active investment working for you

Temple Bar Investment Trust PLC **Report and Accounts 2007**

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	£557,712,000
Total Equity	£494,340,000
Market Capitalisation	£426,471,000
Capital Structure	Ordinary shares 58,340,742 shares 5.5% Debenture Stock 2021 £38,000,000 $9\frac{7}{8}$% Debenture Stock 2017 £25,000,000
Voting Structure	Ordinary shares 100%.
Winding-Up Date	None.
Managers' Fees	0.35% per annum based on the value of the investments (including cash) of the Company.
PEP/ISA Status	The Company's shares are capable of being held in an ISA and are a qualifying investment under the Personal Equity Plan regulations.
AIC	Member.
Website	www.templebarinvestments.com

Summary of results

ASSETS as at 31 December	2007 £'000	2006 £'000	Percentage change
Consolidated net assets	494,340	535,128	(7.6)%
Ordinary shares			
Net asset value per share	847.33p	917.25p	(7.6)%
Net asset value per share adjusted for market value of debt	835.61p	901.35p	(7.3)%
Market price	731.00p	848.00p	(13.8)%
Discount with debt at book value	13.7%	7.5%	
Discount with debt at market value	12.5%	5.9%	

REVENUE for the year ended 31 December	2007 £'000	2006 £'000	
Revenue return attributable to ordinary shareholders	19,361	17,620	
Revenue return per ordinary share	33.19p	30.20p	
Dividends per ordinary share – interim and proposed final	30.98p	29.23p	6.0%

CAPITAL for the year ended 31 December	2007 £'000	2006 £'000
Capital return attributable to ordinary shareholders	(42,769)	64,386
Capital return attributable per ordinary share	(73.31)p	110.36p

	2007	2006
TOTAL EXPENSE RATIO*	0.44%	0.47%

TOTAL RETURNS for the year to 31 December 2007	%
Return on net assets	(4.33)
Return on gross assets	(3.87)
Return on share price	(10.28)
FTSE All-Share Index	5.32
FTSE 350 Higher Yield Index	1.18
Change in Retail Prices Index over year	4.05

DIVIDEND YIELDS (NET) as at 31 December 2007	%
Yield on ordinary share price (731.00p)	4.08
Yield on FTSE All-Share Index	3.02
Yield on FTSE 350 Higher Yield Index	4.18

*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.

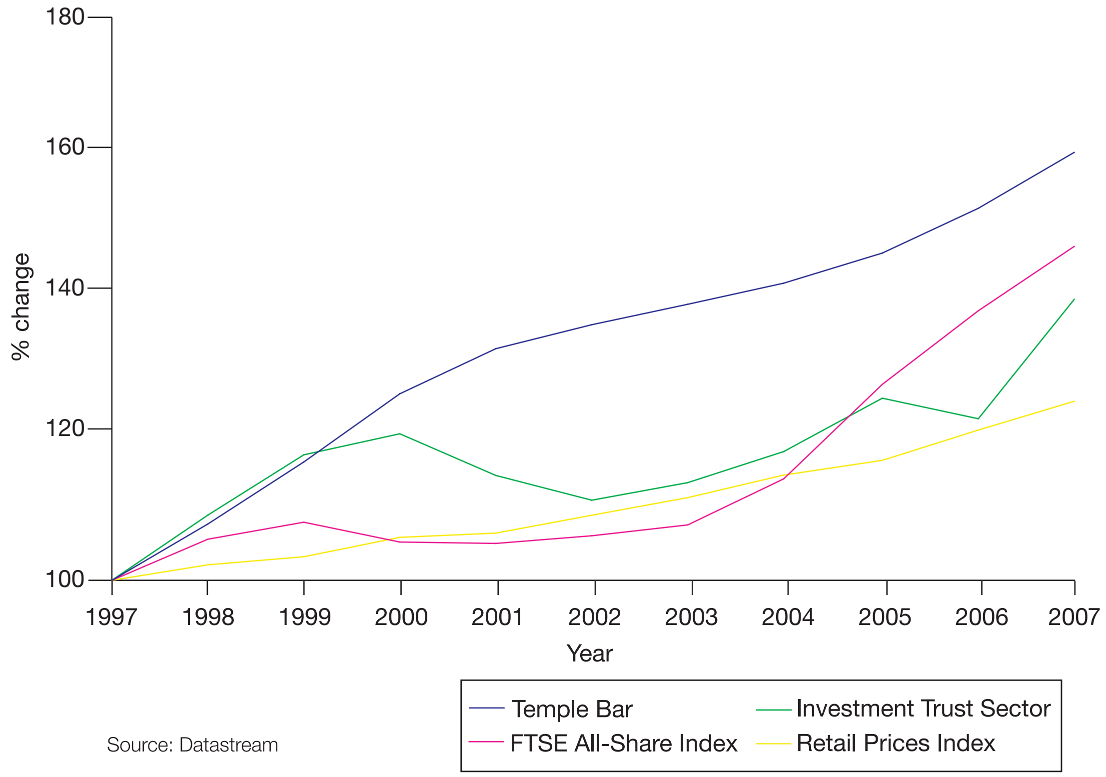
Year ended	Total assets less current liabilities £'000	Group net assets £'000	Net assets per ordinary share p	Revenue return to ordinary shareholders £'000	Revenue return per share p	Dividends per share* (net) p
1998	360,520	335,064	579.56	11,089	19.24	19.36
1999	432,391	369,391	639.16	12,102	20.96	21.30
2000	451,917	388,917	672.95	13,428	23.24	23.43
2001	419,292	356,292	615.43	14,198	24.56	24.84
2002	341,066	278,066	480.24	14,674	25.34	25.59
2003[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

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.

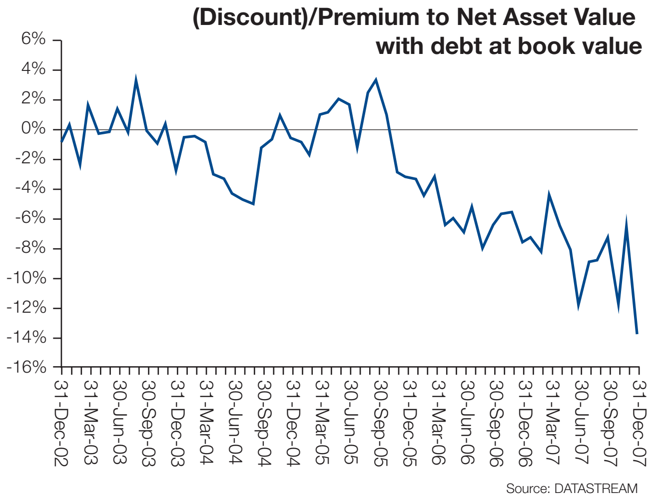
*Interim and proposed final for the year.

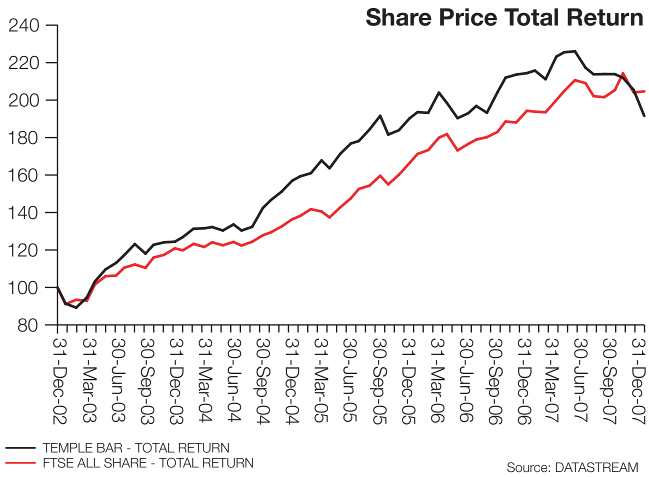
Comparative Dividend Growth

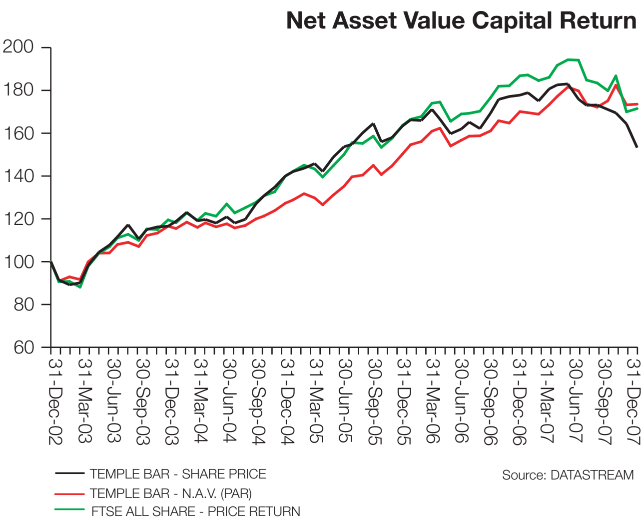


Source: Datastream

Five year summary







Directors

JOHN REEVE*, Chairman, aged 63, 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 63, 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 60, 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 64, 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 Bonfield Asset Management Ltd and various private investment companies.

