Temple Bar Investment Trust PLC

Temple Bar
Investment Trust PLC

aic DIVIDEND HERO

ANNUAL REPORT & FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

Annual Report & Financial Statements 2018

Temple Bar Investment Trust PLC

Temple Bar Investment Trust'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 Listed 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 350 Index.

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SUMMARY OF RESULTS

	2018 £000	2017 £000	% change
Assets *as at 31 December*			
Net assets	802,182	936,366	(14.3)%
Ordinary Shares			
Net asset value per share with debt at book value	1,199.56p	1,400.22p	(14.3)%
Net asset value per share with debt at market value	1,190.37p	1,386.92p	(14.2)%
Market price	1,146.00p	1,314.00p	(12.8)%
Discount with debt at book value*	4.5%	6.2%	
Discount with debt at market value*	3.7%	5.3%	
Revenue *for the year ended 31 December*			
Revenue return attributable to ordinary shareholders	33,099	28,958	14.3%
Revenue return per ordinary share	49.50p	43.30p	14.3%
Dividends per ordinary share – interim and proposed final	46.72p	42.47p	10.0%
Capital *for the year ended 31 December*			
Capital return attributable to ordinary shareholders	(138,091)	54,989	
Capital return attributable per ordinary share	(206.50p)	82.23p	
Gearing/(net cash)*†	9.1%	(3.0)%	
Ongoing charges*††	0.47%	0.49%	
Total Returns *for the year to 31 December 2018*			
Return on share price*			(9.7)%
Return on net assets*			(11.2)%
Return on gross assets*			(9.5)%
Return on FTSE All-Share Index			(9.5)%
Change in Retail Prices Index over year			2.7%
Dividend Yields (Net) *as at 31 December 2018*			
Yield (historic) on ordinary share price (1,146p)*†††			3.8%
Yield on FTSE All-Share Index			4.5%

* Alternative Performance Measures – See glossary of terms on page 58 for definition and more information.
† Defined as shareholders' funds divided by total assets less current liabilities and cash or cash equivalents (including gilt holdings) expressed as a percentage.
†† Defined as the total of the investment management fee and administrative expenses divided by the average cum income net asset value throughout the year.
††† Based on the three interim dividends paid during the year together with the final dividend for 2017.

BENCHMARK
Performance is measured against the FTSE All-Share Index.

TOTAL ASSETS LESS CURRENT LIABILITIES
£916,153,000

TOTAL EQUITY*
£802,182,000

MARKET CAPITALISATION
£766,362,000

* With debenture and loan stocks at book value

CAPITAL STRUCTURE

Ordinary Shares	*66,872,765*
5.5% Debenture Stock 2021	*£38,000,000*
4.05% Private Placement Loan 2028	*£50,000,000*
2.99% Private Placement Loan 2047	*£25,000,000*

VOTING STRUCTURE
Ordinary shares 100%

CHAIRMAN'S STATEMENT

The 35th consecutive year in which the Company has raised its annual dividend payment.

PERFORMANCE

I am delighted to present my first annual statement as Chairman of the Company. Firstly, I must reiterate my thanks to my predecessor, John Reeve, for his diligent stewardship over the 26 year period that he served on the Board. In his last report to shareholders John commented on the protracted timescale in which the Value investing style had been out of favour relative to other styles, suggesting that while there had been brief periods during which the tide appeared to be turning in favour of Value those rallies had generally been fairly short lived. This theme continued into 2018, causing a negative impact on the short to near term performance of Temple Bar compared with its nominated benchmark index. During the year the total return on the net assets of Temple Bar was -11.2%, underperforming the total return of the FTSE All Share Index of -9.5%. The Board continues to attach greater significance to the longer term performance and in this context I am pleased to report that on the same basis Temple Bar continues to outperform its benchmark over ten years, as demonstrated by the chart on page 11.

The Manager's Review on pages 4 to 7 sets out some of the main themes which drove both portfolio construction and performance during the year, including comments on some of the positive and negative contributors to performance at an individual stock level.

DIVIDEND

There have been three interim dividend payments during the year each of 8.75p per share and the directors are now recommending a final dividend payment for the year ended 31 December 2018 of 20.47p per share to be paid on 29 March 2019 to those shareholders on the register as at 8 March 2019. The ex-dividend date for this payment is 7 March 2019. If approved this would give an increase in the total dividend payment for the year of 10.0%. This significant increase in the dividend is possible due to the accretion to revenue reserves in recent years and the availability of income in the current year. This will be the 35th consecutive year in which the Company has raised its annual dividend payment. The Board is proud of the Company's record of generating long term dividend growth, such consistency being reflected in Temple Bar's status as one of The Association of Investment Companies' 'Dividend Heroes'.

GEARING

In recent years the Company's fixed long term borrowings have largely been offset by a fairly high cash or near cash position on the portfolio pending the emergence of attractively priced investment opportunities. However, in the year under review our investment manager identified an increasing number of such opportunities into which he has invested a significant proportion of that cash/near cash position. As a consequence, at the year end, gearing (calculated net of cash and related liquid assets, including our investment in a UK short dated gilt) increased to 9.1%.

The higher investment level at the year-end supports the Board's decision in 2017 to replace the expensive £25m 9.875% debenture with an additional private placement loan in the same amount but with a much more attractive coupon of 2.99%. An important factor in taking out this replacement loan was to secure attractive fixed rate funding for the purposes of pursuing the Company's investment objectives over a 30 year period.

THE BOARD

As stated above, John Reeve retired as Chairman in May 2018 and I am honoured to have been chosen as his successor. We were very sorry to lose the services of Nick Lyons as a director in August, due to time pressures from his new commitments elsewhere. As part of the orderly transition and refreshment of the Board to which John referred in his last statement, June de Moller will be retiring at the AGM and will not, therefore, be seeking re-election. We are extremely grateful to June for the valuable insights that she has provided during her 12 years on the Board and wish her well for the future. In order to maintain continuity through this refreshment process, Richard Jewson has kindly agreed to remain on the Board, but will stand down at some point during the current year. It is expected that there will be two new appointments to the Board in the coming months, at least one of whom will be female.

Our preference is to focus on individual company's financial strength and performance rather than seek to predict the direction of markets.

