temple bar
active investment working for you

Temple Bar Investment Trust PLC **Report and Accounts 2008**

Contents

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 17.

Benchmark

Performance is measured against the FTSE All-Share Index.

Total Assets Less Current Liabilities

£422,408,000

Total Equity

£359,020,000

Market Capitalisation

£352,130,000

Capital Structure

Ordinary shares	58,590,742 shares
5.5% Debenture Stock 2021	£38,000,000
9.875% Debenture Stock 2017	£25,000,000

Voting Structure

Ordinary shares 100%.

Winding-Up Date

None.

Managers' Fees

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

ISA Status

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

AIC

Member.

Website

www.templebarinvestments.co.uk

Summary of results

	2008	2007	Percentage change
ASSETS as at 31 December	£'000	£'000	
Consolidated net assets	359,020	494,340	(27.4)%
Ordinary shares			
Net asset value per share	612.76p	847.33p	(27.7)%
Net asset value per share adjusted for market value of debt	613.95p	835.61p	(26.5)%
Market price	601.00p	731.00p	(17.8)%
Discount with debt at book value	1.9%	13.7%	
Discount with debt at market value	2.1%	12.5%	

	2008	2007	
REVENUE for the year ended 31 December	£'000	£'000	
Revenue return attributable to ordinary shareholders	20,614	19,361	
Revenue return per ordinary share	35.33p	33.19p	
Dividends per ordinary share – interim and proposed final	32.84p	30.98p	6.0%

	2008	2007
CAPITAL for the year ended 31 December	£'000	£'000
Capital return attributable to ordinary shareholders	(139,028)	(42,769)
Capital return attributable per ordinary share	(238.27)p	(73.31)p

	2008	2007
TOTAL EXPENSE RATIO*	0.48%	0.44%

TOTAL RETURNS for the year to 31 December 2008	%
Return on net assets	(24.68)
Return on gross assets	(21.17)
Return on share price	(13.55)
FTSE All-Share Index	(29.93)
FTSE 350 Higher Yield Index	(26.69)
Change in Retail Prices Index over year	0.95

DIVIDEND YIELDS (NET) as at 31 December 2008	%
Yield (historic) on ordinary share price (601.00p)	5.25
Yield on FTSE All-Share Index	4.49
Yield on FTSE 350 Higher Yield Index	5.39

*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

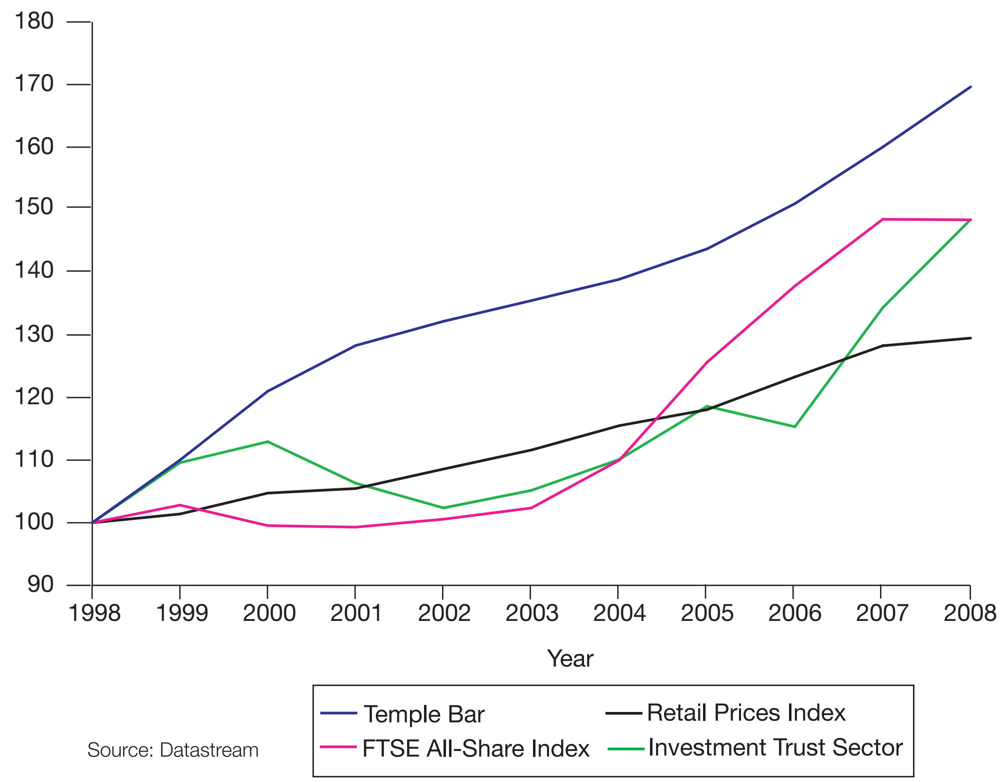
Year ended	Total assets less current liabilities £'000	Group net assets £'000	Net assets per ordinary share p	Revenue return to ordinary shareholders £'000	Revenue return per share p	Dividends per share* (net) p
1999	432,391	369,391	639.16	12,102	20.96	21.30
2000	451,917	388,917	672.95	13,428	23.24	23.43
2001	419,292	356,292	615.43	14,198	24.56	24.84
2002	341,066	278,066	480.24	14,674	25.34	25.59
2003[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

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.

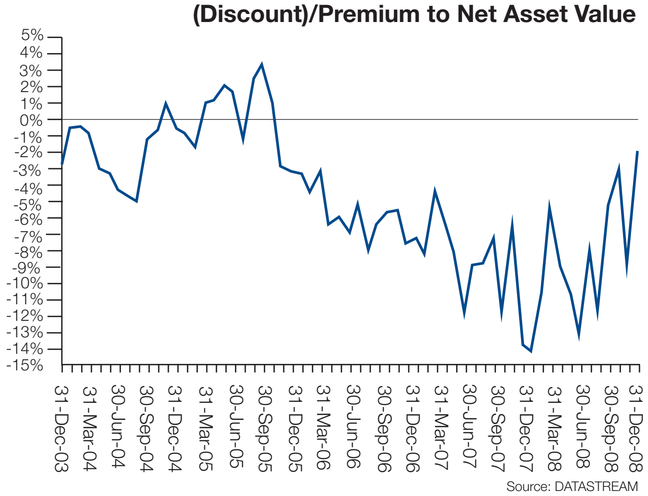
*Interim and proposed final for the year.

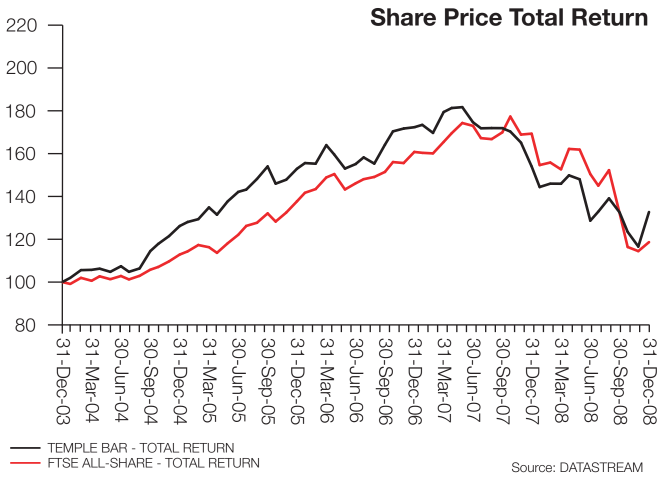
Comparative dividend growth

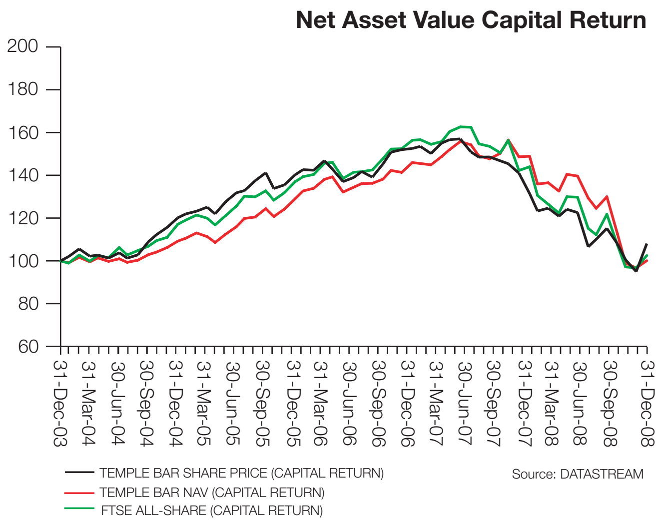


Source: Datastream

Five year summary







Directors

JOHN REEVE*, Chairman, aged 64, 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 64, 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, Clean Energy Brazil PLC and other private companies.