FIELD L J WALTON*, aged 67, was appointed a director in 1983. He started his career in engineering management and moved to the City as an analyst with Cazenove in 1971. Subsequently he held a number of positions in fund management. He is currently a consultant to MacArthur & Co. Limited, 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.

*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
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0906 559 6025 (broker helpline)

Registered Auditor
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London SE1 2AF

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

Stockbrokers
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Solicitors
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Senator House, 85 Queen Victoria Street,
London EC4V 4JL

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

Chairman's statement

The total return on the net assets of Temple Bar during 2007 was -4.3%, which compares with a total return for the FTSE All-Share Index of 5.3%. This is a disappointing outcome, due mainly to the fund manager's reluctance to invest in the mining sector, the underperformance of a number of retailers and the poor performance of the small part of the portfolio invested in smaller companies.

In contrast a very satisfactory performance was achieved in relation to income from the portfolio and the Board is recommending a final dividend of 21.07p, to produce a total increase for the year of 6.0%. This dividend will be payable on 31 March 2008 to shareholders on the register at 14 March 2008. This is the 24th consecutive year in which the dividend has been increased. The revenue reserve, which, after adjusting for the proposed final dividend for 2007, amounts to £15.6m, should provide shareholders with additional comfort regarding the security of the dividend.

Post-tax earnings increased by 9.9%. The proposed dividend was more than covered by net earnings generated on the portfolio during the year.

Discount to Net Asset Value

In recent years the Temple Bar share price has traded reasonably closely to its net asset value. However, the price of Temple Bar shares ended the year at a 12.5% discount to their underlying asset value adjusted for the market value of the Company's debt. It is perhaps more relevant that the average discount at which the shares traded during the year rose from 3.5% to 6.6%. While this undoubtedly reflects the underlying performance of the assets, discounts widened in 2007 both for the UK Income & Growth sector and for investment trusts as a whole. The Board monitors the discount position on a regular basis and, in conjunction with its brokers, is prepared to undertake share buy backs in order to contain the level of the discount. With the assistance of its broker, the Manager continues to communicate closely with our largest shareholders and investment intermediaries. The Manager also seeks to keep our smaller investors fully informed with the production of monthly factsheets and detailed manager commentaries. These can be found on the Company's website, www.templebarinvestments.com.

Investment Policies – International Investment

It is a new requirement of the UK Listing Authority's Listing Rules that companies should provide more details on the investment policies and strategies that are put in place to facilitate achievement of their stated investment objectives. Set out on page 17, therefore, is a summary of the investment policies established by the Board to guide the investment manager in constructing the portfolio of investments.

The only material development from the policies that have been in place for some years is the flexibility now afforded to the investment manager to invest up to 10% of the portfolio in companies whose shares are listed on the stock exchanges of developed countries other than the UK. The rationale for this change is a recognition that, increasingly, the jurisdiction in which a company lists its shares bears no relation to the location of its business activities. I should emphasise that it is not expected that this additional flexibility will be significantly utilised in the immediate future.

VAT

In June 2007 the European Court of Justice ruled that investment trust management fees should be exempt from VAT. This decision has now been accepted in principle by HM Revenue & Customs, although some procedural matters remain to be resolved. The result is that future management fees will not be subject to VAT. The Company has taken appropriate steps to reclaim the relevant VAT that has been paid on past management fees, although the actual amount remains uncertain. Accordingly we have not recognised any asset in the financial statements but have provided additional information in note 19 to the financial statements.

Board

In September 2007 Gary Allen retired from the Board for health considerations. He had been a valued director since his appointment in 2001, bringing much knowledge and experience to board deliberations. I am particularly grateful for his services as Chairman of the audit committee and as Senior Independent Director. Richard Jewson has succeeded him in both of these roles.

We wish Gary a speedy recovery from his illness. In due course the Board will seek to appoint an additional director.

Outlook

The dislocation in banking markets, although highly publicised, had a limited effect on stock markets in 2007. It clearly impacted on the valuation of bank shares and, as our manager highlights in his report, in the UK market precipitated investor flight from smaller companies. However, the FTSE 100 ended the year just 6.8% from its all-time peak.

This rather paradoxical outcome reflects investors' belief that the developing economies can continue to grow strongly almost regardless of the outcome for the more mature economies. This theme of 'emerging market decoupling' is likely to be severely tested during 2008 and may generate significant market volatility.

Our manager, as always, favours investment in the areas of the market which are more out of favour in the belief they will recover strongly. His contrarian beliefs have been challenged by the experiences of 2007 but he remains confident in the underlying integrity of value investing.

Annual General Meeting

The annual general meeting will be held at 2 Gresham Street, London EC2V 7QP on Monday 31 March 2008 at 11.00 a.m. In addition to the formal business of the meeting our portfolio manager, Alastair Mundy, will provide a review of the past year and comment on the outlook. There will also be an opportunity for shareholders to meet informally with the directors at the conclusion of the AGM. I look forward to welcoming as many of you as possible. Shareholders who are unable to attend the meeting are encouraged to use their proxy votes.

John Reeve

12 February 2008

Twenty largest investments

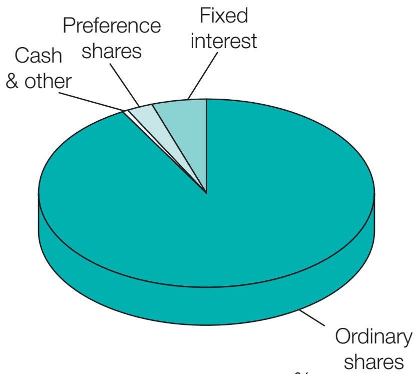
as at 31 December 2007

Company	Valuation 31 December 2006 £'000	Net purchases/ (sales) £'000	Appreciation/ (depreciation) £'000	**Valuation 31 December 2007 £'000**	**Total assets less current liabilities %**
Royal Dutch Shell	42,893	404	11,127	**54,424**	**9.76**
BP	41,615	557	6,641	**48,813**	**8.75**
Vodafone	35,906	–	11,748	**47,654**	**8.54**
HSBC	39,280	546	31	**39,857**	**7.15**
GlaxoSmithKline	35,763	1,269	(1,730)	**35,302**	**6.33**
Unilever	18,295	6,391	8,472	**33,158**	**5.95**
UK Treasury 4% 2009	–	27,075	84	**27,159**	**4.87**
BT	21,231	–	(2,024)	**19,207**	**3.44**
AstraZeneca	19,433	2,992	(4,847)	**17,578**	**3.15**
HBOS	15,649	5,347	(6,454)	**14,542**	**2.61**
Reuters	8,415	–	3,624	**12,039**	**2.16**
Wolseley	–	13,353	(1,330)	**12,023**	**2.16**
Legal & General	14,175	–	(2,421)	**11,754**	**2.11**
Aviva	–	11,787	(481)	**11,306**	**2.03**
Signet	16,590	1,293	(7,087)	**10,796**	**1.94**
Centrica	14,180	–	(5,147)	**9,033**	**1.62**
ITV	10,330	–	(2,046)	**8,284**	**1.49**
British American Tobacco	5,879	–	2,205	**8,084**	**1.45**
Lloyds TSB	–	8,388	(522)	**7,866**	**1.41**
Daily Mail & General Trust	10,545	–	(3,239)	**7,306**	**1.31**
	350,179	79,402	6,604	**436,185**	**78.23**

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

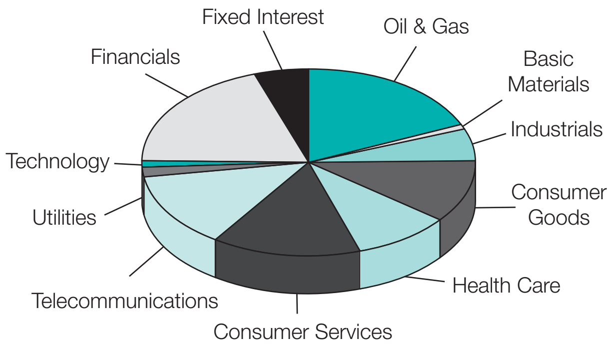
Asset allocation as at 31 December 2007

BY CLASS (%)



	%
Ordinary shares	91.85
Fixed interest	5.12
Preference shares	2.47
Cash & other	0.56
	100.00

PORTFOLIO DISTRIBUTION (%)



	%		%
Oil & Gas	18.61	Telecommunications	12.88
Basic Materials	0.60	Utilities	1.63
Industrials	5.63	Technology	1.09
Consumer Goods	10.81	Financials	19.53
Health Care	9.54	Fixed Interest	5.15
Consumer Services	14.53		100.00

Manager's report

Temple Bar had a very poor year in 2007, when net asset value fell by 7.6%, significantly underperforming our benchmark, the FTSE All-Share Index. Although the Company had comfortably outperformed the index in aggregate over the previous four year period, the 2007 outcome undid all of the good work.

