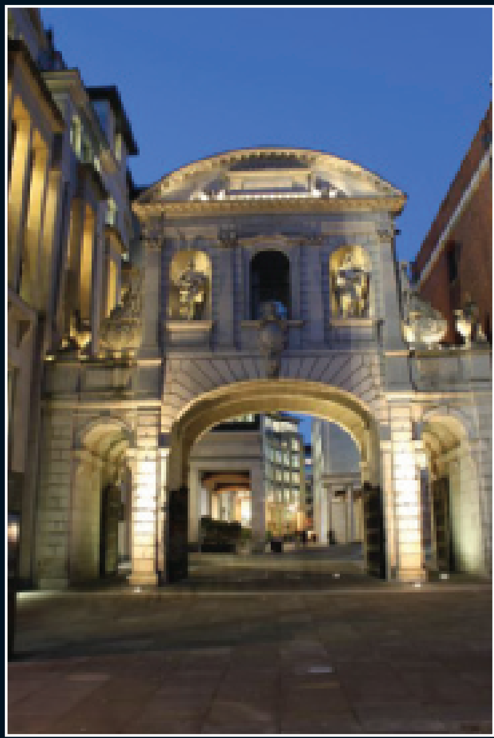
temple bar

active investment working for you

Temple Bar Investment Trust PLC

Report and Accounts 2009



Contents

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

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

Group summary

Investment Objective

The Company's investment objective is to provide growth in income and capital to achieve a long term total return greater than the benchmark FTSE All-Share Index, through investment primarily in UK securities. The Company's policy is to invest in a broad spread of securities with typically the majority of the portfolio selected from the constituents of the FTSE 100 Index.

The Company's full objective and policy is set out on page 15.

Benchmark

Performance is measured against the FTSE All-Share Index.

Total Assets Less Current Liabilities

£553,392,000

Total Equity

£489,988,000

Market Capitalisation

£445,748,000

Capital Structure

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

Voting Structure

Ordinary shares 100%.

Winding-Up Date

None.

Managers' Fees

0.35% per annum based on the value of the investments (including cash) of the Company.

ISA Status

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

Association of Investment Companies (AIC)

Member.

Website

www.templebarinvestments.co.uk

Summary of results

ASSETS as at 31 December	2009 £'000	2008 £'000	Percentage change
Consolidated net assets	489,988	359,020	36.5%
Ordinary shares			
Net asset value per share	831.03p	612.76p	35.6%
Net asset value per share adjusted for market value of debt	823.03p	613.95p	34.1%
Market price	756.00p	601.00p	25.8%
Discount with debt at book value	9.0%	1.9%	
Discount with debt at market value	8.1%	2.1%	

REVENUE for the year ended 31 December	2009 £'000	2008 £'000	
Revenue return attributable to ordinary shareholders	20,017	20,614	
Revenue return per ordinary share	33.98p	35.33p	
Dividends per ordinary share – interim and proposed final	33.50p	32.84p	2.0%

CAPITAL for the year ended 31 December	2009 £'000	2008 £'000
Capital return attributable to ordinary shareholders	128,246	(139,028)
Capital return attributable per ordinary share	217.70p	(238.27)p

	2009	2008
TOTAL EXPENSE RATIO*	0.46%	0.48%

TOTAL RETURNS for the year to 31 December 2009	%
Return on net assets	45.0
Return on gross assets	38.6
Return on share price	31.3
FTSE All-Share Index	30.1
FTSE 350 Higher Yield Index	18.8
Change in Retail Prices Index over year	2.4

DIVIDEND YIELDS (NET) as at 31 December 2009	%
Yield (historic) on ordinary share price (756p)	4.3
Yield on FTSE All-Share Index	3.2
Yield on FTSE 350 Higher Yield Index	4.7

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

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
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[1]	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[2]	532,965	469,621	804.96	17,076	29.35	27.83
2006	598,485	535,128	917.25	17,620	30.20	29.23
2007	557,712	494,340	847.33	19,361	33.19	30.98
2008	422,408	359,020	612.76	20,614	35.33	32.84
2009	553,392	489,988	831.03	20,017	33.98	33.50

NOTES

1. In 2003 there was a change of policy on the charging of finance expenses and management fees such that 60% of these (previously 50%) are now charged to capital. No prior years have been restated.
2. In 2005 the Company adopted International Financial Reporting Standards. As a result the 2004 data has been restated but no prior years have been restated.

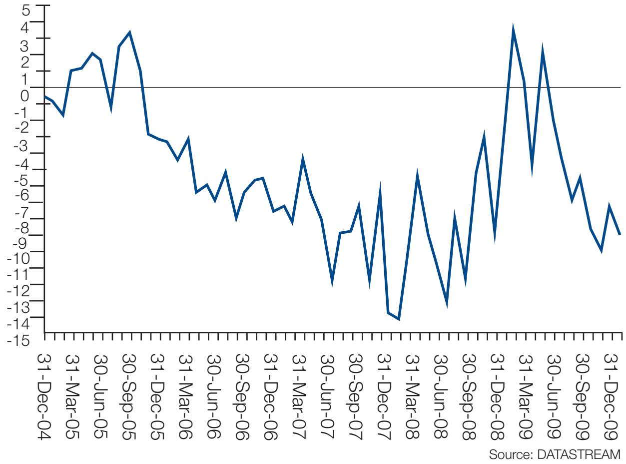
*Interim and proposed final for the year.

Comparative dividend growth

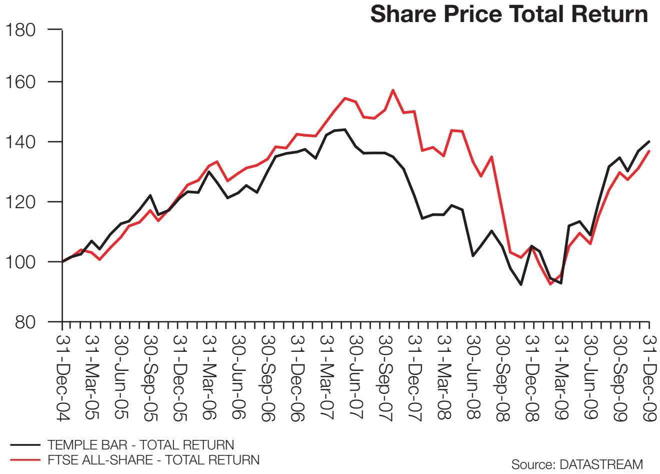
Source: Datastream

Five year summary

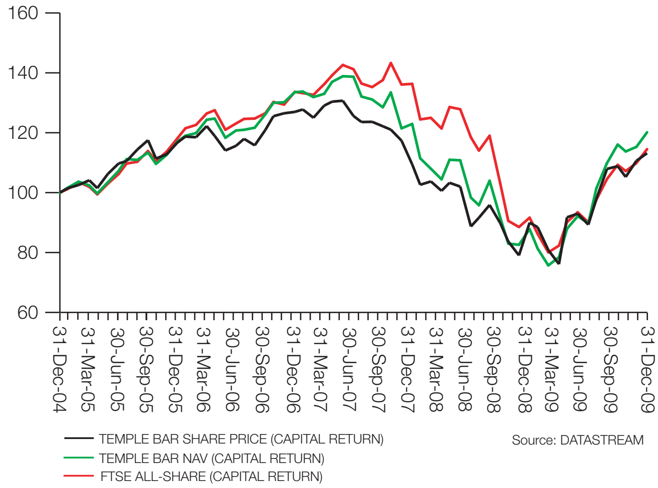
(Discount)/Premium to Net Asset Value



Share Price Total Return



Net Asset Value Capital Return



Directors

JOHN REEVE*, Chairman, aged 65, was appointed a director in 1992. He was formerly executive chairman of the Willis Group, group managing director of Sun Life Assurance Society and a member of the boards of the Association of British Insurers and the International Insurance Society. He is a director of a number of other companies.

RICHARD W JEWSON*†, aged 65, was appointed a director in 2001. He first worked in the timber and building material supply industry, becoming managing director of Jewson the builders merchants for twelve years from 1974, and then managing director and chairman of its parent company Meyer International PLC from which he retired in 1993. He is currently chairman of Raven Russia Limited and Archant Limited, and a non-executive director of Grafton Group PLC and other private companies.

JUNE F de MOLLER*, aged 62, was appointed a director in 2005. She is a non-executive director of Derwent London 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 66, was appointed a director in 2004. He had 30 years' experience in stockbroking and fund management in the City and is a former director of Henderson Crosthwaite Ltd, Guinness Mahon & Co Ltd and Barlows PLC. He is currently chairman of SR Europe Investment Trust PLC and Howard Investment Company Ltd and a director of various private investment companies.

FIELD L J WALTON*, aged 69, 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 a non-executive director of a number of engineering and trust companies. He is also a director of Harrods Group Trustees Ltd.

DAVID G C WEBSTER*, aged 65, was appointed a director in 2009. His career started in corporate finance at Samuel Montagu before becoming a founder and subsequently chairman of Safeway PLC from which he retired in 2004. He is currently chairman of InterContinental Hotels Group PLC and has a wide range of other business interests including membership of the Appeals Committee of the Panel on Takeovers and Mergers. He was previously a director of Reed Elsevier PLC.

*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

Investment Manager
Investec Asset 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 Asset Management Limited, represented by M K Slade

Registered Number
Registered in England No. 214601

Registrar
Equiniti Limited
Aspect House, Spencer Road,
Lancing, West Sussex BN99 6DA
Telephone No: 0871 384 2432 (shareholder helpline)
0906 559 6025 (broker helpline)

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

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

Bankers and Custodian
HSBC Bank plc
Poultry, London EC2P 2BX

Stockbrokers
JPMorgan Cazenove
20 Moorgate, London EC2R 6DA

Solicitors
Eversheds LLP
1 Wood Street, London EC2V 7WS

from left to right; Peter Lowery, Jo Slater, David Lynch, Alastair Mundy, Martin Slade, Mark Wynne Jones, Celia Duncan

Chairman's statement

The total return on the net assets of Temple Bar during 2009 was 45.0%, which compares with a total return for the FTSE All-Share Index of 30.1%. The return achieved comprises underlying relative portfolio outperformance boosted by the capital gearing of the Trust. In share price terms the full extent of this benchmark outperformance was diluted by a widening of the discount shortly before the year end, reducing the share price total return for the year to 31.3%. The discount widening was common to the growth and income sector as a whole, possibly reflecting investors' greater appetite for higher risk asset classes. It is pleasing to report that the fund manager's record against the benchmark is very satisfactory over the past five years. A detailed analysis of performance is provided in the manager's report.

Although the UK equity market recovered significantly from its lows, many companies decided to cut or omit dividends during the year. This impacted significantly on the level of dividends received by the Company. However, much of this shortfall was made good by the income generated from a decision to move into corporate bonds and also by the refund from HMRC of a significant amount of VAT. As a consequence, total income received, including the VAT refund, was only 2.0% lower than in 2008. This drove a reduction of post-tax earnings of 2.9% to £20.017m.

