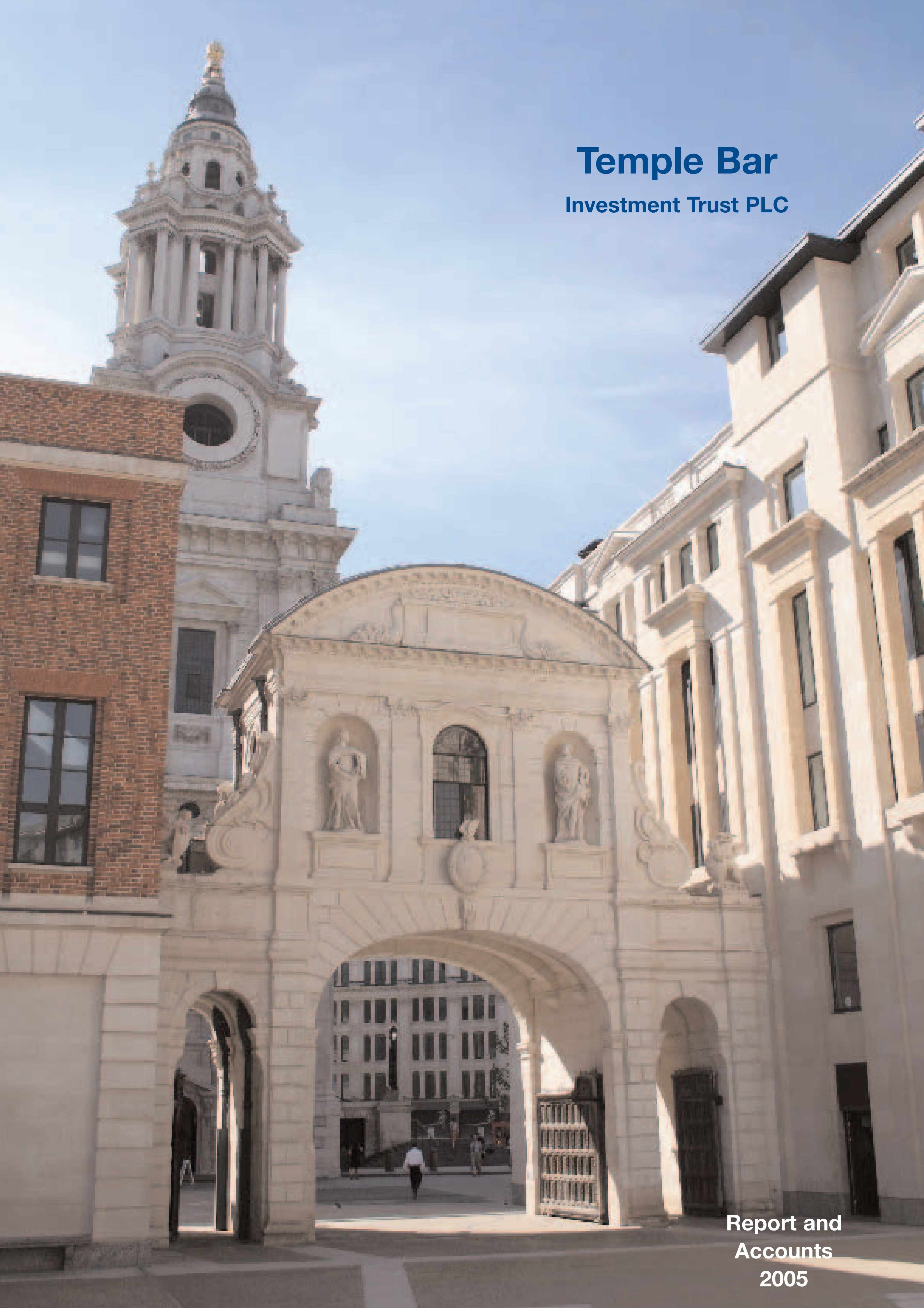


Temple Bar

Investment Trust PLC

Report and Accounts 2005

Contents

The front cover shows Temple Bar, as relocated to Paternoster Square in London, near St Paul's Cathedral, in November 2004

Group summary

INVESTMENT OBJECTIVE	To provide growing income combined with growth in capital, principally through investment in a portfolio of UK equities.
INVESTMENT POLICY	The Company invests with an emphasis on companies that offer fundamental value in terms of good asset backing and above average yields. The Company aims to maintain a balance between larger and smaller/medium sized companies, with typically 70% of the portfolio invested in large blue chip companies.
BENCHMARK	Performance is measured against the FTSE All-Share Index.
TOTAL ASSETS LESS CURRENT LIABILITIES	£532,965,000
TOTAL EQUITY	£469,621,000
MARKET CAPITALISATION	£454,766,000
CAPITAL STRUCTURE	Ordinary Shares 58,340,742 shares 5.5% Debenture Stock 2021 £38,000,000 9.875% Debenture Stock 2017 £25,000,000
VOTING STRUCTURE	Ordinary Shares 100%.
WINDING-UP DATE	None.
MANAGERS' FEES	0.35% per annum based on the value of the investments (including cash) of the Company.
PEP/ISA STATUS	The Company's shares are capable of being held in an ISA and are a qualifying investment under the Personal Equity Plan regulations.
AITC	Member.
WEBSITE	www.itstemplebar.com

Summary of results

	2005	2004 (restated)	Percentage change
ASSETS as at 31 December	**£'000**	£'000	
Consolidated net assets	**469,621**	398,880	17.73%
Ordinary shares			
Net asset value per share	**804.96p**	688.78p	16.87%
Net asset value per share adjusted for market value of debt	**781.47p**	675.38p	15.71%
Market price	**779.50p**	668.00p	16.69%
Discount	**3.2%**	3.0%	

	2005	2004	
REVENUE for the year ended 31 December	**£'000**	£'000	
Revenue return attributable to ordinary shareholders	**17,076**	15,851	7.73%
Revenue return per ordinary share	**29.35p**	27.37p	7.23%
Dividends per ordinary share-interim and proposed final	**27.83p**	27.02p	3.00%

	2005	2004
CAPITAL for the year ended 31 December	**£'000**	£'000
Capital return attributable to ordinary shareholders	**66,502**	56,966
Capital return attributable per ordinary share	**114.32p**	98.37p

	2005	2004
TOTAL EXPENSE RATIO*	**0.46%**	0.47%

TOTAL RETURNS (capital plus revenue) for the year to 31 December 2005	%
Return on net assets	**21.50**
Return on gross assets	**19.55**
Return on share price	**20.78**
FTSE All-Share Index	**22.04**
FTSE 350 Higher Yield Index	**20.61**
Change in Retail Prices Index over year	**2.21**

DIVIDEND YIELDS (NET) – 31 December 2005	%
Yield on ordinary share price (779.50p)	**3.50**
Yield on FTSE All-Share Index	**2.95**
Yield on FTSE 350 Higher Yield Index	**3.68**

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

Ten year record

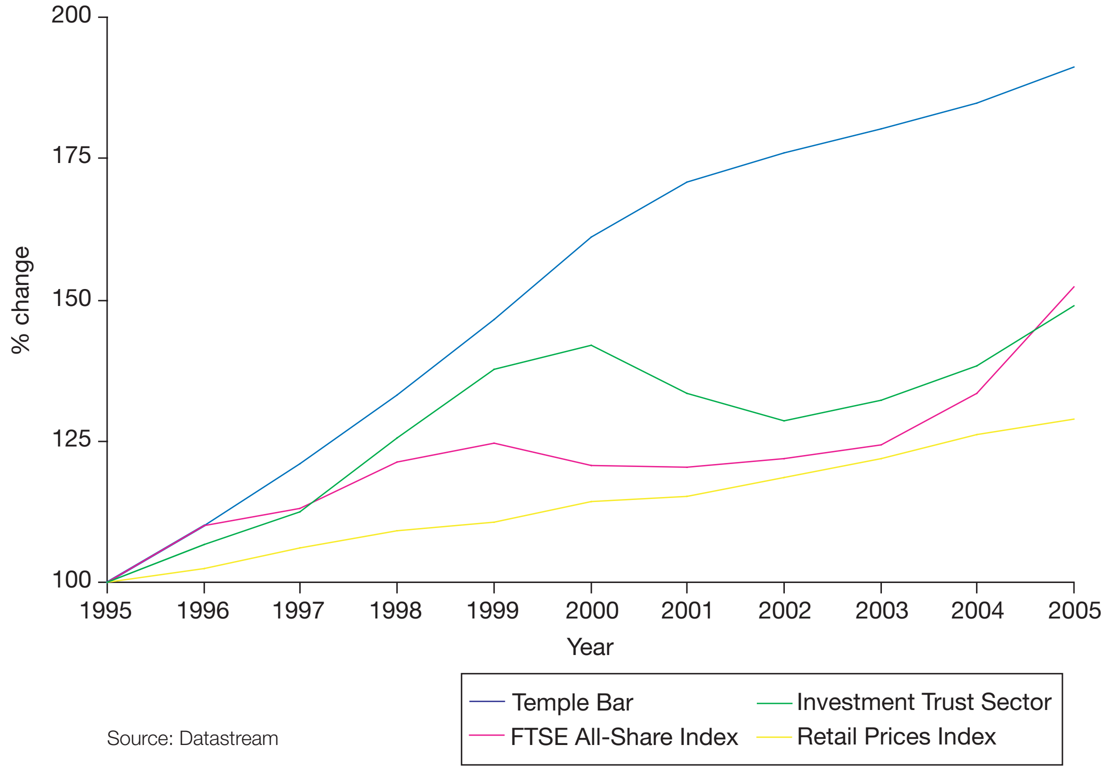
Year ended	Total assets less current liabilities £'000	Group net assets £'000	Net assets per ordinary share p	Revenue return to ordinary shareholders £'000	Revenue return per share p	Dividends per share* (net) p
1996	274,423	248,417	430.55	10,084	17.55	16.00
1997	333,986	308,290	533.82	11,339	19.70	17.60
1998	360,520	335,064	579.56	11,089	19.24	19.36
1999	432,391	369,391	639.16	12,102	20.96	21.30
2000	451,917	388,917	672.95	13,428	23.24	23.43
2001	419,292	356,292	615.43	14,198	24.56	24.84
2002	341,066	278,066	480.24	14,674	25.34	25.59
2003	395,341	332,341	573.88	16,483	28.46	26.23
2004	462,254	398,880	688.78	15,851	27.37	27.02
2005	**532,965**	**469,621**	**804.96**	**17,076**	**29.35**	**27.83**

NOTE

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 Company adopted International Financial Reporting Standards. As a result the 2004 data has been restated but no prior years have been restated. Detailed reconciliations are provided in note 25 to the Financial Statements.

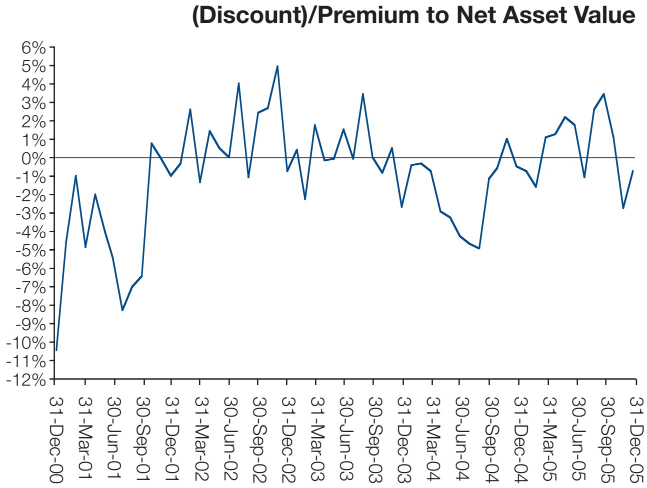
*Interim and proposed final for the year.