JUNE F de MOLLER*, aged 61, 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 65, was appointed a director in 2004. He has over 35 years' experience in stockbroking and fund management in the City and is a former director of Henderson Crosthwaite Ltd, Guinness Mahon & Co Ltd and Barlows PLC. He is currently chairman of SR Europe Investment Trust PLC and Howard Investment Company Ltd and a director of various private investment companies.

FIELD L J WALTON*, aged 68, 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 former chairman of Biofuels Corporation PLC and 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 64, 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 Investment Management Limited
Authorised and Regulated by the Financial Services Authority
2 Gresham Street, London EC2V 7QP
Telephone No. 020 7597 2000
Facsimile No. 020 7597 1803

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Secretary: Investec Investment Management Limited, represented by M K Slade FCIS

Registered Number
Registered in England No. 214601

Registrar
Equiniti Limited
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Lancing, West Sussex BN99 6DA
Telephone No: 0871 384 2432 (shareholder helpline)
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Registered Auditor
Ernst & Young LLP
1 More London Place, London SE1 2AF

Bankers and Custodian
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Poultry, London EC2P 2BX

Stockbrokers
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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

The total return on the net assets of Temple Bar during 2008 was -24.7%, which compares with a total return for the FTSE All-Share Index of -29.9%. The return achieved comprises underlying relative portfolio outperformance somewhat offset by the capital gearing of the Trust. While it is never pleasant to report negative returns, particularly of such severity, it should be noted that, after an extraordinarily difficult year, our fund manager's five year record against the benchmark index remains clearly in positive territory. A detailed analysis of performance is provided in the manager's report.

Despite the weakness of the UK equity market, the portfolio generated a significant increase in income. The Board is recommending a final dividend of 22.34p, to produce a total increase of 6% for the year. This dividend will be payable on 31 March 2009 to shareholders on the register at 13 March 2009. This is the 25th consecutive year in which the dividend has been increased. The revenue reserve, after adjusting for the proposed final dividend for 2008, is £17.0m, having increased by £1.4m during the year. This is likely to prove an important asset over the next few years against a backdrop of falling dividends in the UK equity market.

Post-tax earnings increased by 6.5%; the proposed dividend was more than covered by net earnings generated on the portfolio during the year.

At the year end, capital gearing, defined as gross assets divided by net assets, was 118%. A number of investment companies have recently encountered difficulties with their borrowing covenants. Our two debentures, which have a nominal value of £63m, have fixed coupons and are not repayable until 2017 and 2021. The covenants on these debentures are such that our net assets would have to fall below the £63m nominal value of the debt before these would be breached.

New Director

I am delighted to confirm that David Webster was appointed as an additional director of the Company with effect from the beginning of this year. He brings with him a wealth of experience, notably in retailing where he was formerly the chairman of Safeway plc, and currently, where he is chairman of InterContinental Hotels Group plc. I have no doubt that in the coming years David will add great value to the Board's discussions.

Outlook

After a year which was the second worst for the UK equity market since the 1920s and which included the bankruptcy of a major American investment bank, the effective nationalisation of some UK banks and large US financial institutions and the virtual demise of a number of major car manufacturers, it is a brave person who provides an investment outlook with any great level of confidence.

A number of bubbles have burst in the last twelve months, most notably those of corporate credit, commodities, property and private equity, leaving many investors heavily scarred. These burst bubbles created forced sellers of most asset classes as many investors with significant losses were highly leveraged. It is impossible to know when this forced selling will end (or how much of it has already been achieved) and quite how cheap certain assets may become before they bottom.

The Temple Bar portfolio is managed on a long term basis and although the short term economic outlook is poor, it is important to remember that ownership of equity confers the right to a long term stream of a company's dividends. Even if we assume the average company makes no profits whatsoever in the next few years, this affects the discounted cash flow value of a company by a surprisingly small amount. Therefore, a bear market 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. At this delicate stage in the cycle, our fund manager continues to believe that selectivity is superior to wide diversification and, therefore, the portfolio remains highly concentrated.

Equity valuations are currently low but the risk of an overshoot to even lower valuations is still quite possible given the ongoing dislocations in the financial system.

A number of companies across a spread of sectors have already cut their dividends and further cuts must be expected. On current forecasts, the revenue

we expect to receive this year will not fully cover an unchanged dividend. However, the Board is prepared to utilise part of the significant revenue reserve to supplement the total dividend for the year.

Discount to Net Asset Value

The price of Temple Bar shares ended the year at a small discount to their underlying net asset value adjusted for the market value of the Company's debt, having also traded at a premium for periods of the year. This was a positive development in a year when discounts widened significantly in the investment trust market and probably reflects a combination of the perceived stability of the dividend payments as well as recognition of the good long term performance of Temple Bar relative to the UK Growth & Income Sector.

In December, following a sustained period during which the shares traded at a premium to their net asset value, 250,000 new shares were issued to a market participant at a 2% premium to net asset value. A further 200,000 shares were similarly issued at a premium on 12 February 2009.

The manager continues to communicate closely with representatives of both current and potential new shareholders. Our smaller investors remain informed via a monthly fact sheet and detailed manager commentaries. These can be found on the Company's website, www.templebarinvestments.co.uk.

VAT on Management Fees

As shareholders may be aware from my previous statements, VAT is no longer charged on investment management fees following a ruling by the European Court of Justice in October 2007. Negotiations with the manager, paralleling those with the Revenue authorities, are continuing with respect to reclaiming past VAT payments. Recoverable amounts will be reflected in the accounts in proportion to the original basis of allocation of expenses between income and capital applicable to each year in respect of which a recovery is made.

Articles of Association

The directors are proposing that the existing Articles of Association are replaced with new articles which reflect changes in the law brought about by the implementation of the Companies Act 2006. The proposed changes are detailed in an Appendix to the Notice of the annual general meeting on page 50. The directors do not believe that these changes will have a material impact on the activities of the Company as they largely relate to administrative matters.

Annual General Meeting

The annual general meeting will be held at 2 Gresham Street, London EC2V 7QP on Monday 30 March 2009 at 11.00 am. In addition to the formal business of the meeting our manager, Alastair Mundy, will provide a review of the past year and comment on the outlook. There will be an opportunity for shareholders to meet the directors at the conclusion of the AGM. I look forward to meeting as many of you as are able to attend. Shareholders who are unable to attend are encouraged to use their proxy votes.

John Reeve
20 February 2009

Twenty largest investments

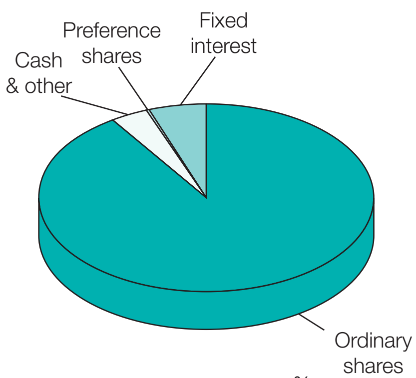
as at 31 December 2008

Company	Valuation 31 December 2007 £'000	Net purchases/ (sales) £'000	Appreciation/ (depreciation) £'000	Valuation 31 December 2008 £'000	Total assets less current liabilities %
BP	48,813	(3,440)	(6,126)	**39,247**	**9.29**
Royal Dutch Shell	54,424	(7,849)	(8,056)	**38,519**	**9.12**
Vodafone	47,654	1,809	(12,305)	**37,158**	**8.80**
GlaxoSmithKline	35,302	129	1,145	**36,576**	**8.66**
Unilever	33,158	–	(5,456)	**27,702**	**6.56**
HSBC	39,857	(7,550)	(6,587)	**25,720**	**6.09**
AstraZeneca	17,578	–	5,215	**22,793**	**5.40**
BT	19,207	2,210	(9,067)	**12,350**	**2.92**
British American Tobacco	8,084	1,902	1,996	**11,982**	**2.84**
Centrica	9,033	3,481	(1,306)	**11,208**	**2.65**
Wetherspoon (JD)	5,939	3,087	(502)	**8,524**	**2.02**
Travis Perkins	4,135	13,358	(9,448)	**8,045**	**1.90**
Paddy Power	–	6,077	1,064	**7,141**	**1.69**
Signet	10,796	3,624	(7,783)	**6,637**	**1.57**
Wolseley	12,023	1,709	(7,176)	**6,556**	**1.55**
Lloyds TSB Group	7,866	10,412	(11,727)	**6,551**	**1.55**
International Personal Finance	5,948	873	(677)	**6,144**	**1.45**
Aviva	11,306	(780)	(4,815)	**5,711**	**1.35**
Legal & General	11,754	(1,640)	(4,508)	**5,606**	**1.33**
Charter International	–	4,763	765	**5,528**	**1.31**
	382,877	32,175	(85,354)	**329,698**	**78.05**