Every year the Board undertakes a thorough evaluation of each director, including myself as Chairman. In line with best practice in this regard, all directors are subject to annual re-election by shareholders.

PORTFOLIO MANAGEMENT RESPONSIBILITIES

Shareholders will of course be aware that Alastair Mundy has managed the Temple Bar portfolio for many years. What might not be apparent, though, is that Alastair has behind him a large group of analysts in Investec Asset Management's UK Value team working hard in evaluating numerous investment opportunities. The Board believes that it is now appropriate more overtly to recognise this situation and to put it on a more formal footing, so it has been agreed that Peter Lowery will be appointed as the Company's deputy portfolio manager with immediate effect. Peter joined IAM in 2003 and has worked closely with Alastair on matters related to Temple Bar ever since.

SHARE CAPITAL MANAGEMENT

Temple Bar's shares traded at a small discount throughout most of the year and at the year end the discount stood at 3.7%. The Board is prepared to undertake share buy backs if the discount widens both in absolute terms and relative to the Company's peer group. While no share repurchases took place during the year, the Board nonetheless recommends that the existing authorities to issue new ordinary shares and to repurchase shares in the market for cancellation or to hold in Treasury be continued. Accordingly, it is seeking approval from shareholders to renew the share issue and repurchase authorities at the forthcoming annual general meeting.

PROPOSED CHANGE TO INVESTMENT OBJECTIVES AND POLICY

At its strategy session in September 2018 the Board conducted a thorough review of the Company's investment objectives and policy. As a consequence of this review a few changes to this policy are being proposed. These are set out on page 9 together with an explanation of the reasons why the changes are believed to be beneficial.

The Board is therefore seeking shareholder approval at the AGM to amend the Company's investment objectives and policy to incorporate these changes which, if approved, will take effect immediately following the AGM.

The Board takes a long term, stewardship approach to the management of its assets and this is also the approach of its fund manager, Investec Asset Management. In general, this means that where an investee company poses challenging issues on an ethical or governance front, the manager will engage with company management over the long haul to improve the situation.

In addition, the Board is actively considering whether there are some stocks whose very business model is agreeably inherently unethical, even when legal, and whether the Trust should seek to profit from opportunities offered in such areas. These are stocks whose product is both harmful to humans and addictive in nature, undermining the autonomous choice of the consumer to decide if he/she wishes to harm him/herself in this manner, and the product offers no significant benefit to consumer welfare to justify the harm. Clearly, which stocks fall foul of these criteria can change over time. At present this approach would lead to the exclusion of tobacco stocks from portfolio construction.

During the coming months the Board will be canvassing shareholder opinion on this matter and would welcome feedback from all shareholders.

ANNUAL GENERAL MEETING

The AGM this year will be held at **30 Gresham Street, London EC2V 7QP** on Thursday 28 March 2019 at 11am. Please note that this is a different building in Gresham Street and not where the AGM was held last year.

In addition to the formal business of the meeting the portfolio manager will, as usual, make a presentation reviewing the past year and commenting on the outlook. He will also be available to answer questions, as will the directors. Shareholders who are unable to attend are encouraged to use their proxy votes.

OUTLOOK

So far this year there have been encouraging signs that the anti-Value stance of the market might be beginning to reverse and performance in January was impressive as a result. It is still, however, very early days.

We continue to face several political and economic risks over the short to medium term, not least the ramifications of Brexit negotiations. But haven't there always been uncertainties of some description? Temple Bar has faced many of these over its long life and successfully negotiated them to provide good long term returns to its shareholders by exploiting value opportunities arising from the resultant dislocations. A return to more volatile market conditions, while undoubtedly offering a bumpy ride, is likely to play to Temple Bar's strengths.

Our preference – stated on many occasions – is to focus on an individual company's financial strength and performance rather than seek to predict the direction of markets. Through maintaining our approach of investing in a diversified portfolio of mainly UK domiciled companies and with strict adherence to a Value based approach we believe that Temple Bar can continue to prosper, notwithstanding future uncertainties. Furthermore, Temple Bar is well positioned to maintain its policy of paying a high and growing dividend for the foreseeable future.

Arthur Copple
Chairman

21 February 2019

MANAGER'S REVIEW

2018 was the first year post the Global Financial Crisis (GFC) in which investors started fretting. So inclined they found plenty to concern them:

i) A Federal Reserve apparently happy to raise rates in the face of falling markets
ii) The beginning of the end of Quantitative Easing (QE) with the consequent risk of upward pressure on bond yields
iii) Increasing trade wars between the US and China
iv) A slowdown in Chinese economic growth
v) Increasing worldwide corporate and government debt burden – as interest rates started to rise
vi) The risk that after a very long period of economic recovery, the US economy was on borrowed time
vii) Indications that labour costs were increasing and eating into corporate profitability
viii) And all this against a backdrop of the world's biggest equity market, the US, at historically high valuations

And for UK centric investors:

ix) A concern that Brexit could cause a recession in the UK economy

Whereas a year ago we thought markets were pricing in a perfect scenario, that is clearly no longer the case. Stocks worldwide ended the year far more rationally priced.

Equity market weakness provided opportunities to invest the cash that has long been burning a hole in our pocket (a subject to which we will return later). As often happens, we would have been better waiting a little longer. However, bells are not rung at the bottom.

For some time we have expressed frustration over the difficulties facing value investors. This remained the case in 2018 with continued investor preference for stocks exhibiting excellent financial characteristics (thus earning themselves the moniker 'quality'). Whilst we understand investors' appetite for companies promising durable long-term cashflows, we have two long-held concerns. Firstly, we believe that much 'quality' fails to deliver over the long-term – as competitive advantages are eroded – and secondly that low bond yields are encouraging investors to overpay for these stocks.

Perhaps we should refrain from throwing stones from our glasshouse. There are, after all, many commentators who believe the merits of value investing have been over-stated and that cheap stocks are usually cheap for a reason. And, they add, with so much technology driven change in the world, these stocks are particularly vulnerable as their business models become increasingly challenged.