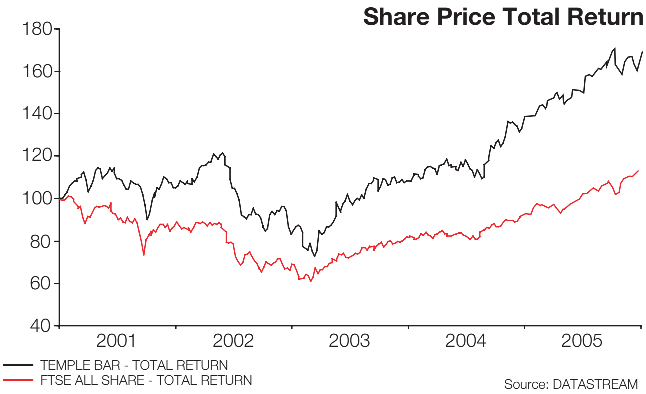
Comparative Dividend Growth

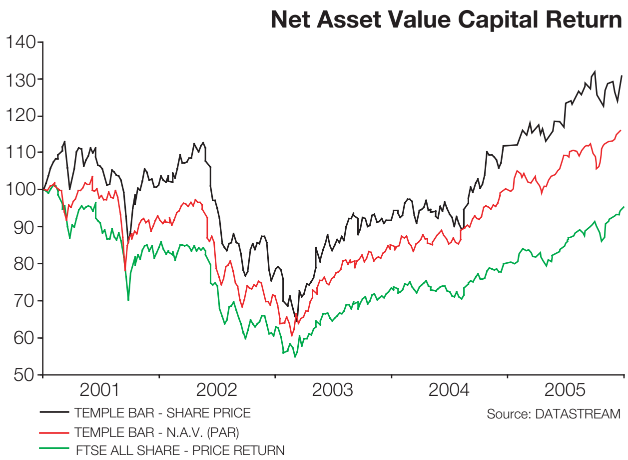


Source: Datastream

Five year summary







back row from left to right, Richard Jewson, Martin Riley
front row from left to right, June de Moller, John Reeve, Field Walton
absent, Gary Allen

JOHN REEVE*, Chairman, aged 61, 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 currently Chairman of Alea Group Holdings (Bermuda) Limited and a director of a number of other companies.

GARY J ALLEN*†, aged 61, was appointed a director in 2001. He has over 35 years' experience in engineering and is former chairman of IMI plc. His other directorships include The London Stock Exchange, N V Bekaert SA and The National Exhibition Centre.

RICHARD W JEWSON*, aged 61, 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 Octagon Healthcare Limited and Archant Limited, deputy chairman of Anglian Water Services Limited and a non-executive director of Grafton Group plc.

JUNE F de MOLLER*, aged 58, was appointed a director in 2005. She is a non-executive director of London Merchant Securities PLC, Archant Limited 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 R RILEY*, aged 62, was appointed a director in 2004. He has 35 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 CAEC Howard (Holdings) Ltd and a director of Bonfield Asset Management Ltd and various private investment companies.

FIELD L J WALTON*, aged 65, was appointed a director in 1983. He started his career in engineering management and moved to the City as an analyst with Cazenove in 1971. Subsequently he held a number of positions in fund management. He is currently a director of MacArthur & Co. Limited, chairman of Biofuels Corporation PLC and a non-executive director of a number of engineering and trust companies.

*Independent non-executive director and member of the audit committee and nomination committee.
†Chairman of the audit committee and Senior Independent Director.

Management and administration

from left to right, Martin Slade, Jo Slater, Alastair Mundy, Peter Lowery, Mark Wynne-Jones

INVESTMENT MANAGER

Investec Investment Management Limited
Authorised and Regulated by
the Financial Services Authority
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 Investment Management Limited, represented by M K Slade FCIS

REGISTERED NUMBER

Registered in England No. 214601

REGISTRAR

Lloyds TSB Registrars,
PO Box 28448, Finance House,
Orchard Brae, Edinburgh EH4 1WQ
Telephone No: 0870 6015366 (shareholder helpline)
0891 105366 (broker helpline)

REGISTERED AUDITOR

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

BANKERS AND CUSTODIAN

HSBC Bank plc, Poultry,
London EC2P 2BX

STOCKBROKERS

UBS AG, 1 Finsbury Avenue, London EC2M 2PA

SOLICITORS

Eversheds, Senator House,
85 Queen Victoria Street, London EC4V 4JL

The total return, including reinvested dividends, on the net assets of Temple Bar during 2005 was 21.5%, which compares with a total return for the FTSE-All Share Index of 22.0%. The return achieved is a combination of underlying portfolio performance and the effect of the capital gearing of the Trust. While this is a marginal under-performance for the year as a whole the five year record versus the benchmark index remains very positive. A detailed analysis of performance is provided in the Manager's report.

The Board is recommending a final dividend of 18.93p per share, to produce a total increase for the year of 3.0%, backed by strong dividend increases made by many of the companies held in the portfolio. This dividend will be payable on 31 March 2006 to those shareholders on the register as at 17 March 2006.

Post-tax revenue earnings increased by 7.73%. The proposed dividend was more than covered by net earnings generated on the portfolio during the year. The level of capital gearing, at 13.5%, again contributed positively to performance during the period.

The price of Temple Bar shares traded close to their underlying net asset value throughout the year, supported by the steady demand created within the Company's Savings Scheme and ISA products.

IFRS

For the first time the Annual Report and Accounts have been prepared on the basis of International Financial Reporting Standards. This is consistent with the approach adopted at the interim stage, and, as I explained at that time, there is very little financial impact for the Company arising from the adoption of these standards. Most of the changes are, in fact, of a presentational nature.

Outlook

The last five years have seen two particular themes prevalent in the UK equity market: the out-performance of small and medium-sized companies relative to large companies and the success of investment strategies biased towards a search for companies whose shares exhibited strong value characteristics, such as a high dividend yield, rather than those with the greatest long-term growth prospects. The Temple Bar portfolio has exploited both these themes.

However, the Manager now believes that the valuation discrepancies that encouraged both of these trends have corrected, or in some cases over-corrected; as a result, the Temple Bar portfolio is becoming increasingly reflective of these changed views.

The recovery of the UK equity market from its lows in early 2003 has now lasted almost three years. Over that period the FTSE-All Share Index has risen nearly 80% and the biggest setback from peak to trough has been just 6.4%. Compared with other periods when markets have risen strongly, we would appear to be near the tail-end of this run. Admittedly, valuations do not look expensive, companies' balance sheets are strong and global economic growth appears resilient. However, we prefer not to ignore the lessons of history and do not believe it is the time to be taking heroic positions on the portfolio. The Manager and his team will, as usual, adhere to their contrarian principles in the year ahead and we are confident that this will uncover a number of attractive opportunities.

Annual General Meeting

The AGM will be held on Monday 27 March at the managers' office in London. In addition to the formal business of the meeting, the managers will make a presentation to shareholders reviewing the past year and commenting on the outlook. I look forward to welcoming as many of you as possible. Shareholders who are unable to attend the meeting are encouraged to use their proxy votes.

21 February 2006

John Reeve

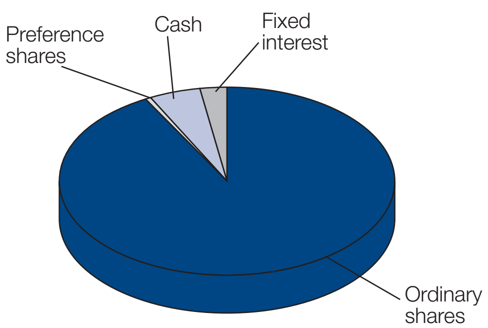
Twenty largest investments
as at 31 December 2005

Company	Valuation 31 December (restated) 2004 £'000	Net Purchases/ (Sales) £'000	Appreciation/ (Depreciation) £'000	**Valuation 31 December 2005 £'000**	**Total Assets less current liabilities %**
Royal Dutch Shell	20,662	15,014	4,074	**39,750**	**7.45**
Vodafone	14,779	25,286	(3,670)	**36,395**	**6.83**
GlaxoSmithKline	29,193	–	5,930	**35,123**	**6.59**
Royal Bank of Scotland	13,125	13,323	(474)	**25,974**	**4.87**
BP	19,862	–	4,460	**24,322**	**4.56**
HSBC	14,452	3,036	884	**18,372**	**3.45**
Prudential	11,613	1,974	2,712	**16,299**	**3.06**
BT	13,247	1,026	1,413	**15,686**	**2.94**
Centrica	–	14,100	1,185	**15,285**	**2.87**
AstraZeneca	–	8,780	4,941	**13,721**	**2.57**
Investec UK Smaller Companies Fund	10,146	(1,670)	2,556	**11,032**	**2.07**
Legal & General	9,833	–	1,147	**10,980**	**2.06**
ITV	4,200	6,380	333	**10,913**	**2.05**
Boots	–	10,413	(128)	**10,285**	**1.93**
Unilever	8,936	–	1,135	**10,071**	**1.89**
Amvescap	–	7,449	2,496	**9,945**	**1.87**
HBOS	7,902	609	426	**8,937**	**1.68**
Kingfisher	–	9,199	(302)	**8,897**	**1.67**
Lloyds TSB	8,470	–	286	**8,756**	**1.64**
Mitchells & Butlers	8,644	(1,990)	2,020	**8,674**	**1.63**
	195,064	**112,928**	**31,425**	**339,417**	**63.68**

Convertible preference shares and all classes of equity in any one company are treated as one investment.

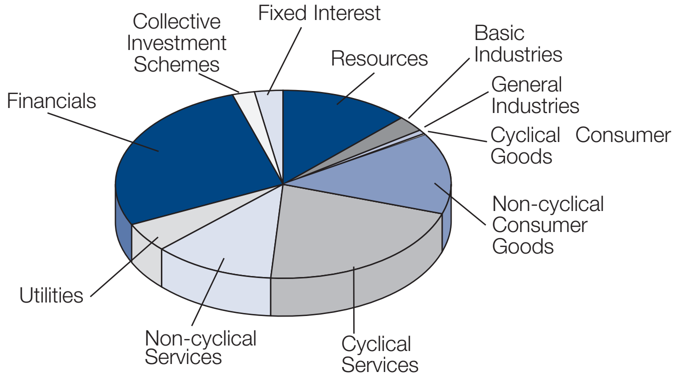
Asset allocation as at 31 December 2005

BY CLASS (%)



	%
Ordinary shares	91.92
Fixed interest	2.60
Preference shares	0.54
Cash	4.94
	100.00

PORTFOLIO DISTRIBUTION (%)



	%
Resources	12.48
Basic Industries	2.73
General Industrials	0.70
Cyclical Consumer Goods	0.29
Non-cyclical Consumer Goods	13.87
Cyclical Services	21.10
Non-cyclical Services	11.72
Utilities	5.05
Financials	27.17
Collective Investment Schemes	2.15
Fixed Interest	2.74
	100.00

In 2005, the UK equity market was far stronger than most commentators had predicted at the beginning of the year. Investors responded to the continuing positives that lifted the market in 2004: reasonably low equity valuations, generally good profit announcements, better than expected dividend flows and a high level of merger and acquisition activity. However, the lack of bad news was equally important in maintaining investor confidence. Similarly, many of the negatives unfulfilled in 2004 were either ignored in 2005, or had been present for so long that investors were no longer concerned by them: high global housing valuations, high levels of consumer debt, particularly in the US and UK, the vulnerability of the US Dollar to a deterioration in the US trade deficit and the relatively high oil price.