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

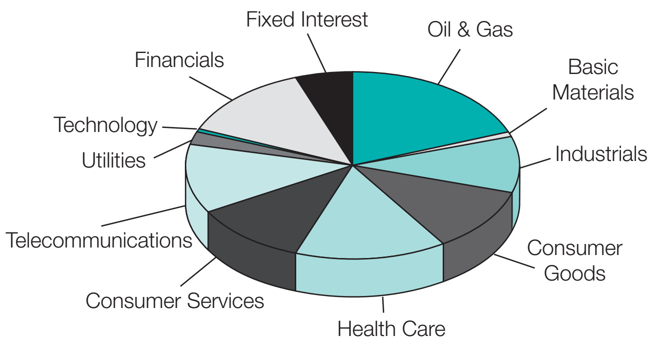
Asset allocation as at 31 December 2008

BY CLASS (%)



	%
Ordinary shares	91.17
Fixed interest	5.28
Preference shares	0.12
Cash & other	3.43
	100.00

PORTFOLIO DISTRIBUTION (%)



	%		%
Oil & Gas	19.23	Telecommunications	11.77
Basic Materials	1.03	Utilities	2.26
Industrials	9.61	Technology	0.68
Consumer Goods	11.03	Financials	12.89
Health Care	14.68	Fixed Interest	5.46
Consumer Services	11.36		100.00

Manager's report

2008 was a horrible year for equities and, unlike the bear market earlier in the decade, when a reasonable number of stocks produced positive returns, investors found few hiding places. Of the 37 sectors in the FTSE All-Share Index, 35 fell over the course of the year.

Our contrarian principles had steered us away from the most popular sectors of the preceding years and, as these sectors fell furthest in 2008, our relative performance improved significantly. Of particular relevance to us was the collapse of the mining sector, our bête noire in previous years, which fell 55% in 2008. The commodity bubble had inflated on claims of limited supply and high growth demand. While there was clearly some substance to these arguments, prices of commodities over-reacted excessively, creating a speculative bubble. Within the UK mining sector, many companies heightened their vulnerability to lower commodity prices by markedly increasing their debt as the bubble inflated. They were badly exposed as it burst.

As always, we tried to minimise portfolio turnover, aware that patience has often paid excellent dividends to long term investors. However, in a year of extraordinary volatility, sitting on our hands proved very difficult (although there were many more active investors elsewhere in the market). The basic shape of the portfolio remained fairly stable during the year. Approximately two thirds of the portfolio was committed to some of the largest companies in the market, with good dividend yields, strong balance sheets, relatively low exposure to the economic cycle and opportunities to grow profits from self-help initiatives. Approximately one third of the portfolio was invested in stocks with greater economic exposure and good long term prospects where we believed the share price had already discounted a steep fall in earnings.

Our performance in 2008 can be most clearly explained by reference to these two parts of the portfolio. Of the stocks we owned, our positive relative performance was provided mainly by successes in the larger company portfolio (although we were lucky enough to benefit from bids for Thus and TNS in the smaller segment) and in particular Unilever, GlaxoSmithKline, AstraZeneca and BP. Obviously, our zero holding in the mining sector, prior to our purchase in December of Fresnillo, the Mexican silver producer, was also a significant positive factor as was our underweight position in the banking sector.

These positives were partially offset by the underperformance of some of our more cyclical picks such as Travis Perkins and Signet and our modest exposure to smaller companies such as Uniq and Future.

Investment Style

To some people, the word 'contrarian' is very emotive, with connotations of high risk investing conducted in a stubborn and somewhat mechanical manner. Of course, our contrarian approach is a distance away from this image. We believe many of the best long term stock market performers of the future are among the current long term underperformers. However, detailed analysis is essential as this group contains a number of stocks with a high risk of default. The finest analysis cannot guarantee avoidance of all bad performers but the beauty of a balanced portfolio is that, if we hold sufficient winners, we can grudgingly accept losers.

We recognise the importance of avoiding obsession with individual stocks, and not holding an unnecessarily dogmatic view of any company's prospects. If a share falls after we have bought it, we revisit the arguments for its purchase, and decide if new factors affect our estimate of fair value. We believe that flexibility, a willingness to admit mistakes and knowing when to stop averaging down, are essential in limiting the risks of investing in out of favour stocks.

A further element in our risk-reduction strategy ensures that our holdings are widely spread across industries. Some may be out of favour for extended periods before recovering strongly. Our portfolio approach allows for this by blending underperformers from previous years (which might now be doing better) with more recent vintages of underperformers.

Stock Picking

Out of favour stocks tend to have characteristics which could be regarded as risk factors: weak balance sheets, volatile profit profiles, hints of structural decline or evidence of poor management. We would not avoid a stock where one of these risks is identified, but we become increasingly nervous as the risk factors increase.

Balance sheet risks have increased significantly over the last twelve months, and many companies have needed to renegotiate their facilities with reluctant banks. The significant economic downturn, together with the credit crunch, has separated the winners from the losers. Warren Buffett's view remains as relevant as ever: 'You only find out who is swimming naked when the tide goes out'.

If we persuade ourselves that a company has a tolerable risk profile, we do not then simply buy the shares. We always require evidence of sufficient upside potential to more than offset the risk of a negative outcome. We do not build our 'buy' arguments on one vision of the future but, rather, model a number of scenarios. This underlines our belief that fund management involves probabilities not certainties.

Portfolio Turnover

We used the volatility in the market to fine tune our portfolio, with particular reference to the four areas of risk highlighted above. We sold, or significantly reduced, our holdings in, amongst others, ITV, DSGi, Daily Mail & General Trust, Standard Life and Kingfisher, and reinvested the proceeds in Premier Farnell, Travis Perkins, International Personal Finance, Grafton, Paddy Power, Home Retail, Invensys, Charter International and Carnival.

Certainly, most of the purchases are currently under significant trading pressure but we believe, as a sub-portfolio, they offer exposure to some great businesses at excitingly low valuations. Some of these companies are more indebted than is ideal, but we believe they can negotiate the difficulties of the current downturn, perhaps with the aid of rights issues and, more importantly, generate sharply increasing profits in the future. However, it is vital to stress that a number of these companies are not financially stretched, and some – Paddy Power, Invensys, Charter and Home Retail – have net cash (although, at Home Retail, management has a large number of lease liabilities to focus its mind). Even the best purchases rarely feel comfortable, and must often be made against some persuasive bear arguments, but it is exactly that negativity which provides the investment opportunity.

In holding these shares, we are certainly not ignoring the likelihood of a downturn, or denying the possibility that a downturn may be quite deep. Instead, we are remaining cognisant of economic cycles and believe that, economic Armageddon aside, these companies trade at significant discounts to their long term values.

Attribution Analysis

	%
Change in Net Asset Value per Ordinary Share	**(27.68)**
Income distributed to shareholders*	**2.66**
	(25.02)
Expenses*	**0.36**
Finance costs*	**0.70**
Impact of gearing & valuation of debt on portfolio (balance)	**3.11**
Residual effect	**(0.32)**
Change in Ungeared Net Asset Value per Ordinary Share	**(21.17)**
Total return of FTSE All Share Index	**(29.93)**

* as % of opening Total Assets

Portfolio Concentration

The scenario analysis outlined earlier justifies our highly concentrated portfolio. Although we have considered a significant number of underperforming stocks, many have not offered sufficient upside to offset the level of perceived risk.

At the end of the year, our seven largest holdings – BP, Royal Dutch Shell, GlaxoSmithKline, Vodafone, Unilever, HSBC and AstraZeneca – comprised 56% of the portfolio. These companies share two important qualities: strong balance sheets and very diverse operations. In fact, with their broad business spreads, they could almost be regarded (perhaps with the exception of HSBC) as lowly geared investment trusts. We believe such diversification significantly reduces the concentration of risk. An interesting speculation is that any, or all, of these companies could at some stage demerge (most were built by acquisition). Theoretically, we might at some time be holding, say, ten or more companies instead of seven. Of course, this would optically increase our portfolio diversification although nothing would have actually changed.

Outlook

Many stock market participants would prefer to wait until 'things are less uncertain' before committing additional funds to the equity market. In an ideal world, this would be a good strategy. However, stock markets rarely behave in an ideal way. Investors may find that opportunities are lost through waiting for a mixture of better economic and corporate news, an end to large negative surprises and a greater flow of cash into equities. When these factors can be positively identified, we will be far closer to the top of the market than the bottom. To quote Buffett again: 'if you wait for the robins, Spring will be over'.