We remain believers. Value investing has worked over the long-term – perhaps primarily for psychological reasons. Investors typically extrapolate recent experience and this often drives share prices to unjustified extremes. Currently we believe we are witnessing the consequences of this dynamic in very low bond yields, very low valuations of value stocks and very high valuations for 'quality' stocks.

ALASTAIR MUNDY

Alastair, who has been the portfolio manager of Temple Bar since 2002, is head of the Value Team at Investec Asset Management having joined in 2000 from Morley Fund Management.

In addition to Temple Bar Investment Trust, Alastair manages a number of funds including the Investec Cautious Managed Fund and the Investec UK Special Situations Fund.

Alastair graduated from City University in 1988 with a Bachelor of Science degree in Actuarial Science.

> There have been few times in the last four decades when UK equity portfolios have been as divergently positioned as they are currently.

THE UK EQUITY MARKET AND THE BREXIT ELEPHANT IN THE ROOM

There have been few times in the last four decades when UK equity portfolios have been as divergently positioned as they are currently. The two deep UK recessions of the 1980s and 1990s split investors into two camps and this was repeated in the late 1990s as technology shares became 'must have' holdings in many investors' eyes, leaving 'old economy' investors (rightly) claiming their companies had a far rosier future than their extraordinarily low valuations suggested. This difference of opinion was repeated in the mid 2000s when many investors i) purchased stocks most exposed to emerging economies and ii) generally embraced high levels of debt in companies. Contrarians found value in the less exciting, more defensive and cheaper parts of the market.

In this cycle the camps are divided between quality stocks and cheap stocks, a lot of which are exposed to the vagaries of the UK economy. With Brexit looming, many investors are simply reluctant to risk stepping into the unknown.

It would be wrong however to blame all the ills of UK domestic stocks on Brexit. A second important factor has been concern over industry disruption – particularly affecting retailers as they commit more capital to their on-line businesses whilst continuing to support their landed businesses. Increasingly onerous regulation has also hampered several UK companies over the last few years with specific focus on vulnerable and loyal customers (who are often the most profitable). This has particularly hit some companies within the banking, insurance, utility and gambling industries.

Our view on Brexit has not changed:

1. It is impossible to add anything of analytical value on the subject, especially given the uncertainty (at the time of writing) surrounding what type of Brexit (if any) occurs…
2. …but investors have probably, to some extent, allowed their political beliefs to affect their investment decisions
3. If Brexit is 'bad', the worst economic effects will probably be earlier rather than later. But unlike the GFC, at least the authorities should be prepared and, one assumes, have a plan.
4. The UK economy will keep spinning but probably a bit slower than if Brexit had not occurred.
5. A negative outcome, i.e. a UK recession, seems priced into a number of stocks already
6. A more significant worry for UK centric stocks is the prospect of a left-wing Labour government. It seems rather too early in the electoral cycle to be considering this outcome unless there is a surprise early election.

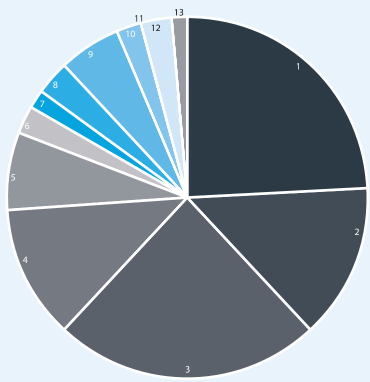
WHAT WORKED DURING 2018?

Although the portfolio had a relatively low number of holdings it is somewhat anomalous that few stocks contributed significantly either positively or negatively to performance.

The stock which contributed most to performance after a weak 2017 was GlaxoSmithKline. This was more due to its merits as a cheap defensive stock than good operational performance. Towards the end of the year the company was busy restructuring its portfolio – selling its Horlicks brand and reinvesting the proceeds and more to fund what the market felt was an expensive oncology acquisition. This was swiftly followed by an announcement that it was placing its Consumer Healthcare business into a joint venture with

PORTFOLIO DISTRIBUTION %

		Temple Bar portfolio %	FTSE All-Share Index %
1	Financials	24.4	26.2
2	Consumer Services	13.8	11.5
3	Industrials	24.0	10.9
4	Oil & Gas	11.9	14.3
5	Health Care	6.8	8.5
6	Basic Materials	2.7	7.8
7	Utilities	1.5	2.8
8	Physical Gold and Silver	3.1	–
9	Consumer Goods	5.6	13.9
10	Telecommunications	2.1	3.1
11	Technology	–	1.0
	Total Equities	95.9	100.00
12	Fixed Interest	2.8	
13	Cash	1.3	
		100.00	



Rather than cursing our inability to time the bottom we prefer to take advantage of what we see as irrational selling to increase our holdings and thus reduce our average cost price.

Pfizer's similar business with an intention to spin-off the joint venture into a separate entity in 2022.

WHAT DIDN'T WORK DURING 2018?

SIG had been a strong performer in 2017 which encouraged us to reduce our holding. However, we didn't foresee quite how weak it would be in 2018. We believe new management has delivered on its promise to simplify the business and although debt reduction has been slower than expected, the company is far healthier than a few years ago. Although the insulation materials market has been challenging in both the UK and mainland Europe, operational improvements have kept earnings estimates stable. We believe the company is modestly valued on current earnings and very cheap if margins return to historic levels and consequently added to the position throughout the year.

THE OUT OF FAVOUR UNIVERSE

Within the UK market our universe of out-of-favour stocks increased quite significantly during the year. This resulted in a greater number of new holdings than in a typical year.

If a stock is both out of favour and cheap on our assessment of normalised earnings then we look for good reasons not to own it. These often fall into one or more of four buckets – if the company has an inappropriate level of debt; if corporate governance (including capital allocation) is poor; if the business is overly complex or excessively dependent on a variable which is both out of the company's control and appears highly priced; and if the business is under extreme pressure from structural changes in the industry.

Admittedly, these decisions are highly subjective. For example, many investors would argue that Marks & Spencer's issues are largely structural as consumers move away from the high street and to on-line. There is clearly some truth in this, but sometimes the narrative around a company is too simple. Even the Marks & Spencer management admits many of its problems have been self-inflicted and we believe self-help operational improvements are just as, if not more, important for the equity story as the structural issues affecting the industry.