For most of 2005, UK equities moved strongly ahead, with little distinction between the performances of large, medium and small companies, or between investment styles biased towards growth or value. However, the balance of advantages changed, following the small market shake-out in early October. The subsequent recovery was characterized by very strong performances by companies outside the FTSE 100, particularly those which had been buoyant since 2004.

We warned investors at the beginning of the year that our style of contrarian investing had been well suited to equity markets since the end of the technology bubble, but that many valuation anomalies had since been corrected. This proved prescient and, in part, explains the marginal under-performance relative to the FT-All Share Index.

While many elements contribute to the overall performance of the portfolio, our significant underweight position throughout the year in the Oil & Gas sector and, more importantly, in the Mining sector, was a major factor in our underperformance.

With hindsight, we can identify the factors that constrained our progress. Many investors would claim that the continued strength of the Chinese economy guaranteed high demand for many commodities and, therefore, offered strong evidence that mining stocks would remain popular. As contrarians, we do tend to miss out when sectors (and stocks) exhibit strong price momentum. Our preference is to buy and sell early. While accepting that precise timing is impossible, we do aim to buy when sentiment is poor and sell when it has improved and when valuations are, in our opinion, full. However, momentum can often take share prices well beyond our judgements of fair value.

It might be tempting in these markets to accept that momentum is moving against us and to buy the shares. However, we believe this is a dangerous game to play. Many sectors are cyclical in nature as, at any time, demand for a product may outweigh supply and tend to push prices up. Often, a consequential increase in supply restores market balance and pushes prices down again. But if expanded supply coincides with a fall in demand, the negative effect on pricing, and on share prices, can be sudden and spectacular.

In a cyclical industry, this danger is never far away. Although company or sector earnings may be growing impressively, we are cautious in extrapolating figures where a cyclical industry may be close to its peak. Unfortunately, a peak is not easily identified. Indeed, each new peak may encourage identification of a 'new paradigm' to explain the presence of a 'supercycle', reducing the significance of previous cycles.

Much current analysis of the mining sector exhibits each of these characteristics. Earnings have increased strongly, and expectations for peak earnings have been increased and projected to a future period. Simultaneously, the market has welcomed a flurry of new issues of mining companies whose management, and sponsoring investment bankers, are eagerly advancing the cycle elongation theory. A cynic might question why current owners are so eager to sell parts of their stakes in ventures with such bright futures.

Although our evaluation of the current trend may be incorrect, we believe that the situation requires us to play the averages. And we know, on average, that in open markets, prices revert to the mean as supply catches up with demand. We are, therefore, maintaining our underweight stance on the mining sector.

A number of stocks in the portfolio performed well during the year. In the Tobacco sector BAT rose significantly. Investors responded to the company's strong pricing power, cost-cutting initiatives and vast cashflows. Towards the end of the year we reduced significantly our exposure to the sector. It has served us well, but valuations are now much higher than when we first purchased the shares, and investors do not seem alert to the risks of litigation.

Elsewhere on the portfolio we were aided by bids for car dealer Reg Vardy and housebuilder Westbury.

Interestingly, both these companies operate in sectors under great pressure in 2005, illustrating our fundamental belief that the shares we buy at very low ratings do not necessarily require positive trading news to deliver handsome profits to investors.

During 2005 we found that the valuations of several of our defensive stocks fully reflected the low risk nature of the companies, as well as their prospects for the future. We therefore sold many of our water and electricity holdings.

With equity markets at four-year highs, and profit margins in many areas at historically high levels, many investors are attracted to stocks with the lowest ratings and greatest yields, in expectation that the valuations would offer some protection if markets were to consolidate or fall. However, these stocks have already performed well. Their yields, although higher than the market, are much lower relative to the market average than they have been for many years. For this reason we are not convinced that purchases would protect us from volatile, cyclical markets.

In the previous seven years, share prices in small- and medium-sized companies have grown phenomenally, relative to larger companies. Following years of underperformance, this extensive revaluation was historically justifiable and is now, in our opinion, complete. Our contrarian strategy encourages us to further increase the portfolio bias towards FTSE 100 companies.

In recent years, HSBC, BT, Vodafone, Unilever, Prudential, Royal Dutch Shell and BSkyB have disappointed investors. Perhaps a major factor in their relative under-performance has been the significant reduction in the equity weightings of many life and pension funds during this period, and a consequent over-supply of many of these stocks.

At some time, the valuation relationship between large and smaller companies will snap back. We are happy to be buying into lowly rated companies with strong balance sheets, great brand names and, in most instances, wide geographical diversity. In classic contrarian mode, we are exploiting an opportunity that will ultimately attract other investors. Meanwhile, the dividend yields on many of these stocks are adequate compensation until our objectives are fulfilled.

Our second focus is on companies which have been significantly de-rated in recent years. Many of these are in the media and telecommunication sectors greatly favoured in the late 1990s. Following disappointments, investors have been unwilling to believe the growth projections of many companies in this sector, preferring instead to benefit from the high dividend yields available elsewhere. However, this de-rating has been so severe that we believe many of these companies, including ITV, BSkyB, Reuters and Taylor Nelson Sofres are now very attractively priced.

Finally, our contrarian instincts lead us to the General Retailers sector. In 2005, UK consumer spending was restrained by interest rate fears, high debt levels and insignificant pay rises. Simultaneously, many retailers encountered significant price deflation while struggling to contain overall costs, fuel bills and rent. Inevitably, some collapsed, and many others recorded large falls in profits and share prices.

While we understand investor negativity towards the sector, we have four reasons to believe that the gloom may be overdone: i) the sector is already weak, and a great deal of bad news is discounted in share prices such that for further significant declines from current levels, we think trading would have to be worse than is currently expected; ii) a number of companies such as Mothercare, JJB and Kingfisher have internal operational opportunities that should drive profitability as much as an improvement in the macro-economic backdrop; iii) the sector benefits from a high level of bid activity or expectation; iv) if the consumer is under as much pressure as many commentators believe, a reduction in interest rates must be the likely eventual outcome.

Of course, we shall supplement the core portfolio as contrarian opportunities (of all descriptions) arise in the market. Modest underperformance in 2005 indicates the resilience of our contrarian investment strategy when medium term market trends strongly favoured other strategies. The longer term trend is favourable to our strategy, and we are fully prepared for the challenge of 2006.

Alastair Mundy
Investec Investment Management Limited
21 February 2006

Portfolio of investments

	Valuation of holding as at 31 December 2005 £'000	Percentage of Portfolio %	FTSE All-Share Index 31 December 2005 %
RESOURCES			
Mining		–	5.61
Oil & Gas		12.48	16.59
Royal Dutch Shell ('B' shares)	**39,750**		
BP	**24,322**		
		12.48	22.20
BASIC INDUSTRIES			
Chemicals		0.06	0.89
Scapa	**306**		
Construction & Building Materials		2.67	2.30
Hanson	**3,834**		
Heywood Williams	**3,743**		
Westbury	**6,122**		
Forestry & Paper		–	0.04
Steel & Other Metals		–	0.15
		2.73	3.38
GENERAL INDUSTRIES			
Aerospace & Defence		0.38	1.82
BAE Systems (7.75p net cum. conv. red pref)	**1,959**		
Electronic & Electrical Equipment		0.32	0.27
Invensys	**1,637**		
Engineering & Machinery		–	0.76
		0.70	2.85
CYCLICAL CONSUMER GOODS			
Automobiles & Parts		0.29	0.31
GKN	**1,489**		
Household Goods & Textiles		–	0.06
		0.29	0.37
NON-CYCLICAL CONSUMER GOODS			
Beverages		–	2.40
Food Producers & Processors		2.45	2.25
Unilever	**10,071**		
Uniq	**2,496**		
Health		–	0.41
Personal Care & Household Products		0.60	0.89
SSL International	**3,055**		
Pharmaceuticals & Biotechnology		9.52	8.20
AstraZeneca	**13,721**		
GlaxoSmithKline	**35,123**		
Tobacco		1.30	2.27
British American Tobacco	**6,648**		
		13.87	16.42

Portfolio of investments continued

	Valuation of holding as at 31 December 2005 £'000	Percentage of Portfolio %	FTSE All-Share Index 31 December 2005 %
CYCLICAL SERVICES			
General Retailers		8.65	2.92
Alexon	1,507		
Boots	10,285		
Brown (N)	4,623		
HMV	2,711		
Jessops	3,305		
JJB Sports	5,220		
Kingfisher	8,897		
Mothercare	2,944		
Woolworths	4,867		
Leisure & Hotels		3.41	2.41
Center Parcs	1,281		
Millennium & Copthorne	3,400		
Mitchells & Butlers	8,674		
Parkdean Holidays	4,113		
Media & Entertainment		6.63	3.56
British Sky Broadcasting	7,572		
EMI	5,031		
ITV	10,913		
Reuters	5,596		
Trinity Mirror	4,928		
Support Services		1.88	2.58
Compass	2,700		
Electrocomponents	2,810		
Taylor Nelson Sofres	4,158		
Transport		0.53	1.65
TDG	2,708		
		21.10	13.12
NON-CYCLICAL SERVICES			
Food & Drug Retailers		0.52	2.12
Morrison (W)	2,661		
Telecommunication Services		11.20	7.04
BT	15,686		
Cable & Wireless	5,366		
Vodafone	36,395		
		11.72	9.16
UTILITIES			
Electricity		0.77	1.56
Scottish Power	3,962		
Utilities – Other		4.28	2.43
Centrica	15,285		
United Utilities	6,658		
		5.05	3.99

	Valuation of holding as at 31 December 2005 £'000	Percentage of Portfolio %	FTSE All-Share Index 31 December 2005 %
FINANCIALS			
Banks		12.28	17.28
HBOS	8,937		
HBOS (9.25% non cum pref shares)	955		
HSBC	18,372		
Lloyds TSB	8,756		
Royal Bank of Scotland	25,974		
Insurance		1.59	0.69
Highway Insurance	857		
Jardine Lloyd Thompson	1,660		
Royal & Sun Alliance	5,659		
Life Assurance		7.38	3.05
Aviva	3,419		
Friends Provident	4,224		
Legal & General	10,980		
Prudential	16,299		
Resolution	2,918		
Investment Companies		2.40	2.71
Framlington Innovative Growth Trust	1,237		
Medical Property Investment Fund	7,439		
Wichford	3,660		
Real Estate		–	1.99
Speciality & Other Finance		3.52	1.70
Amvescap	9,945		
ICAP	8,100		
		27.17	27.42
INFORMATION TECHNOLOGY			
Information Technology Hardware		–	0.32
Software & Computer Services		–	0.77
		–	1.09
COLLECTIVE INVESTMENT SCHEMES			
Investec UK Smaller Companies Fund*	11,032	2.15	–
TOTAL EQUITIES	498,955	97.26	100.00
FIXED INTEREST			
BAA 11.75% 2016	1,541		
Halifax 9.375% 2021	1,487		
Lloyds TSB 8.5% 2006	3,868		
MEPC 12% 2006	1,716		
Royal Bank of Scotland 9.25% Perpetual	2,121		
RWE Finance 4.625% 2010	3,324		
TOTAL BONDS	14,057	2.74	–
TOTAL VALUATION OF PORTFOLIO	513,012	100.00	100.00

*Representing 15.32% of the total net assets of the fund.
All investments are ordinary shares unless otherwise stated.