We believe the equity investor looking to maximise returns would be more likely to benefit by dealing only when there is great uncertainty. Of course, there would be no guarantee that conditions would not become more uncertain (ie worse) and prices fall further. But, assuming that purchases were priced below fair value, that would not be a problem in the longer term.

We can highlight at least four factors that could force the market lower. The massive build up of debt over the last two decades has left us watching a worked example of global de-leveraging. As the economies of the US and UK have never had this much debt relative to GDP, the outcome of this great unwind cannot be forecast with certainty. Despite recapitalisation, many banks are clearly reluctant to lend. In fact, de-leveraging is impeded by utilisation of uncommitted facilities previously provided to companies and consumers, and accounting changes requiring more capital to be held against depreciating assets.

And yet the hoarding inclinations of banks might not be unreasonable, as they try to identify clients ability to repay their loans. Consumers who have overspent for years are unlikely to pay back large amounts of mortgage, loan or credit card debt. Indebted companies are experiencing large falls in free cashflow as earnings downgrades come through, so debt repayments appear minimal. This could be an additional reason why so much pressure is falling on hedge funds to reduce debt.

The extent of future hedge fund selling cannot be predicted, as it is a symptom of their own deleveraging, and the fund redemptions which trigger further deleveraging. If their selling depresses prices, the vicious circle is reinforced. Ultimately, buyers will emerge to take advantage of great bargains, but the absence of hedge fund investment activity will leave a gap in the market.

The second factor is whether the combined fiscal and monetary actions of the developed nations will have a beneficial effect. The Japanese have made great efforts in recent years to stimulate their economy, but the outcomes have been mixed. Although the Japanese authorities have been criticised for unsuitable or belated actions, scant evidence is available to demonstrate that other actions would have been more successful.

The third factor is the unknown consequences of throwing the kitchen sink at the world's woes. Lower interest rates, massive government bail-outs and huge government spending are offered as a panacea but the ultimate outcome is unforeseeable.

Finally, equity valuations although significantly lowered in the last nine years, are yet to reach extraordinary lows. This may not happen but should not be a surprise when set against the extent of the overvaluation at the market peak in 1999 .

However, it is vital to avoid the characteristics of an uber bear. We own stocks which we are happy to hold throughout an economic cycle, and whose valuations already discount a great deal of bad news. If markets move lower we are prepared to add more risk to the portfolio but, if they do not, we are invested sufficiently to benefit from positive movements.

Alastair Mundy
Investec Investment Management Limited
20 February 2009

Portfolio of investments

	Valuation of holding as at 31 December 2008 £'000	Percentage of Portfolio %	FTSE All-Share Index 31 December 2008 %
OIL & GAS			
Oil & Gas		19.23	21.12
BP	39,247		
Royal Dutch Shell ('B' shares)	38,519		
		19.23	21.12
BASIC MATERIALS			
Chemicals		0.07	0.30
Scapa	265		
Basic Resources		0.96	6.46
Fresnillo	3,870		
		1.03	6.76
INDUSTRIALS			
Construction & Materials		-	0.24
Industrial Goods & Services		9.61	6.52
Bodycote	1,062		
Charter International	5,528		
Fiberweb	13		
Filtrona	2,383		
Galiform	1,095		
Grafton	4,171		
Heywood Williams	184		
Invensys	5,178		
Jarvis	199		
Premier Farnell	3,962		
St. Ives	505		
Travis Perkins	8,045		
Wolseley	6,556		
		9.61	6.76
CONSUMER GOODS			
Automobiles & Parts		-	0.06
Food & Beverages		7.47	5.91
Devro	2,430		
Unilever	27,702		
Uniq	78		
Personal & Household Goods		3.56	6.45
Alba	121		
British American Tobacco	11,982		
Games Workshop	2,293		
		11.03	12.42
HEALTH CARE			
Health Care		14.68	9.83
AstraZeneca	22,793		
GlaxoSmithKline	36,576		
		14.68	9.83

	Valuation of holding as at 31 December 2008 £'000	Percentage of Portfolio %	FTSE All-Share Index 31 December 2008 %
CONSUMER SERVICES			
Retail		3.98	4.68
Alexon	**77**		
Home Retail	**5,276**		
Jessops	**5**		
JJB Sports	**93**		
Marks & Spencer	**1,406**		
Next	**2,622**		
Signet Jewelers	**6,637**		
Media		1.06	2.59
Daily Mail & General Trust	**1,372**		
Future	**2,101**		
Johnston Press	**348**		
Trinity Mirror	**480**		
Travel & Leisure		6.32	2.39
Carnival	**3,922**		
Compass	**4,169**		
Paddy Power	**7,141**		
Wetherspoon (JD)	**8,524**		
William Hill	**1,791**		
		11.36	9.66
TELECOMMUNICATIONS			
Telecommunications		11.77	7.32
BT	**12,350**		
Vodafone	**35,259**		
		11.77	7.32
UTILITIES			
Utilities		2.26	5.21
Centrica	**9,149**		
		2.26	5.21
TECHNOLOGY			
Technology		0.68	0.98
Alphameric	**720**		
Computacenter	**2,015**		
		0.68	0.98

Portfolio of investments continued

	Valuation of holding as at 31 December 2008 £'000	Percentage of Portfolio %	FTSE All-Share Index 31 December 2008 %
FINANCIALS			
Banks		8.10	10.56
HBOS (9.25% non cum pref shares)	**504**		
HSBC	**25,720**		
Lloyds TSB	**6,551**		
Insurance		3.27	3.89
Aviva	**5,711**		
Friends Provident	**1,919**		
Legal & General	**5,606**		
Financial Services		1.52	5.49
International Personal Finance	**6,144**		
		12.89	19.94
TOTAL EQUITIES	382,369	94.54	100.00
UK FIXED INTEREST			
Centrica 5.875% 2012	**2,059**		
Compass 7% 2014	**2,011**		
Daily Mail & General Trust 7.5% 2013	**1,727**		
GKN 7% 2012	**1,622**		
Imperial Tobacco 6.875% 2012	**2,024**		
Kingfisher 6.875% 2010	**1,898**		
Ladbrokes 7.125% 2012	**1,680**		
Marks & Spencer 5.875% 2012	**1,822**		
Next 5.25% 2013	**1,619**		
Slough Estates 7.125% 2010	**1,941**		
Tomkins 8% 2011	**1,796**		
Vodafone 4.625% 2014	**1,899**		
TOTAL FIXED INTEREST	22,098	5.46	-
TOTAL VALUATION OF PORTFOLIO	404,467	100.00	100.00

All investments are ordinary shares unless otherwise stated.

The directors present their report and accounts for the year ended 31 December 2008.

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.

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 2007. 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 Investment Management Limited ('IIM') 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 29.

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.

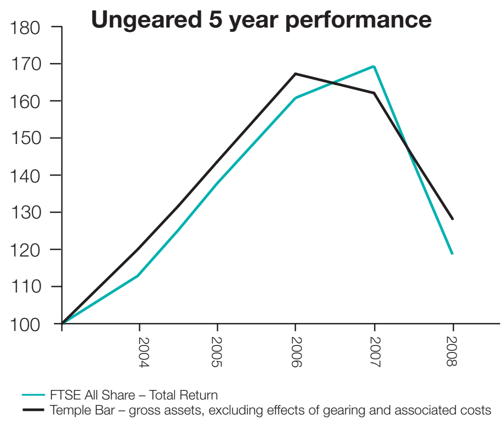
The process is very much bottom up and can result in large sector positions being taken if enough stocks of sufficient interest are found within a single sector. However, top down risk analysis is undertaken to identify potential concentration of risk and to factor this awareness into portfolio construction. 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 2008 the net asset value total return of the Company decreased by 24.7% compared with a fall in the total return of the Company's benchmark index of 29.9%. 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 13 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 fell by 24.7% compared with a total return fall of 29.9% 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 2008 are given in the manager's report on page 12.

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 6.0%. This compares with an average discount of 6.6% in the previous year. Improved short term performance has helped maintain the discount at a steady level despite a general widening of average discounts in the growth and income sector. 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 22.34p per ordinary share which brings the total for the year to 32.84p per ordinary share, an increase of 6.0%. This increase exceeds the RPI inflation of 0.95% by a comfortable margin and is the 25th 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 2008 was 0.48% (2007 0.44%). 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 2008 the Group had distributable revenue reserves of £30.1 million before declaration of the final dividend for 2008 of £13.1 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 Investment 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 24 to 26.

Control Systems Risk

Disruption to, or failure of, IIM'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 IIM 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 24 to 26.

Other Risks

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

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 2008 (2007: 9.91p) and the directors are recommending a final dividend of 22.34p per ordinary share (2007: 21.07p), a total for the year of 32.84p (2007: 30.98p). Subject to shareholders' approval, the final dividend will be paid on 31 March 2009 to shareholders on the register on 13 March 2009.

