) who will be able to take the appropriate action on their behalf.
 In order for a proxy appointment made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear's specifications and must contain the information required for such instructions, as described in the CREST Manual (available via www.euroclear.com/CREST). The CREST message must be transmitted so as to be received by the issuer's agent (ID RA19) by not later than 48 hours (excluding non-working days) before the time appointed for the holding of the meeting or the adjourned meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the CREST message by the CREST Applications Host) from which the issuer's agent is able to retrieve the CREST message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
 CREST members and, where applicable, their CREST sponsors or voting service provider(s), should note that Euroclear does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member(s) is/are a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that the CREST sponsor or voting service provider takes) such action as shall be necessary to ensure that a CREST message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service provider(s) is/are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
 The Group may treat as invalid a CREST Proxy instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

Notice of meeting continued

NOTES CONTINUED

6. Shareholders should note that, under Section 527 of the Companies Act 2006 members meeting the threshold requirements set out in that section have the right to require the Group to publish on a website a statement setting out any matter relating to:
 - (i) the audit of the Group'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 2011; or
 - (ii) any circumstance connected with an auditor of the Group appointed for the financial year 1 January 2011 ceasing to hold office since the previous meeting at which annual accounts and reports were laid. The Group 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 Group is required to place a statement on a website under Section 527 of the Companies Act 2006, it must forward the statement to the Group'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 Group has been required under Section 527 of the Companies Act 2006 to publish on a website.
7. 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.
8. 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.
9. Any member attending the meeting has the right to ask questions. The Group 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 Group or the good order of the meeting that the question be answered.
10. None of the directors has a service contract with the Group.
11. As at 22 February 2012, the latest practicable date prior to publication of this document, the Group had 59,701,367 ordinary shares in issue with a total of 59,701,367 voting rights.
12. 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 Group after the date of this notice will be available on the Group's website: www.templebarinvestments.co.uk.

Useful information for shareholders

ANNUAL GENERAL MEETING

The Annual General Meeting will be held at 2 Gresham Street, London EC2V 7QP (see map on page 46), on 26 March 2012 at 11.00am.

FINANCIAL CALENDAR

The financial calendar for 2012 is set out below:

Ordinary shares

| | |
|--------------------------------|-------------------|
| Final dividend, 2011 – payable | 30 March 2012 |
| – ex-dividend | 14 March 2012 |
| – record date | 16 March 2012 |
| Interim dividend, 2012 | 28 September 2012 |
| Final dividend, 2012 | End of March 2013 |

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 Group's Registrar on 0871 384 2432 (calls to this number are charged at 8p per minute from a BT landline. Other telephone providers' costs may vary).

PRICE AND PERFORMANCE INFORMATION

The Group'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 Group's website.

SHARE REGISTER ENQUIRIES

The Group's Registrar, Equiniti, maintains the share register. In the event of queries regarding your holding, please contact the Registrar on 0871 384 2432 (overseas +44 (0)121 415 7047). Lines are open from 8.30am to 5.30pm Monday to Friday. Calls to this number are charged at 8p per minute from a BT landline. Other telephone providers' costs may vary. Changes of name or address must be notified in writing to the Registrar.

SEDOL CODES FOR ORDINARY SHARES AND DEBENTURE STOCKS

Ordinary shares – 0882532

9.875% Debenture Stock 2017 – 0882640

5.5% Debenture Stock 2021 – 0530529

TEMPLE BAR INVESTMENT TRUST SAVINGS SCHEME

Details of the Temple Bar Savings Scheme are set out on page 50 of this report. This enables individuals to buy shares in the Group in a straightforward and accessible way.

ASSOCIATION OF INVESTMENT COMPANIES

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

Temple Bar Investment Trust Savings Scheme

Temple Bar offers an inexpensive way of investing in your 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
2 Gresham Street
London EC2V 7QP

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 Asset Management Limited, authorised and regulated by the Financial Services Authority, the investment manager of Temple Bar Investment Trust PLC.



A member of the Association of Investment Companies

The Association of
Investment Companies

Temple Bar Investment Trust PLC

Registered Office

2 Gresham Street
London EC2V 7QP

www.templebarinvestments.co.uk

Investment Manager

Investec Asset Management Limited
2 Gresham Street
London EC2V 7QP
Telephone No. 020 7597 2000