Report of the directors

The directors present their report and accounts for the year ended 31 December 2005.

GROUP ACTIVITIES

The principal activity of the Company, which remained unchanged throughout the year, is that of an investment trust. The Inland Revenue has approved the Company as an investment trust for the purposes of Section 842 of the Income and Corporation Taxes Act 1988 for the year ended 31 December 2004 and its affairs are directed so as to enable it to continue to attain such approval. This approval is subject to there being no subsequent enquiry under Corporation Tax Self Assessment. The Company intends to conduct its business so as to continue as an approved investment trust following the objective set out on page 1 of this report.

The Company has one active wholly owned subsidiary company, whose principal activity is investment dealing, and one dormant subsidiary.

The "close company" provisions of the Income and Corporation Taxes Act 1988 do not apply to the Company.

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 22.

ORDINARY DIVIDENDS

An interim dividend of 8.90p per ordinary share was paid on 30 September 2005 (2004: 8.64p) and the directors are recommending a final dividend of 18.93p per ordinary share (2004: 18.38p), a total for the year of 27.83p (2004: 27.02p). Subject to shareholders' approval, the final dividend will be paid on 31 March 2006 to shareholders on the register on 17 March 2006.

PERSONAL EQUITY PLANS/ISAs

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

SHARE CAPITAL

On 16 May 2005 400,000 ordinary shares of 25p were allotted fully paid for cash at a price of 691p and on 30 September 2005 a further 29,375 ordinary shares of 25p were allotted to investors in the Savings Scheme at a price of 792p. Both of these share issues were made at a premium to the prevailing net asset value.

DIRECTORS

The directors of the Company during the year were as stated below and their interests in the ordinary share capital of the Company are as follows. Each of the directors held office throughout the year except for Mrs J F de Moller who was appointed on 23 May 2005 and Mr J L Hudson who resigned on 29 March 2005.

	31 December 2005	1 January 2005 (or date of appointment)
G J Allen	1,333	1,290
J F de Moller	–	–
J L Hudson	N/A	20,645
R W Jewson	2,645	2,147
J Reeve	28,372	25,882
M R Riley	–	–
F L J Walton	6,724	6,724

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

On 16 January 2006 and 16 February 2006 Mr J Reeve acquired a further 80 and 126 ordinary shares respectively in the Company through his regular monthly saving in the Temple Bar Investment Trust ISA. On 20 January 2006 Mr R W Jewson acquired a further 32 ordinary shares in the Company through his regular monthly saving in the Temple Bar Investment Trust Savings Scheme. No other changes in the interests shown above occurred between 31 December 2005 and 21 February 2006.

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

The directors retiring by rotation and/or in compliance with the provisions of the Combined Code are Mr J Reeve and Mr F L J Walton. Mrs J F de Moller was appointed a director during the year and in accordance with the Articles of Association will stand for re-election at the annual general meeting. Each of these 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 per se detracts from the independence of a director, particularly in relation to an investment trust, and on that basis does not consider that any of the directors standing for re-election are not independent. It is confirmed that, following formal evaluation, the performance of each director continues to be effective and each continues to demonstrate commitment to the role.

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

PAYMENT OF SUPPLIERS

The Company'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.

SUBSTANTIAL SHAREHOLDERS

As at 21 February 2006 the following company had indicated an interest in 3% or more of the issued ordinary shares of the Company.

	%
Legal & General Group plc	3.10

MANAGEMENT CONTRACT

The Company has a management agreement with Investec Investment Management Limited ("IIM") for the provision of investment management, secretarial, accounting and administrative services to the Company and its subsidiaries. The agreement is subject to one year's notice of termination by either party.

IIM receives an investment management fee of 0.35% per annum, payable quarterly, based on the value of the investments (including cash) of the Company. Investments in funds managed by the Investec Group are wholly excluded from this charge. 60% (2004: 60%) of the investment management fee payable to IIM is charged by the Company to capital and the remaining 40% (2004: 40%) to the revenue account on the basis of the expected long term division of returns.

The investment management fee charged for the year ended 31 December 2005 amounted to £1,711,000 (2004: £1,455,000) excluding value added tax.

IIM's performance under the contract and the contract terms are reviewed at least annually.

A comprehensive assessment of the performance and objectives of the investment manager was carried out in 2003 in conjunction with an independent consultant. This covered, inter alia, the performance of the manager, their management processes, investment style, resources and risk controls. As noted in the Chairman's Statement, the recent performance of the Company has been good, having outperformed its benchmark index over 5 and 10 year periods. In the opinion of the directors the continued appointment of the investment manager on the terms set out above is in the best interests of shareholders.

DONATIONS

No political or charitable donations were made during the year (2004: Nil).

AUDITORS

A resolution to re-appoint Ernst & Young LLP as auditors to the Company will be proposed at the annual general meeting on 27 March 2006.

DIRECTORS' AUTHORITY TO PURCHASE THE COMPANY'S OWN SHARES

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

The Company is not intending to make such purchases at present and will only exercise the power after careful consideration and in circumstances where, in the light of prevailing market conditions, it is satisfied that it is in the interests of the Company to do so. It is not expected that any shares bought back pursuant to this authority will be held in Treasury rather than being cancelled. The appropriate resolution is set out in the notice of meeting on page 45.

By order of the Board of Directors
M K Slade
For Investec Investment Management Limited
Secretary
21 February 2006

Report on directors' remuneration

This report is submitted in accordance with the Directors' Remuneration Report Regulations 2002 in respect of the year ended 31 December 2005. An ordinary resolution will be proposed at the annual general meeting to approve this report, but the directors' remuneration is not conditional upon the resolution being passed.

The Company does not have any executive directors and, as permitted under the Listing Rules, has not, therefore, established a remuneration committee. Remuneration of non-executive directors is viewed as a decision of the Board, subject to any shareholder approvals which may be necessary. In effect, therefore, the Board as a whole fulfils the function of a remuneration committee. The Company's Articles of Association 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 £150,000 per annum. 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.

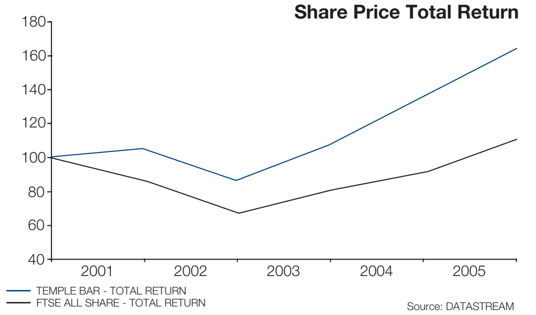
POLICY ON DIRECTORS' REMUNERATION

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 Company compiles such analysis as part of the management and secretarial services provided to the Company. 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.

In light of the increasing demands and accountability of the corporate governance environment the Board has recognised the additional workload that each director has experienced. The Board, therefore, concluded that the remuneration be increased to £25,000 p.a. for the Chairman and £17,000 p.a. for the other directors with effect from 1 January 2006 to reflect the level of work and responsibility involved. In addition, the Chairman of the Audit Committee, currently Mr Allen, will receive an annual remuneration of £19,000.

PERFORMANCE GRAPH

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



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 annual general meeting when, under the Company'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 re-election by shareholders on retirement by rotation or in accordance with the Combined Code.

	Audited	
	2005	2004
Director	£	£
John Reeve	21,000	18,750
Gary Allen	14,000	13,150
June de Moller	8,500	N/A
John Hudson	3,500	13,150
Richard Jewson	14,000	13,150
Martin Riley	14,000	3,684
Field Walton	14,000	13,150

Mr Walton's remuneration is paid to Field Corporate Services.

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

No director received any pension contributions (2004: Nil).

By order of the Board of Directors
M K Slade
For Investec Investment Management Limited
Secretary
21 February 2006

APPLICATION OF COMBINED CODE PRINCIPLES

The Board attaches great importance to ensuring that the Company operates to high ethical and compliance standards. In addition, the Board seeks to observe the principles set out in the UK Listing Authority's Combined Code on Corporate Governance insofar as these are consistent with the Company's status and objectives as an investment trust.

The Board also complies with the Code of Corporate Governance published by the Association of Investment Trust Companies as far as practical. 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 Combined Code may be preferable.

COMPLIANCE WITH THE DETAILED PROVISIONS OF THE COMBINED CODE

Operation of the Board

Each of the directors is independent of any association with the management company 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 Company 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 Investment Management Limited ('IIM'). The Board makes all strategic decisions, reviews the performance of the Company at Board meetings and sets the objectives for the Managers. The directors have a range of business and financial skills or experience relevant to the direction of the Company. Mr G J Allen is the Senior Independent Director.

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 Combined Code. Appointment or removal of the nominated representative of the Corporate Company Secretary ("the Company Secretary") is a matter for the Board as a whole.

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

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

Number of meetings attended

	Board	Audit Committee	Nomination Committee
John Reeve	7	3	4
Gary Allen	5	1	3
June de Moller*	3	1	1
John Hudson**	3	1	–
Richard Jewson	7	2	4
Martin Riley	7	3	4
Field Walton	7	3	4

*appointed a director on 23 May 2005
**resigned as a director on 29 March 2005

Independence of the Directors

Each of the directors is independent of any association with the management company 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 Walton) have served on the Board for more than nine years from the date of their first election, but given the nature of the Company as an investment trust and the strongly independent mindset of the individuals involved, the Board 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 management company. 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 by rotation at intervals of no more than three years. In addition, the appointment of each director is reviewed by other members of the Board every year. Directors are not, therefore, subject to automatic reappointment. Non-executive directors are not appointed for specified terms. Because of the nature of an investment trust the Board believes that the contribution and independence of a director is not diminished by long service and, conversely, that a more detailed knowledge of the Company and its business has a beneficial impact.

The directors due to stand for annual re-election at the forthcoming AGM are Mr Reeve and Mr Walton. Mrs de Moller is due to stand for re-election at the AGM, being the first since her appointment as a director in May 2005. The Board has carefully considered the position of each of these directors and believes it would be appropriate for them to be proposed for re-election. In arriving at this recommendation the Board is mindful of the fact that four of the directors currently on the Board have served for less than five years. The Board has, therefore, been altered relatively recently. Each of the directors continues to be effective and to display an undiminished enthusiasm and commitment to the role.

Chairman

The Chairman is also non-executive chairman of one other quoted company and a director of a number of other companies. He does not have a full time executive role in any organisation and the Board is satisfied that he has sufficient time available to discharge fully his responsibility as Chairman of the Company.

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 Company. It normally meets twice yearly and among its specific responsibilities are the review of the Company's annual and half yearly results, together with associated documentation, and the review of the internal and financial controls applicable to the management company. All of the directors are members of the audit committee and the Chairman is Mr Allen. The auditors are invited to attend the audit committee meeting at which the annual accounts are considered and any other meetings that the Committee deem 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 it was decided to appoint a new director to the Board. A search consultant was not used for these purposes as it was felt that the directors could identify a candidate of sufficient quality from a list of contacts already known to them without recourse to external advisers.