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

On 22 December 2008 250,000 ordinary shares of 25p were allotted fully paid for cash at a price of 605p. On 12 February 2009 a further 200,000 ordinary shares of 25p were allotted fully paid for cash at a price of 588p, both representing a premium to the prevailing net asset value.

Section 992 of the Companies Act 2006

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

Capital Structure

The Company's capital structure is summarised on page 42.

Voting Rights in the Company's Shares

The voting rights at 31 December 2008 were:

Share class	Number of shares issued	Voting rights per share	Total voting rights
Ordinary shares of 25p each	58,590,742	1	58,590,742

As at 20 February 2009, the share capital of the Company and total voting rights was 58,790,742.

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 2008	1 January 2008
J F de Moller	3,056	1,980
R W Jewson	5,048	4,383
J Reeve	36,340	32,892
M R Riley	15,000	15,000
F L J Walton	6,724	6,724

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

On 12 January 2009 Mr Reeve acquired a further 170 ordinary shares in the Company through his regular monthly saving in an ISA. On 22 January 2009 Mr Jewson and Mrs de Moller acquired a further 45 and 89 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 2008 and 20 February 2009.

No other person was a director during any part of the year. On 1 January 2009 Mr D G C Webster was appointed as a director.

The directors retiring by rotation and/or in compliance with the provisions of the AIC Code are Mr Reeve, Mr Walton and Mrs de Moller. Mr Webster will also offer himself for re-election, being the first annual general meeting since his appointment. Each of these directors being eligible, the Board recommends their re-election. In making these recommendations the Board has carefully reviewed the composition of the Board as a whole and borne in mind the need for a proper balance of skills and experience. The Board does not believe that length of service per se detracts from the independence of a director, particularly in relation to an investment trust, and on that basis 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.

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 20 February 2009 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 Investment Management Limited ('IIM') for the provision of investment management, secretarial, accounting and administrative services to the Company and its subsidiaries. The agreement is subject to one year's notice of termination by either party.

IIM receives an investment management fee of 0.35% per annum, payable quarterly, based on the value of the investments (including cash) of the Company. Investments in funds managed by the Investec Group are wholly excluded from this charge. 60% (2007: 60%) of the investment management fee payable to IIM is charged by the Company to capital and the remaining 40% (2007: 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 2008 amounted to £1,561,000 (2007: £2,041,000 excluding value added tax).

IIM'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 five year performance against its benchmark is considered acceptable and is in the top half of its peer group over the same period. 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 in the best interests of shareholders.

DONATIONS

No political or charitable donations were made during the year (2007: 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 30 March 2009.

ARTICLES OF ASSOCIATION

We are asking shareholders to adopt new articles of association (the New Articles), primarily to take account of changes in English company law brought about by the Companies Act 2006. The proposed changes introduced in the New Articles are summarised in the Appendix on pages 50-51. 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 Investment Management, Woolgate Exchange, 25 Basinghall Street, London EC2V 5HA from 20 February 2009 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.

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 48.

By order of the Board of Directors
M K Slade
For Investec Investment Management Limited
Secretary
20 February 2009

Report on directors' remuneration

This report is submitted in accordance with the Directors' Remuneration Report Regulations 2002 in respect of the year ended 31 December 2008. An ordinary resolution will be proposed at the annual general meeting to approve this report, but the directors' remuneration is not conditional upon the resolution being passed.

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

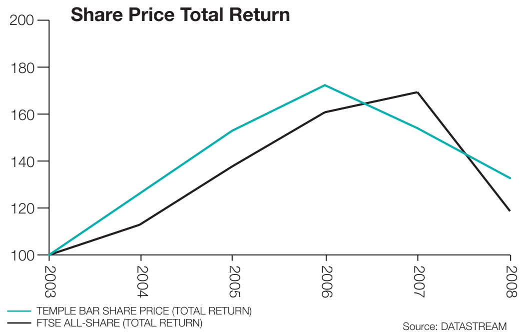
POLICY ON DIRECTORS' REMUNERATION

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 4.3% to £28,000 p.a. for the Chairman and by 4.1% to £19,000 p.a. for the other directors with effect from 1 January 2009. In addition, the Chairman of the Audit Committee, currently Mr Jewson, will receive an annual remuneration of £21,250, increased by 4.4%.

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	
	2008	2007
Director	£	£
John Reeve	26,850	25,750
Gary Allen	-	16,229
June de Moller	18,250	17,500
Richard Jewson	20,350	18,019
Martin Riley	18,250	17,500
Field Walton	18,250	17,500

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 (2007: Nil).

By order of the Board of Directors

M K Slade

For Investec Investment Management Limited

Secretary

20 February 2009

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 Investment Management Limited ('IIM'). The Board makes all strategic decisions, reviews the performance of the Company at Board meetings and sets the objectives for the 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 IIM attend each Board meeting enabling directors to probe on matters of concern or seek clarification on certain issues.

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

	Number of meetings attended		
	Board	Audit Committee	Nomination Committee
John Reeve	7	2	2
June de Moller	7	2	2
Richard Jewson	6	1	2
Martin Riley	7	2	2
Field Walton	7	2	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 five directors throughout the year (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. Since the year end Mr Webster has been appointed as an additional director and he is also considered to be fully independent.

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 Mrs de Moller, Mr Webster,

Mr Reeve and Mr Walton. 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.

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. During the year it was decided to appoint a new director to the Board. A search consultant was not used for these purposes as it was felt that the directors could identify a candidate of sufficient quality from a list of contacts already known to them without recourse to external advisers.

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

Remuneration Committee

As all the directors are fully independent of the management company, the Board as a whole fulfils the function of a remuneration 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 Annual Report and the financial statements in accordance with applicable United Kingdom law and those International Financial Reporting Standards as adopted by the European Union.

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

- select suitable accounting policies and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- state that the Company has complied with IFRS, subject to any material departures disclosed and explained in the financial statements.

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

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

On behalf of the Board
John Reeve
Chairman
20 February 2009

Independent auditors' report
to the members of Temple Bar Investment Trust PLC

We have audited the Group and Company financial statements (the 'financial statements') of Temple Bar Investment Trust PLC for the year ended 31 December 2008 which comprise the Consolidated Income Statement, the Consolidated and Company Balance Sheets, the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Equity, the Company Statement of Changes in Equity and the related notes 1 to 22. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

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

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

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

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the Group financial information, Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the report of the directors is consistent with the financial statements.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions are not disclosed.

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

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises the Group Summary, Summary of Results, Ten Year Record, Comparative Dividend Growth, Five Year Summary, Directors, Management and Administration, Chairman's Statement, Twenty Largest Investments, Asset Allocation, Manager's Report, Portfolio of Investments, Report of the Directors, unaudited part of the Report on Directors' Remuneration, Corporate Governance, Useful Information for Shareholders and Notice of Meeting. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

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

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

Opinion
In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRS as adopted by the European Union, of the state of the Group's affairs as at 31 December 2008 and of its return for the year then ended;
- the Company financial statements give a true and fair view, in accordance with IFRS as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the Company's affairs as at 31 December 2008;
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 as regards the Group financial statements and Article 4 of the IAS Regulation; and
- the information given in the Report of the Directors is consistent with the financial statements.

Ernst & Young LLP
Registered Auditor
London
20 February 2009

Consolidated income statement
for the year ended 31 December 2008

	Notes	2008 Revenue return £'000	2008 Capital return £'000	2008 Total £'000	2007 Revenue return £'000	2007 Capital return £'000	2007 Total £'000
INVESTMENT INCOME	3	22,923	-	22,923	20,989	-	20,989
Other operating income	3	595	-	595	1,535	-	1,535
Total income		23,518	-	23,518	22,524	-	22,524
LOSSES ON INVESTMENTS							
Losses on fair value through profit or loss assets	11(b)	-	(134,284)	(134,284)	-	(37,522)	(37,522)
		23,518	(134,284)	(110,766)	22,524	(37,522)	(14,998)
EXPENSES							
Management fees	5	(624)	(937)	(1,561)	(890)	(1,335)	(2,225)
Other expenses	6	(449)	(1,062)	(1,511)	(442)	(1,165)	(1,607)
Profit/(loss) before finance costs and tax		22,445	(136,283)	(113,838)	21,192	(40,022)	(18,830)
Finance costs	7	(1,831)	(2,745)	(4,576)	(1,831)	(2,747)	(4,578)
PROFIT/(LOSS) BEFORE TAX		20,614	(139,028)	(118,414)	19,361	(42,769)	(23,408)
Tax	8	-	-	-	-	-	-
PROFIT/(LOSS) FOR THE YEAR		20,614	(139,028)	(118,414)	19,361	(42,769)	(23,408)
EARNINGS PER SHARE (BASIC & DILUTED)	10	35.33p	(238.27)p	(202.94)p	33.19p	(73.31)p	(40.12)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 2008