We commented in previous reports that many companies were generating profits far in excess of their long term averages when compared with their sales and capital employed. Investors were awarding excessively high ratings to these profits, causing shares to become overvalued in a strong bull market for equities. We believed that our investment policy of locating out-of–favour, undervalued, companies would avoid much of this over-valuation.

However, investments in out-of-favour companies have recently proven to be very problematic. Although we know that most industries and many companies have reasonably predictable cycles of success and failure, we cannot accurately predict the timing of the cycles. Nor can we know how much a share price, which typically leads the business cycle, will decline before recovery. Consequently we often buy early into recovery situations. Over the years, we have successfully invested in companies and sectors to create a balanced portfolio of stocks at various, profitable, stages of recovery. We were damaged in 2007 when many of our holdings, big and small, in numerous sectors, remained out of favour.

At the beginning of the year, our portfolio was broadly divided into five groups. The largest by far included some of the dominant companies in the FTSE 100, such as Vodafone, Royal Dutch Shell and HSBC. We felt they had been overlooked by most investors, who had preferred stocks more likely to benefit from corporate activity. The second group was life assurance stocks, a sector that stood out as having been de-rated despite announcing good operating results. The third group was media and retail stocks operating at relatively low profit margins but, we believed, with good potential for improvement. The fourth group included companies generally acknowledged to be well managed, and with reasonable long-term growth prospects, but temporarily underperforming through cyclical pressures, including Signet, Carnival and Compass. The fifth group was a selection of smaller companies which we believed were likely to deliver sizeable growth in profitability, over time.

Overall, the large companies and life assurance holdings were fairly neutral to our performance. The underperformance was attributable to the other groups, and to our decision not to include mining stocks in the portfolio.

The outcome was mixed in the general retailers and media group, with the strong performances of Reuters, BSkyB and N Brown being more than outweighed by the weaknesses of Daily Mail & General Trust, ITV, Kingfisher, DSG International and a number of smaller retailers.

We analysed our exposure to retail, and our sector investment track record, with particular focus upon two themes. Firstly, whether investing in out-of-favour retail stocks is trickier than investment in analogous situations in other parts of the market? Secondly, whether the retail sector is experiencing significant structural adjustments, or the recent weakness of consumer spending, and severe negative sentiment towards retailers, is simply an unpleasant but ultimately self-correcting period in the cycle?

The two largest structural changes for retailers in recent years have been the growth of internet retailing – increasing price transparency and on-line competition – and heightened competition from grocery-based superstores. Specialist sellers of products such as CDs, DVDs and books have encountered superstores discounting their best-sellers, while their back catalogues have been attacked by specialist internet businesses such as Amazon. The retailers have had difficulty in managing this mix of deflation and, in some cases, volume declines, and their own simultaneously increasing cost bases.

Electrical retailing has proved particularly vulnerable with many customers happy to trial products in stores prior to on-line purchase, or using on-line prices as a base for in-store haggling. Traditional store-positives, such as technical advice and easy returns, now seem to be lowly valued by customers.

While these negatives might be countered in a cyclical upturn, they clearly create great vulnerabilities in tougher periods. However, not all retail businesses underperformed under the pressure of the factors outlined above. Indeed, some of them are beneficiaries of these trends. For example, N Brown, another portfolio company, has grown strongly in the last few years as a significant portion of its customers have migrated to its internet service. Despite this, in the past few months, even these retailers, and their shares, have struggled in weakening trading conditions.

Our conclusion is that all sectors constantly face some structural concerns and we can see no reason why investing in out of favour retailing stocks should, in theory, be any less profitable

than in other sectors. With hindsight, perhaps we too readily invested in retailers, and should have held our fire. But we purchased all the retailers at multi-year lows relative to the FTSE All-Share Index, and often at 75% or more declines from their respective highs.

Our strategy in retailers during the year was to concentrate on stocks most affected by cyclical pressures. This resulted in sales of HMV and Woolworths, purchases of Signet and a maintained position in Kingfisher. (We also sold N Brown and Mothercare, but the overriding factor in these decisions was their relatively high ratings). Signet's powerful market position in speciality jewellery, and the lack of serious competition from either the internet or superstores, should enable it to bounce back strongly when trading conditions improve. Similarly, Kingfisher's market leading position in DIY should be secure and, with a new chief executive due, we believe that the weak operational performance at its B&Q chain could be turned around. It is also very possible that its impressive portfolio of market positions worldwide could generate significant interest from competitors.

Our position in DSG International (Dixons) might look incongruous in light of our explanation of where we see most value amongst retailers. We would plead a special case here, with newly arrived senior management likely to review key areas, such as the number of stores, the possible merger of brands and, perhaps, the geographical areas covered.

The portfolio's long-term growth companies became increasingly friendless through some weak operational performance but, mostly, through an exaggerated de-rating of their valuations. Investors simultaneously downgraded their expectations of future profitability, while applying lower earnings multiples. This double-discounting makes little sense, unless companies' long-term futures are very bleak. Our analysis does not support such gloomy assessments.

Wolseley offers a good illustration of double-discounting. We began adding the company's shares to the portfolio mid-year, when their price had already slipped significantly from a February 2007 high of above £14 and most commentators were bullish. The consensus was that this well-managed company could withstand a building and contracting slowdown in the US, while continuing to build strong market positions through acquisitions and organic growth around the world. Price targets above £16 were commonplace. However, as US growth deteriorated, Wolseley warned that profitability in 2007 would be below the market's forecasts. Subsequent profit downgrades undoubtedly affected the company's share price, but the major damage was inflicted by investors' reluctance to pay up for long-term growth. While consensus forecasts for pre-tax profit in the year ending July 2008 fell by approximately 10% over the year (with further deterioration projected for 2009), Wolseley's share price fell from the £14 February peak to a November trough below £6.50. The change in the value of the company implies that its long term outlook, reflected by the share price, has significantly altered. However, our analysis does not support such a pessimistic outlook.

Our smaller company portfolio, although well diversified, was hit very badly by investors' fears of widespread fallout from the sub-prime mortgage crisis, the demise of Northern Rock and the subsequent tightening of banks' balance sheets.

In the wider market, from August, investors avoided stocks with unfavoured characteristics: too much debt, exposure to the cyclical parts of the US and UK economies and sensitivity to rising raw materials prices. For smaller companies, the negative share price effects of these characteristics were magnified.

Developing fears of a UK and US recession, and the withdrawal of much of the financing behind the takeover boom, could result in a continued de-rating of small companies. However, we maintain that the sector will always provide good investment opportunities, and that our holdings can recover strongly.

For example, we believe that the new management team at JJB Sports is capable of bringing its retail operating margin much closer to the level of its largest competitor. This outcome is not dependent upon a large increase in sales, but on continuing improvement in sourcing, a reduction in heavy discounting, increasingly attractive store layouts and a move from low margin tertiary brands to own-label or licensed brands. The fast growing leisure club division offers competitive subscription fees, and benefits from sharing rental costs with the retail units. As these clubs mature towards peak profitability, we believe the market will recognise their superior operating characteristics. The new chief executive has clear views on the company's long term value. In June, in a joint venture with an Icelandic company, he purchased almost 30% of JJB at 275p a share – a level from which the shares have since halved.

Mining has been our bete noire in recent years. The sector performed extraordinarily strongly in 2007, and seven mining stocks were in the top

thirty FTSE 100 performers. We have written in detail on this subject in previous years, and retain our view that commodity prices have been subject to a medium term imbalance of supply and demand, attributable to under-investment in the last decade of the 20th century and the phenomenal growth of China in the first decade of the 21st century. These factors have been exacerbated by massive speculative investment in the mining sector. Throughout this extended period we have been concerned that commodity prices would, at some point, be driven down by increased supply and/or diminishing demand.

Although we have been consistently wrong about the sector, we know that what goes up very quickly in the stock market tends to come down equally quickly when perceptions change. Interestingly, commodity prices did not rise overall in 2007. For example, the Dow Jones Industrial Metals Index actually fell by 8.2% in sterling terms, but the bull argument for mining stocks subtly altered to support the thesis of sustainably high commodity prices, rather than the previous argument of much higher prices in the near future but a likely decline following this spike. This change was reflected in much higher ratings for the stocks. Perhaps the mining sector will prove an exception to the up-and-down tendency, but we prefer to stick with the averages.