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.

Upon appointment to the Board each director receives relevant background information on the Company together with a summary of the duties and responsibilities of directors. When a director is appointed an induction meeting is arranged by the Manager covering details about the Company, its Manager, legal responsibilities, investment processes and investment trust industry matters. Directors have also taken part in various training specific to non-executive directors, including courses and conferences run by the AITC.

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 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 Company communicates with shareholders is through the interim and annual reports. The information contained therein is supplemented by regular NAV announcements and by a monthly factsheet available on the Company's website.

The Board largely delegates responsibility for communication with shareholders to the management company and, through feedback, expects to be able to develop an understanding of their views. The current shareholding constituency of the Company is such that there is only one major shareholder. All members of the Board are willing to meet with shareholders at any time for the purpose of discussing matters in relation to the operation and prospects of the Company.

The Board welcomes investors to attend the AGM and encourages 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 annual general meetings. 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 Company.

Accountability, Internal Controls and Audit

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

After making enquiries, the directors have a reasonable expectation that the Group and the Company has adequate resources to continue in operational existence for the foreseeable future, including recourse to a £7.5 million overdraft facility with HSBC Bank. Accordingly, the directors continue to adopt the going concern basis in preparing the accounts.

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

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

The effectiveness of the overall system of internal control is reviewed on an annual basis by the Board. Such a system can provide only reasonable and not absolute assurance against material misstatement or loss. The Board believes that there is a robust framework of internal controls in place to meet the requirements of the Combined 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. This matter is subject to periodic review. Based on the foregoing the Group and the Company has a continuing process for identifying, evaluating and managing the risks it faces. This process has been in place for the reporting period and to the date of this report and is regularly reviewed by the Board in accordance with the requirements of the 'Internal Control Guidance for Directors on the Combined Code' (the 'Turnbull Guidance') and the Combined Code.

Socially Responsible Investment

The Board believes that its primary duty is to act in the best financial interests of the Company and its shareholders. While the Board takes account of the ethical stance of investee companies on matters such as the environment or society as a whole, the ultimate objective is to deliver superior investment returns for shareholders.

Exercise of Voting Rights

The Managers have been instructed to vote on behalf of the Company in accordance with recommendations put forward by the National Association of Pension Funds (NAPF). Should the Managers wish to vote in a different way to the recommendation of the NAPF this requires the specific approval of the Board.

Independent Auditors' Report
to the members of Temple Bar Investment Trust PLC

We have audited the consolidated and parent Company financial statements (the "financial statements") of Temple Bar Investment Trust plc for the year ended 31 December 2005 which comprise the consolidated Income Statement, the consolidated and Parent Company Balance Sheets, the consolidated and Parent Company Cash Flow Statements, the consolidated and Parent Company Statement of Change in Shareholders' Equity and the related notes 1 to 25. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable United Kingdom law and International Financial Reporting Standards (IFRS) as adopted by the European Union as set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions are not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the 2003 FRC Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Report of the directors, the unaudited part of the Directors' Remuneration Report, the Chairman's Statement, the Corporate Governance Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Directors' Remuneration Report to be audited.

Opinion

In our opinion:

- the consolidated financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 December 2005 and of its profit for the year then ended;
- the parent Company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent Company's affairs as at 31 December 2005; and
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation.

Ernst & Young LLP
Registered Auditor
London
21 February 2006

Statement of directors' responsibilities in respect of the accounts

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and those International Financial Reporting Standards as adopted by the European Union.

The directors are required to prepare financial statements for each financial year which present fairly the financial position of the Company and of the Group and the financial performance and cash flows of the Company and of the Group for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies 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 Company has complied with IFRS, subject to any material departures disclosed and explained in the financial statements.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and of the Group and enable them to ensure that the financial statements comply with the Companies Act 1985 and Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The financial statements are published on the www.itstemplebar.com website, which is a website maintained by the Company's Investment Manager, Investec Investment Management Limited (Investec). The maintenance and integrity of the website maintained by Investec or any of its subsidiaries is, so far as it relates to the Company, the responsibility of Investec. The work carried out by the auditors does not involve consideration of the maintenance and integrity of this website and accordingly, the auditors accept no responsibility for any changes that have occurred to the financial statements since they were initially presented on the website. Visitors to the website need to be aware that legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in their jurisdiction.

Consolidated income statement

for the year ended 31 December 2005

	Notes	2005 Revenue return £'000	2005 Capital return £'000	2005 Total £'000	2004 (restated) Revenue return £'000	2004 (restated) Capital return £'000	2004 (restated) Total £'000
Investment income	5	19,637	–	19,637	18,294	–	18,294
Other operating income	5	483	–	483	466	–	466
Total income		20,120	–	20,120	18,760	–	18,760
Gains on investments							
Gains on fair value through profit or loss assets	13(b)	–	72,123	72,123	–	61,752	61,752
		20,120	72,123	92,243	18,760	61,752	80,512
Expenses							
Management fees	7	(804)	(1,207)	(2,011)	(684)	(1,026)	(1,710)
Other expenses	8	(441)	(1,679)	(2,120)	(383)	(1,024)	(1,407)
Profit before finance costs and tax		18,875	69,237	88,112	17,693	59,702	77,395
Finance costs	9	(1,799)	(2,735)	(4,534)	(1,842)	(2,736)	(4,578)
Profit before tax		17,076	66,502	83,578	15,851	56,966	72,817
Tax	10	–	–	–	–	–	–
Profit for the year		17,076	66,502	83,578	15,851	56,966	72,817
EARNINGS PER SHARE (BASIC & DILUTED)	12	29.35p	114.32p	143.68p	27.37p	98.37p	125.74p

The total column of this statement represents the Group's Income Statement prepared in accordance with IFRS. The supplementary revenue return and capital return columns are both prepared under guidance issued by the Association of Investment Trust Companies. All items in the above statement derive from continuing operations.

There are no minority interests.

Consolidated statement of changes in equity

for the year ended 31 December 2005

	Notes	Ordinary Share capital £'000	Share premium account £'000	Capital reserve realised £'000	Capital reserve unrealised £'000	Retained earnings £'000	Total equity £'000
BALANCE AT 1 JANUARY 2004	25(d)	14,478	2,193	264,951	36,705	23,048	341,375
CHANGES IN EQUITY FOR 2004							
Profit for the year	25(b)	–	–	18,182	38,784	15,851	72,817
		14,478	2,193	283,133	75,489	38,899	414,192
Dividends paid to equity shareholders	11	–	–	–	–	(15,312)	(15,312)
BALANCE AT 31 DECEMBER 2004	25(a)	14,478	2,193	283,133	75,489	23,587	398,880
CHANGES IN EQUITY FOR 2005							
Profit for the year		–	–	49,908	16,594	17,076	83,578
		14,478	2,193	333,041	92,083	40,663	482,458
Dividends paid to equity shareholders	11	–	–	–	–	(15,834)	(15,834)
Issue of share capital	18, 19	107	2,890	–	–	–	2,997
BALANCE AT 31 DECEMBER 2005		**14,585**	**5,083**	**333,041**	**92,083**	**24,829**	**469,621**

Company statement of changes in equity

for the year ended 31 December 2005

	Notes	Ordinary Share capital £'000	Share premium account £'000	Capital reserve realised £'000	Capital reserve unrealised £'000	Retained earnings £'000	Total equity £'000
BALANCE AT 1 JANUARY 2004	25(d)	14,478	2,193	264,951	36,705	22,169	340,496
CHANGES IN EQUITY FOR 2004							
Profit for the year	25(b)	–	–	18,182	38,784	15,851	72,817
		14,478	2,193	283,133	75,489	38,020	413,313
Dividends paid to equity shareholders	11	–	–	–	–	(15,312)	(15,312)
BALANCE AT 31 DECEMBER 2005	25(a)	14,478	2,193	283,133	75,489	22,708	398,001
CHANGES IN EQUITY FOR 2005							
Profit for the year		–	–	49,908	16,594	17,076	83,578
		14,478	2,193	333,041	92,083	39,784	481,579
Dividends paid to equity shareholders	11	–	–	–	–	(15,834)	(15,834)
Issue of share capital	18, 19	107	2,890	–	–	–	2,997
BALANCE AT 31 DECEMBER 2005		**14,585**	**5,083**	**333,041**	**92,083**	**23,950**	**468,742**

Consolidated balance sheet

as at 31 December 2005

	Notes	31 December 2005 £'000	31 December 2005 £'000	31 December 2004 (restated) £'000	31 December 2004 (restated) £'000
NON-CURRENT ASSETS					
Investments held at fair value through profit or loss	13(a)		**513,012**		434,128
CURRENT ASSETS					
Cash and cash equivalents		**26,663**		25,481	
Other receivables	15	**8,953**		3,201	
			35,616		28,682
TOTAL ASSETS			**548,628**		462,810
CURRENT LIABILITIES					
Other payables	16		**(15,663)**		(556)
TOTAL ASSETS LESS CURRENT LIABILITIES			**532,965**		462,254
NON-CURRENT LIABILITIES					
Interest bearing borrowings	17		**(63,344)**		(63,374)
NET ASSETS			**469,621**		398,880
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS					
Ordinary share capital	18	**14,585**		14,478	
Share premium	19	**5,083**		2,193	
Capital reserve – realised	20	**333,041**		283,133	
Capital reserve – unrealised	20	**92,083**		75,489	
Retained earnings	20	**24,829**		23,587	
			469,621		398,880
TOTAL EQUITY			**469,621**		398,880
NET ASSET VALUE PER SHARE	22		**804.96p**		688.78p

The financial statements on pages 22 to 43 were approved by the board of directors and authorised for issue on 21 February 2006. They were signed on its behalf by:

J Reeve (Chairman)
21 February 2006

Company balance sheet
as at 31 December 2005

	Notes	31 December 2005		31 December 2004 (restated)	
		£'000	£'000	£'000	£'000
NON-CURRENT ASSETS					
Investments held at fair value through profit or loss	13		513,012		434,128
Investments in subsidiary companies	14		50		50
			513,062		434,178
CURRENT ASSETS					
Cash and cash equivalents		26,663		25,481	
Other receivables	15	8,959		3,207	
			35,622		28,688
TOTAL ASSETS			548,684		462,866
CURRENT LIABILITIES					
Other payables	16		(16,598)		(1,491)
TOTAL ASSETS LESS CURRENT LIABILITIES			532,086		461,375
NON-CURRENT LIABILITIES					
Interest bearing borrowings	17		(63,344)		(63,374)
NET ASSETS			468,742		398,001
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS					
Ordinary share capital	18	14,585		14,478	
Share premium	19	5,083		2,193	
Capital reserve – realised	20	333,041		283,133	
Capital reserve – unrealised	20	92,083		75,489	
Retained earnings	20	23,950		22,708	
			468,742		398,001
TOTAL EQUITY			468,742		398,001

The financial statements on pages 22 to 43 were approved by the board of directors and authorised for issue on 21 February 2006. They were signed on its behalf by:

J Reeve (Chairman)
21 February 2006

Consolidated Group and Company cash flow statement

for the year ended 31 December 2005

	Notes	2005 £'000	2005 £'000	2004 (restated) £'000	2004 (restated) £'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before tax			**83,578**		72,817
Adjustments for:					
Purchases of investments[1]		**(210,423)**		(124,198)	
Sales of investments[1]		**203,662**		153,443	
			(6,761)		29,245
Gains on investments			**(72,123)**		(61,752)
Financing costs			**4,534**		4,578
Operating cash flows before movements in working capital			**9,228**		44,888
Increase in accrued income and prepayments			**(592)**		(225)
Increase in receivables			**(5,160)**		(390)
Increase/(decrease) in payables			**15,107**		(180)
NET CASH FLOW FROM OPERATING ACTIVITIES BEFORE AND AFTER INCOME TAX			**18,583**		44,093
CASH FLOWS FROM FINANCING ACTIVITIES					
Equity shares issued			**2,997**		–
Interest paid on borrowings	9		**(4,559)**		(4,577)
Bank interest paid			**(5)**		(1)
Equity dividends paid	11		**(15,834)**		(15,312)
NET CASH USED IN FINANCING ACTIVITIES			**(17,401)**		(19,890)
NET INCREASE IN CASH AND CASH EQUIVALENTS			**1,182**		24,203
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR			**25,481**		1,278
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR			**26,663**		25,481

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

Notes to the Consolidated Financial Statements

1 GENERAL INFORMATION

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

Principal activity

The principal activity of Temple Bar Investment Trust PLC (the Company) remains that of an investment trust within the meaning of Section 842 of the Income and Corporation Taxes Act 1988. The principal activity of its trading subsidiary is investment dealing.