PORTFOLIO ACTIVITY

During the last year our strategy has been (finally) to spend some of the cash we have been holding and, as usual, to switch some winners into underperformers. We disposed of two very long-term winners, Games Workshop and Computacenter. Direct Line was sold following strong performance since its IPO and we were very lucky in selling Royal Mail Group part way through the year as first signs that the operation recovery was slowing became apparent. We also capitulated on Centrica (believing we had more straightforward and cheaper opportunities elsewhere) and Signet Jewelers (new management having made some puzzling capital allocation decisions).

The sales proceeds were partially re-invested in existing holdings at depressed prices (although unfortunately they were in a number of cases even more depressed by year-end). This covered acquisitions such as Travis Perkins, Forterra, easyJet, SIG, Kingfisher, Marks & Spencer, BT, Aggreko, Land Securities, Countrywide, Dixons Carphone and Tesco.

We also purchased new positions in eight stocks: Crest Nicholson, McCarthy & Stone, Headlam, TP Icap, Delphi Technologies, Superdry, Hipgnosis Song Funds, and Capita.

We accept that each of these companies has some challenges be it on-line competition, increasing industry capacity, industry disruption, weak demand or exposure to prices beyond their control. However, these issues are common to most companies. We make our purchases after these challenges become apparent - and valuations have fallen – and we hold them as management attempts to work through them. To us, that remains a superior bet to paying a high valuation for a seemingly perfect company.

A common theme in our investee companies is previous management which has made sub-optimal decisions and consequently added to the company's difficulties. For example, retirement home builder McCarthy & Stone's management was too focussed on meeting the high-growth expectations promised to investors at IPO at the cost of ensuring its developments were well located, efficiently constructed and properly marketed; Countrywide's management removed a lot of entrepreneurial decision making from estate agency branches which impacted on market share in a falling market and Capita's management was obsessed on growth in new sectors in preference to optimising performance in the core business.

New management is more willing to embrace the difficult issues, streamline the business and, perhaps most positively, offer a new perspective. Expectations are so low for these companies that it would take little in the way of good news to impress the market. In other words, these stocks seem to be priced for a far from certain failure.

Even when we find sympathy for our approach we are questioned whether we really need to buy these stocks so early (i.e. on the way down) rather than awaiting validation of the recovery. We have asked ourselves this a lot, but our conclusion has not really changed. Often the shares can bounce significantly before any such validation and one is left paying a higher price for the same facts. Rather than cursing our inability to time the bottom we prefer to take advantage of what we see as irrational selling to increase our holdings and thus reduce our average cost price.

Following activity over the year, the portfolio is more fully invested than it has been for some time.

PORTFOLIO POSITIONING

Following activity over the year, the portfolio is more fully invested than it has been for some time. It is also heavily weighted towards financials (particularly banks), consumer stocks (particularly those in food and clothing retailing) and industrials (through large holdings in companies exposed to repair, maintenance and housing improvement). The portfolio stands at a significant discount to our assessment of its true worth – driven by investor dislike of both UK centric stocks and value stocks in general. 6% of the portfolio is allocated to precious metal investments (see below).

OUTLOOK

Investors are very skittish currently and as we outlined at the start of this review have much to be skittish about. With global economic growth having probably peaked, Central Banks have apparently missed the small opportunity they had to return rates closer to historical levels. The importance of this will become apparent the next time they wish to relax monetary policy.

Come the next slowdown we may learn whether conventional interest rates will make a meaningful economic impact and, if not, whether Central Banks will impose negative interest rates or instead return to QE. Whilst more QE may be implemented, it would probably be considered by many as excessively risky or likely to benefit financial markets more than the real economy.

Consequently, expansionary fiscal policy could become increasingly relevant – even though government debt is quite high already – especially as the trend to populism grows worldwide.

Our central thesis is that despite (or perhaps because of) its intuitive attractions it is dangerous to build a portfolio structured for a recessionary outcome. This is partially because the valuations of stocks deemed attractive in those conditions are already quite high but also as we believe authorities would use 'shock and awe' tactics in such a scenario, preferring to risk inflation ahead of negative economic growth.

We believe policymakers have made life very difficult for themselves and that markets could react quite violently if there are perceived policy mistakes. This informs our decision to allocate 6% of the portfolio to precious metals. This represents a bet against the chances of central bankers (and politicians) pleasing everyone.

We think an upward sloping yield curve – a situation in which investors demand higher yields on long-dated bonds than short-dated bonds – is a likely conclusion to this cycle with short-term rates being kept low to allow debt to be financed and rates rising at the longer end on the back of increased bond issuance and inflationary concerns.

If investors start adjusting to a rising bond yield backdrop (after more than three decades of falling yields) this could catalyse significant market activity. Low bond yields have been used to justify higher equity valuations so it seems only right to assume higher bond yields could bring about lower valuations for many stocks.