The Board is recommending a final dividend of 23.0p, to produce a total increase of 2.0% for the year. This dividend will be payable on 31 March 2010 to shareholders on the register at 12 March 2010. This is the 26th consecutive year in which the dividend has been increased.

Because of the VAT rebate, which I cover in greater detail below, the 2009 dividend has been covered by revenue generated during the year. Retained earnings of £655,000 for the year have been added to the revenue reserve. The revenue reserve represents 156% of the total 2009 dividend.

At the year end, capital gearing, defined as gross assets divided by net assets, was 113%. However, currently cash and other similar assets plus a short-dated bond portfolio are offsetting virtually all of this gearing.

Awards

I am pleased to report that Temple Bar was the recipient during the year of two prestigious awards, namely the winner of the best investment trust in the UK Growth & Income sector from both Moneywise and Investment Week magazines. The fund manager is to be congratulated on these achievements which reflect Temple Bar's excellent long term track record.

VAT rebate

I reported at the interim stage that Temple Bar had received a repayment of £1.856m from HMRC for VAT paid on management fees in previous periods for which it is permissible to claim. Such amount was credited to the capital and revenue accounts pro rata to the allocation policies applicable at the relevant times. Since the half year a further repayment of £628,000 has been received representing the simple interest arising on the VAT paid on management fees. This has been allocated in full to the revenue account. In total, therefore, Temple Bar received during the year a recovery of VAT and interest of £2.484m of which £0.88m is attributable to capital and £1.604m to the revenue account. Furthermore, the Trust has taken the necessary measures to preserve its position in respect of a possible claim against HMRC for compound interest but the legal process on this matter will probably run for a number of years before there is a definitive outcome.

International Investment

Shareholders may be aware that Temple Bar currently has the ability to invest up to 10% of its portfolio in listed international equities in developed economies. Over the past couple of years this facility has progressively been utilised. In certain situations it is helpful to maximise the number of value opportunities upon which to base an investment decision. For the time being the board is content to preserve the present 10% limit but the position will be kept under review over the medium term.

Field Walton

After 27 years loyal and diligent service on the board Field Walton has decided to stand down as a director at the forthcoming AGM. Field has been an outstanding servant of the Company over that time. His forthright and perceptive views will be sorely missed by all his colleagues on the board, particularly his tendency to challenge the conventional wisdom. We shall greatly miss Field's wise counsel and wish him well for the future. In due course we may seek to recruit an additional director, bearing in mind the objective of optimising the mix of skills and experience on the board as a whole.

Articles of Association

At the Annual General Meeting it is proposed that the Company adopt new Articles of Association. These latest amendments to the current Articles reflect the changes in company law brought about by those elements of the Companies Act 2006 which came into effect on 1 October 2009. More details on the proposed changes to the Articles are given in the Appendix to the Notice of Meeting on page 49.

Annual General Meeting

The annual general meeting will be held at 2 Gresham Street, London EC2V 7QP on Monday 29 March 2010 at 11 a.m. I look forward to meeting as many of you as are able to attend. In addition to the formal business of the meeting the fund manager, Alastair Mundy, will make a presentation reviewing the past year and commenting on the outlook. He will also be available to answer any questions.

Outlook

I highlighted last year that 'bear markets can generate some very attractive opportunities, provided the companies in which we invest have balance sheets strong enough to withstand a serious economic downturn and franchises durable enough to produce good returns over the longer term'. Certain of the shares on the portfolio performed spectacularly over the year and the manager decided to take some profits. He believes the easier money has been made on the most cyclical parts of the portfolio but that a number of holdings, while likely to remain volatile, still offer good long term value. He also believes that many of the largest stocks in the market remain cheap and that their dividend yields and strong balance sheets make them attractive investments.

The manager has provided the board with a number of scenarios for revenue over the next five years. There are many variables which contribute to a wide range of possible outcomes. Under a number of scenarios the revenue reserve is large enough to support the dividend until revenue generated on the portfolio naturally covers the dividend. Because of the highly concentrated portfolio, the greatest risk factor is that of further dividend cuts amongst our largest holdings. Clearly, great uncertainties exist and the Board believes that the scope for dividend increases over the next few years is, at best, likely to be limited.

Our manager and his experienced team stuck to their contrarian investment principles in their darkest hour and their long term performance illustrates the merits of a well articulated and consistently implemented process. While they constantly search for new investment ideas, new opportunities are currently thin on the ground. However, history tells us that patience has its rewards.

John Reeve

23 February 2010

Twenty largest investments

as at 31 December 2009

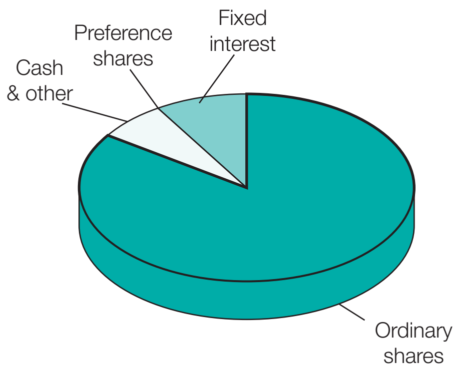
Company	Valuation 31 December 2008 £'000	Net purchases/ (sales) £'000	Appreciation/ (depreciation) £'000	Valuation 31 December 2009 £'000	Total assets less current liabilities %	Equity yield as at 31 December 2009* %
HSBC	25,720	13,766	8,952	**48,438**	**8.75**	**2.91**
BP	39,247	–	5,564	**44,811**	**8.10**	**6.07**
GlaxoSmithKline	36,576	2,467	1,751	**40,794**	**7.37**	**4.55**
Royal Dutch Shell	38,519	–	1,944	**40,463**	**7.31**	**7.89**
Vodafone	37,158	–	1,272	**38,430**	**6.94**	**5.47**
Unilever	27,702	–	7,246	**34,948**	**6.32**	**3.23**
Signet Jewelers	6,637	1,756	15,456	**23,849**	**4.31**	**–**
AstraZeneca	22,793	–	817	**23,610**	**4.27**	**4.38**
Travis Perkins	8,045	(4,891)	15,393	**18,547**	**3.35**	**–**
British American Tobacco	11,982	–	1,475	**13,457**	**2.43**	**4.44**
Nationwide	–	7,056	5,994	**13,050**	**2.36**	**8.15****
BT	12,350	–	(28)	**12,322**	**2.23**	**2.52**
Charter International	5,528	–	6,567	**12,095**	**2.19**	**2.91**
Centrica	11,208	–	633	**11,841**	**2.14**	**4.41**
H&R Block	–	7,737	2,912	**10,649**	**1.92**	**2.65**
Market Vectors ETF	–	7,259	1,990	**9,249**	**1.67**	**0.24**
Invensys	5,178	–	3,827	**9,005**	**1.63**	**0.84**
Compass	6,180	–	1,484	**7,664**	**1.38**	**2.96**
Paddy Power	7,141	(6,496)	6,251	**6,896**	**1.25**	**2.25**
Computacenter	2,015	–	3,716	**5,731**	**1.04**	**3.40**
	303,979	28,654	93,216	**425,849**	**76.96**	

All securities in any one company are treated as one investment.

*This ignores the yield on fixed interest holdings where relevant.
**Represents the weighted average running yield of Nationwide securities.

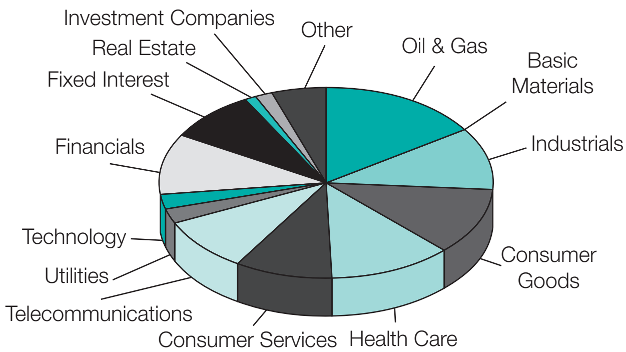
Asset allocation as at 31 December 2009

BY CLASS (%)



	%
Ordinary shares	84.66
Fixed interest	8.66
Cash & other	6.61
Preference shares	0.07
	100.00

PORTFOLIO DISTRIBUTION (%)



	%		%
Oil & Gas	15.74	Utilities	2.47
Basic Materials	0.06	Technology	2.72
Industrials	10.42	Financials	10.07
Consumer Goods	11.46	Fixed Interest	8.81
Health Care	11.89	Real Estate	1.05
Consumer Services	9.54	Investment Companies	1.71
Telecommunications	8.99	Other	5.07
			100.00

Manager's report

At the close of 2008, most investors would have enthusiastically accepted an offer of 30.1% performance by UK equities in 2009. The credit and banking crises were in full flow, against a backdrop of unremittingly bad news. However, massive intervention by central banks and governments reassured investors that economic catastrophe had been avoided, temporarily at least, and a rush for risk soon began, accentuated by the near zero returns from holding cash.

The stock market's recovery from its March low was unprecedented, and many shares performed spectacularly. For example, 271 stocks in the FTSE All-Share Index increased more than 100% from their lows, including 122 stocks which increased more than 200% and 61 stocks which increased by over 300%.

Some commentators have described these investments as 'opportunities of a lifetime'. With hindsight, this may be true, but only foresight was available at the time of investment and, at that point, the outlook was uncertain. Of course, we now know that investor sentiment improved significantly after the huge fiscal and monetary stimuli, but scepticism about the interventionist policies could instead have pushed markets lower, making rights issues unlikely and forcing a number of companies into financial difficulties.

Investment Style

At the depth of the crisis, our analysis of the most depressed stocks indicated a variety of negative outcomes. We identified a number of stocks which would reward us significantly for accepting these risks, particularly where the market appeared to be underestimating the chance of meaningful recovery in profitability, and overestimating the probability of bankruptcy. Therefore, we had the opportunity to buy a few stocks that were exceptionally cheap on a probability-weighted basis. The subsequent performance of stocks such as Travis Perkins (up 217% during the year and 273% from its low), Signet (185% and 302%) and Kingspan (92% and 197%) clearly demonstrates where sentiment had been too bearish.

Some of our shareholders might have expected us to have purchased a greater number of out-of-favour stocks as prices fell in 2008 and early 2009. We looked closely at many of the worst performers but decided that even the lowest prices did not sufficiently discount the nasty scenarios. These companies shared common characteristics: massive debt, weak market position or, simply, an increasingly pressurized business model. Despite these warning signs, their share prices outperformed as investors embraced high levels of risk, possibly attempting to compensate for previous risk-aversion.

As other investors sought risk, our contrarian principles demanded that we consider reducing risk. Consequently, we sold Carnival, Galiform, JJB Sports, Legal & General, Premier Farnell, Next and JD Wetherspoon. These sales were not an automatic response to the consensus view (we, after all, only make money when the consensus agrees with us) but a balanced judgement that valuations discounted very strong recoveries in the companies' operating profitability.