Attribution Analysis	**%**
Total return of FTSE All-Share Index	5.32
Relative return from the portfolio	(7.97)
Performance on total assets	**(2.65)**
Income distributed to shareholders	(2.95)
Expenses*	(0.44)
Finance costs*	(0.77)
	(6.81)
Impact of gearing & valuation of debt on portfolio (balance)	(0.81)
Change in Net Asset Value per Ordinary Share	(7.62)
* as percentage of opening NAV	

Investment in out-of-favour stocks is not for the fainthearted. However, no investment process provides good long-term gain without intermittent pain. If painless out performance were possible, the opportunities would quickly be arbitraged away. Sometimes the pain is intense enough to make even the most ardent believers doubt the continuing potential of this investment style, and certainly intense enough to dissuade faint-hearts from entering the fray.

The pain is increased by its unknown duration: there is never a sign to announce that it will soon be over. Indeed, the pain could increase if the UK and US enter a period of recession. But we are hopeful that much potential bad news is already priced-in, and that is the reason why many stocks have fallen 50% or more from their 2007 highs. Alternatively, worst fears of recession will not be fulfilled if, as is likely, monetary authorities intervene to maintain economic stability. Certainly, investment on the basis of worst case scenarios would have missed a large percentage of the market's returns over many years.

In managing the portfolio without attempting to gauge the depth of an economic downturn, we continually review our holdings for two major threats to fulfilment of a company's long term value. First, is the risk that the industry in which the company operates has undergone major structural changes. This could limit future gains in margin or returns on capital employed. Second, we are alert to the risk of bankruptcy. If we maintain belief in the long term value of a company, we calibrate purchases, buying more as the share price falls.

However, while we always consider these risks, they cannot be fully eliminated. Even if we wished to avoid heavily indebted companies, there is no clear amount of debt which might be regarded as acceptable, because an apparently reasonable amount can quickly become onerous upon significant deterioration in underlying trading. Conversely, some of the most spectacular stock market performers are companies recovering from highly indebted positions. When the risk/reward balance is right, we should be comfortable investing in these situations. However, we must always remember the unfortunate experience typified by Jessops: the possibility of significant capital loss.

While the market may doubt the long-term health of certain companies or industries, some assessments have proven to be spectacularly wrong. For example, in the late 1990s, many investors forecast the demise of tobacco stocks, just prior to their eight-year bull run. Conversely, many businesses appearing to have secure futures can be pressured by unexpected change. We would generally prefer to be invested in areas where there is much doubt over an industry's future, where the negatives appear significantly overemphasised and where great benefits follow positive surprises, provided these factors are more than proportionately factored into share prices. We certainly believe this to be usually more attractive than exposure to a high flying

industry, where companies viewed as invulnerable to negative surprises can suffer profits downturns and de-ratings – a toxic cocktail.

Some of our holdings are affected by fears of structural decline. For example, publishers of local newspapers, such as Daily Mail & General Trust, Trinity Mirror, and Johnston Press are considered anachronistic given the ease and speed with which news can be accessed through alternative media. These arguments should clearly not be ignored but are, in our opinion, largely discounted in the companies' share prices. Additionally, we are not convinced that the declines are clear cut.

The circulation of paid-for local newspapers has declined significantly over the last thirty years, but this has not proved a good indicator of industry profitability. Many local papers are now distributed free of charge, with revenues entirely dependent upon advertising. Local trading is still the preserve of these papers. Despite worries over the ubiquity of the internet, little market share appears to have been lost in either recruitment or property advertising. The companies most exposed to this area are responding to competition by investing heavily in improvements to their printed content, while growing their on-line capabilities. We are confident that if our theses are correct we will be rewarded handsomely.

The sub-prime crisis in the US was the financial story of the year and its effects and reach were larger and wider than was generally forecast. Although we had correctly avoided Barclays Bank, as we were concerned that its balance sheet was over exposed to risky areas of the market, we believed that other banks had been more prudent. However, it seems that most banks had loosened their lending criteria in recent times, and had some exposure to sub-prime mortgages through various asset classes.

Following the crisis, the banking sector is hugely out of favour – investors are worried about other unattractive assets that may still sit on (or even off-) balance sheets. Longer term views on banks have also changed, with concerns that their recent business models of originating assets (eg mortgages) and then distributing them (to unsuspecting buyers) is no longer viable. This may be the case, but the banks' excellent record of product innovation highlights the dangers of betting against them. In the long term, the banking sector simply cannot be entirely populated by losers.

Our thoughts are that the credit crunch will leave the best banks with strong balance sheets, and in an excellent position to pick and choose to whom they wish to lend, and the terms at which they will do so. Strong banks may also develop a funding advantage – allowing them to borrow money at lower rates than their weaker competitors in the retail deposit market and the wholesale market. Finally, if conditions continue to deteriorate, stronger banks may gain opportunities to purchase weaker banks, thus further strengthening their competitive positions.

We believe that, among UK listed banks, HSBC's strong balance sheet and large size provides many of these attributes, and it is now our biggest bank holding. In the UK banking market, we believe the withdrawal of the ultra aggressive Northern Rock from the mortgage market is good news for other large mortgage lenders, enabling them to increase their margins after years of erosion. To benefit from this change, we have switched our holding in Royal Bank of Scotland into a mix of HBOS and Lloyds TSB. Unfortunately, neither of these banks offers a pure play on the mortgage and savings market, given Lloyds TSB's large presence in unsecured loans and HBOS's strong growth in corporate lending.

Despite the year's ups and downs, the portfolio's composition is largely unchanged, with the majority still invested in 'mega caps' – the largest stocks in the market.

The success of our investment in Vodafone clearly illustrates how changing sentiment can affect the valuation of a company, regardless of its operating results. In 2006, the shares were friendless. The market distrusted senior management, believed that its acquisition policy was misguided, judged the core business to be under great pressure, and ignored the share buy-back scheme, the impressive dividend growth and the low rating of the shares. Within a year, this sentiment had turned. Management was lauded for its strategic vision, and the shares had moved significantly higher. As often happens, there was no clear catalyst for the change in sentiment and, in fact, forecast earnings decreased slightly over the period.

2007 was a poor year for shareholders in Temple Bar, and we apologise for that. Our confidence in our chosen investment style, preferring out of favour companies, is shaken by the experiences of last year but not diminished. We are confident that the stocks in the portfolio offer good long-term value, and that this value will ultimately be recognised by the market.

Alastair Mundy

Investec Investment Management Limited

12 February 2008

Portfolio of investments

	Valuation of holding as at 31 December 2007 £'000	Percentage of Portfolio %	FTSE All-Share Index 31 December 2007 %
OIL & GAS			
Oil & Gas		18.61	17.36
BP	48,813		
Royal Dutch Shell ('B' shares)	54,424		
		18.61	17.36
BASIC MATERIALS			
Chemicals		0.60	0.34
Scapa	504		
Yule Catto	2,814		
Basic Resources		-	9.71
		0.60	10.05
INDUSTRIALS			
Construction & Materials		-	0.34
Industrial Goods & Services		5.63	6.56
Fiberweb	1,001		
Filtrona	2,354		
Heywood Williams	2,263		
Invensys	3,411		
Jarvis	407		
Premier Farnell	943		
Qinetiq	3,188		
St. Ives	1,510		
Travis Perkins	4,135		
Wolseley	12,023		
		5.63	6.90
CONSUMER GOODS			
Automobiles & Parts		-	0.11
Food & Beverage		8.36	5.48
Britvic	2,746		
Devro	3,235		
Tate & Lyle	3,020		
Unilever	33,158		
Uniq	4,233		
Personal & Household Goods		2.45	4.65
Alba	355		
British American Tobacco	8,084		
Games Workshop	2,206		
Taylor Wimpey	2,940		
		10.81	10.24
HEALTH CARE			
Health Care		9.54	6.61
AstraZeneca	17,578		
GlaxoSmithKline	35,302		
		9.54	6.61

	Valuation of holding as at 31 December 2007 £'000	Percentage of Portfolio %	FTSE All-Share Index 31 December 2007 %
CONSUMER SERVICES			
Retail		5.26	4.88
Alexon	**570**		
DSG International	**4,692**		
Jessops	**465**		
JJB Sports	**3,131**		
Kingfisher	**6,916**		
Marks & Spencer	**2,619**		
Signet	**10,796**		
Media		7.22	3.21
Daily Mail & General Trust	**7,306**		
Future	**3,817**		
ITV	**8,284**		
Johnston Press	**1,802**		
Reuters	**12,039**		
SMG	**867**		
Taylor Nelson Sofres	**2,905**		
Trinity Mirror	**2,997**		
Travel & Leisure		2.05	2.75
Carnival	**1,672**		
Compass	**3,777**		
Wetherspoon (J.D.)	**5,939**		
		14.53	10.84
TELECOMMUNICATIONS			
Telecommunications		12.88	7.10
BT	**19,207**		
Thus	**4,590**		
Vodafone	**47,654**		
		12.88	7.10
UTILITIES			
Utilities		1.63	4.40
Centrica	**9,033**		
		1.63	4.40
TECHNOLOGY			
Technology		1.09	0.93
Alphameric	**1,627**		
Computacenter	**4,394**		
		1.09	0.93