Alastair Mundy
For Investec Fund Managers Limited

21 February 2019

TEN YEAR RECORD

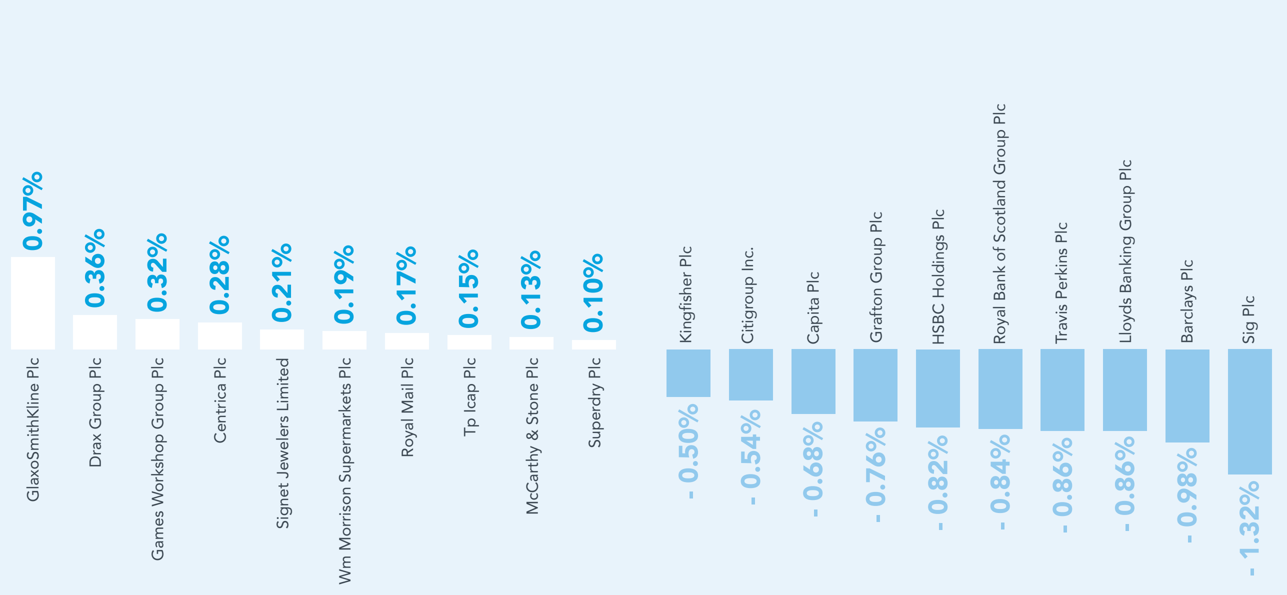
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Total assets less current liabilities (£000)	553,392	603,444	585,480	664,648	905,775	913,198	869,535	968,790	1,050,285	916,153
Net assets (£000)	489,988	540,022	522,040	601,191	792,070	799,444	755,755	879,940	936,366	802,182
Net assets per ordinary share (pence)	831.03	915.89	874.42	992.86	1,250.84	1,195.47	1,130.14	1,315.84	1,400.22	1,199.56
Revenue return to ordinary shareholders (£000)	20,017	18,915	22,552	24,873	22,274	25,782	26,663	29,253	28,958	33,099
Revenue return per share (pence)	33.98	32.08	38.08	41.39	36.17	39.82	39.87	43.74	43.30	49.50
Dividends per share* (pence)	33.50	34.20	35.23	36.65	37.75	38.88	39.66	40.45	42.47	46.72

* Interim(s) and proposed final for the year

ATTRIBUTION ANALYSIS

By stocks held in the portfolio
Source: Factset

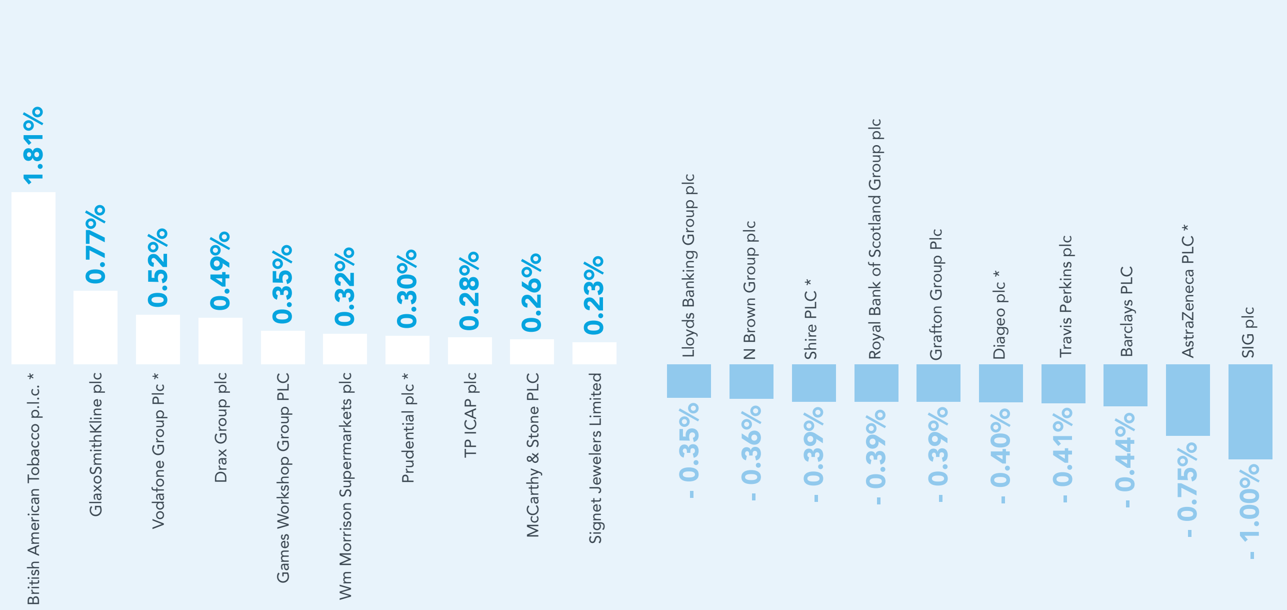
TOP TEN CONTRIBUTORS / BOTTOM TEN CONTRIBUTORS



The bar charts above show the top and bottom contributors to total performance during the year from those stocks held in the portfolio.

Relative to the benchmark index
Source: Factset

TOP TEN CONTRIBUTORS / BOTTOM TEN CONTRIBUTORS



The bar charts above show the top and bottom contributors relative to the performance of the FTSE All-Share Index during the year and include the impact of stocks not held in the portfolio. Both positive and negative relative performance can be derived from stocks that are not owned by Temple Bar.

* indicates company was not held

OVERVIEW OF STRATEGY

The directors present the strategic report for the Company for the year ended 31 December 2018.

The strategic report is designed to help shareholders assess how the directors have performed their duty to promote the success of the Company during the year under review.

BUSINESS OF THE COMPANY

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

The Company carries on business as an investment company under Section 833 of the Companies Act 2006 and has been approved by HM Revenue & Customs as an investment trust in accordance with Section 1158 of the Corporation Tax Act 2010.

The Company's principal business activity of investment management is sub-contracted to Investec Fund Managers Limited ('IFM'), the Alternative Investment Fund Manager of the Company. IFM delegates the management of the Company's portfolio to Investec Asset Management Limited ('IAM').

A review of the business is given in the Chairman's Statement and the Manager's Review. The results of the Company are shown on page 36.

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 Listed 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 350 Index.