2 SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The 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 disclosures required by IFRS 1 *First-time Adoption of International Financial Reporting Standards* ("IFRS 1") concerning the transition from UK GAAP to IFRS are given in note 25.

The principal accounting policies adopted by the Group and the Company are set out below. Where presentational guidance set out in the Statement of Recommended Practice ("SORP") for investment trusts issued by the Association of Investment Trust Companies ("AITC") in January 2003 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 Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved where the Company 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 income statement

In order better to reflect the activities of an investment trust company and in accordance with guidance issued by the AITC, supplementary information which analyses the income statement between items of a revenue and capital nature has been presented alongside the income statement. In accordance with the Company's status as a UK investment company under Section 266 of the Companies Act 1985, 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 842 Income and Corporation Taxes Act 1988.

Income

Dividend income from investments is recognised when the shareholders' rights 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 income statement.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

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 translation

These financial statements are prepared in Sterling because that is the currency of the primary economic environment in which the Group and the Company operates.

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 Sterling at the exchange rate ruling on the balance sheet date. Foreign exchange differences arising on translation are recognised in the income statement.

Expenses

All expenses are accounted for on the accruals basis. In respect of the analysis between revenue and capital items presented within the income statement, 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 income statement.
- Expenses are split and presented partly as capital items where a connection with the maintenance or enhancement of the value of the investments held can be demonstrated, and accordingly the investment management fee and finance costs have been allocated 40% to revenue and 60% to capital, in order to reflect the directors' long-term view of the nature of the expected investment returns of the Company.

Management charge

In accordance with the expected long term division of returns, 40% (2004: 40%) of the investment management fee for the year is charged to revenue and the other 60% (2004: 60%) is charged to capital, net of incremental corporation tax relief and inclusive of any related irrecoverable value added tax. Investments in funds managed by the Investec Group are wholly excluded from this charge.

Taxation

The tax expenses represent 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 income statement 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 and Company's liability for current tax is calculated using tax rates that have been or are substantively enacted by the balance sheet date.

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 income statement is the "marginal basis". Under this basis, if taxable income is capable of being entirely offset by expenses in the revenue column of the income statement, then no tax relief is transferred to the capital return column.

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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 842 Income and Corporation Taxes Act 1988 are not liable for taxation on capital gains.

Financial instruments

Financial assets and financial liabilities are recognised on the Group's and Company's balance sheet when the Group or Company becomes a party to the contractual provisions of the instrument. The Group or Company shall offset financial assets and financial liabilities if the Group or Company 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 or Company 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, which are designated as at fair value through profit or loss, are measured at fair value. Gains or losses on investments designated as 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 balance sheet 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

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 Company, are initially recognised at cost, being the proceeds received net of issue cost 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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

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% (2004: 40%) of the interest for the year is charged to revenue, and the other 60% (2004: 60%) is charged to capital, net of any incremental corporation tax relief.

Investment in subsidiaries

Investments in subsidiaries are recorded at cost.

Cash and cash equivalents

Cash and cash equivalents (which are presented as a single class of asset on the balance sheet) 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.

3 DIFFERENCES BETWEEN UK GAAP AND IFRS PRESENTATION

- Under UK GAAP the profit and loss account of the Group was the revenue column of the Statement of Total Return. However, under IFRS the profit and loss account is now the total column of the income statement. As a result, all of the items in the capital column of the income statement form part of the profit or loss of the Group.

- Under UK GAAP the dividends declared by the Company were recognised in the period in which they were declared. Under IFRS dividends declared by the Company are only recognised when the shareholders' right to receive the dividend has been established.

- Under UK GAAP investments were valued on the basis of quoted mid prices. Under IFRS investments held at fair value through profit or loss are valued on the basis of quoted bid prices.

4 COMPANY INCOME STATEMENT

The Company has taken advantage of the exemption from presenting its own income statement provided by Section 230 of the Companies Act 1985.

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5 INCOME

	2005	2004 (restated)
	£'000	£'000
Income from investments		
UK dividends	18,646	17,118
Other dividends	–	53
Interest on fixed income securities	991	929
Scrip dividends	–	194
	19,637	18,294
Other income		
Deposit interest	483	460
Underwriting commission	–	6
	483	466
Total income	20,120	18,760
Investment income comprises:		
Listed investments	19,472	18,116
Unlisted investments	165	178
	19,637	18,294

6 SEGMENTAL REPORTING

The directors are of the opinion that the Group is engaged in a single business being investing in equity and debt securities issued by companies operating and generating revenue in the United Kingdom and, therefore, no segmental reporting is provided.

7 INVESTMENT MANAGEMENT FEE

		2005			2004	
	Revenue	Capital	Total	Revenue	Capital	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Investment management fee	684	1,027	1,711	582	873	1,455
Irrecoverable VAT thereon	120	180	300	102	153	255
	804	1,207	2,011	684	1,026	1,710

As at 31 December 2005 an amount of £534,000 (2004: £464,000) was payable to the Manager in relation to the Management fees for the quarter ended 31 December 2005.

Details of the terms of the investment management agreement are provided on page 15.

8 OTHER EXPENSES

	2005 Revenue £'000	2005 Capital £'000	2005 Total £'000	2004 (restated) Revenue £'000	2004 (restated) Capital £'000	2004 (restated) Total £'000
Transaction costs on fair value through profit or loss assets	–	1,679	1,679	–	1,024	1,024
Directors' fees (see report on directors' remuneration on page 16)	89	–	89	82	–	82
Registrars fees	82	–	82	75	–	75
AITC membership costs	49	–	49	49	–	49
Advertising & marketing costs	37	–	37	34	–	34
Printing & postage	54	–	54	43	–	43
Directors' liability insurance	30	–	30	30	–	30
Auditor's remuneration – annual audit	20	–	20	18	–	18
Other fees to auditors – IFRS conversion	16	–	16	–	–	–
Stock exchange fees	8	–	8	7	–	7
Safe custody fees	7	–	7	6	–	6
Other expenses	49	–	49	39	–	39
	441	1,679	2,120	383	1,024	1,407

All expenses are inclusive of VAT where applicable.

Transaction costs on fair value through profit or loss assets represent such costs incurred on both the purchase and sale of those assets.

9 FINANCE COSTS

	2005 Revenue £'000	2005 Capital £'000	2005 Total £'000	2004 (restated) Revenue £'000	2004 (restated) Capital £'000	2004 (restated) Total £'000
Interest on borrowings						
9⅞% debenture stock 2017	988	1,481	2,469	987	1,482	2,469
5.5% debenture stock 2021	806	1,254	2,060	854	1,254	2,108
	1,794	2,735	4,529	1,841	2,736	4,577
Bank interest						
Bank overdrafts	5	–	5	1	–	1
Total finance costs	1,799	2,735	4,534	1,842	2,736	4,578

Due to the adoption of IFRS, the amortisation of the debenture issue costs is now calculated using the effective interest method rather then the straight line method that was used under UK GAAP.

The cumulative impact of adopting the effective interest method is a credit of £30,000 to the income statement during the year under review.

10 TAXATION

(a) There is no corporation tax payable (2004: nil).

(b) The charge for the year can be reconciled to the profit per the income statement as follows:

	2005 Revenue £'000	2005 Capital £'000	2005 Total £'000	2004 (restated) Revenue £'000	2004 (restated) Capital £'000	2004 (restated) Total £'000
Profit before taxation	17,076	66,502	83,578	15,851	56,966	72,817
Tax at UK corporation tax rate of 30% (2004: 30%)	5,123	19,951	25,074	4,755	17,090	21,845
Tax effects of:						
Non taxable gains on investments[1]	–	(21,134)	(21,134)	–	(18,219)	(18,219)
Income not chargeable to tax:						
UK dividends[1]	(5,595)	–	(5,595)	(5,135)	–	(5,135)
Scrip dividends[1]	–	–	–	(57)	–	(57)
Movement in excess management expenses[2]	472	1,183	1,655	437	1,129	1,566
Tax expense for the year	–	–	–	–	–	–

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

[2] The Company has not recognised a deferred tax asset of £9,232,000 (2004: £7,577,000) arising as a result of having unutilised management expenses since, under current tax legislation, it is unlikely that the Company will obtain any benefit for the asset.

11 DIVIDENDS

	2005 £'000	2004 (restated) £'000
Amounts recognised as distributions to equity holders in the year		
Final dividend for year ended 31 December 2004 of 18.38p (2003: 17.80p) per share.	10,644	10,308
Interim dividend for year ended 31 December 2005 of 8.90p (2004: 8.64p) per share.	5,190	5,004
	15,834	15,312
Proposed final dividend for the year ended 31 December 2005 of 18.93p (2004: 18.38p) per share.	11,044	10,644

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 dividends payable in respect of these financial years, which is the basis on which the requirements of Section 842 Income and Corporation Taxes Act 1988 are considered.

	2005 £'000	2004 £'000
Interim dividend for year ended 31 December 2005 of 8.90p (2004: 8.64p) per share.	5,190	5,004
Proposed final dividend for the year ended 31 December 2005 of 18.93p (2004: 18.38p) per share.	11,044	10,644
	16,234	15,648

12 EARNINGS PER SHARE

	2005 Revenue	2005 Capital	2005 Total	2004 (restated) Revenue	2004 (restated) Capital	2004 (restated) Total
Earning per ordinary share	**29.35p**	**114.32p**	**143.68p**	27.37p	98.37p	125.74p

The calculation of the above is based on revenue returns of £17,076,000 (2004: £15,851,000), and capital returns of £66,502,000 (2004: £56,966,000), and a weighted average number of ordinary shares of 58,170,906 (2004: 57,911,367).