Portfolio of investments continued

	Valuation of holding as at 31 December 2007 £'000	Percentage of Portfolio %	FTSE All-Share Index 31 December 2007 %
FINANCIALS			
Banks		11.23	14.41
HBOS (9.25% non cum pref shares)	**750**		
HBOS	**13,792**		
HSBC	**39,857**		
Lloyds TSB	**7,866**		
Insurance		6.93	4.46
Aviva	**11,306**		
Friends Provident	**3,642**		
Highway Insurance	**945**		
Legal & General	**11,754**		
Prudential	**5,911**		
Standard Life	**4,888**		
Financial Services		1.37	6.70
Close Brothers	**1,637**		
International Personal Finance	**5,948**		
		19.53	25.57
TOTAL EQUITIES	526,042	94.85	100.00
UK FIXED INTEREST			
BAA 11.75% 2016	**1,375**		
UK Treasury 4% 2009	**27,159**		
TOTAL FIXED INTEREST	28,534	5.15	-
TOTAL VALUATION OF PORTFOLIO	554,576	100.00	100.00

All investments are ordinary shares unless otherwise stated.

Report of the directors

The directors present their report and accounts for the year ended 31 December 2007.

BUSINESS REVIEW

Introduction

This business review forms part of the Directors' Report. 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 trust 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 2006. 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 activity 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 28.

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 in the region of 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 our assessment of their long 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 less cash, 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 provided a typical emotional response to both good and bad news can be avoided. This will allow the Company to purchase shares at significant discounts to their fair value and 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 one 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 2007 the net asset value total return of the Company decreased by 4.33% compared with the total return by the Company's benchmark index of 5.32%. 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 4.33% compared with a total return rise of 5.32% 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 2007 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 6.6%. This compares with an average discount of 3.5% in the previous year and reflects a combination of

poor short term performance and a general widening of discounts in the income and growth 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 21.07p per ordinary share which brings the total for the year to 30.98p per ordinary share, an increase of 6.0%. This increase exceeds the RPI inflation of 4.1% by a comfortable margin and is the 24th 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 2007 was 0.44% (2006 0.47%). 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 income and growth 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.

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 2007 the Group had distributable revenue reserves of £27.9 million before declaration of the final dividend for 2007.

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 23 to 25.

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 23 to 25.

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 and counterparty 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 9.91p per ordinary share was paid on 28 September 2007 (2006: 9.35p) and the directors are recommending a final dividend of 21.07p per ordinary share (2006: 19.88p), a total for the year of 30.98p (2006: 29.23p). Subject to shareholders' approval, the final dividend will be paid on 31 March 2008 to shareholders on the register on 14 March 2008.

PERSONAL EQUITY PLANS/ISAs

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

SHARE CAPITAL

There were no ordinary shares allotted during the year.

DIRECTORS

The directors of the Company during the year were as stated below and their interests in the ordinary share capital of the Company are as follows. Each of the directors held office throughout the year except for Mr Allen who retired on 24 September 2007.

	31 December 2007	1 January 2007
G J Allen	N/A	1,369
J F de Moller	1,980	1,211
R W Jewson	4,383	3,113
J Reeve	32,892	30,550
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 17 January 2008 Mr Reeve acquired a further 138 ordinary shares in the Company through his regular monthly saving in an ISA. On 22 January 2008 Mr Jewson and Mrs de Moller acquired a further 36 and 72 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 2007 and 12 February 2008.

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

The directors retiring by rotation and/or in compliance with the provisions of the AIC Code are Mr Reeve, Mr Walton, Mr Jewson and Mr Riley. 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 12 February 2008 the following company had indicated an interest in 3% or more of the issued ordinary shares of the Company.

	%
Legal & General Group plc	4.11

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% (2006: 60%) of the investment management fee payable to IIM is charged by the Company to capital and the remaining 40% (2006: 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 2007 amounted to £2,041,000 (2006: £1,960,000) 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. As noted in the Chairman's Statement, while the recent performance of the Company has not been good, it remains more satisfactory over longer periods. 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 (2006: 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 31 March 2008.

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 47.

By order of the Board of Directors
M K Slade
For Investec Investment Management Limited
Secretary
12 February 2008

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 2007. An ordinary resolution will be proposed at the annual general meeting to approve this report, but the directors' remuneration is not conditional upon the resolution being passed.

The Company does not have any executive directors and, as permitted under the Listing Rules, has not, therefore, established a remuneration committee. Remuneration of non-executive directors is viewed as a decision of the Board, subject to any shareholder approvals which may be necessary. In effect, therefore, the Board as a whole fulfils the function of a remuneration committee. The Company's Articles of Association state that the Board shall determine the rate at which directors shall be paid, provided that the aggregate of all such fees shall not exceed £150,000 per annum. This does not include any sums paid to directors that are not classed as remuneration, e.g. expense reimbursements. The limit on the aggregate amount of directors' fees paid is subject to the approval of shareholders by an ordinary resolution.

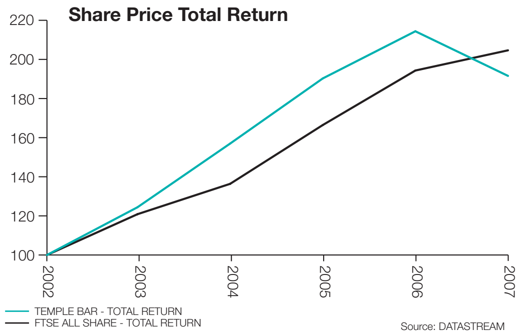
POLICY ON DIRECTORS' REMUNERATION

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

Following the most recent review the Board concluded that the remuneration be increased to £26,850 p.a. for the Chairman and £18,250 p.a. for the other directors with effect from 1 January 2008. In addition, the Chairman of the Audit Committee, currently Mr Jewson, will receive an annual remuneration of £20,350.

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	
	2007	2006
Director	£	£
John Reeve	25,750	25,000
Gary Allen	16,229	19,000
June de Moller	17,500	17,000
Richard Jewson	18,019	17,000
Martin Riley	17,500	17,000
Field Walton	17,500	17,000

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

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

No director received any pension contributions (2006: Nil).

By order of the Board of Directors

M K Slade

For Investec Investment Management Limited

Secretary

12 February 2008

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 in February 2006. 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 Managers. 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 one nomination committee meeting held during the year and the attendance by the directors was as follows:

Number of meetings attended

	Board	Audit Committee	Nomination Committee
John Reeve	7	2	1
Gary Allen*	2	-	-
June de Moller	7	2	1
Richard Jewson	7	2	1
Martin Riley	6	1	1
Field Walton	7	2	1

* retired 24 September 2007

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 (Mr Reeve and Mr Walton) have served on the Board for more than nine years from the date of their first election, but given the nature of the Company as an investment trust and the strongly independent mindset of the individuals involved, the Board is firmly of the view that all of the directors can be considered to be independent. In arriving at this conclusion the Board makes a clear distinction between the activities of an investment trust and a conventional trading company. An investment trust has no employees or executive directors, the only significant relationship being with the management company. In overseeing this relationship it is the view of the Board that long service aids the understanding, judgement, objectivity and independence of the directors and in no way detracts from any of these qualities.

Re-election of directors

Directors are subject to re-election by shareholders at the first AGM following their appointment and, thereafter, are subject to retirement by rotation at intervals of no more than three years. In addition, the appointment of each director is reviewed by other members of the Board every year. Directors are not, therefore, subject to automatic reappointment. Non-executive directors are not appointed for specified terms. Because of the nature of an investment trust the Board believes that the contribution and independence of a director is

not diminished by long service and, conversely, that a more detailed knowledge of the Company and its business has a beneficial impact.

The directors due to stand for re-election at the forthcoming AGM are Mr Jewson, Mr Riley, 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 auditors, who the Board has identified as being independent, are invited to attend the audit committee meeting at which the annual accounts are considered and any other meetings that the committee deem necessary.

Nomination Committee

A nomination committee has been established to oversee a formal review procedure governing the appointment of new directors and to evaluate the overall composition of the Board from time to time, taking into account the existing balance of skills and knowledge.

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

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

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

The Board welcomes investors to attend the AGM and encourages questions and discussion on issues of concern or areas of uncertainty. In addition, special arrangements have been established to allow Temple Bar Savings Scheme investors to participate fully at Annual General Meetings. A separate resolution will be proposed at the AGM in respect of each substantially separate issue. Following the formal AGM proceedings the Manager makes a presentation to the meeting outlining the key investment issues that face the Company.