	Notes	Ordinary share capital £'000	Share premium account £'000	Capital reserve £'000	Retained earnings £'000	Total equity £'000
BALANCE AT 1 JANUARY 2007		14,585	5,083	489,510	25,950	535,128
CHANGES IN EQUITY FOR 2007						
Profit for the year		-	-	(42,769)	19,361	(23,408)
		14,585	5,083	446,741	45,311	511,720
Dividends paid to equity shareholders	9	-	-	-	(17,380)	(17,380)
BALANCE AT 31 DECEMBER 2007		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

Company statement of changes in equity
for the year ended 31 December 2008

	Notes	Ordinary share capital £'000	Share premium account £'000	Capital reserve £'000	Retained earnings £'000	Total equity £'000
BALANCE AT 1 JANUARY 2007		14,585	5,083	489,510	25,071	534,249
CHANGES IN EQUITY FOR 2007						
Profit for the year	9	-	-	(42,769)	19,361	(23,408)
		14,585	5,083	446,741	44,432	510,841
Dividends paid to equity shareholders		-	-	-	(17,380)	(17,380)
BALANCE AT 31 DECEMBER 2007		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

Consolidated balance sheet
as at 31 December 2008

		31 December 2008		31 December 2007	
	Notes	**£'000**	**£'000**	£'000	£'000
NON-CURRENT ASSETS					
Investments held at fair value through profit or loss	11(a)		404,467		554,576
CURRENT ASSETS					
Cash and cash equivalents		14,347		3,412	
Other receivables	13	4,059		2,808	
			18,406		6,220
TOTAL ASSETS			422,873		560,796
CURRENT LIABILITIES					
Other payables	14		(465)		(3,084)
TOTAL ASSETS LESS CURRENT LIABILITIES			422,408		557,712
NON-CURRENT LIABILITIES					
Interest bearing borrowings	15		(63,388)		(63,372)
NET ASSETS			359,020		494,340
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS					
Ordinary share capital	16	14,647		14,585	
Share premium	17	6,533		5,083	
Capital reserve	18	307,713		446,741	
Retained earnings	18	30,127		27,931	
			359,020		494,340
TOTAL EQUITY			359,020		494,340
NET ASSET VALUE PER SHARE	20		612.76p		847.33p

The financial statements on pages 29 to 46 were approved by the board of directors and authorised for issue on 20 February 2009. They were signed on its behalf by:

J Reeve (Chairman)
20 February 2009

Company balance sheet
as at 31 December 2008

	Notes	31 December 2008 £'000	31 December 2008 £'000	31 December 2007 £'000	31 December 2007 £'000
NON-CURRENT ASSETS					
Investments held at fair value through profit or loss	11(a)		404,467		554,576
Investments in subsidiary companies	12		50		50
			404,517		554,626
CURRENT ASSETS					
Cash and cash equivalents		14,347		3,412	
Other receivables	13	4,065		2,814	
			18,412		6,226
TOTAL ASSETS			422,929		560,852
CURRENT LIABILITIES					
Other payables	14		(1,400)		(4,019)
TOTAL ASSETS LESS CURRENT LIABILITIES			421,529		556,833
NON-CURRENT LIABILITIES					
Interest bearing borrowings	15		(63,388)		(63,372)
NET ASSETS			358,141		493,461
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS					
Ordinary share capital	16	14,647		14,585	
Share premium	17	6,533		5,083	
Capital reserve	18	307,713		446,741	
Retained earnings	18	29,248		27,052	
			358,141		493,461
TOTAL EQUITY			358,141		493,461

The financial statements on pages 29 to 46 were approved by the board of directors and authorised for issue on 20 February 2009. They were signed on its behalf by:

J Reeve (Chairman)
20 February 2009

Consolidated cash flow statement
for the year ended 31 December 2008

	Notes	2008 £'000	2008 £'000	2007 £'000	2007 £'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Loss before tax			(118,414)		(23,408)
Adjustments for:					
Purchases of investments[1]	11(a)	(184,030)		(182,309)	
Sales of investments[1]	11(a)	199,855		169,316	
			15,825		(12,993)
Losses on investments			134,284		37,522
Financing costs	7		4,576		4,578
Operating cash flows before movements in working capital			36,271		5,699
(Decrease)/increase in receivables			(1,251)		1,527
(Decrease)/increase in payables			(2,619)		2,379
NET CASH FLOW FROM OPERATING ACTIVITIES BEFORE AND AFTER INCOME TAX			32,401		9,605
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issue of new shares			1,512		-
Interest paid on borrowings			(4,558)		(4,559)
Bank interest paid	7		(2)		(4)
Equity dividends paid	9		(18,418)		(17,380)
NET CASH USED IN FINANCING ACTIVITIES			(21,466)		(21,943)
NET DECREASE IN CASH AND CASH EQUIVALENTS			10,935		(12,338)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR			3,412		15,750
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR			14,347		3,412

[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 SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The financial statements of the Group and the Company have been prepared in accordance with International Financial Reporting Standards ('IFRS'), which comprise standards and interpretations approved by the International Accounting Standards Board ('IASB'), and International Accounting Standards and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee ('IASC') that remain in effect, and to the extent that they have been adopted by the European Union.

The 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 2003 (revised December 2005) 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 shareholders' rights to receive payment has been established, normally the ex-dividend date.

Where the Group has elected to receive its dividends in the form of additional shares rather than cash, the amount of cash dividend foregone is recognised as income. Any excess in the value of shares received over the amount of cash dividend foregone is recognised as a gain in the income statement.

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 SIGNIFICANT 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% (2007: 40%) of the investment management fee for the year is charged to revenue and the other 60% (2007: 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 SIGNIFICANT 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 SIGNIFICANT ACCOUNTING POLICIES (continued)

Finance costs

Interest payable on debentures in issue is accrued at the effective interest rate. In accordance with the expected long term division of returns, 40% (2007: 40%) of the interest for the year is charged to revenue, and the other 60% (2007: 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 230 of the Companies Act 1985.

3 INCOME

	2008 £'000	2007 £'000
Income from investments		
UK dividends	22,131	20,778
Interest on fixed income securities	792	211
	22,923	20,989
Other income		
Deposit interest	595	1,529
Underwriting commission	-	6
	595	1,535
Total income	23,518	22,524
Investment income comprises:		
Listed investments	22,923	20,989
Unlisted investments	-	-
	22,923	20,989

4 SEGMENTAL REPORTING

The directors are of the opinion that the Group is engaged in a single business 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

	2008			2007		
	Revenue Return £'000	Capital Return £'000	Total £'000	Revenue Return £'000	Capital Return £'000	Total £'000
Investment management fee	624	937	1,561	816	1,225	2,041
Irrecoverable VAT thereon	-	-	-	74	110	184
	624	937	1,561	890	1,335	2,225

As at 31 December 2008 an amount of £367,000 (2007: £486,000) was payable to the Manager in relation to the Management fees for the quarter ended 31 December 2008. VAT was paid on the Management fee for the first half of the year in 2007.

Details of the terms of the investment management agreement are provided on page 21.

6 OTHER EXPENSES

	2008			2007		
	Revenue Return £'000	Capital Return £'000	Total £'000	Revenue Return £'000	Capital Return £'000	Total £'000
Transaction costs on fair value through profit or loss assets	-	1,062	1,062	-	1,165	1,165
Directors' fees (see report on directors' remuneration on page 23)	102	-	102	113	-	113
Registrars fees	86	-	86	86	-	86
AIC membership costs	39	-	39	39	-	39
Advertising & marketing costs	51	-	51	40	-	40
Printing & postage	47	-	47	40	-	40
Directors' liability insurance	21	-	21	21	-	21
Auditor's remuneration – annual audit	22	-	22	21	-	21
Stock Exchange fees	9	-	9	10	-	10
Safe custody fees	11	-	11	10	-	10
Other expenses	61	-	61	62	-	62
	449	1,062	1,511	442	1,165	1,607

All expenses are inclusive of VAT where applicable.

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

7 FINANCE COSTS

	2008 Revenue Return £'000	2008 Capital Return £'000	2008 Total £'000	2007 Revenue Return £'000	2007 Capital Return £'000	2007 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	1,263	2,105	842	1,263	2,105
	1,830	2,744	4,574	1,830	2,744	4,574
Bank interest						
Bank overdraft	1	1	2	1	3	4
Total finance costs	1,831	2,745	4,576	1,831	2,747	4,578

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

8 TAXATION

(a) There is no corporation tax payable (2007: nil).