On the other hand, a number of shares in large, stable companies such as Vodafone, GlaxoSmithKline and AstraZeneca continue to sit on fairly undemanding valuations. We have been highlighting this opportunity for some years and, in general, our shareholders have yet to benefit. Conventional wisdom asserts that there is little difference between being early and being wrong. However, in this situation, our earliness is nicely compensated with some chunky dividends.

It is curious that, at a time when most commentators highlight the uncertainties and frailties of the global financial system, we have the choice of holding these cheap defensive stocks or expensive cyclical stocks.

A number of reasons for this paradox come to mind. The typical fund manager often justifies high management charges by rolling around in the murkier parts of the market. It is much harder to illustrate brilliance of thought by investing in Leviathans as these stocks are, superficially anyway, dull. However, we disagree. There are relatively new management teams at most of these large companies who are ordering great, though calculated changes. We do not expect dramatic increases in profitability but we think it is likely that these companies will significantly improve their operating performance over a number of years; if they do, higher valuations may well follow. Companies with strong balance sheets, improving businesses and good dividend growth are, we think, very attractive investments. If this is what dull looks like, that is fine.

Portfolio Concentration

Our positive view on large stocks determines some very big positions, and the portfolio therefore remains very concentrated. At the end of the year, the largest ten equity holdings accounted for 61% of the portfolio. We are not afraid to be top heavy as the balance sheets and

valuations of the companies indicate no undue risk. Our view is that a short list of stocks we know well, and consider cheap, is much preferable to a longer list of stocking fillers.

Corporate Bonds

Lehmans' bankruptcy in 2008 generated much volatility, and a number of interesting opportunities. We took advantage of a dysfunctional corporate bond market to purchase a number of short-dated bonds in late 2008 and early 2009. These have performed well, and provided a welcome boost to income.

Gold Shares

During the year we made, for us, an unusual purchase of gold shares. We have often said that our portfolio is built with minimal regard to the macro-economic outlook: we doubt that our skills in macro-economic analysis would deliver a competitive advantage. However, we are alert to the problems currently affecting a number of economies. Worries about high levels of consumer debt appear to have been overtaken by worries about excessive government debt. A great financial experiment is in progress, and unpleasant outcomes, such as deflation or high inflation – or a blend of both – are possible (particularly as some of the central bankers, regulators and politicians were responsible for the original mess). For these reasons, we regard an exposure to gold as a sensible method of hedging current risks. We cannot guarantee that the gold price will continue to rise, or that gold shares will correlate to a rising price, but we struggle to identify cheaper and more efficient protection for the portfolio.

Revenue

A large number of dividends were cut or omitted over the last year and the cyclical part of our portfolio was significantly affected by this. However, we refused to act mechanistically and sell those shares currently contributing little or nothing to the portfolio's revenue account. We aim always to trade rationally, and we believe that selling a stock simply because it produces no income is not rational, and that such a policy would detract from the portfolio's total return.

Gearing

Throughout the year we have held a reasonable amount of cash, similar liquid assets and bonds, ending the year with 15.8% of the portfolio in such assets. This is not an explicit indication of bearishness, rather our relative lack of equity holdings is an admission that we cannot find enough cheap stocks to completely fill the portfolio. We shall find more opportunities if markets move lower, but the overall trend is not critical for our purposes. We are always patient in our search for cheap companies, although patience can be seriously tested in an information rich environment. Sometimes a meeting with a company's management, or a review of a company's report and accounts may seem to offer good reason to deal. However, as any information gleaned is likely to be widely available, it should not artificially generate activity. We believe that because patience is so difficult to apply, the virtue is often very well rewarded.

Mistakes

As with any year, we made some mistakes through every investor's common failing of missing a stock that rose significantly, or holding a stock that fell significantly. However, our preferred definition of error is where we can see how, with the same information available, we should have acted differently. By this definition, perhaps our biggest mistake was not to buy more of the cyclical stocks we believed were very cheap. However, these stocks had omitted their dividends, and all are luxury holdings for us. Further, we had to discipline ourselves to stop buying – the risk of significant losses might have been small but, vitally, it had to be controlled.

International Stocks

Our 'buy' ideas are always selected from a pool of shares under-performing through investor fear or boredom. We believe our investment philosophy and process are as relevant in international markets as in the UK, and our analysis of international stocks and UK listed stocks is identical. We analyse the conventional wisdom which has driven the shares down, and find reasons why the conventional wisdom may be incorrect or overdone. Then we conduct a valuation exercise to measure the potential upside if the conventional wisdom is wrong, and the margin of safety that exists if it is right.
In addition to dual listed stocks (7.5% of portfolio) and the gold share ETF (1.7% of portfolio), we have 2.9% invested in internationally listed stocks. This part of the portfolio, does provide us with a larger universe of investment opportunities and may be further developed over time.

Alastair Mundy
Investec Asset Management Limited
23 February 2010

Portfolio of investments

	Valuation of holding as at 31 December 2009 £'000	Percentage of Portfolio %	FTSE All-Share Index 31 December 2009 %
OIL & GAS			
Oil & Gas		15.74	18.25
Royal Dutch Shell ('B' Shares)	**40,463**		
BP	**44,811**		
	85,274	15.74	18.25
BASIC MATERIALS			
Basic Resources	-	-	11.58
Chemicals		0.06	0.34
Scapa Group	**298**		
	298	0.06	11.92
INDUSTRIALS			
Construction & Materials	-	-	0.22
Industrial Engineering & Support Services		10.42	6.57
BAE Systems	**4,375**		
Bodycote	**1,374**		
Charter International	**12,095**		
Fiberweb	**34**		
Filtrona	**3,299**		
Grafton	**5,415**		
Jarvis	**294**		
Kingspan	**5,572**		
Renishaw	**871**		
St Ives	**343**		
Travis Perkins	**18,547**		
Wolseley	**4,229**		
	56,448	10.42	6.79
CONSUMER GOODS			
Automobiles & Parts	-	-	0.11
Food & Beverage		8.34	5.83
Devro	**4,144**		
Kraft Foods	**5,608**		
Unilever	**34,948**		
Uniq	**474**		
Personal & Household Goods			5.99
British American Tobacco	**13,457**	3.12	
Games Workshop Group	**3,200**		
Harvard International	**245**		
	62,076	11.46	11.93
HEALTH CARE			
Health Care		11.89	7.90
AstraZeneca	**23,610**		
GlaxoSmithKline	**40,794**		
	64,404	11.89	7.90

	Valuation of holding as at 31 December 2009 £'000	Percentage of Portfolio %	FTSE All-Share Index 31 December 2009 %
CONSUMER SERVICES			
General Retailers		6.77	4.76
Alexon Group	**111**		
H&R Block	**10,649**		
Home Retail	**2,065**		
Signet Jewelers	**23,849**		
Media		0.49	2.44
Future	**1,983**		
Johnston Press	**645**		
Travel & Leisure		2.28	2.47
Compass Group	**5,451**		
Paddy Power	**6,896**		
	51,649	9.54	9.67
TELECOMMUNICATIONS			
Telecommunications		8.99	5.83
BT	**12,322**		
Vodafone	**36,388**		
	48,710	8.99	5.83
UTILITIES			
Utilities		1.79	3.50
Centrica	**9,690**		
Electricity		0.68	
Drax Group	**3,700**		
	13,390	2.47	3.50
TECHNOLOGY			
Technology		2.72	1.43
Computacenter	**5,731**		
Invensys	**9,005**		
	14,736	2.72	1.43
FINANCIALS			
Banks		8.82	12.95
HSBC	**47,396**		
Lloyds Banking Group (9.25% Non Cum Pref Shares)	**396**		
Insurance		0.89	3.67
Aviva	**4,804**		
Financial Services		0.36	4.51
International Personal Finance	**1,952**		
	54,548	10.07	21.13

Portfolio of investments continued

	Valuation of holding as at 31 December 2009 £'000	Percentage of Portfolio %	FTSE All-Share Index 31 December 2009 %
REAL ESTATE			
Real Estate Investment Trusts		1.05	1.65
Land Securities	**5,675**		
	5,675	1.05	1.65
INVESTMENT COMPANIES			
Market Vectors ETF	**9,249**	1.71	-
	9,249	1.71	-
TOTAL EQUITIES	**466,457**	86.12	100.00
UK FIXED INTEREST			
Aviva 5.9021% FRN Perpetual	**727**		
Centrica 5.875% 2012	**2,151**		
Compass 7% 2014	**2,213**		
Daily Mail & General Trust 7.5% 2013	**2,014**		
GKN 7% 2012	**2,084**		
Hammerson 6.875% 2020	**2,595**		
HSBC Capital Funding 8.208% Perpetual	**1,042**		
Imperial Tobacco 6.875% 2012	**2,156**		
Kingfisher 6.875% 2010	**2,018**		
Ladbrokes 7.125% 2012	**2,079**		
Marks & Spencer 5.875% 2012	**2,101**		
Nationwide 7.971% FRN Perpetual	**5,263**		
Nationwide 6% FRN Perpetual	**4,136**		
Nationwide 5.769% FRN Perpetual	**1,340**		
Nationwide 6.024% FRN Perpetual	**2,311**		
Next 5.25% 2013	**2,074**		
Provident Financial 8% 2019	**1,964**		
Royal Sun Alliance Insurance 6.701% FRN Perpetual	**901**		
Santander 7.5% FRN Perpetual (formerly Abbey National)	**2,317**		
Segro 7.125% 2010	**2,008**		
Tomkins 8% 2011	**2,140**		
Vodafone 4.625% 2014	**2,042**		
TOTAL FIXED INTEREST	**47,676**	8.81	-
Investec Sterling Liquidity Fund	**27,478**	5.07	-
TOTAL VALUATION OF PORTFOLIO	541,611	100.00	100.00

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 2009.

BUSINESS REVIEW

Introduction

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

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

Business of the Company

The Company carries on business as an investment company under Section 833 of the Companies Act 2006 and was approved by HM Revenue & Customs as an investment trust in accordance with Section 842 of the Income & Corporation Taxes Act 1988 for the year ended 31 December 2008. In the opinion of the directors the Company has subsequently conducted its affairs so that it should continue to qualify.

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

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 27.

Going Concern

The directors have reviewed the going concern basis of accounting for the Company. The Company's assets consist substantially of equity shares in listed companies and in most circumstances are realisable within a short timescale. The use of the going concern basis of accounting is appropriate because there are no material uncertainties related to events or conditions that may cast significant doubt about the ability of the Company to continue as a going concern.

Investment Objective and Policy

The Company's investment objective is to provide growth in income and capital to achieve a long term total return greater than the benchmark FTSE All-Share Index, through investment primarily in UK securities. The Company's policy is to invest in a broad spread of securities with typically the majority of the portfolio selected from the constituents of the FTSE 100 Index.

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

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

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

The Company's long term investment strategy emphasises:

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

From time to time fixed interest holdings or non equity interests may be held on an opportunistic basis.