Accountability, Internal Controls and Audit

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

After making enquiries, the directors have a reasonable expectation that the Group and the

Company has adequate resources to continue in operational existence for the foreseeable future, including recourse to a £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 Managers to confirm annually that they have conducted the Group and the Company's affairs in compliance with the legal and regulatory obligations which apply to the Group and the Company and to report on the systems and procedures within Investec which are applicable to the management of Temple Bar's affairs. The Board meets on seven scheduled occasions in each year and at each meeting receives sufficient financial and statistical information to enable it to monitor adequately the investment performance and status of the business.

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

The effectiveness of the overall system of internal control is reviewed on an annual basis by the Board. Such a system can provide only reasonable and not absolute assurance against material misstatement or loss. The Board believes that there is a robust framework of internal controls in place to meet the requirements of the 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 Managers have been instructed to vote on behalf of the Company in accordance with recommendations put forward by the National Association of Pension Funds (NAPF). Should the Managers wish to vote in a different way to the recommendation of the NAPF this requires the specific approval of the Board.

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

We have audited the Group and Company financial statements (the 'financial statements') of Temple Bar Investment Trust PLC for the year ended 31 December 2007 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 Summary of results, Ten year record, Comparative dividend growth, Five year summary, 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 2007 and of its profit 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 2007;
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation; and
- the information given in the Report of the Directors is consistent with the financial statements.

Ernst & Young LLP
Registered Auditor
London
12 February 2008

Statement of directors' responsibilities
in respect of the accounts

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

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

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

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

The financial statements are published on the www.templebarinvestments.com 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.

Consolidated income statement
for the year ended 31 December 2007

	Notes	2007 Revenue return £'000	2007 Capital return £'000	2007 Total £'000	2006 Revenue return £'000	2006 Capital return £'000	2006 Total £'000
Investment income	3	20,989	-	20,989	20,410	-	20,410
Other operating income	3	1,535	-	1,535	390	-	390
Total income		22,524	-	22,524	20,800	-	20,800
(Losses)/gains on investments							
(Losses)/gains on fair value through profit or loss assets	11(b)	-	(37,522)	(37,522)	-	69,689	69,689
		22,524	(37,522)	(14,998)	20,800	69,689	90,489
Expenses							
Management fees	5	(890)	(1,335)	(2,225)	(921)	(1,382)	(2,303)
Other expenses	6	(442)	(1,165)	(1,607)	(426)	(1,172)	(1,598)
Profit before finance costs and tax		21,192	(40,022)	(18,830)	19,453	67,135	86,588
Finance costs	7	(1,831)	(2,747)	(4,578)	(1,833)	(2,749)	(4,582)
Profit before tax		19,361	(42,769)	(23,408)	17,620	64,386	82,006
Tax	8	-	-	-	-	-	-
Profit for the year		19,361	(42,769)	(23,408)	17,620	64,386	82,006
EARNINGS PER SHARE (BASIC & DILUTED)	10	33.19p	(73.31)p	(40.12)p	30.20p	110.36p	140.56p

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 2007

	Notes	Ordinary share capital £'000	Share premium account £'000	Capital reserve realised £'000	Capital reserve unrealised £'000	Retained earnings £'000	Total equity £'000
BALANCE AT 1 JANUARY 2006		14,585	5,083	333,041	92,083	24,829	469,621
CHANGES IN EQUITY FOR 2006							
Profit for the year		-	-	49,441	14,945	17,620	82,006
		14,585	5,083	382,482	107,028	42,449	551,627
Dividends paid to equity shareholders	9	-	-	-	-	(16,499)	(16,499)
BALANCE AT 31 DECEMBER 2006		14,585	5,083	382,482	107,028	25,950	535,128
CHANGES IN EQUITY FOR 2007							
Profit for the year		-	-	28,551	(71,320)	19,361	(23,408)
		14,585	5,083	411,033	35,708	45,311	511,720
Dividends paid to equity shareholders	9	-	-	-	-	(17,380)	(17,380)
BALANCE AT 31 DECEMBER 2007		14,585	5,083	411,033	35,708	27,931	494,340

Company statement of changes in equity
for the year ended 31 December 2007

	Notes	Ordinary share capital £'000	Share premium account £'000	Capital reserve realised £'000	Capital reserve unrealised £'000	Retained earnings £'000	Total equity £'000
BALANCE AT 1 JANUARY 2006		14,585	5,083	333,041	92,083	23,950	468,742
CHANGES IN EQUITY FOR 2006							
Profit for the year		-	-	49,441	14,945	17,620	82,006
		14,585	5,083	382,482	107,028	41,570	550,748
Dividends paid to equity shareholders	9	-	-	-	-	(16,499)	(16,499)
BALANCE AT 31 DECEMBER 2006		14,585	5,083	382,482	107,028	25,071	534,249
CHANGES IN EQUITY FOR 2007							
Profit for the year		-	-	28,551	(71,320)	19,361	(23,408)
		14,585	5,083	411,033	35,708	44,432	510,841
Dividends paid to equity shareholders	9	-	-	-	-	(17,380)	(17,380)
BALANCE AT 31 DECEMBER 2007		14,585	5,083	411,033	35,708	27,052	493,461

Consolidated balance sheet
as at 31 December 2007

	Notes	31 December 2007 £'000	31 December 2007 £'000	31 December 2006 £'000	31 December 2006 £'000
NON-CURRENT ASSETS					
Investments held at fair value through profit or loss	11(a)		554,576		579,105
CURRENT ASSETS					
Cash and cash equivalents		3,412		15,750	
Other receivables	13	2,808		4,335	
			6,220		20,085
TOTAL ASSETS			560,796		599,190
CURRENT LIABILITIES					
Other payables	14		(3,084)		(705)
TOTAL ASSETS LESS CURRENT LIABILITIES			557,712		598,485
NON-CURRENT LIABILITIES					
Interest bearing borrowings	15		(63,372)		(63,357)
NET ASSETS			494,340		535,128
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS					
Ordinary share capital	16	14,585		14,585	
Share premium	17	5,083		5,083	
Capital reserve – realised	18	411,033		382,482	
Capital reserve – unrealised	18	35,708		107,028	
Retained earnings	18	27,931		25,950	
			494,340		535,128
TOTAL EQUITY			494,340		535,128
NET ASSET VALUE PER SHARE	20		847.33p		917.25p

The financial statements on pages 28 to 45 were approved by the board of directors and authorised for issue on 12 February 2008. They were signed on its behalf by:

J Reeve (Chairman)
12 February 2008

Company balance sheet
as at 31 December 2007

	Notes	31 December 2007 £'000	31 December 2007 £'000	31 December 2006 £'000	31 December 2006 £'000
NON-CURRENT ASSETS					
Investments held at fair value through profit or loss	11(a)		554,576		579,105
Investments in subsidiary companies	12		50		50
			554,626		579,155
CURRENT ASSETS					
Cash and cash equivalents		3,412		15,750	
Other receivables	13	2,814		4,341	
			6,226		20,091
TOTAL ASSETS			560,852		599,246
CURRENT LIABILITIES					
Other payables	14		(4,019)		(1,640)
TOTAL ASSETS LESS CURRENT LIABILITIES			556,833		597,606
NON-CURRENT LIABILITIES					
Interest bearing borrowings	15		(63,372)		(63,357)
NET ASSETS			493,461		534,249
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS					
Ordinary share capital	16	14,585		14,585	
Share premium	17	5,083		5,083	
Capital reserve – realised	18	411,033		382,482	
Capital reserve – unrealised	18	35,708		107,028	
Retained earnings	18	27,052		25,071	
			493,461		534,249
TOTAL EQUITY			493,461		534,249

The financial statements on pages 28 to 45 were approved by the board of directors and authorised for issue on 12 February 2008. They were signed on its behalf by:

J Reeve (Chairman)
12 February 2008

Consolidated cash flow statement
for the year ended 31 December 2007

	Notes	2007 £'000	2007 £'000	2006 £'000	2006 £'000
CASH FLOWS FROM OPERATING ACTIVITIES					
(Loss)/profit before tax			(23,408)		82,006
Adjustments for:					
Purchases of investments[1]	11(a)	(182,309)		(168,918)	
Sales of investments[1]	11(a)	169,316		172,514	
			(12,993)		3,596
Gains/(losses) on investments			37,522		(69,689)
Financing costs	7		4,578		4,582
Operating cash flows before movements in working capital			5,699		20,495
(Increase)/decrease in accrued income and prepayments			(222)		505
Decrease in receivables			1,749		4,113
Increase/(decrease) in payables			2,379		(14,958)
NET CASH FLOW FROM OPERATING ACTIVITIES BEFORE AND AFTER INCOME TAX			9,605		10,155
CASH FLOWS FROM FINANCING ACTIVITIES					
Interest paid on borrowings			(4,559)		(4,559)
Bank interest paid	7		(4)		(10)
Equity dividends paid	9		(17,380)		(16,499)
NET CASH USED IN FINANCING ACTIVITIES			(21,943)		(21,068)
NET DECREASE IN CASH AND CASH EQUIVALENTS			(12,338)		(10,913)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR			15,750		26,663
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR			3,412		15,750