As a result of a thorough review of the Company's current investment policies conducted by the Board during the year, the following changes are being proposed, subject to the passing of an ordinary resolution at the AGM:

- The Board believes that the present limit of 20% of the portfolio that may be held in listed equities in developed economies is unduly restrictive. The growing globalisation of economies and markets means that in certain cases the most attractive investment opportunities can be found outside the UK. Furthermore, some overseas listed securities may have a higher level of economic exposure to the UK economy than companies that are listed in London but in practice have little or no UK exposure. Accordingly, the Board is proposing to increase the maximum permissible investment in non-UK securities from 20% to 30% and to remove the 'developed economies' limitation, but to retain a maximum of 10% in emerging markets. The new policy will therefore specify that 'up to 30% of the portfolio may be held in listed international securities, subject to a maximum 10% exposure to emerging markets'. For the sake of clarity, it should be stressed that there is no current intention to increase the portfolio's overseas exposure to this level.
- It is proposed that the requirement for a maximum exposure to a specific industrial or commercial sector of 25% should be amended. The Board believes that this rule is unduly restrictive, particularly as certain industrial or commercial sectors have in the recent past exceeded 25% of the benchmark index from time to time. Therefore it is proposed that a maximum exposure to any one sector of 35% be applied irrespective of the benchmark weighting.
- In keeping with the Board's preference for the portfolio to be managed in a less constrained manner it is proposed that the reference to the Company maintaining a diversified portfolio, typically comprising 70-80 holdings, be amended to 30-50 holdings. Over the past decade the portfolio has consistently held fewer holdings than the 'typical' range and therefore the Board feels that it would be appropriate for the stated investment objective more accurately to reflect the likelihood of a more concentrated portfolio for the foreseeable future.
- The portfolio is not managed with respect to the specified target portfolio yield of between 120-140% of that of the benchmark index and hence this objective is no longer relevant. Accordingly, it is proposed that this target be removed. The Board will, however, continue to propose a progressive dividend policy.

The full text of the Company's current and proposed investment policies are set out below.

The proposed amendments, which constitute a material change of the Company's investment policy, require the approval of the holders of the ordinary shares at the forthcoming annual general meeting under the Listing Rules.

The ordinary resolution numbered 9 to be proposed at the forthcoming annual general meeting will, if passed, approve the adoption of the new investment policy set out below.

The Board considers it to be in the best interests of the Company and the Company's shareholders as a whole that the resolution numbered 9 to amend the Company's investment policy be passed.

Existing investment policy

The Company's current investment policy is as follows:

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 350 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 20% 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% of the portfolio in any individual stock with a maximum exposure to a specific industrial or commercial sector of 25%, in each case irrespective of their weightings in the benchmark index.

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

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

The Company's long term investment strategy emphasises:

- Achieving a portfolio yield of between 120-140% of that of the FTSE All-Share Index.

- Stocks of companies that are out of favour and whose share prices do not match the Manager's assessment of their longer term value.

From time to time fixed interest holdings or non equity interests may be held for yield enhancement and other purposes. Derivative instruments are used in certain circumstances, and with the prior approval of the Board, for hedging purposes or to take advantage of specific investment opportunities.

Liquidity and borrowings are managed with the aim of increasing returns to shareholders. The Company's net gearing range may fluctuate between 0% and 30%, based on the current balance sheet structure, with an absolute limit of 50%.

As a general rule it is the Board's intention that the portfolio should be reasonably fully invested. An investment level of 90% of shareholder funds is regarded as a guideline minimum investment level dependent on market conditions.

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

Proposed amendments to the investment policy

The Company's proposed amended investment policy would be as follows:

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 350 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 30% of the portfolio may be held in listed international equities, subject to a maximum 10% exposure to emerging markets. 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% of the portfolio in any individual stock with a maximum exposure to a specific sector of 35%, 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 30-50 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 stocks of companies that are out of favour and whose share prices do not match the Manager's assessment of their longer term value.

From time to time fixed interest holdings or non equity interests may be held for yield enhancement and other purposes. Derivative instruments are used in certain circumstances, and with the prior approval of the Board, for hedging purposes or to take advantage of specific investment opportunities.

Liquidity and borrowings are managed with the aim of increasing returns to shareholders. The Company's net gearing range may fluctuate between 0% and 30%, based on the current balance sheet structure, with an absolute limit of 50%.

As a general rule it is the Board's intention that the portfolio should be reasonably fully invested. An investment level of 90% of shareholder funds is regarded as a guideline minimum investment level dependent on market conditions.

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

INVESTMENT APPROACH

The investment approach of the 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 thought to be near its worst and selling them as fundamental profit improvement and/or re-evaluation of their long term prospects takes place.

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

The Manager's process is designed to produce 'best ideas' to drive active fund management within a rigorous control framework. The framework begins through narrowing down the universe of stocks by passing those companies with a market capitalisation above £200 million through a screening process which highlights the weakest performing stocks. This isolates opportunities with the most negative sentiment characteristics which are then in turn scrutinised in greater detail to identify investment opportunities.

The process is very much bottom up and can result in large sector positions being taken if enough stocks of sufficient interest are found within a single sector. However, top down risk analysis is undertaken to identify potential concentration of risk and to factor this awareness into portfolio construction. The portfolio comprises stocks which have been purchased for different reasons and at different times. In general, because of the bottom up approach to stockpicking, each of these reasons is independent of the other and the portfolio, therefore, is not excessively vulnerable to longer term macro trends. Cash is a residual of the process and normally will not exceed 15% 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.

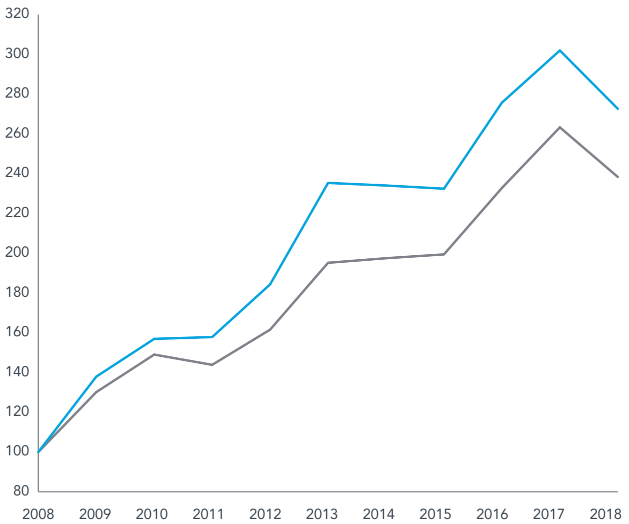
3. Fundamental valuation is the key determinant of share price performance over the long term. In other words 'cheap' stocks will outperform 'expensive' stocks.