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

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

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

Investment Approach

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

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

The Manager's process is designed to produce 'best ideas' to drive active fund management within a rigorous control framework. The framework begins through narrowing down the universe of stocks by passing those companies with a market capitalisation above £100m through a screening process which highlights the weakest performing stocks. This isolates opportunities with attractive sentiment characteristics which are then in turn scrutinised in greater detail to identify investment opportunities.

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

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

1. Markets overreact to news on the upside and the downside. The Manager aims to be sceptical of the crowd and aware of investor psychology, which often causes overvaluation of those stocks that are deemed to have good prospects and an undervaluation of those which are out of favour.

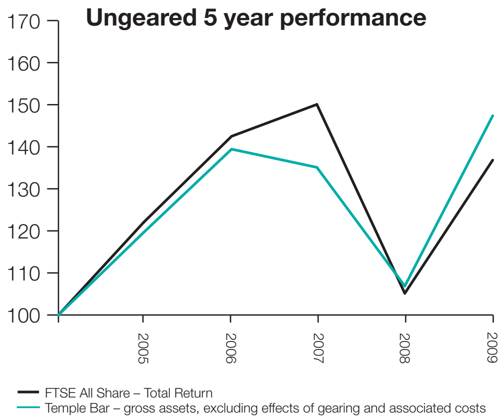
2. There are few companies which sustain below normal profits over the longer term. Weaker companies tend to leave an industry, thus improving the balance of supply and demand, are bid for or management is changed. Similarly, there are few companies which can sustain supernormal profits over the longer term. Such profits tend to be competed or regulated away.

3. Fundamental valuation is the key determinant of stock prices over the long term. In other words 'cheap' stocks will outperform 'expensive' stocks.

4. Diversification is an important control. Particular companies or sectors can be out of favour for a considerable time.

Performance

In the year to 31 December 2009 the net asset value total return of the Company was 45.0% compared with a total return of the Company's benchmark index of 30.1%. In addition, the graph below shows the ungeared investment performance over a five year period compared with the FTSE All-Share Index. The Chairman's Statement on pages 7 to 8 and the manager's report on pages 10 to 11 include a review of developments during the year together with information on investment activity within the Company's portfolio and an assessment of future developments.



Key Performance Indicators

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

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

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

Net Asset Value Total Return

In reviewing the performance of the assets of the Company's portfolio the Board monitors the net asset value in relation to the FTSE All-Share Index. During the year the net asset value total return of the Company was 45.0% compared with a total return of 30.1% by the FTSE All-Share Index.

Performance Attribution

The purpose of performance attribution analysis is to assess how the Company achieved its performance relative to its benchmark index. Details of the attribution analysis for the year ended 31 December 2009 are given below.

ATTRIBUTION ANALYSIS for the year ended 31 December 2009	%
Change in Net Asset Value excluding retained income per Ordinary Share	37.34
Income distributed to shareholders*	8.25
Impact of new shares issued*	(0.60)
	44.99
Expenses*	0.64
Finance costs*	1.68
Impact of gearing and valuation of debt excluding retained income on portfolio (balance)	(5.93)
Effect of including income in ungeared Net Asset Value calculation	(2.76)
Change in total return in ungeared Net Asset Value per Ordinary Share	38.62
Total return of FTSE All-Share Index	30.12

* as % of opening Total Assets

Discount on Net Asset Value

The Board monitors the premium/discount at which the Company's shares trade in relation to the assets. During the year the shares traded at an average discount to NAV of 1.6%. This compares with an average discount of 6.0% in the previous year. Good relative performance has helped maintain the discount at a steady level although the discount had widened to 8.1% at the year end. The Board and Manager closely monitor both movements in the Company's share price and significant dealings in the shares. In order to avoid substantial overhangs or shortages of shares in the market the Board asks shareholders to approve resolutions which allow for the buy back of shares and their issuance which can assist in the management of the discount. Regular demand generated by monthly investment in the Savings Scheme and the use of marketing and promotional activity also assist in keeping the discount at an acceptable level.

Earnings and Dividend Per Share

It remains the directors' intention to distribute over time by way of dividends substantially all of the Company's net revenue income after expenses and taxation. The Manager aims to maximise total returns from the portfolio and attaches great importance to dividends in achieving total return.

The portfolio will typically provide a yield premium to the market. The final dividend recommended for the year is 23.0p per ordinary share which brings the total for the year to 33.50p per ordinary share, an increase of 2.0%. This is the 26th consecutive year in which the Company has increased the overall level of its dividend payment.

Total Expense Ratio (TER)

The TER is an expression of the Company's management fees and all other operating expenses (including tax relief where allowable but excluding interest payments) as a percentage of average month end net assets over the year. The TER for the year ended 31 December 2009 was 0.46% (2008 0.48%). The Board reviews each year a comparison of the Company's TER with those of its peers. At the present time the Company has one of the lowest TERs in the growth and income sector of investment trust companies.

Principal Risks and Uncertainties

The principal risks facing the Company fall under the general categories of strategy, operational and management risks. With the assistance of the Manager the Board has drawn up a risk matrix which identifies the key risks to the Company under these broad headings. The Board reviews and agrees policies, which have remained unchanged since the beginning of the accounting period, for managing these risks, as summarised below.

Investment Strategy

An inappropriate investment strategy on matters such as asset allocation or the level of gearing may lead to underperformance against the Company's benchmark index or peer companies, resulting in the Company's shares trading on a wider discount. The Board manages such risks by diversification of investments through its investment restrictions and guidelines, which are monitored and reported on by the Manager. The Manager provides the directors with regular and accurate management information including absolute and relative performance data, attribution analysis, revenue estimates, liquidity reports, risk profile and shareholder analysis. The Board monitors the implementation and results of the investment process with the investment manager, who attends Board meetings. Periodically the Board holds a separate meeting devoted to strategy, the most recent one being in May 2008.

Income Risk – Dividends

Generating the necessary level of income from portfolio investments to meet the Company's expenses and to provide adequate reserves from which to base a sustainable programme of increasing dividend payments to shareholders is

subject to the risk that income generation from investments fails to meet the level required. The Board monitors this risk through the receipt of detailed income reports and forecasts which are considered at each meeting. As at 31 December 2009 the Group had distributable revenue reserves of £30.78 million before declaration of the final dividend for 2009 of £13.56 million.

Share Price Risk

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

Accounting, Legal & Regulatory

In order to qualify as an investment trust the Company must comply with Section 842 of the Income & Corporation Taxes Act 1988. Were the Company to breach Section 842 it might lose investment trust status and, as a consequence, gains within the Company's portfolio would be subject to capital gains tax. The Section 842 qualification criteria are, therefore, monitored by the Board at each meeting.

The Company must also comply with the provisions of the Companies Acts and, since its shares are listed on the London Stock Exchange, the UKLA Listing Rules. A breach of the Companies Acts could result in the Company being fined or subject to criminal proceedings. Breach of the UKLA Listing Rules could result in the Company's shares being suspended from Listing which in turn would breach Section 842. The Board relies on the services of its company secretary, Investec Asset Management Limited, and its professional advisers to ensure compliance with the Companies Acts and the UKLA Listing Rules.

Corporate Governance and Shareholder Relations

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

Control Systems Risk

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

Other Risks

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

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

ORDINARY DIVIDENDS

An interim dividend of 10.50p per ordinary share was paid on 30 September 2009 (2008: 10.50p) and the directors are recommending a final dividend of 23.0p per ordinary share (2008: 22.34p), a total for the year of 33.50p (2008: 32.84p). Subject to shareholders' approval, the final dividend will be paid on 31 March 2010 to shareholders on the register on 12 March 2010.

ISAs

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

SHARE CAPITAL

The following fully paid allotments of ordinary shares of 25p for cash took place during the year, in each case at a premium to the prevailing net asset value:

No. of shares	Date	Price per share
200,000	12 February 2009	588p
70,625	25 February 2009	553p
100,000	9 March 2009	500p

Section 992 of the Companies Act 2006

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

Capital Structure

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

Voting Rights in the Company's Shares

The voting rights at 31 December 2009 were:

Share class	Number of shares issued	Voting rights per share	Total voting rights
Ordinary shares of 25p each	58,961,367	1	58,961,367

As at 23 February 2010, the share capital of the Company and total voting rights was 58,961,367.

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.

	31 December 2009	1 January 2009
J F de Moller	4,198	3,056
R W Jewson	6,473	5,048
J Reeve	40,198	36,340
M R Riley	15,000	15,000
F L J Walton	6,724	6,724
D G C Webster	3,310	-

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

On 12 January 2010 Mr Reeve acquired a further 128 ordinary shares in the Company through his regular monthly saving in an ISA and on 10 February 2010 he acquired a further 134 ordinary shares. On 22 January 2010 Mr Jewson and Mrs de Moller acquired a further 33 and 65 ordinary shares respectively in the Company through their regular monthly savings in the Temple Bar Investment Trust Savings Scheme. No other changes in the interests shown above occurred between 31 December 2009 and 23 February 2010.

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 AIC Code are Mr Reeve and Mr Jewson. Both 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 considers that the directors standing for re-election are independent. It is confirmed that, following formal evaluation, the performance of each director continues to be effective and each continues to demonstrate commitment to the role. Mr Walton, who would otherwise be due to retire by rotation, has confirmed that he will not be seeking re-election by shareholders and will be retiring as a director with effect from the conclusion of the AGM on 29 March 2010.

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 23 February 2010 the following had indicated an interest in 3% or more of the issued ordinary shares of the Company.

	%
Brewin Dolphin Limited	5.01
Legal & General Group plc	3.98

MANAGEMENT CONTRACT

The Company has a management agreement with Investec Asset Management Limited ('IAM') 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.

IAM 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% (2008: 60%) of the investment management fee payable to IAM is charged by the Company to capital and the remaining 40% (2008: 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 2009 amounted to £1,650,000 (2008: £1,561,000).

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

DONATIONS

No political or charitable donations were made during the year (2008: Nil).

DISCLOSURE OF INFORMATION TO AUDITORS

The directors are not aware of any relevant information of which the auditors are unaware and have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

AUDITORS

A resolution to re-appoint Ernst & Young LLP as auditors to the Company will be proposed at the Annual General Meeting on 29 March 2010.

ARTICLES OF ASSOCIATION

We are asking shareholders to adopt new articles of association (the New Articles), primarily to take account of changes in company law brought about by the Companies Act 2006. The proposed changes introduced in the New Articles are summarised in the Appendix on page 49. Other changes, which are of a minor, technical or clarifying nature or which merely reflect modifications made by the Companies Act 2006 have not been noted in the Appendix. The New Articles showing all the changes to the current articles are available for inspection at the Office of the Manager, Investec Asset Management, Woolgate Exchange, 25 Basinghall Street, London EC2V 5HA from 23 February 2010 until the time of the AGM and at the location of the meeting, 2 Gresham Street, London EC2V 7QP from 15 minutes before the AGM until it ends.