[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 266 of the Companies Act 1985, net capital returns may not be distributed by way of dividend. Additionally, the net revenue is the measure the directors believe appropriate in assessing the Group's compliance with certain requirements set out in Section 842 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% (2006: 40%) of the investment management fee for the year is charged to revenue and the other 60% (2006: 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% (2006: 40%) of the interest for the year is charged to revenue, and the other 60% (2006: 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

	2007 £'000	2006 £'000
Income from investments		
UK dividends	20,778	20,006
Interest on fixed income securities	211	404
	20,989	20,410
Other income		
Deposit interest	1,529	374
Underwriting commission	6	11
Unclaimed distribution monies	-	5
	1,535	390
Total income	22,524	20,800
Investment income comprises:		
Listed investments	20,989	20,410
Unlisted investments	-	-
	20,989	20,410

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

	2007			2006		
	Revenue Return £'000	Capital Return £'000	Total £'000	Revenue Return £'000	Capital Return £'000	Total £'000
Investment management fee	816	1,225	2,041	784	1,176	1,960
Irrecoverable VAT thereon	74	110	184	137	206	343
	890	1,335	2,225	921	1,382	2,303

As at 31 December 2007 an amount of £486,000 (2006: £613,000) was payable to the Manager in relation to the Management fees for the quarter ended 31 December 2007. VAT was paid on the Management fee for the first half of the year.

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

6 OTHER EXPENSES

	2007			2006		
	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	–	1,165	1,165	–	1,172	1,172
Directors' fees (see report on directors' remuneration on page 22)	113	–	113	112	–	112
Registrars fees	86	–	86	88	–	88
AIC membership costs	39	–	39	46	–	46
Advertising & marketing costs	40	–	40	35	–	35
Printing & postage	40	–	40	41	–	41
Directors' liability insurance	21	–	21	24	–	24
Auditor's remuneration – annual audit	21	–	21	20	–	20
Stock Exchange fees	10	–	10	9	–	9
Safe custody fees	10	–	10	9	–	9
Other expenses	62	–	62	42	–	42
	442	1,165	1,607	426	1,172	1,598

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

	2007 Revenue Return £'000	2007 Capital Return £'000	2007 Total £'000	2006 Revenue Return £'000	2006 Capital Return £'000	2006 Total £'000
Interest on borrowings						
9⅞% debenture stock 2017	988	1,481	2,469	988	1,481	2,469
5.5% debenture stock 2021	842	1,263	2,105	841	1,262	2,103
	1,830	2,744	4,574	1,829	2,743	4,572
Bank interest						
Bank overdrafts	1	3	4	4	6	10
Total finance costs	1,831	2,747	4,578	1,833	2,749	4,582

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

8 TAXATION

(a) There is no corporation tax payable (2006: nil).

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

	2007 Revenue Return £'000	2007 Capital Return £'000	2007 Total £'000	2006 Revenue Return £'000	2006 Capital Return £'000	2006 Total £'000
Profit before taxation	19,361	(42,769)	(23,408)	17,620	64,386	82,006
Tax at UK corporation tax rate of 30% (2006: 30%)	5,808	(12,830)	(7,022)	5,286	19,316	24,602
Tax effects of:						
Non taxable gains on investments net of transaction costs[1]	-	11,606	11,606	-	(20,556)	(20,556)
Income not chargeable to tax: UK dividends[1]	(6,233)	-	(6,233)	(6,003)	-	(6,003)
Movement in excess management expenses[2]	425	1,224	1,649	717	1,240	1,957
Tax expense for the year	-	-	-	-	-	-

[1] Investment trusts are not subject to corporation tax on this item.

[2] The Company has not recognised a deferred tax asset of £13,691,000 (2006: £12,042,000) 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

	2007 £'000	2006 £'000
Amounts recognised as distributions to equity holders in the year		
Final dividend for year ended 31 December 2006 of 19.88p (2005: 18.93p) per share.	11,598	11,044
Interim dividend for year ended 31 December 2007 of 9.91p (2006: 9.35p) per share.	5,782	5,455
	17,380	16,499
Proposed final dividend for the year ended 31 December 2007 of 21.07p (2006: 19.88p) per share.	12,292	11,598

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.

	2007 £'000	2006 £'000
Interim dividend for year ended 31 December 2007 of 9.91p (2006: 9.35p) per share.	5,782	5,455
Proposed final dividend for the year ended 31 December 2007 of 21.07p (2006: 19.88p) per share.	12,292	11,598
	18,074	17,053

10 EARNINGS PER SHARE

	2007			2006		
	Revenue Return	**Capital Return**	**Total**	Revenue Return	Capital Return	Total
Earnings per ordinary share	33.19p	(73.31)p	(40.12)p	30.20p	110.36p	140.56p

The calculation of the above is based on revenue returns of £19,361,000 (2006: £17,620,000), and capital returns of £(42,769,000) (2006: £64,386,000), and a weighted average number of ordinary shares of 58,340,742 (2006: 58,340,742).

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

	2007			2006		
	Listed £'000	**Unlisted £'000**	**Total £'000**	Listed £'000	Unlisted £'000	Total £'000
a) Movements in the year						
Opening cost at 1 January	472,077	–	472,077	418,423	2,506	420,929
Gains at 1 January	107,028	–	107,028	83,557	8,526	92,083
Opening fair value	579,105	–	579,105	501,980	11,032	513,012
Purchases at cost	182,309	–	182,309	168,918	–	168,918
Sales – proceeds	(169,316)	–	(169,316)	(160,092)	(12,422)	(172,514)
– realised gains on sales	33,798	–	33,798	44,828	9,916	54,744
(Decrease)/increase in unrealised gains	(71,320)	–	(71,320)	23,471	(8,526)	14,945
Closing fair value at 31 December	554,576	–	554,576	579,105	–	579,105
Closing cost at 31 December	518,868	–	518,868	472,077	–	472,077
Gains at 31 December	35,708	–	35,708	107,028	–	107,028
Closing fair value at 31 December	554,576	–	554,576	579,105	–	579,105
b) Gains on investments						
Gains on sales of investments	33,798	–	33,798	44,828	9,916	54,744
(Decrease)/increase in unrealised gains	(71,320)	–	(71,320)	23,471	(8,526)	14,945
	(37,522)	–	(37,522)	68,299	1,390	69,689

12 SUBSIDIARY COMPANIES

The cost of shares in subsidiary companies is £50,100 (2006: £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	
	2007 £'000	2006 £'000	**2007 £'000**	2006 £'000
Sales for future settlement	–	1,750	–	1,750
Due from subsidiary companies	–	–	6	6
Accrued income	2,789	2,567	2,789	2,567
Other receivables	19	18	19	18
	2,808	4,335	2,814	4,341

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

14 OTHER PAYABLES

	Group		Company	
	2007	2006	**2007**	2006
	£'000	£'000	**£'000**	£'000
Purchases for future settlement	2,501	-	2,501	-
Accruals and deferred income	583	705	583	705
Amounts payable to subsidiary companies	-	-	935	935
	3,084	705	4,019	1,640

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	**2007**	2006	**2007**	2006
	£'000	£'000	**£'000**	£'000
Amounts payable in more than five years:				
$9\frac{7}{8}$% Debenture stock 2017	25,000	25,000	25,000	25,000
5.5% Debenture stock 2021 (amortised cost)	38,372	38,357	38,372	38,357
	63,372	63,357	63,372	63,357

The $9\frac{7}{8}$% 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		**£**	£
	2007	2006	**2007**	2006
Issued, allotted and fully paid				
Ordinary shares of 25p each	**58,340,742**	58,340,742	**14,585,186**	14,585,186

There were no shares issued during 2007 (2006: nil).

17 SHARE PREMIUM

	Group	Company
	£'000	£'000
Group and Company		
Balance at 1 January 2007 and 31 December 2007	5,083	5,083

18 RETAINED EARNINGS AND CAPITAL RESERVE

	Retained earnings		Capital reserve	
	Group	Company	Group	Company
	£'000	£'000	£'000	£'000
Balance at 1 January 2007	25,950	25,071	489,510	489,510
Dividends paid	(17,380)	(17,380)	-	-
Net profit for the year	(23,408)	(23,408)	-	-
	(14,838)	(15,717)	489,510	489,510
Transfer from retained earnings to capital reserve	42,769	42,769	(42,769)	(42,769)
Balance at 31 December 2007	27,931	27,052	446,741	446,741

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	411,033	411,033
Capital reserve unrealised	35,708	35,708
	446,741	446,741

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 will no longer be charged on investment management fees and for some investment trusts it may be possible to recover some of the VAT paid in the past. Nevertheless, a number of legal and procedural matters remain to be resolved before certainty is reached in respect of entitlement to repayment of VAT paid in the past. In the absence of a definitive agreement with the Manager or guidance from HMRC as to how the reclaims will be effected, it is not practicable to quantify the amount of any recovery. Consequently, no amounts have been recognised as an asset within these accounts.