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 2018 the net asset value total return of the Company was -11.2% compared with a total return of the Company's benchmark index of -9.5%. The effect of removing gearing from the performance calculation is shown in the following graph of investment performance over a ten year period compared with the FTSE All-Share Index. The Chairman's Statement on pages 2 to 3 and the Manager's Review on pages 4 to 7 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.

Ungeared 10 year performance



Sources: Thomson Reuters Datastream and IAM

Temple Bar – gross assets, excluding effects of gearing and associated costs
FTSE All-Share Index – total return

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:

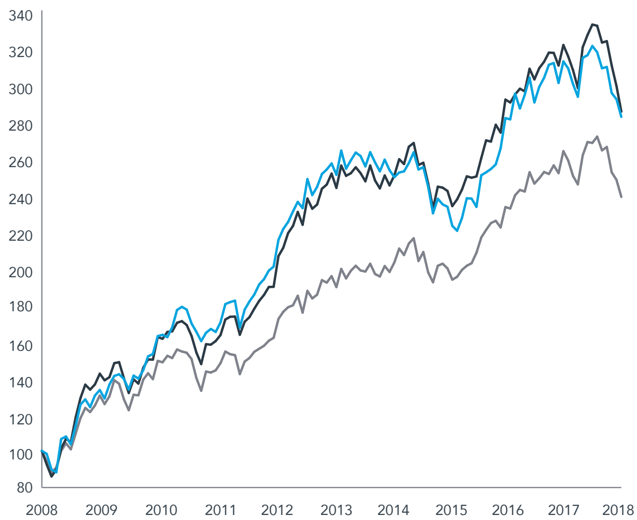
- Net asset value total return relative to the FTSE All-Share Index and to competitors within the UK Equity Income sector of investment trust companies;
- Discount/premium on net asset value;
- Earnings and dividends per share; and
- Ongoing charges.

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 ('NAV') total return

In reviewing the performance of the assets of the Company's portfolio the Board monitors the NAV in relation to the FTSE All-Share Index. This is the most important KPI by which performance is judged. During the year the net asset value total return of the Company was -11.2% compared with a total return of -9.5% by the FTSE All-Share Index. The ten year net asset value total return performance is shown below.

Net asset value total return



Source: Thomson Reuters Datastream

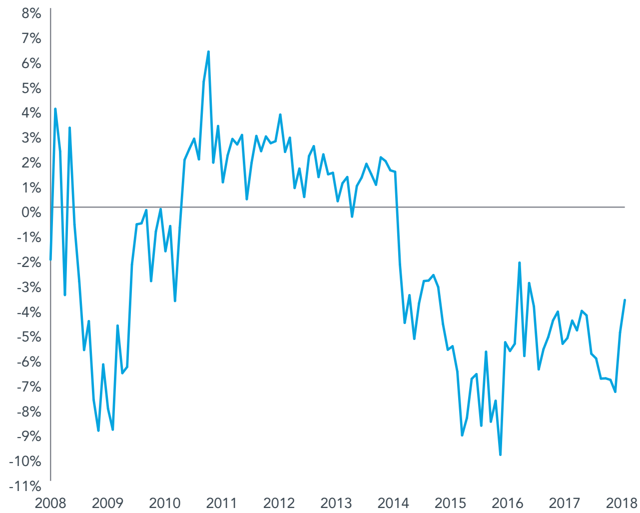
Temple Bar share price – total return
Temple Bar NAV – total return
FTSE All-Share Index – total return

The Board also monitors Temple Bar's performance relative to its peer group over various time periods and believes that this is satisfactory.

Discount on net asset value

The Board monitors the premium/discount at which the Company's shares trade in relation to the net assets. During the year the shares traded at an average discount to NAV of 5.7%. This compares with an average discount of 4.7% in the previous year. 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 both the buy back of shares and their issuance which can assist in the management of the discount or premium.

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



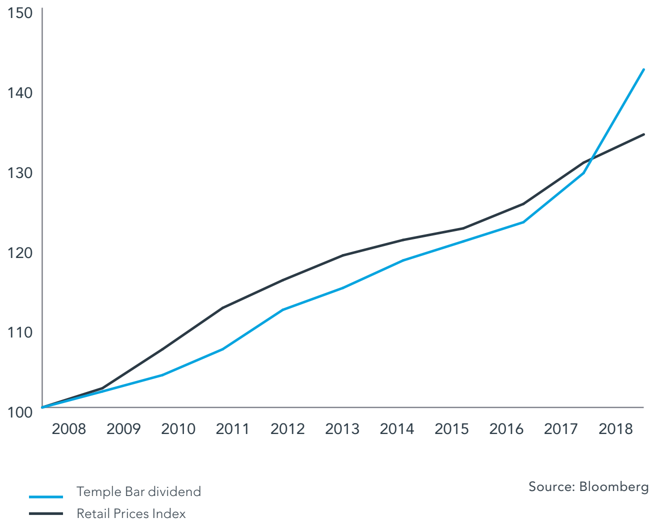
Source: Morningstar

Cum income NAV, debt at market value

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.

The final dividend recommended for the year is 20.47p per ordinary share which brings the total for the year to 46.72p per ordinary share, an increase of 10.0% from the prior year. This will be the 35th consecutive year in which the Company has increased the overall level of its dividend payment.



Source: Bloomberg

10 Year Comparative Dividend Growth

Ongoing charges

Ongoing charges is an expression of the Company's management fees and other operating expenses as a percentage of average daily net assets over the year. The ongoing charges for the year ended 31 December 2018 were 0.47% (2017: 0.49%). The Board compares the Company's ongoing charges with those of its peers on a regular basis. At the present time the Company has one of the lowest ongoing charges in the UK Equity Income sector of investment trust companies.