AUTHORITY TO ALLOT SHARES AND DISAPPLICATION OF PRE-EMPTION RIGHTS

It is proposed that the directors be authorised to allot up to £1,474,034 of relevant securities in the Company (equivalent to 5,896,136 ordinary shares of 25p each, representing 10.0% of its ordinary shares in issue as at 23 February 2010).

When shares are to be allotted for cash, the Companies Act 2006 requires such new shares to be offered first to existing shareholders in proportion to their existing holdings of ordinary shares. However, in certain circumstances, it is beneficial to allot shares for cash otherwise than pro rata to existing shareholders and the ordinary shareholders can by special resolution waive their pre-emption rights. Therefore, a special resolution will be proposed at the Annual General Meeting which, if passed, will give the directors the power to allot for cash equity securities up to an aggregate nominal amount of £1,474,034 (equivalent to 5,896,136 ordinary shares of 25p each or 10.0% of the Company's existing issued ordinary share capital).

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

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

The appropriate resolutions are set out in the notice of meeting on page 46.

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.

It is expected that any shares bought back pursuant to this authority will be cancelled rather than being held in Treasury. The appropriate resolution is set out in the notice of meeting on page 46.

By order of the Board of Directors
M K Slade
For Investec Asset Management Limited
Secretary
23 February 2010

This report has been prepared in accordance with Section 421 of the Companies Act 2006 in respect of the year ended 31 December 2009. 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 law requires the Company's auditors to audit certain parts of the disclosures provided. Where disclosures have been audited, they are indicated as such. The auditors' opinion is included in their report on page 26.

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 currently state that the Board shall determine the rate at which directors shall be paid, provided that the aggregate of all such fees shall not exceed £250,000 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.

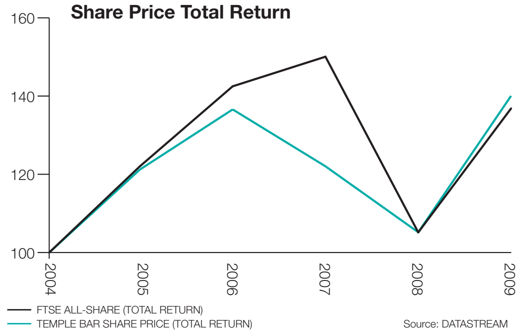
POLICY ON DIRECTORS' REMUNERATION

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.

Following the most recent review the Board concluded that the remuneration be increased by 1.8% to £28,500 p.a. for the Chairman and by 1.8% to £19,350 p.a. for the other directors with effect from 1 January 2010. In addition, the Chairman of the Audit Committee, currently Mr Jewson, will receive an annual remuneration of £21,650, increased by 1.9%.

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 AIC Code.

	Audited	
Director	2009 £	2008 £
John Reeve	28,000	26,850
June de Moller	19,000	18,250
Richard Jewson	21,250	20,350
Martin Riley	19,000	18,250
Field Walton	19,000	18,250
David Webster	19,000	-

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 (2008: Nil).

By order of the Board of Directors

M K Slade

For Investec Asset Management Limited

Secretary

23 February 2010

Corporate governance

APPLICATION OF AIC 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 AIC Code of Corporate Governance, established specifically for investment trust companies and endorsed by the Financial Reporting Council. By following the Code, the Company continues to meet its obligations in relation to the FRC's Combined Code on Corporate Governance.

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 PRINCIPLES OF THE AIC CODE OF CORPORATE GOVERNANCE

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 Asset Management Limited ('IAM'). The Board makes all strategic decisions, reviews the performance of the Company at Board meetings and sets the objectives for the Manager. The directors have a range of business and financial skills or experience relevant to the direction of the Company. Mr R W Jewson 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 AIC 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 IAM attend each Board meeting enabling directors to probe on matters of concern or seek clarification on certain issues.

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

	Number of meetings attended	
	Board	Audit Committee
John Reeve	7	2
June de Moller	7	2
Richard Jewson	7	2
Martin Riley	7	2
Field Walton	6	2
David Webster	7	2

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 re-election at the forthcoming AGM are Mr Jewson and Mr Reeve. 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. Each of the directors continues to be effective and to display an undiminished enthusiasm and commitment to the role.
Mr Walton, who would otherwise have been due to retire by rotation, has decided to retire from the board with effect from the conclusion of the AGM.

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 a review of the audit plan for the year, 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. The Committee also reviews the cost effectiveness, independence and objectivity of the auditors with particular regard to non-audit fees, of which there were none in either the current or prior financial years. All of the directors are members of the audit committee and the Chairman is Mr Jewson. The Board is satisfied that members of the audit committee have relevant and recent financial experience to fulfil their role effectively. The auditors, who the Board has identified as being independent, 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.

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

Management Engagement Committee

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

Board/Audit Committee/Nomination Committee/Director ongoing evaluation

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

Relations with Shareholders

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

The Board largely delegates responsibility for communication with shareholders to the management company and, through feedback, expects to be able to develop an understanding of their views. 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 £25 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 Manager 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 AIC Code.

The Board receives reports from its advisers on internal control matters and does not believe that there is scope or necessity for an internal audit function in addition to that employed by the Manager. Based on the foregoing the Group 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 Manager has 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 Manager wish to vote in a different way to the recommendation of the NAPF this requires the specific approval of the Board.

Statement of directors' responsibilities
in respect of the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors are required to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies 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 adequate 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 2006 and Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

The directors confirm that to the best of their knowledge:

- the financial statements, prepared in accordance with the applicable accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and of the Group; and
- the Directors' Report includes a fair review of the development and performance of the business and the position of the Company and of the Group, together with a description of the principal risks and uncertainties that the Company and Group faces.

On behalf of the Board
John Reeve
Chairman
23 February 2010

Independent auditors' report

to the members of Temple Bar Investment Trust PLC

We have audited the financial statements of Temple Bar Investment Trust PLC for the year ended 31 December 2009 which comprise the Consolidated Income Statement, the Consolidated Statement of Changes in Equity, the Company Statement of Changes in Equity, the Consolidated Balance Sheet, the Company Balance Sheet, the Consolidated Cash Flow Statement and the related notes 1 to 22. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

Respective responsibilities of directors and auditors
As explained more fully in the Directors' Responsibilities Statement set out on page 25, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements
In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2009 and of the group's net return for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006
In our opinion:

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

Matters on which we are required to report by exception
We have nothing to report in respect of the following:

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

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

Under the Listing Rules we are required to review:

- the directors' statement, set out on page 15, in relation to going concern; and
- the part of the Corporate Governance Statement on pages 22 to 24 relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

Julian Young (Senior statutory auditor)
for and on behalf of
Ernst & Young LLP, Statutory Auditor
London
23 February 2010

Consolidated income statement

for the year ended 31 December 2009

	Notes	2009 Revenue return £'000	2009 Capital return £'000	2009 Total £'000	2008 Revenue return £'000	2008 Capital return £'000	2008 Total £'000
INVESTMENT INCOME	3	20,988	-	20,988	22,923	-	22,923
Other operating income	3	1,081	-	1,081	595	-	595
		22,069	-	22,069	23,518	-	23,518
GAINS/(LOSSES) ON INVESTMENTS							
Gains/(losses) on investments held at fair value through profit and loss	11(b)	-	131,412	131,412	-	(134,284)	(134,284)
Total income/deficit		22,069	131,412	153,481	23,518	(134,284)	(110,766)
EXPENSES							
Management fees	5	(660)	(990)	(1,650)	(624)	(937)	(1,561)
Other expenses	6	(537)	(310)	(847)	(449)	(1,062)	(1,511)
VAT refund	5	976	880	1,856	-	-	-
Profit/(loss) before finance costs and tax		21,848	130,992	152,840	22,445	(136,283)	(113,838)
Finance costs	7	(1,831)	(2,746)	(4,577)	(1,831)	(2,745)	(4,576)
PROFIT BEFORE TAX		20,017	128,246	148,263	20,614	(139,028)	(118,414)
Tax	8	-	-	-	-	-	-
PROFIT/(LOSS) FOR THE YEAR		20,017	128,246	148,263	20,614	(139,028)	(118,414)
EARNINGS PER SHARE (BASIC & DILUTED)	10	33.98p	217.70p	251.68p	35.33p	(238.27)p	(202.94)p

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 Companies. All items in the above statement derive from continuing operations. No operations were acquired or discontinued during the year.

There are no minority interests.

Consolidated statement of changes in equity

for the year ended 31 December 2009

	Notes	Ordinary share capital £'000	Share premium account £'000	Capital reserve £'000	Retained earnings £'000	Total equity £'000
BALANCE AT 1 JANUARY 2008		14,585	5,083	446,741	27,931	494,340
CHANGES IN EQUITY FOR 2008						
Profit for the year		-	-	(139,028)	20,614	(118,414)
		14,585	5,083	307,713	48,545	375,926
Dividends paid to equity shareholders	9	-	-	-	(18,418)	(18,418)
Issue of share capital		62	1,450	-	-	1,512
BALANCE AT 31 DECEMBER 2008		14,647	6,533	307,713	30,127	359,020
CHANGES IN EQUITY FOR 2009						
Profit for the year		-	-	128,246	20,017	148,263
		14,647	6,533	435,959	50,144	507,283
Dividends paid to equity shareholders	9	-	-	-	(19,362)	(19,362)
Issue of share capital		93	1,974	-	-	2,067
BALANCE AT 31 DECEMBER 2009		14,740	8,507	435,959	30,782	489,988

Company statement of changes in equity

for the year ended 31 December 2009

	Notes	Ordinary share capital £'000	Share premium account £'000	Capital reserve £'000	Retained earnings £'000	Total equity £'000
BALANCE AT 1 JANUARY 2008		14,585	5,083	446,741	27,052	493,461
CHANGES IN EQUITY FOR 2008						
Profit for the year		-	-	(139,028)	20,614	(118,414)
		14,585	5,083	307,713	47,666	375,047
Dividends paid to equity shareholders	9	-	-	-	(18,418)	(18,418)
Issue of share capital		62	1,450	-	-	1,512
BALANCE AT 31 DECEMBER 2008		14,647	6,533	307,713	29,248	358,141
CHANGES IN EQUITY FOR 2009						
Profit for the year		-	-	128,246	20,017	148,263
		14,647	6,533	435,959	49,265	506,404
Dividends paid to equity shareholders	9	-	-	-	(19,362)	(19,362)
Issue of share capital		93	1,974	-	-	2,067
BALANCE AT 31 DECEMBER 2009		14,740	8,507	435,959	29,903	489,109