As at 31 December 2007 there were no other contingent assets/liabilities or capital commitments for the Company and the Group (2006: nil).

20 NET ASSET VALUES

	Net asset value per ordinary share	Net assets attributable £'000
Ordinary shares of 25p each	847.33p	494,340

The net asset value per ordinary share is based on net assets at the year end of £494,340,000, (2006: £535,128,000) and on 58,340,742 (2006: 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 22. 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 and liquidity risk. In line with the Company's investment objective, the portfolio comprises UK securities and therefore, has no exposure to foreign 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 the failure of a counterparty to a transaction to discharge its obligations under that transaction could result in loss to the Company. There are currently no arrangements in place which give exposure to credit risk.

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 £28,534,000, representing 5.77% of net assets of £494,340,000 (2006: £1,470,000; 0.3%). The weighted average running yield as at 31 December 2007 was 4.18% (2006: 7.99%) and the weighted average remaining life was 1.4 years (2006: 9 years). The Company's cash balances of £3,412,000 (2006: £15,750,000) earn interest calculated by reference to LIBOR. All of the Company's assets are denominated in Sterling.

22 RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

If the bank base rate had increased by 0.5%, the impact on the profit or loss would have been a positive £17,060 (2006: £78,750). If the bank base rate had decreased by 0.5%, the impact on the profit or loss would have been a negative £17,060 (2006: negative £78,750). 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 £66,456,000 (2006: £64,062,000) are denominated in Sterling. All current liabilities have no interest rate, and are repayable within one year. The 9⅞% debenture stock and the 5.5% debenture stock, which are repayable in 2017 and 2021 respectively, pay interest at fixed rates. The weighted average period until maturity of the debenture stocks is 12 years (2006: 13 years) and the weighted average interest rate payable is 7.2% (2006: 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 2007, the impact on the profit or loss would have been negative £52.6m (2006: negative £57.7m). If the investment portfolio valuation rose by 10% at 31 December 2007, the impact on the profit and loss would have been positive £52.6m (2006: positive £57.7m). 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 2007.

	2007		2006	
	Book value £'000	Fair value £'000	Book value £'000	Fair value £'000
Assets at fair value through profit or loss				
Investment portfolio	526,042	526,042	577,635	577,635
Fixed interest assets at fair value through profit or loss	28,534	28,534	1,470	1,470
Cash	3,412	3,412	15,750	15,750
Loans and receivables				
Investment income receivable	2,789	2,789	2,567	2,567
Other debtors	19	19	1,768	1,768
Other creditors	(3,084)	(3,084)	(705)	(705)
Interest bearing borrowings				
9⅞% Debenture Stock 2017[1]	(25,000)	(32,959)	(25,000)	(33,975)
5.5% Debenture Stock 2021[2]	(38,372)	(36,878)	(38,357)	(38,298)
	494,340	487,875	535,128	526,212

[1] Effective rate is 9.875%

[2] Effective rate is 5.583%

Liquidity risk exposure

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

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

22 RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

	2007 Three months or less £'000	2007 Not more than one year £'000	2007 More than one year £'000	2007 Total £'000	2006 Three months or less £'000	2006 Not more than one year £'000	2006 More than one year £'000	2006 Total £'000
Creditors: amounts falling due after more than one year								
Debenture Stocks	-	-	63,372	63,372	-	-	63,357	63,357
Creditors: amounts falling due within one year								
Amounts due to brokers	2,501	-	-	2,501	-	-	-	-
Accruals and deferred income	-	583	-	583	-	705	-	705
	2,501	583	63,372	66,456	-	705	63,357	64,062

Useful Information for Shareholders

ANNUAL GENERAL MEETING

The Annual General Meeting will be held at 2 Gresham Street, London EC2V 7QP (see map on page 48), on 31 March 2008 at 11.00 a.m.

FINANCIAL CALENDAR

The financial calendar for 2008 is set out below:

Ordinary shares	
Final dividend, 2007 – payable	31 March 2008
– ex-dividend	12 March 2008
– record date	14 March 2008
Interim dividend, 2008	30 September 2008
Final dividend, 2008	End of March 2009
9⅞% Debenture Stock 2017	
Interest payments	30 June and 31 December
5.5% Debenture Stock 2021	
Interest payments	8 March and 8 September

PAYMENT OF DIVIDENDS

Cash dividends will be sent by cheque to the first-named shareholder on the Register at his or her registered address together with a tax voucher. At shareholders' request, dividends may instead be paid direct into the shareholder's bank account through the Bankers' Automated Clearing System (BACS). This may be arranged by contacting the Company's Registrar on 0871 384 2432.

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. Changes of name or address must be notified in writing to the Registrar.

SEDOL CODES FOR ORDINARY SHARES AND DEBENTURE STOCKS

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

TEMPLE BAR INVESTMENT TRUST SAVINGS SCHEME

Details of the Temple Bar Savings Scheme are set out on page 49 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.com 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 second Annual General Meeting of Temple Bar Investment Trust PLC will be held at 11.00 a.m. on Monday 31 March 2008 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 2007 together with the reports of the directors and auditors thereon,
2. to approve the report on directors' remuneration for the year ended 31 December 2007,
3. to declare a final dividend of 21.07p per ordinary share,
4. to re-elect Mr R W Jewson as a director,
5. to re-elect Mr M R Riley 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:

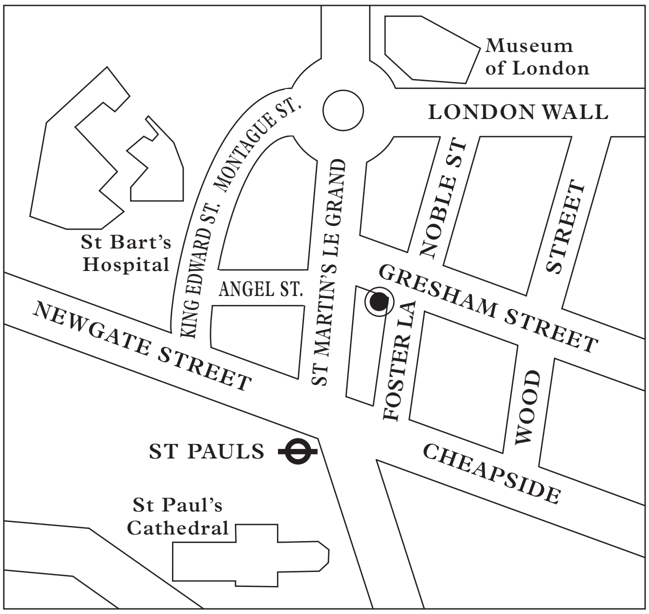
To consider and, if thought fit, pass the following special resolution:

9. That the Company generally be and is hereby authorised for the purpose of Section 166 of the Companies Act 1985 to make market purchases (as defined in Section 163 of the Act) of ordinary shares of 25p each in the capital of the Company ('ordinary shares') provided that:
   - (i) the maximum number of ordinary shares hereby authorised to be purchased is 8,745,277 being 14.99 per cent of the issued share capital of the Company as at the date of the passing of this resolution;
   - (ii) the minimum price which may be paid for such shares is 25p per share;
   - (iii) the maximum price (exclusive of expenses payable by the Company) which may be paid for such shares shall be 5% above the average of the market value of the share quotations taken from the London Stock Exchange Daily Official List for the five business days before the purchase is made;
   - (iv) the authority hereby conferred shall (unless previously renewed or revoked) expire at the end of the Annual General Meeting of the Company in 2009, 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 12th day of February, 2008

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 31 March 2008 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, The Causeway, Worthing BN99 6EF so as to arrive no later than 48 hours before the time appointed for the meeting. Completion and return of the form of proxy will not preclude shareholders from attending and voting at the meeting in person should they wish to do so.
3. Members who hold ordinary shares in the Company in uncertificated form must have been entered on the Company's register of members by 6.00 p.m. on 29 March 2008 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. 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.
6. None of the directors has a service contract with the Company.
7. As at 12 February 2008, the latest practicable date prior to publication of this document, the Company had 58,340,742 ordinary shares in issue with a total of 58,340,742 voting rights.

Temple Bar Investment Trust Savings Scheme

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

The Temple Bar Investment Trust Savings Scheme offers:

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

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

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

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

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

aic The Association of Investment Companies A member of the Association of Investment Companies temple bar

active investment working for you