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

	2005 Listed £'000	2005 Unlisted £'000	2005 Total £'000	2004 (restated) Listed £'000	2004 (restated) Unlisted £'000	2004 (restated) Total £'000
a) Movements in the year						
Opening cost at 1 January	**355,723**	**2,916**	**358,639**	361,637	3,279	364,916
Gains at 1 January	**68,259**	**7,230**	**75,489**	30,754	5,951	36,705
Opening fair value	**423,982**	**10,146**	**434,128**	392,391	9,230	401,621
Purchases at cost	**210,423**	**–**	**210,423**	124,198	–	124,198
Sales – proceeds	**(201,992)**	**(1,670)**	**(203,662)**	(152,376)	(1,067)	(153,443)
– realised gains on sales	**54,269**	**1,260**	**55,529**	22,264	704	22,968
Increase in unrealised gains	**15,298**	**1,296**	**16,594**	37,505	1,279	38,784
Closing fair value at 31 December	**501,980**	**11,032**	**513,012**	423,982	10,146	434,128
Closing cost at 31 December	**418,423**	**2,506**	**420,929**	355,723	2,916	358,639
Gains at 31 December	**83,557**	**8,526**	**92,083**	68,259	7,230	75,489
Closing fair value at 31 December	**501,980**	**11,032**	**513,012**	423,982	10,146	434,128
b) Gains on investments						
Gains on sales of investments	**54,269**	**1,260**	**55,529**	22,264	704	22,968
Increase in unrealised gains	**15,298**	**1,296**	**16,594**	37,505	1,279	38,784
	69,567	**2,556**	**72,123**	59,769	1,983	61,752

14 SUBSIDIARY COMPANIES

The cost of shares in subsidiary companies is £50,100 (2004: £50,100).

The subsidiary companies, which are wholly owned, incorporated and operating in Great Britain and registered in England and Wales are:

	Holding	Cost £
Temple Bar Properties Limited[1]	100 ordinary shares of £1 each	100
Temple Bar Securities Limited[2]	50,000 ordinary shares of £1 each	50,000
		50,100

[1] dormant company

[2] investment trading company

15 OTHER RECEIVABLES

	Group		Company	
	2005	2004 (restated)	**2005**	2004 (restated)
	£'000	£'000	**£'000**	£'000
Sales for future settlement	**5,861**	689	**5,861**	689
Due from subsidiary companies	**–**	–	**6**	6
Accrued income	**3,072**	2,480	**3,072**	2,480
Other receivables	**20**	32	**20**	32
	8,953	3,201	**8,959**	3,207

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

16 OTHER PAYABLES

	Group		Company	
	2005	2004 (restated)	**2005**	2004 (restated)
	£'000	£'000	**£'000**	£'000
Purchases for future settlement	**15,022**	–	**15,022**	–
Accruals and deferred income	**641**	556	**641**	556
Amounts payable to subsidiary companies	**–**	–	**935**	935
	15,663	556	**16,598**	1,491

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

17 NON CURRENT LIABILITIES

	Group		Company	
Interest bearing borrowings	**2005**	2004 (restated)	**2005**	2004 (restated)
	£'000	£'000	**£'000**	£'000
Amounts payable in more than five years:				
9⅞% Debenture stock 2017	**25,000**	25,000	**25,000**	25,000
5.5% Debenture stock 2021 (amortised cost)	**38,344**	38,374	**38,344**	38,374
	63,344	63,374	**63,344**	63,374

The 9⅞% Debenture stock 2017 is secured by a floating charge over the assets of the Company. The stock is repayable at par on 31 December 2017. No issue costs were capitalised on the issue of this debenture.
The 5.5% Debenture stock 2021 is secured by a floating charge over the assets of the Company. The stock is repayable at par on 8 March 2021.

18 ORDINARY SHARE CAPITAL

	Number of shares 2005	Number of shares 2004	£ 2005	£ 2004
Authorised				
Ordinary shares of 25p each	**84,195,184**	84,195,184	**21,048,796**	21,048,796
Issued, allotted and fully paid				
Ordinary shares of 25p each	**58,340,742**	57,911,367	**14,585,186**	14,477,842

400,000 ordinary shares were issued on 16 May 2005 for a consideration of £2,764,000 and a further 29,375 ordinary shares were issued on 30 September 2005 for a consideration of £232,650. There were no shares issued during 2004.

19 SHARE PREMIUM

	Group £'000	Company £'000
Group		
Balance at 1 January 2005	2,193	2,193
Premium arising on issue of new shares	2,890	2,890
Balance at 31 December 2005	5,083	5,083

20 RETAINED EARNINGS AND CAPITAL RESERVE

	Retained earnings		Capital reserve	
	Group £'000	Company £'000	Group £'000	Company £'000
Balance at 1 January 2005 (restated)	23,587	22,708	358,622	358,622
Dividends paid	(15,834)	(15,834)	–	–
Net profit for the year	83,578	83,578	–	–
	91,331	90,452	358,622	358,622
Transfer from retained earnings to capital reserve	(66,502)	(66,502)	66,502	66,502
Balance at 31 December 2005	24,829	23,950	425,124	425,124

The capital reserve shown above comprises both realised and unrealised amounts. A summary of the split is shown below.

	Group £'000	Company £'000
Capital reserve realised	333,041	333,041
Capital reserve unrealised	92,083	92,083
	425,124	425,124

21 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

As at 31 December 2005 there were no contingent liabilities or capital commitments for the Company and the Group (2004: nil).

22 NET ASSET VALUES

	Net asset value per ordinary share	Net assets attributable £'000
Ordinary shares of 25p each	804.96p	469,621

The net asset value per ordinary share is based on net assets at the year end of £469,621,000, (2004: £398,880,000) and on 58,340,742 (2004: 57,911,367) ordinary shares in issue at the year end.

23 RELATED PARTY TRANSACTIONS

IAS 24 "Related party disclosures" requires the disclosure of the details of material transactions between the Company and any related parties. Accordingly, the disclosures required are set out below:
Directors – The remuneration of the directors is set out in the Report on directors' remuneration on page 16. There were no contracts subsisting during or at the end of the year in which a director of the Company is or was interested and which are or were significant in relation to the Company's business. There were no other material transactions during the year with the directors of the Company.

Details of the management fees paid and payable to the Manager are set out in note 7.

24 RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

The Company's investing activities undertaken in pursuit of its investment objective as set out on page 1 involve certain inherent risks. The main risk arising from the Company's financial instruments is price risk, interest rate risk, and liquidity risk which includes interest rate 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.

Price risk

Market risk arises mainly from uncertainty about future prices of financial instruments used in the Company's business. It represents the potential loss the Company might suffer through holding market positions in the face of price movements. The Board meets on seven scheduled occasions in each year and at each meeting it receives sufficient financial and statistical information to enable it to monitor adequately the investment performance and status of the business. In addition, financial information is circulated to the directors on a monthly basis. The Board has also established a series of investment parameters, which are reviewed annually, designed to limit the risk inherent in managing a portfolio of investments. The Company's borrowings have the effect of increasing the risk faced by shareholders. This gearing effect is such that, for example, for a 10% movement in the valuation of the Company's investments, the net assets attributable to shareholders would move by approximately 11.3%.

Interest rate risk

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

24 RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

Financial assets – Interest rate risk

The majority of the Company's financial assets are equity shares and other investments which neither pay interest nor have a maturity date with the exception of the Company's fixed interest holdings in corporate and treasury bonds totalling £14,057,000, representing 3.0% of net assets of £469,621,000 (2004: £14,228,000; 3.6%). Of these, the weighted average running yield as at 31 December 2005 was 7.8% (2004: 6.4%) and the weighted average remaining life was 4 years (2004: 5 years). The Company's cash balances of £26,663,000 (2004: £25,481,000) earn interest calculated by reference to LIBOR. All of the Company's assets are denominated in Sterling.

Financial liabilities – Interest rate risk

All of the Company's financial liabilities of £79,007,000 (2004: £64,218,000) are denominated in Sterling. All current liabilities have no interest rate, and are repayable within one year. The 9⅞% 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 14 years (2004: 15 years) and the weighted average interest rate payable is 7.2% (2004: 7.2%) per annum. The Company also has recourse to a £7.5m overdraft facility with HSBC Bank with interest charged by reference to LIBOR.

Fair values of financial assets and financial liabilities

All investments are carried at fair value. Other financial assets and liabilities of the Company and the Group are held at amounts approximate to fair value as follows:

	Book value 31 December 2005 £'000	Fair market value 31 December 2005 £'000	Difference 31 December 2005 £'000	Book value 31 December 2004 £'000	Fair market value 31 December 2004 £'000	Difference 31 December 2004 £'000
9⅞% debenture stock[1]	25,000	36,228	11,228	25,000	33,951	8,951
5.5% debenture stock[2]	38,344	40,475	2,131	38,344	36,809	(1,535)
	63,344	76,703	13,359	63,344	70,760	7,416

[1] Effective rate is 9.875%

[2] Effective rate is 5.583%

25 TRANSITION TO IFRS

This is the first year that the Company has presented its financial statements under IFRS. The last set of annual financial statements were for the year ended 31 December 2004, and the date of transition to IFRS was therefore 1 January 2004.

A full reconciliation of the changes due to the implementation of IFRS is shown below.

25(a) Restatement of balances at 31 December 2004

In accordance with IFRS 1, first time adoption of International Financial Reporting Standards, the following is a reconciliation of the figures at 31 December 2004 previously reported under the applicable UK Accounting Standards and with the Statement of Recommended Practice.

GROUP	Notes	Previously reported 31 December 2004 £'000	Adjustments £'000	Restated 31 December 2004 £'000
Investments held at fair value through profit or loss	1	435,090	(962)	434,128
Cash and cash equivalents		25,481	–	25,481
Other receivables		3,489	–	3,489
Other payables	2	(11,862)	10,644	(1,218)
Total assets less current liabilities		452,198	9,682	461,880
Interest bearing borrowings		(63,000)	–	(63,000)
Net assets		389,198	9,682	398,880
Equity attributable to equity holders				
Ordinary share capital		14,478	–	14,478
Share premium		2,193	–	2,193
Capital reserves – realised	1	284,976	(1,843)	283,133
Capital reserves – unrealised	1	74,608	881	75,489
Retained earnings	2	12,943	10,644	23,587
Total equity		389,198	9,682	398,880
Net asset value per share		672.06p	16.72p	688.78p

25 TRANSITION TO IFRS (continued)

25(a) Restatement of balances at 31 December 2004 (continued)

COMPANY	Notes	Previously reported 31 December 2004 £'000	Adjustments £'000	Restated 31 December 2004 £'000
Investments held at fair value through profit or loss	1	435,090	(962)	434,128
Investments in subsidiary companies		50	–	50
Cash and cash equivalents		25,481	–	25,481
Other receivables		3,495	–	3,495
Other payables	2	(11,862)	10,644	(1,218)
Total assets less current liabilities		452,254	9,682	461,936
Interest bearing borrowings		(63,000)	–	(63,000)
Amounts payable to subsidiary companies		(935)	–	(935)
Net assets		388,319	9,682	398,001
Equity attributable to equity holders				
Ordinary share capital		14,478	–	14,478
Share premium		2,193	–	2,193
Capital reserves – realised	1	284,976	(1,843)	283,133
Capital reserves – unrealised	1	74,608	881	75,489
Retained earnings	2	12,064	10,644	22,708
Total equity		388,319	9,682	398,001
Net asset value per share		670.54p	16.72p	687.26p

Notes to the reconciliation

1. Investments are all classified as "Held at fair value, through profit or loss" under IFRS and are carried at bid prices which equate to their fair value of £434,128,000. They were previously carried at mid prices. The difference of £962,000 is included in capital reserves.