Consolidated balance sheet
as at 31 December 2009

	Notes	31 December 2009 £'000	31 December 2009 £'000	31 December 2008 £'000	31 December 2008 £'000
NON-CURRENT ASSETS					
Investments held at fair value through profit or loss	11(a)		541,611		404,467
CURRENT ASSETS					
Cash and cash equivalents		8,899		14,347	
Other receivables	13	3,462		4,059	
			12,361		18,406
TOTAL ASSETS			553,972		422,873
CURRENT LIABILITIES					
Other payables	14		(580)		(465)
TOTAL ASSETS LESS CURRENT LIABILITIES			553,392		422,408
NON-CURRENT LIABILITIES					
Interest bearing borrowings	15		(63,404)		(63,388)
NET ASSETS			489,988		359,020
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS					
Ordinary share capital	16	14,740		14,647	
Share premium	17	8,507		6,533	
Capital reserve	18	435,959		307,713	
Retained earnings	18	30,782		30,127	
			489,988		359,020
TOTAL EQUITY			489,988		359,020
NET ASSET VALUE PER SHARE	20		831.03p		612.76p

The financial statements on pages 27 to 44 were approved by the board of directors and authorised for issue on 23 February 2010. They were signed on its behalf by:

J Reeve (Chairman)
23 February 2010

Company balance sheet
as at 31 December 2009

	Notes	31 December 2009 £'000	31 December 2009 £'000	31 December 2008 £'000	31 December 2008 £'000
NON-CURRENT ASSETS					
Investments held at fair value through profit or loss	11(a)		541,611		404,467
Investments in subsidiary companies	12		50		50
			541,661		404,517
CURRENT ASSETS					
Cash and cash equivalents		8,899		14,347	
Other receivables	13	3,468		4,065	
			12,367		18,412
TOTAL ASSETS			554,028		422,929
CURRENT LIABILITIES					
Other payables	14		(1,515)		(1,400)
TOTAL ASSETS LESS CURRENT LIABILITIES			552,513		421,529
NON-CURRENT LIABILITIES					
Interest bearing borrowings	15		(63,404)		(63,388)
NET ASSETS			489,109		358,141
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS					
Ordinary share capital	16	14,740		14,647	
Share premium	17	8,507		6,533	
Capital reserve	18	435,959		307,713	
Retained earnings	18	29,903		29,248	
			489,109		358,141
TOTAL EQUITY			489,109		358,141

The financial statements on pages 27 to 44 were approved by the board of directors and authorised for issue on 23 February 2010. They were signed on its behalf by:

J Reeve (Chairman)
23 February 2010

Consolidated cash flow statement
for the year ended 31 December 2009

	Notes	2009 £'000	2009 £'000	2008 £'000	2008 £'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit/(Loss) before tax			148,263		(118,414)
Adjustments for:					
Purchases of investments[1]	11(a)	(193,313)		(184,030)	
Sales of investments[1]	11(a)	187,581		199,855	
			(5,732)		15,825
(Gains)/losses on investments			(131,412)		134,284
Financing costs	7		4,577		4,576
Operating cash flows before movements in working capital			15,696		36,271
Decrease in accrued income and prepayments			(389)		(242)
Increase/(decrease) in receivables			984		(1,009)
Increase/(decrease) in payables			114		(2,619)
NET CASH FLOW FROM OPERATING ACTIVITIES BEFORE AND AFTER INCOME TAX			16,405		32,401
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issue of new shares			2,067		1,512
Unclaimed distributions			2		-
Interest paid on borrowings			(4,558)		(4,558)
Bank interest paid	7		(2)		(2)
Equity dividends paid	9		(19,362)		(18,418)
NET CASH USED IN FINANCING ACTIVITIES			(21,853)		(21,466)
NET (DECREASE)/INCREASE IN CASH & CASH EQUIVALENTS			(5,448)		10,935
Cash and cash equivalents at the start of the year			14,347		3,412
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR			8,899		14,347

[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 PRINCIPAL 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 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 Companies ("AIC") in January 2009 is consistent with the requirements of IFRS, the directors have sought to prepare the financial statements on a basis compliant with the recommendations of the SORP.

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

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the 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 AIC, 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 833 of the Companies Act 2006, net capital returns may not be distributed by way of dividend. Additionally, the net revenue is the measure the directors believe appropriate in assessing the Group's compliance with certain requirements set out in Section 842 of the Income and Corporation Taxes Act 1988.

Income

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

Where the 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.

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.

1 PRINCIPAL ACCOUNTING POLICIES (continued)

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% (2008: 40%) of the investment management fee for the year is charged to revenue and the other 60% (2008: 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.

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

Investment trusts which have approval under Section 842 of the Income and Corporation Taxes Act 1988 are not liable for taxation on capital gains.

1 PRINCIPAL ACCOUNTING POLICIES (continued)

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 instruments

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

Interest bearing borrowings

Interest bearing borrowings, being the debenture stocks issued by the 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.

1 PRINCIPAL 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% (2008: 40%) of the interest for the year is charged to revenue, and the other 60% (2008: 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.

2 COMPANY INCOME STATEMENT

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

3 INCOME

	2009 £'000	2008 £'000
Income from investments		
UK dividends	16,436	22,131
Overseas dividends	586	-
REIT	47	-
Scrip dividend	22	-
Interest from fixed interest securities	3,897	792
	20,988	22,923
Other income		
Deposit interest	158	595
Interest on VAT refund	628	-
Underwriting commission	295	-
	1,081	595
Total income	22,069	23,518
Investment income comprises:		
Listed investments	20,988	22,923
Unlisted investments	-	-
	20,988	22,923

4 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.

5 INVESTMENT MANAGEMENT FEE

	2009 Revenue Return £'000	2009 Capital Return £'000	2009 Total £'000	2008 Revenue Return £'000	2008 Capital Return £'000	2008 Total £'000
Investment management fee	660	990	1,650	624	937	1,561
VAT refund	(976)	(880)	(1,856)	-	-	-
	(316)	110	(206)	624	937	1,561

As at 31 December 2009 an amount of £482,000 (2008: £367,000) was payable to the Manager in relation to the Management fees for the quarter ended 31 December 2009.

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

6 OTHER EXPENSES

	2009 Revenue Return £'000	2009 Capital Return £'000	2009 Total £'000	2008 Revenue Return £'000	2008 Capital Return £'000	2008 Total £'000
Transaction costs on investments[1]	-	310	310	-	1,062	1,062
Directors' fees (see report on directors' remuneration on page 21)	138	-	138	102	-	102
Registrars' fees	74	-	74	86	-	86
AIC membership costs	38	-	38	39	-	39
Advertising & marketing costs	112	-	112	51	-	51
Printing & postage	40	-	40	47	-	47
Directors' liability insurance	21	-	21	21	-	21
Auditor's remuneration – annual audit	23	-	23	22	-	22
Stock exchange fees	12	-	12	9	-	9
Safe custody fees	11	-	11	11	-	11
Other expenses	68	-	68	61	-	61
	537	310	847	449	1,062	1,511

All expenses are inclusive of VAT where applicable.

[1] Transaction costs on investments represent such costs incurred on both the purchase and sale of those assets.

7 FINANCE COSTS

	2009			2008		
	Revenue Return £'000	Capital Return £'000	Total £'000	Revenue Return £'000	Capital Return £'000	Total £'000
Interest on borrowings						
9.875% debenture stock 2017	988	1,481	2,469	988	1,481	2,469
5.5% debenture stock 2021	842	1,264	2,106	842	1,263	2,105
	1,830	2,745	4,575	1,830	2,744	4,574
Bank interest						
Bank overdraft	1	1	2	1	1	2
Total finance costs	1,831	2,746	4,577	1,831	2,745	4,576

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

8 TAXATION

(a) There is no corporation tax payable (2008: nil).

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

	2009			2008		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Profit before taxation	20,017	128,246	148,263	20,614	(139,028)	(118,414)
Tax at UK corporation tax rate of 28% (2008: 28%)	5,604	35,908	41,512	5,772	(38,928)	(33,156)
Tax effects of:						
Non-taxable gains on investments	-	(36,954)	(36,954)	-	37,897	37,897
Income not chargeable to tax:						
UK dividends[1]	(4,868)	-	(4,868)	(6,197)	-	(6,197)
Movement in excess management expenses[2]	(736)	1,046	310	425	1,031	1,456
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 £15,170,000 (2008: £14,560,000) 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.

9 DIVIDENDS

	2009 £'000	2008 £'000
Amounts recognised as distributions to equity holders in the year		
Final dividend for the year ended 31 December 2008 of 22.34p (2007: 21.07p) per share.	13,089	12,292
Interim dividend for the year ended 31 December 2009 of 10.50p (2008: 10.50p) per share.	6,190	6,126
	19,279	18,418
Proposed final dividend for the year ended 31 December 2009 of 23.00p (2008: 22.34p) per share.	13,560	13,089

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

Also set out below is the total dividend payable in respect of these financial years, which is the basis on which the requirements of Section 842 Income and Corporation Taxes Act 1988 are considered.

	2009 £'000	2008 £'000
Interim dividend for the year ended 31 December 2009 of 10.50p (2008: 10.50p) per share.	6,190	6,126
Proposed final dividend for the year ended 31 December 2009 of 23.00p (2008: 22.34p) per share.	13,560	13,089
	19,750	19,215

10 EARNINGS PER SHARE

	2009 Revenue Return	2009 Capital Return	2009 Total	2008 Revenue Return	2008 Capital Return	2008 Total
Earnings per ordinary share	33.98p	217.70p	251.68p	35.33p	(238.27)p	(202.94)p

The calculation of the above is based on revenue returns of £20,017,000 (2008: £20,614,000), and capital gains/(losses) of £128,246,000 (2008: (£139,028,000)), and a weighted average number of ordinary shares of 58,909,355 (2008: 58,347,573).

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

	2009 £'000	2008 £'000
a) Movements in the year		
Opening cost at 1 January	469,402	518,868
Gains at 1 January	(64,935)	35,708
Opening fair value	404,467	554,576
Purchases at cost	193,313	184,030
Sales – proceeds	(187,581)	(199,855)
– loss on sales	(15,389)	(33,641)
Increase in investment gains	146,801	(100,643)
Closing fair value at 31 December	541,611	404,467
Closing cost at 31 December	459,747	469,402
Gains at 31 December	81,864	(64,935)
	541,611	404,467
b) Gains on investments		
Losses on sales of investments	(15,389)	(33,641)
Increase/(decrease) in investment gains	146,801	(100,643)
	131,412	(134,284)

All investments are Listed.

c) Fair value of financial instruments

The International Accounting Standards Board (IASB) has made amendments to IFRS 7 Financial Instruments: Disclosures which is applicable for annual periods beginning on or after 1 January 2009. These amendments introduce a fair value hierarchy in its required disclosures.

The three-tier hierarchy of inputs is summarised in the three broad Levels listed below.

- Level 1 – quoted prices in active markets for identical investments.
- Level 2 – other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment, credit risk, etc).
- Level 3 – significant unobservable inputs (including the Fund's own assumptions in determining the fair value of investments).

The following is a summary of the classifications used as at 31 December 2009 in valuing the Company's financial instruments:

31 December 2009	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets				
Other financial assets held for trading:				
Quoted equities	466,458	-	-	466,458
Debt securities	47,675	-	-	47,675
Collective investment schemes	-	27,478	-	27,478
	514,133	27,478	-	541,611
Financial liabilities				
Debentures	(63,404)	-	-	(63,404)
	(63,404)	-	-	(63,404)

There were no movements in Level 3 financial instruments during the year.