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

	2008 Revenue £'000	2008 Capital £'000	2008 Total £'000	2007 Revenue £'000	2007 Capital £'000	2007 Total £'000
Profit before taxation	20,614	(139,028)	(118,414)	19,361	(42,769)	(23,408)
Tax at UK corporation tax rate of 28% (2007: 30%)	5,772	(38,928)	(33,156)	5,808	(12,830)	(7,022)
Tax effects of:						
Non-taxable gains on investments	-	37,897	37,897	-	11,606	11,606
Income not chargeable to tax:						
UK dividends[1]	(6,197)	-	(6,197)	(6,233)	-	(6,233)
Movement in excess management expenses[2]	425	1,031	1,456	425	1,224	1,649
	-	-	-	-	-	-

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

[2] The Company has not recognised a deferred tax asset of £14,560,000 (2007: £13,691,000) 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

	2008 £'000	2007 £'000
Amounts recognised as distributions to equity holders in the year		
Final dividend for year ended 31 December 2007 of 21.07p (2006: 19.88p) per share.	12,292	11,598
Interim dividend for year ended 31 December 2008 of 10.50p (2007: 9.91p) per share.	6,126	5,782
	18,418	17,380
Proposed final dividend for the year ended 31 December 2008 of 22.34p (2007: 21.07p) per share.	13,089	12,292

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

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

	2008 £'000	2007 £'000
Interim dividend for year ended 31 December 2008 of 10.50p (2007: 9.91p) per share.	6,126	5,782
Proposed final dividend for the year ended 31 December 2008 of 22.34p (2007: 21.07p) per share.	13,089	12,292
	19,215	18,074

10 EARNINGS PER SHARE

	2008 Revenue Return	2008 Capital Return	2008 Total	2007 Revenue Return	2007 Capital Return	2007 Total
Earnings per ordinary share	35.33p	(238.27)p	(202.94)p	33.19p	(73.31)p	(40.12)p

The calculation of the above is based on revenue returns of £20,614,000 (2007: £19,361,000), and capital losses of £139,028,000 (2007: £42,769,000), total losses of £118,414,000 (2007: £23,408,000) and a weighted average number of ordinary shares of 58,347,573 (2007: 58,340,742).

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

	2008 £'000	2007 £'000
a) Movements in the year		
Opening cost at 1 January	518,868	472,077
Gains at 1 January	35,708	107,028
Opening fair value	554,576	579,105
Purchases at cost	184,030	182,309
Sales – proceeds	(199,855)	(169,316)
– realised (losses)/gains on sales	(33,641)	33,798
Decrease in investment gains	(100,643)	(71,320)
Closing fair value at 31 December	404,467	554,576
Closing cost at 31 December	469,402	518,868
(Losses)/gains at 31 December	(64,935)	35,708
Closing fair value at 31 December	404,647	554,576
b) Gains on investments		
(Losses)/gains on sales of investments	(33,641)	33,798
Decrease in investment gains	(100,643)	(71,320)
	(134,284)	(37,522)

All investments are Listed.

12 SUBSIDIARY COMPANIES

The cost of shares in subsidiary companies is £50,100 (2007: £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	
	2008 £'000	2007 £'000	**2008 £'000**	2007 £'000
Sales for future settlement	1,001	-	1,001	-
Due from subsidiary companies	-	-	6	6
Accrued income	3,031	2,789	3,031	2,789
Other receivables	27	19	27	19
	4,059	2,808	4,065	2,814

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

14 OTHER PAYABLES

	Group		Company	
	2008	2007	**2008**	2007
	£'000	£'000	**£'000**	£'000
Purchases for future settlement	**-**	2,501	**-**	2,501
Accruals and deferred income	**465**	583	**465**	583
Amounts payable to subsidiary companies	**-**	-	**935**	935
	465	3,084	**1,400**	4,019

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

15 NON CURRENT LIABILITIES

	Group		Company	
Interest bearing borrowings	**2008**	2007	**2008**	2007
	£'000	£'000	**£'000**	£'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 (amortised cost)	**38,388**	38,372	**38,388**	38,372
	63,388	63,372	**63,388**	63,372

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		**£**	£
	2008	2007	**2008**	2007
Issued, allotted and fully paid				
Ordinary shares of 25p each	**58,590,742**	58,340,742	**14,647,686**	14,585,186

250,000 shares were issued at a nominal value of £62,500 during the year (2007: nil) to a market participant at a premium to the prevailing net asset value due to investor demand. Since the year end a further 200,000 shares were issued at a nominal value of £50,000.

17 SHARE PREMIUM

	Group		Company	
	2008	2007	**2008**	2007
	£'000	£'000	**£'000**	£'000
Balance at 1 January	**5,083**	5,083	**5,083**	5,083
Premium arising on issue of new shares	**1,450**	-	**1,450**	-
Balance at 31 December	**6,533**	5,083	**6,533**	5,083

18 RETAINED EARNINGS AND CAPITAL RESERVE

	Retained earnings		Capital reserve	
	Group	Company	Group	Company
	£'000	£'000	£'000	£'000
Balance at 1 January 2008	27,931	27,052	446,741	446,741
Dividends paid	(18,418)	(18,418)	-	-
Net profit for the year	(118,414)	(118,414)	-	-
	(108,901)	(109,780)	446,741	446,741
Transfer from capital reserve to retained earnings	139,028	139,028	(139,028)	(139,028)
Balance at 31 December 2008	30,127	29,248	307,713	307,713

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

	Group	Company
	£'000	£'000
Capital reserve realised	372,648	372,648
Capital reserve unrealised	(64,935)	(64,935)
	307,713	307,713

19 CONTINGENT ASSETS/LIABILITIES AND CAPITAL COMMITMENTS

In 2004, the AIC lodged an appeal for the payment of investment trust management fees to be exempt from VAT. In June 2007 the European Court of Justice found in favour of the appellants and in November 2007 HM Revenue and Customs ('HMRC') announced their withdrawal from the case. This means VAT is no longer charged on investment management fees and it should be possible to recover some of the VAT paid in the past. A number of legal and procedural matters remain to be resolved before certainty is reached in respect of any entitlement to repayment of VAT.

As at 31 December 2008 there were no other contingent assets/liabilities or capital commitments for the Company and the Group (2007: nil).

20 NET ASSET VALUES

	Net asset value per ordinary share	Net assets attributable £'000
Ordinary shares of 25p each	612.76p	359,020

The net asset value per ordinary share is based on net assets at the year end of £359,020,000, (2007: £494,340,000) and on 58,590,742 (2007: 58,340,742) 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 23. 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.

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 11.3%.

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.

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 only with reputable banks with high quality external credit enhancements.

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.

22 RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

Financial assets – Interest rate risk
The majority of the Company's financial assets are equity shares and other investments which neither pay interest nor have a maturity date with the exception of the Company's fixed interest holdings which have a market value of £22,098,000, representing 6.16% of net assets of £359,020,000 (2007: £28,534,000; 5.77%). The weighted average running yield as at 31 December 2008 was 7.22% (2007: 4.18%) and the weighted average remaining life was 3.6 years (2007: 1.4 years). The Company's cash balances of £14,347,000 (2007: £3,412,000) earn interest calculated by reference to LIBOR. All of the Company's assets are denominated in Sterling.

If the bank base rate had increased by 0.5%, the impact on the profit or loss would have been a positive £71,735 (2007: £17,060). If the bank base rate had decreased by 0.5%, the impact on the profit or loss would have been a negative £71,735 (2007: negative £17,060). 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 £63,853,000 (2007: £66,456,000) 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 11 years (2007: 12 years) and the weighted average interest rate payable is 7.2% (2007: 7.2%) per annum. The Company also has recourse to a £25m overdraft facility with HSBC Bank.

Other price risk exposure
If the investment valuation fell by 10% at 31 December 2008, the impact on the profit or loss would have been negative £38.2m (2007: negative £52.6m). If the investment portfolio valuation rose by 10% at 31 December 2008, the impact on the profit and loss would have been positive £38.2m (2007: positive £52.6m). The calculations are based on the portfolio valuation 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 2008.