2. Dividends amounting to £10,644,000 relating to the year ended 31 December 2004 are not recognised in the period to which they relate, as was the case under UK GAAP, but rather when the shareholders' right to receive them has been established. As a result the final dividend for 2004 has not been recognised under IFRS and is included in retained earnings.

25 TRANSITION TO IFRS (continued)

25(b) Reconciliation of the Statement of Total Return to the Income Statement for the year ended 31 December 2004

GROUP AND COMPANY	2004 £'000
Reported revenue gain under UK GAAP	15,851
Reported capital gain under UK GAAP	56,654
Total return under UK GAAP	72,505
Movement in mid to bid 31 December 2003	1,274
Movement in mid to bid 31 December 2004	(962)
Reported income under IFRS	72,817

25(c) Reconciliation of the Cashflow Statement for the year ended 31 December 2004

GROUP AND COMPANY	Notes	Previously reported 31 December 2004 £'000	Adjustments £'000	Restated 31 December 2004 £'000
NET CASHFLOW FROM OPERATING ACTIVITIES BEFORE AND AFTER TAX		16,348	27,745	44,093
Net cashflow on investing activities	1	27,726	(27,726)	–
Equity dividends paid	2	(15,312)	15,312	–
		28,762	15,331	44,093
NET CASH USED IN FINANCING ACTIVITIES		(4,559)	(15,331)	(19,890)
NET CHANGE IN CASH AND CASH EQUIVALENTS		24,203	–	24,203

Notes to the reconciliation

1. Under IFRS Cashflow on Purchases and Sales of Investments which are designated as fair value through profit or loss are considered to be operating activities of the Company. Therefore, these cashflows have been reclassified to reflect this.

2. Under IFRS dividends are treated as a finance cost and these have been reclassified to reflect this.

25 TRANSITION TO IFRS (continued)

25(d) Restatement of balances at 31 December 2003

In accordance with IFRS 1, first time adoption of International Financial Reporting Standards, the following is a reconciliation of the figures at 31 December 2003 previously reported under the applicable UK Accounting Standards and with the Statement of Recommended Practice.

GROUP	Notes	Previously reported 31 December 2003 £'000	Adjustments £'000	Restated 31 December 2003 £'000
Investments held at fair value through profit or loss	1	402,895	(1,274)	401,621
Cash and cash equivalents		1,278	–	1,278
Other receivables		2,874	–	2,874
Other payables	2	(11,706)	10,308	(1,398)
Total assets less current liabilities		395,341	9,034	404,375
Interest bearing borrowings		(63,000)	–	(63,000)
Net assets		332,341	9,034	341,375
Equity attributable to equity holders				
Ordinary share capital		14,478	–	14,478
Share premium		2,193	–	2,193
Capital reserves – realised	1	266,019	(1,068)	264,951
Capital reserves – unrealised	1	36,911	(206)	36,705
Retained earnings	2	12,740	10,308	23,048
Total equity		332,341	9,034	341,375
Net asset value per ordinary share		573.88p	15.60p	589.48p

25 TRANSITION TO IFRS (continued)
25(d) Restatement of balances at 31 December 2003 (continued)

COMPANY	Notes	Previously reported 31 December 2003 £'000	Adjustments £'000	Restated 31 December 2003 £'000
Investments held at fair value through profit or loss	1	402,895	(1,274)	401,621
Investments in subsidiary companies		50	–	50
Cash and cash equivalents		1,278	–	1,278
Other receivables		2,880	–	2,880
Other payables	2	(12,641)	10,308	(2,333)
Total assets less current liabilities		394,462	9,034	403,496
Interest bearing borrowings		(63,000)	–	(63,000)
Net assets		331,462	9,034	340,496
Equity attributable to equity holders				
Ordinary share capital		14,478	–	14,478
Share premium		2,193	–	2,193
Capital reserves – realised	1	266,019	(1,068)	264,951
Capital reserves – unrealised	1	36,911	(206)	36,705
Retained earnings	2	11,861	10,308	22,169
Total equity		331,462	9,034	340,496
Net asset value per ordinary share		572.36p	15.60p	587.96p

Notes to the reconciliation

1. Investments are all classified as "Held at fair value, through profit or loss" under IFRS and are carried at bid prices which equate to their fair value of £401,621,000. They were previously carried at mid prices. The difference of £1,274,000 is included in capital reserves.

2. Dividends amounting to £10,308,000 relating to the year ended 31 December 2003 are not recognised in the period to which they relate, as was the case under UK GAAP, but rather when the shareholders' right to receive them has been established. As a result the final dividend for 2003 has not been recognised under IFRS and is included in retained earnings.

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 27 March 2006 at 11.00 a.m.

FINANCIAL CALENDAR

The financial calendar for 2006 is set out below:

Ordinary shares

Final dividend, 2005 – payable	31 March 2006
– ex-dividend	15 March 2006
– record date	17 March 2006
Interim dividend, 2006	29 September 2006
Final dividend, 2006	End of March 2007

9⅞% Debenture Stock 2017

Interest payments	30 June and 31 December

5.5% Debenture Stock 2021

Interest payments	8 March and 8 September

PAYMENT OF DIVIDENDS

Cash dividends will be sent by cheque to the first-named shareholder on the Register at his or her registered address together with a tax voucher. At shareholders' request, dividends may instead be paid direct into the shareholder's bank account through the Bankers' Automated Clearing System (BACS). This may be arranged by contacting the Company's Registrar on 0870 601 5366.

PRICE AND PERFORMANCE INFORMATION

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

SHARE REGISTER ENQUIRIES

The Company's Registrar, Lloyds TSB Registrars, maintains the share register. In the event of queries regarding your holding, please contact the Registrar on 0870 601 5366. Changes of name or address must be notified in writing to the Registrar.

SEDOL CODES FOR ORDINARY SHARES AND DEBENTURE STOCKS

Ordinary shares – 0882532
9⅞% Debenture Stock 2017 – 0882640
5.5% Debenture Stock 2021 – 0530529

TEMPLE BAR INVESTMENT TRUST SAVINGS SCHEME AND ISA

Details of the Temple Bar Savings Scheme and the Individual Savings Account (ISA), are set out on page 47 of this report. Each of these enables individuals to buy shares in the Company in a straightforward and accessible way.

ASSOCIATION OF INVESTMENT TRUST COMPANIES

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

NOTICE IS HEREBY GIVEN that the eightieth Annual General Meeting of Temple Bar Investment Trust PLC will be held at 11.00 a.m. on Monday 27 March 2006 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 2005 together with the reports of the directors and auditors thereon,
2. to approve the report on directors' remuneration for the year ended 31 December 2005,
3. to declare a final dividend of 18.93p per ordinary share,
4. to re-elect Mrs J F de Moller as a director,
5. to re-elect Mr J Reeve as a director,
6. to re-elect Mr F L J Walton as a director,
7. to re-appoint the auditors and to authorise the directors to determine their remuneration.

SPECIAL BUSINESS:

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

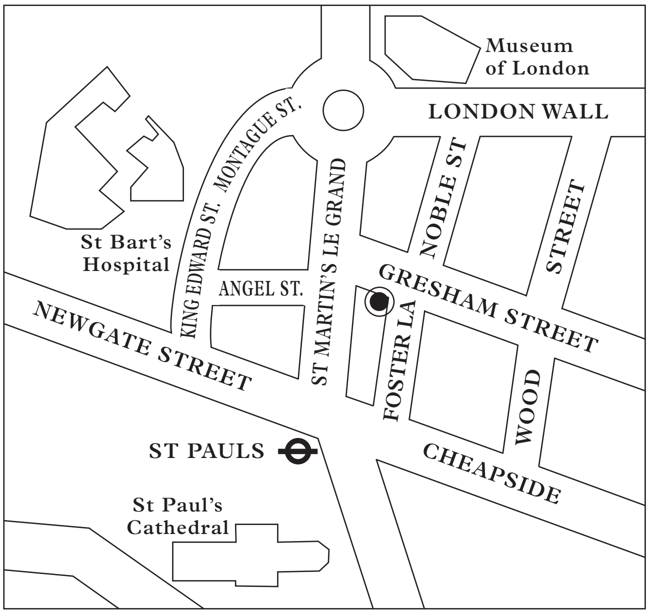
8. That the Company generally be and is hereby authorised for the purpose of section 166 of the Companies Act 1985 to make market purchases (as defined in section 163 of the Act) of ordinary shares of 25p each in the capital of the Company ("ordinary shares") provided that:
   (i) the maximum number of ordinary shares hereby authorised to be purchased is 8,745,277 being 14.99 per cent of the issued share capital of the Company as at the date of the passing of this resolution;
   (ii) the minimum price which may be paid for such shares is 25p per share;
   (iii) the maximum price (exclusive of expenses payable by the Company) which may be paid for such shares shall be 5% above the average of the market value of the share quotations taken from the London Stock Exchange Daily Official List for the five business days before the purchase is made;
   (iv) the authority hereby conferred shall (unless previously renewed or revoked) expire at the end of the Annual General Meeting of the Company in 2007, or, if earlier, the date falling fifteen months from the date of this resolution;
   (v) the Company may make a contract to purchase its own shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority, and may make a purchase of its own shares in pursuance of any such contract.

Dated this 21st day of February, 2006

By order of the Board of Directors
M K Slade
For Investec Investment
Management Limited
Secretary

2 Gresham Street
London EC2V 7QP

Notice of meeting continued



Shown is a plan of the location of Investec Investment Management Limited, 2 Gresham Street, London EC2V 7QP where the Annual General Meeting will be held on Monday 27 March 2006 at 11.00 a.m.

NOTES

1. A member entitled to attend and vote is entitled to appoint a proxy to attend the meeting and, on a poll, to vote instead of him. A proxy need not be a member of the Company. A form of proxy is enclosed.
2. Instruments of proxy should be sent to Lloyds TSB Registrars, The Causeway, Worthing BN99 6EF so as to arrive no later than 48 hours before the time appointed for the meeting.
   Completion and return of the form of proxy will not preclude shareholders from attending and voting at the meeting in person should they wish to do so.
3. Members who hold ordinary shares in the Company in uncertificated form must have been entered on the Company's register of members by 6.00 p.m. on 25 March 2006 in order to be able to attend and vote at the meeting. Such members may only vote at the meeting in respect of ordinary shares held at the time.
4. The Register of Directors' Interests kept by the Company in accordance with section 325 of the Companies Act 1985 will be open for inspection at the meeting.
5. None of the directors has a service contract with the Company.
6. Only holders of ordinary shares or their proxies are entitled to attend and vote at the meeting.

Temple Bar Investment Trust Savings Scheme and Individual Savings Account (ISA)

Temple Bar offers two simple and inexpensive ways 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

The Temple Bar Investment Trust ISA offers:

- the ability to invest up to £7,000 tax free in the current tax year
- low costs – no initial charge and an annual management fee of 0.50% per annum (subject to a minimum of £25)

If you would like to receive information about either of these schemes, call the Investor Services Department on 020 7597 1800 or visit our website **www.itstemplebar.com**. Alternatively please write to:

Investor Services Department
Investec Investment Management Limited
2 Gresham Street
London EC2V 7QP

Personal Equity Plans are no longer available for new subscribers. The current Temple Bar Investment Trust PEP continues for existing investors and will only be available for PEP transfers.

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, and the investment adviser to Investec Investment Management Limited, investment managers of Temple Bar Investment Trust PLC.

AI TC A member of the Association of Investment Trust Companies

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