12 SUBSIDIARY COMPANIES

The cost of shares in subsidiary companies is £50,100 (2008: £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

13 OTHER RECEIVABLES

	Group		Company	
	2009 £'000	2008 £'000	**2009 £'000**	2008 £'000
Sales for future settlement	**-**	1,001	**-**	1,001
Due from subsidiary companies	**-**	-	**6**	6
Accrued income	**3,418**	3,031	**3,418**	3,031
Other receivables	**44**	27	**44**	27
	3,462	4,059	**3,468**	4,065

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.

14 OTHER PAYABLES

	Group		Company	
	2009 £'000	2008 £'000	**2009 £'000**	2008 £'000
Purchases for future settlement	**-**	-	**-**	-
Accruals and deferred income	**580**	465	**580**	465
Amounts payable to subsidiary companies	**-**	-	**935**	935
	580	465	**1,515**	1,400

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

15 NON CURRENT LIABILITIES

	Group		Company	
Interest bearing borrowings	**2009 £'000**	2008 £'000	**2009 £'000**	2008 £'000
Amounts payable in more than five years:				
9.875% Debenture stock 2017	**25,000**	25,000	**25,000**	25,000
5.5% Debenture stock 2021	**38,404**	38,388	**38,404**	38,388
	63,404	63,388	**63,404**	63,388

The 9.875% Debenture stock 2017 is secured by a floating charge over the assets of the Company. The stock is repayable at par on 31 December 2017. No issue costs were capitalised on the issue of this debenture.

The 5.5% Debenture stock 2021 is secured by a floating charge over the assets of the Company. The stock is repayable at par on 8 March 2021.

16 ORDINARY SHARE CAPITAL

	Number of shares		£	£
	2009	2008	**2009**	2008
Issued, allotted and fully paid				
Ordinary shares of 25p each	**58,961,367**	58,590,742	**14,740,342**	14,647,686

370,625 shares were issued at a nominal value of £92,656 during the year (2008: 250,000 shares, £62,500) to a market participant at a premium to the prevailing net asset value due to investor demand.

17 SHARE PREMIUM

	Group		Company	
	2009	2008	**2009**	2008
	£'000	£'000	**£'000**	£'000
Group and company				
Balance at 1 January 2009	**6,533**	5,083	**6,533**	5,083
Premium arising on issue of new shares	**1,974**	1,450	**1,974**	1,450
Balance at 31 December 2009	**8,507**	6,533	**8,507**	6,533

18 RETAINED EARNINGS AND CAPITAL RESERVE

	Retained earnings		Capital reserve	
	Group	Company	Group	Company
	£'000	£'000	£'000	£'000
Balance at 1 January 2009	30,127	29,248	307,713	307,713
Dividends paid	(19,362)	(19,362)	-	-
Net profit for the year	148,263	148,263	-	-
	159,028	158,149	307,713	307,713
Transfer from retained earnings to capital reserve	(128,246)	(128,246)	128,246	128,246
Balance at 31 December 2009	30,782	29,903	435,959	435,959

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

	Group	Company
	£'000	£'000
Capital reserves realised	354,095	354,095
Capital reserves unrealised	81,864	81,864
	435,959	435,959

19 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

There were no contingent liabilities or capital commitments for the Company and the Group (2008: Nil).

20 NET ASSET VALUES

	Net asset value per ordinary share	Net assets attributable £'000
Ordinary shares of 25p each	831.03p	489,988

The net asset value per ordinary share is based on net assets at the year end of £489,988,000 (2008: £359,020,000) and on 58,961,367 (2008: 58,590,742) ordinary shares in issue at the year end.

21 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 21. 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 5. At the year end the Company had an investment of £27.5m (2008: Nil) in the Investec Sterling Liquidity Fund. No management fee is paid on this holding.

22 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 are market price risk, interest rate risk, liquidity risk, credit risk and currency risk. The Board reviews and agrees policies for managing each of these risks as summarised below. These policies have remained substantially unchanged during the current and preceding periods.

Market price risk

Market 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 11.1%.

Interest rate risk

Interest rate risk is the risk of movements in the value of financial instruments that arise as a result of fluctuations in interest rates. The 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.

22 RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

Credit risk

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

Currency risk

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

- movement in rates affect the value of investments and liabilities;
- movements in rates affect the income received; and
- movements in rates affect short term timing differences.

The Company had the following currency exposures as at 31 December 2009, all of which are included in the balance sheet at fair value based on the exchange rates ruling at the year end.

	Investments	Cash	Debtors	Creditors	Non Current Liabilities	Total
Euro	17,883	(24,659)	–	–	–	(6,776)
US Dollar	49,355	–	111	–	–	49,466
Sterling	474,373	33,558	3,351	(580)	(63,404)	447,298
	541,611	8,899	3,462	(580)	(63,404)	489,988

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 which have a market value of £47,676,000, representing 9.73% of net assets of £489,988,000 (2008: £359,020,000; 6.16%). The weighted average running yield as at 31 December 2009 was 7.21% (2008: 7.22%) and the weighted average remaining life was 4.9 years (2008: 3.6 years). The Company's cash balance of £8,899,000 (2008: £14,347,000) earns interest, calculated on a tiered basis, depending on the balance held, by reference to the base rate.

If the bank base rate had increased by 0.5%, the impact on the profit or loss would have been a positive £44,495 (2008: £71,735). If the bank base rate had decreased by 0.5%, the impact on the profit or loss would have been a negative £44,485 (2008: negative £71,735). The calculations are based on the cash balances at the respective balance sheet dates and are not representative of the year as a whole.

Financial liabilities – Interest rate risk

All of the Company's financial liabilities of £63,984,000 (2008: £63,853,000) are denominated in Sterling. All current liabilities have no interest rate, and are repayable within one year. The 9.875% debenture stock and the 5.5% debenture stock, which are repayable in 2017 and 2021 respectively, pay interest at fixed rates. The weighted average period until maturity of the debenture stocks is 10 years (2008: 11 years) and the weighted average interest rate payable is 7.2% (2008: 7.2%) per annum. The Company also has recourse to a £25m overdraft facility with HSBC Bank.

22 RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

Other price risk exposure

If the investment valuation fell by 10% at 31 December 2009, the impact on the profit or loss would have been negative £49.4m (2008: negative £38.2m). If the investment portfolio valuation rose by 10% at 31 December 2009, the impact on the profit or loss would have been positive £49.4m (2008: positive £38.2m). The calculations are based on the portfolio valuations as at the respective balance sheet dates and are not representative of the year as a whole.

The Company held the following categories of financial instruments, all of which are included in the balance sheet at fair value, with the exception of interest bearing borrowings which are shown at book value at 31 December 2009.

	2009		2008	
	Book value £'000	Fair value £'000	Book value £'000	Fair value £'000
Assets at fair value through profit or loss				
Investment portfolio	493,935	493,935	382,369	382,369
Fixed assets at fair value through profit or loss	47,676	47,676	22,098	22,098
Cash	8,899	8,899	14,347	14,347
Loans and receivables				
Investment income receivable	3,418	3,418	3,031	3,031
Other debtors	44	44	1,028	1,028
Other creditors	(580)	(580)	(465)	(465)
Interest bearing borrowings				
9.875% Debenture Stock[1]	(25,000)	(32,000)	(25,000)	(29,643)
5.5% Debenture Stock[2]	(38,404)	(35,720)	(38,388)	(32,661)
	489,988	485,672	359,020	360,104

[1] Effective rate is 9.875%

[2] Effective rate is 5.583%

Liquidity risk exposure

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

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

	2009				2008			
	Three months or less £'000	Not more than one year £'000	More than one year £'000	Total £'000	Three months or less £'000	Not more than one year £'000	More than one year £'000	Total £'000
Creditors: amounts falling due after more than one year								
Debenture stocks	1,045	3,514	102,226	106,785	1,045	3,514	106,785	111,344
Creditors: amounts falling due within one year								
Accruals and deferred income	-	580	-	580	-	465	-	465
	1,045	4,094	102,226	107,365	1,045	3,979	106,785	111,809

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 48), on 29 March 2010 at 11.00 a.m.

FINANCIAL CALENDAR

The financial calendar for 2010 is set out below:

Ordinary shares	
Final dividend, 2009 – payable	31 March 2010
– ex-dividend	10 March 2010
– record date	12 March 2010
Interim dividend, 2010	30 September 2010
Final dividend, 2010	End of March 2011
9.875% Debenture Stock 2017	
Interest payments	30 June and 31 December
5.5% Debenture Stock 2021	
Interest payments	8 March and 8 September

PAYMENT OF DIVIDENDS

Cash dividends will be sent by cheque to the first-named shareholder on the Register at his or her registered address together with a tax voucher. At shareholders' request, dividends may instead be paid direct into the shareholder's bank account through the Bankers' Automated Clearing System (BACS). This may be arranged by contacting the Company's Registrar on 0871 384 2432 (calls to this number are charged at 8p per minute from a BT landline. Other telephone providers' costs may vary).

PRICE AND PERFORMANCE INFORMATION

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

SHARE REGISTER ENQUIRIES

The Company's Registrar, Equiniti, maintains the share register. In the event of queries regarding your holding, please contact the Registrar on 0871 384 2432 (calls to this number are charged at 8p per minute from a BT landline. Other telephone providers' costs may vary). Changes of name or address must be notified in writing to the Registrar.

SEDOL CODES FOR ORDINARY SHARES AND DEBENTURE STOCKS

Ordinary shares – 0882532
9.875% Debenture Stock 2017 – 0882640
5.5% Debenture Stock 2021 – 0530529

TEMPLE BAR INVESTMENT TRUST SAVINGS SCHEME

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

ASSOCIATION OF INVESTMENT COMPANIES

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

TEMPLE BAR WEBSITE

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

Notice of meeting

NOTICE OF MEETING:

NOTICE IS HEREBY GIVEN that the eighty fourth Annual General Meeting of Temple Bar Investment Trust PLC will be held at 11.00 a.m. on Monday 29 March 2010 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 2009 together with the reports of the directors and auditors thereon,
2. to approve the report on directors' remuneration for the year ended 31 December 2009,
3. to declare a final dividend of 23.0p per ordinary share,
4. to re-elect Mr R W Jewson as a director,
5. to re-elect Mr J Reeve as a director,
6. to re-appoint the auditors and to authorise the directors to determine their remuneration.