	2008		2007	
	Book value £'000	Fair value £'000	Book value £'000	Fair value £'000
Assets at fair value through profit or loss				
Investment portfolio	382,369	382,369	526,042	526,042
Fixed interest assets at fair value through profit or loss	22,098	22,098	28,534	28,534
Cash	14,347	14,347	3,412	3,412
Loans and receivables				
Investment income receivable	3,031	3,031	2,789	2,789
Other debtors	1,028	1,028	19	19
Other creditors	(465)	(465)	(3,084)	(3,084)
Interest bearing borrowings				
9.875% Debenture Stock 2017[1]	(25,000)	(29,643)	(25,000)	(32,959)
5.5% Debenture Stock 2021[2]	(38,388)	(32,661)	(38,372)	(36,878)
	359,020	360,104	494,340	487,875

[1] Effective rate is 9.875%
[2] Effective rate is 5.583%

22 RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

Liquidity risk exposure

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

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

	2008				2007			
	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	-	-	63,388	63,388	-	-	63,372	63,372
Creditors: amounts falling due within one year								
Amounts due to brokers	-	-	-	-	2,501	-	-	2,501
Accruals and deferred income	-	465	-	465	-	583	-	583
	-	465	63,388	63,853	2,501	583	63,372	66,456

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 49), on 30 March 2009 at 11.00 a.m.

FINANCIAL CALENDAR

The financial calendar for 2009 is set out below:

Ordinary shares	
Final dividend, 2008 – payable	31 March 2009
– ex-dividend	11 March 2009
– record date	13 March 2009
Interim dividend, 2009	30 September 2009
Final dividend, 2009	End of March 2010
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 52 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 third Annual General Meeting of Temple Bar Investment Trust PLC will be held at 11.00 a.m. on Monday 30 March 2009 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 2008 together with the reports of the directors and auditors thereon,
2. to approve the report on directors' remuneration for the year ended 31 December 2008,
3. to declare a final dividend of 22.34p per ordinary share,
4. to re-elect Mr D G C Webster as a director,
5. to re-elect Mrs J F de Moller as a director,
6. to re-elect Mr F L J Walton as a director,
7. to re-elect Mr J Reeve as a director,
8. to re-appoint the auditors and to authorise the directors to determine their remuneration.

SPECIAL BUSINESS:

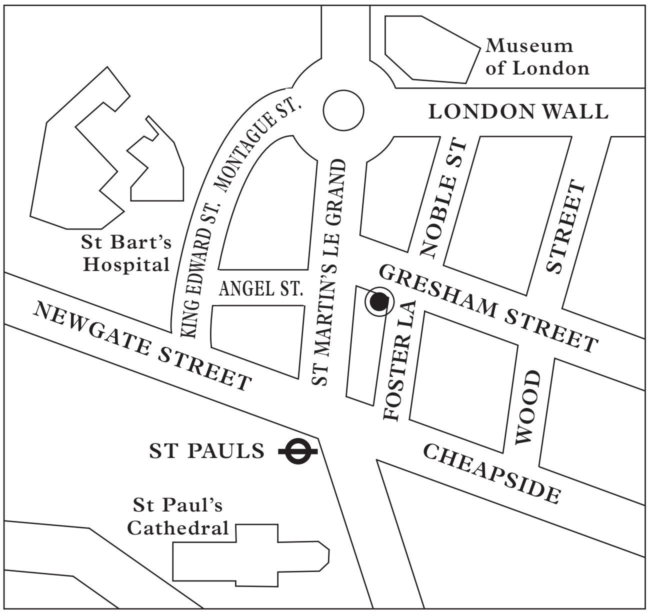
To consider and, if thought fit, pass the following special resolutions:

9. 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.
10. That the Company generally be and is hereby authorised for the purpose of Section 166 of the Companies Act 1985 to make market purchases (as defined in Section 163 of the Act) of ordinary shares of 25p each in the capital of the Company ('ordinary shares') provided that:
    - (i) the maximum number of ordinary shares hereby authorised to be purchased is 8,812,732 being 14.99 per cent of the issued share capital of the Company as at the date of the passing of this resolution;
    - (ii) the minimum price which may be paid for such shares is 25p per share;
    - (iii) the maximum price (exclusive of expenses payable by the Company) which may be paid for such shares shall be 5% above the average of the market value of the share quotations taken from the London Stock Exchange Daily Official List for the five business days before the purchase is made;
    - (iv) the authority hereby conferred shall (unless previously renewed or revoked) expire at the end of the Annual General Meeting of the Company in 2010, 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 20th day of February, 2009

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

2 Gresham Street
London EC2V 7QP



Shown is a plan of the location of Investec Investment Management Limited, 2 Gresham Street, London EC2V 7QP where the Annual General Meeting will be held on Monday 30 March 2009 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 6EE 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 28 March 2009 in order to be able to attend and vote at the meeting. Such members may only vote at the meeting in respect of ordinary shares held at the time.
4. 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 CRESTCo's CREST Manual. 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 CRESTCo 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. In order to facilitate voting by corporate representatives at the meeting, arrangements will be put in place at the meeting so that (i) if a corporate shareholder has appointed the Chairman of the meeting as its corporate representative with instructions to vote on a poll in accordance with the directions of all of the other corporate representatives for that shareholder at the meeting, then on a poll those corporate representatives will give voting directions to the Chairman and the Chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and (ii) if more than one corporate representative for the same corporate shareholder attends the meeting but the corporate shareholder has not appointed the Chairman of the meeting as its corporate representative a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the corporate representatives will give voting directions to that designated corporate representative. Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives – www.icsa.org.uk – for further details of this procedure. The guidance includes a sample form of representation letter if the Chairman is being appointed as described in (i) above.
7. None of the directors has a service contract with the Company.
8. As at 20 February 2009, the latest practicable date prior to publication of this document, the Company had 58,790,742 ordinary shares in issue with a total of 58,790,742 voting rights.

Appendix to the notice of meeting

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

1. Form of resolution

The Current Articles contain a provision that, where for any purpose an ordinary resolution is required, a special or extraordinary resolution is also effective and that, where an extraordinary resolution is required, a special resolution is also effective. This provision is being amended as the concept of extraordinary resolutions has not been retained under the Companies Act 2006.

2. Votes of members

Under the Companies Act 2006 proxies are entitled to vote on a show of hands whereas under the Current Articles proxies are only entitled to vote on a poll. Multiple proxies may be appointed provided that each proxy is appointed to exercise the rights attached to a different share held by the shareholder. Multiple corporate representatives may be appointed (but if they purport to exercise their rights in different ways, then the power is treated as not being exercised). The New Articles reflect these new provisions.

3. Age of directors on appointment

The Current Articles contain a provision requiring a director's age to be disclosed if he has attained the age of 70 years or more in the notice convening a meeting at which the director is proposed to be elected or re-elected. Such provision could now fall foul of the Employment Equality (Age) Regulations 2006 and so has been removed from the New Articles.

4. Conflicts of interest

The Companies Act 2006 sets out directors' general duties which largely codify the existing law, but with some changes. Under the Companies Act 2006, from 1 October 2008 a director must avoid a situation where he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict with the company's interests. The requirement is very broad and could apply, for example, if a director becomes a director of another company or a trustee of another organisation. The Companies Act 2006 allows directors of public companies to authorise conflicts and potential conflicts where the articles of association contain a provision to this effect. The Companies Act 2006 also allows the articles to contain other provisions for dealing with directors' conflicts of interest to avoid a breach of duty. The New Articles include provisions giving the directors authority to approve such situations to allow conflicts of interest to be dealt with in a similar way to the current position.

There are safeguards which will apply when directors decide whether to authorise a conflict or potential conflict. First, only directors who have no interest in the matter being considered will be able to take the relevant decision, and secondly, in taking the decision the directors must act in a way they consider, in good faith, will be most likely to promote the company's success. The directors will be able to impose limits or conditions when giving authorisation if they think this is appropriate.

5. Notice of board meetings

Under the Current Articles, when a director is abroad he can request that notice of directors' meetings are sent to him at a specified address and if he does not do so he is not entitled to receive notice while he is away. This provision has been removed, as modern communications mean that there may be no particular obstacle to giving notice to a director who is abroad. It has been replaced with a more general provision that a director is treated as having waived his entitlement to notice, unless he supplies the Company with the information necessary to ensure that he receives notice of a meeting before it takes place.

6. Electronic and web communications

Provisions of the Companies Act 2006 which came into force in January 2007 enable companies to communicate with members by electronic and/or website communications. The New Articles allow communications to members in electronic form and, in addition, they also permit the Company to take advantage of the new provisions relating to website communications. Before the Company can communicate with a member by means of website communication, the relevant member must be asked individually by the Company to agree that the Company may send or supply documents or information to him by means of a website, and the Company must either have received a positive response or have received no response within the period of 28 days beginning with the date on which the request was sent. The Company will notify the member (either in writing, or by other permitted means) when a relevant document or information is placed on the website and a member can always request a hard copy version of the document or information.

7. Directors' indemnities and loans to fund expenditure

The Companies Act 2006 has in some areas widened the scope of the powers of a company to indemnify directors and to fund expenditure incurred in connection with certain actions against directors.

8. General

Generally the opportunity has been taken to bring clearer language into the New Articles and in some areas to conform the language of the New Articles.

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