SPECIAL BUSINESS:

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

ORDINARY RESOLUTIONS:

7. That the directors be and are hereby generally and unconditionally authorised in accordance with Section 551 of the Companies Act 2006 to allot shares or grant rights to subscribe for or to convert any security into shares ("Rights") up to an aggregate maximum nominal amount of £1,474,034, being approximately 10% of the issued share capital of the Company as at 23 February 2010, provided that:
   (i) the authority granted shall expire five years from the date upon which this resolution is passed but may be revoked or varied by the Company in general meeting and may be renewed by the Company in general meeting for a further period not exceeding five years; and
   (ii) the said authority shall allow and enable the directors to make an offer or agreement before the expiry of that authority which would or might require shares to be allotted or Rights to be granted after such expiry and the directors may allot shares and grant Rights in pursuance of any such offer or agreement as if that authority had not expired.
8. That the provision of the Company's memorandum as to the amount of the Company's authorised share capital (as altered by anything done by virtue of Section 121 of the Companies Act 1985), which as from 1 October 2009 is treated as a provision of the Company's Articles setting a maximum amount of shares that may be allotted by the Company, be revoked with the intent and effect that such provision is deleted from the Articles.

SPECIAL RESOLUTIONS:

9. That, subject to the passing of resolution 7 set out above, the directors be and they are hereby empowered pursuant to Section 570-573 of the Companies Act 2006 to allot equity securities (as defined in Section 570-573 of that Act) for cash, in accordance with the authority conferred on them by this meeting to allot shares, as if Section 561(i) of that Act did not apply to the allotment, provided that the power conferred by this resolution shall be limited to:
   (i) the allotment of equity securities in connection with a rights issue in favour of ordinary shareholders where the equity securities respectively attributable to the interests of all ordinary shareholders are proportionate to the respective numbers of ordinary shares held by them on the record date of such allotment (but subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to fractional entitlements or legal problems under the law of or the requirements of any recognised regulatory body or any stock exchange in any territory); and
   (ii) the allotment (otherwise than pursuant to sub paragraph (i) above) of equity securities up to an aggregate nominal value not exceeding £1,474,034; and

shall expire five years from the date upon which this resolution is passed save that the Company may make an offer or agreement before this power has expired, which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired.

10. (i) That the Articles of Association of the Company are amended by deleting all the provisions of the Company's Memorandum of Association which, by virtue of Section 28 of the Companies Act 2006, are to be treated as provisions of the Company's Articles of Association; and

(ii) That the Articles of Association produced to the meeting and initialled by the chairman of the meeting for the purpose of identification be adopted as the Articles of Association of the Company in substitution for, and to the exclusion of, the existing Articles of Association.

11. That the Company generally be and is hereby authorised for the purpose of Section 701 of the Companies Act 2006 to make market purchases (as defined in Section 693 of the Act) of ordinary shares of 25p each in the capital of the Company ('ordinary shares') provided that:

(i) the maximum number of ordinary shares hereby authorised to be purchased is 14.99% of the issued share capital of the Company as at the date of the passing of this resolution;

(ii) the minimum price which may be paid for such shares is 25p per share;

(iii) the maximum price (exclusive of expenses payable by the Company) which may be paid for such shares shall be 5% above the average of the market value of the share quotations taken from the London Stock Exchange Daily Official List for the five business days before the purchase is made;

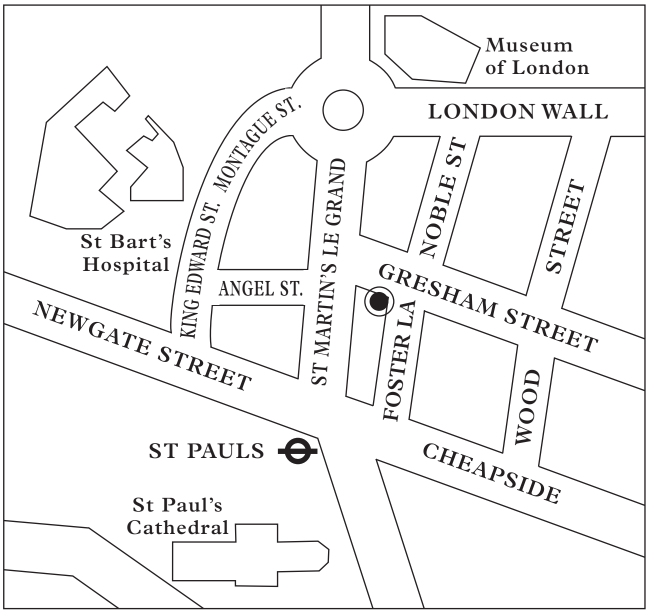
(iv) the authority hereby conferred shall (unless previously renewed or revoked) expire at the end of the Annual General Meeting of the Company in 2011, or, if earlier, the date falling fifteen months from the date of this resolution;

(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 23rd day of February, 2010

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

2 Gresham Street
London EC2V 7QP



Shown is a plan of the location of Investec Asset Management Limited, 2 Gresham Street, London EC2V 7QP where the Annual General Meeting will be held on Monday 29 March 2010 at 11.00 a.m.

NOTES

1. A member entitled to attend and vote at the above meeting is entitled to appoint a proxy to attend the meeting to speak and vote on a show of hands and, on a poll, to vote instead of him. A proxy need not be a member of the Company. A member wishing to appoint more than one proxy must appoint each proxy in respect of a specified number of shares within his holding. For this purpose, a member may photocopy the enclosed Form of Proxy before completion and must indicate the number of shares in respect of which each proxy is appointed.
2. Instruments of proxy should be sent to Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6LT 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 27 March 2010 in order to be able to attend and vote at the meeting, or if the meeting is adjourned, 48 hours before the time fixed for the adjourned meeting. Such members may only vote at the meeting in respect of ordinary shares held at the time.
4. In accordance with Section 325 of the Companies Act 2006, the right to appoint proxies does not apply to persons nominated to receive information rights under Section 146 of the Act. Persons nominated to receive information rights under Section 146 of the Act who have been sent a copy of this notice of meeting are hereby informed, in accordance with Section 149 (2) of the Act, that they may have a right under an agreement with the registered member by whom they were nominated to be appointed, or to have someone else appointed, as a proxy for this meeting. If they have no such right, or do not wish to exercise it, they may have a right under such an agreement to give instructions to the member as to the exercise of voting rights. Nominated persons should contact the registered member by whom they were nominated in respect of these arrangements.
5. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the Meeting and any adjournment(s) thereof by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s) should refer to their CREST sponsor or voting service provider(s) who will be able to take the appropriate action on their behalf.
   In order for a proxy appointment made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear's specifications and must contain the information required for such instructions, as described in the CREST Manual (available via www.euroclear.com/CREST). The CREST message must be transmitted so as to be received by the issuer's agent (IDRA19) by not later than 48 hours before the time appointed for the holding of the meeting or the adjourned meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the CREST message by the CREST Applications Host) from which the issuer's agent is able to retrieve the CREST message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
   CREST members and, where applicable, their CREST sponsors or voting service provider(s), should note that Euroclear does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member(s) is/are a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that the CREST sponsor or voting service provider takes) such action as shall be necessary to ensure that a CREST message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service provider(s) is/are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
   The Company may treat as invalid a CREST Proxy instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
6. Shareholders should note that, under Section 527 of the Companies Act 2006 members meeting the threshold requirements set out in that section have the right to require the Company to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the Annual General Meeting for the financial year beginning 1 January 2009; or (ii) any circumstance connected with an auditor of the Company appointed for the financial year 1 January 2009 ceasing to hold office since the previous meeting at which annual accounts and reports were laid. The Company may not require the shareholders requesting any such website publication to pay its expenses in complying with Sections 527 or 528 (requirements as to website availability) of the Companies Act 2006. Where the Company is required to place a statement on a website under Section 527 of the Companies Act 2006, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the Annual General Meeting for the relevant financial year includes any statement that the Company has been required under Section 527 of the Companies Act 2006 to publish on a website.
7. Any member attending the meeting has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the meeting but no such answer need be given if (a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information, (b) the answer has already been given on a website in the form of an answer to a question, or (c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.
8. None of the directors has a service contract with the Company.
9. As at 23 February 2010, the latest practicable date prior to publication of this document, the Company had 58,961,367 ordinary shares in issue with a total of 58,961,367 voting rights.
10. In accordance with Section 311A of the Companies Act 2006, the contents of this notice of meeting, details of the total number of shares in respect of which members are entitled to exercise voting rights at the AGM and, if applicable, any members' statements, members' resolutions or members' matters of business received by the Company after the date of this notice will be available on the Company's website: www.templebarinvestments.co.uk.

Appendix to the notice of meeting

EXPLANATORY NOTES OF PRINCIPAL CHANGES TO THE COMPANY'S ARTICLES OF ASSOCIATION

1. Memorandum of Association

From 1 October 2009 the memorandum of association of a company must only contain a statement that the original subscribers wish to form a company, agree to be members of the company and accept at least one share each in the company. The other provisions of the memorandum of association are deemed to form part of the articles of association.

The provisions of the memorandum of association have been copied into the New Articles with the exception of the objects clause and the information about the share capital of the company. Under the Companies Act 2006 a company is no longer required to have an objects clause or an authorised share capital.

2. Authorised share capital

Under the Companies Act 2006 it is no longer necessary for a company to have an authorised share capital. References to an authorised share capital have therefore been removed from the New Articles.

3. Conversion of shares into stock

Under the Companies Act 2006 it is no longer possible to convert shares into stock. However, reconversion of stock, that was previously converted from shares, back into shares is still permitted. The New Articles reflect these new provisions.

4. Consolidation and sub-division of shares

The Current Articles give the company authority to consolidate and/or sub-divide its shares by ordinary resolution. Under the Companies Act 2006 it is no longer necessary for this authority to be given in the articles of association. This provision has therefore been removed from the New Articles.

5. Notice of general meetings

The Companies Act 2006 has changed the requirements for calling a general meeting on short notice, for making such a notice available on a website and for the content of a notice calling a general meeting. The New Articles have been amended to reflect these provisions of the Companies Act 2006.

6. Chairman's casting vote

Under the Companies Act 2006 a traded company is no longer permitted to give the chairman a casting vote for breaking a deadlock on an ordinary resolution. The Articles have been amended to be consistent with this restriction.

7. Proxies

Under the Current Articles the directors are given discretion when deciding whether to accept instruments of proxy that are delivered electronically. The Companies Act 2006 states that such instruments must be accepted subject to any conditions imposed by the directors. The New Articles have been amended accordingly.

The provisions of the Companies Act 2006 regarding the amount of time that a proxy appointment is valid for have been reflected in the New Articles.

Temple Bar Investment Trust Savings Scheme

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

The Temple Bar Investment Trust Savings Scheme offers:

- monthly savings from as little as £50 a month
- a daily dealing facility for lump sum investments or sales
- income reinvestment

If you would like to receive information about the Savings Scheme, call the Investor Services Department on 020 7597 1800 or visit our website **www.templebarinvestments.co.uk**. Alternatively please write to:

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

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

The above information has been issued by Investec Asset Management Limited, authorised and regulated by the Financial Services Authority, the investment manager of Temple Bar Investment Trust PLC.

aic

A member of the Association of Investment Companies

Perivan Financial Print 216002

temple bar

active investment working for you