PRINCIPAL RISKS AND UNCERTAINTIES

With the assistance of the Manager the Board has drawn up a risk matrix which identifies the key risks to the Company. The Board has carried out a robust assessment of these risks which includes those that would threaten the Company's business model, future performance, solvency or liquidity. 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 risk

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. 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 management information including absolute and relative performance data, attribution analysis, revenue estimates, liquidity reports, risk profile and shareholder analysis. The Board monitors the implementation and results of the investment process with the portfolio manager, who attends Board meetings. Periodically the Board holds a separate meeting devoted to strategy, the most recent being in September 2018.

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 2018 the Company had distributable revenue reserves of £37.3 million before declaration of the final dividend for 2018 of £13.7 million. Furthermore, income risk is mitigated by the Company's ability to distribute realised capital gains if required to meet any revenue shortfall.

Share price risk

The Company's share price and premium or discount to NAV are monitored by the Manager and considered by the Board on a regular basis. The directors attach considerable importance to any premium or discount to NAV at which the shares trade, both in absolute terms and relative to the average rating at which the UK Equity Income sector of investment trusts as a whole is trading. Premiums judged to be excessive will be addressed by repeated share issues, either new or from Treasury. Discounts judged to be excessive will be addressed by repeated share buybacks, for Treasury or cancellation. The directors are prepared to be proactive in premium/discount management to minimise potential disadvantages to shareholders.

Accounting, legal & regulatory

In order to qualify as an investment trust the Company must comply with Section 1158 of the Corporation Tax Act 2010. Were the Company to breach Section 1158 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 1158 qualification criteria are, therefore, monitored by the Board at each meeting.

The Company must also comply with the provisions of the Companies Act and, since its shares are listed on the London Stock Exchange, the UKLA Listing Rules. A breach of the Companies Act could result in the 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 1158. The Board relies on the services of its Company Secretary, IAM, and its professional advisers to ensure compliance with the Companies Act and the UKLA Listing Rules and is satisfied that they are able to provide an appropriate service in this regard.

Control systems risk

Disruption to, or failure of, IFM's accounting, dealing or payments systems or the custodian's records could prevent accurate reporting and monitoring of the Company's financial position or adversely impact the ability to trade. Details of how the Board monitors the services provided by IFM 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 page 23.

Other risks

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

VIABILITY STATEMENT

The Board makes an assessment of the longer term prospects of the Company beyond the timeframe envisaged under the going concern basis of accounting having regard to the Company's current position and the principal risks it faces. The Company is a long term investment vehicle and the directors, therefore, believe that it is appropriate to assess its viability over a long term horizon. For the purposes of assessing the Company's prospects in accordance with Code Provision C.2.2 of the UK Corporate Governance Code, the Board considers that assessing the Company's prospects over a period of five years is appropriate given the nature of the Company and the inherent uncertainties of looking beyond a longer time period. The directors believe that a five year period appropriately reflects the long term strategy of the Company and over which, in the absence of any adverse change to the regulatory environment and the favourable tax treatment afforded to UK investment trusts, they do not expect there to be any significant change to the current principal risks and to the adequacy of the mitigating controls in place.

In assessing the viability of the Company the directors have conducted a thorough assessment of each of the Company's principal risks and uncertainties as set out above. Particular scrutiny was given to the impact of a significant fall in equity markets on the value of the Company's investment portfolio. The directors have also considered the Company's leverage and liquidity in the context of its long dated fixed rate borrowings, its income and expenditure projections and the fact the Company's investments comprise mainly readily realisable quoted securities which can be sold to meet funding requirements if necessary.

All the key operations required by the Company are outsourced to third party providers and alternative providers could be secured at relatively short notice if necessary.

Having taken into account the Company's current position and the potential impact of its principal risks and uncertainties, the directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due for a period of five years from the date of this Report.

MODERN SLAVERY ACT

Due to the nature of the Company's business, being a company that does not offer goods and services to customers, the Board considers that it is not within the scope of the Modern Slavery Act 2015 because it has no turnover. The Company is therefore not required to make a slavery and human trafficking statement. In any event, the Board considers the Company's supply chains, dealing predominantly with professional advisers and service providers in the financial services industry, to be low risk in relation to this matter.

GENDER DIVERSITY

At the year end there were three male directors and two female directors on the Board. The Company has no employees and therefore there is nothing further to report in respect of gender representation within the Company.

The Company's policy on diversity is detailed in the corporate governance report on page 23.

GREENHOUSE GAS EMISSIONS

All the Company's activities are outsourced to third parties. The Company therefore has no greenhouse gas emissions to report from its operations.

BRIBERY ACT

The Company has a zero tolerance policy towards bribery and is committed to carrying out business fairly, honestly and openly. The Manager also adopts a zero tolerance approach and has policies and procedures in place to prevent bribery.

CRIMINAL FINANCES ACT 2017

The Company has a commitment to zero tolerance towards the criminal facilitation of tax evasion.

EMPLOYEE, SOCIAL, ENVIRONMENTAL, ETHICAL AND HUMAN RIGHTS POLICY

The Company is managed by IFM, has no employees and all its directors are non-executive. There are, therefore, no disclosures to be made in respect of employees. The Board notes the Manager's policy statement in respect of Social, Environmental and Governance issues, as outlined below.

STEWARDSHIP/ENGAGEMENT

The Manager embraces the concept of active stewardship and aims to preserve and grow the real purchasing power of the assets entrusted to them by clients over the long term. In fulfilling this purpose, it assumes a stewardship role, including the effective exercising of clients' ownership rights. It monitors, evaluates and if necessary, actively engages or withdraws investments with the aim of preserving or adding value to client portfolios.

The Manager signed the Principles for Responsible Investment in 2008 and the UK Stewardship Code in 2010. It has carefully considered all global principles and focuses on five core principles to guide its stewardship role in representing its clients' ownership rights. The Manager will:

- Disclose how it discharges its stewardship duties through publicly available policies and reporting.
- Address internal governance of effective stewardship including conflicts of interest and potential obstacles.
- Support a long-term investment perspective by integrating, engaging, escalating and monitoring material Environmental, Social and Governance (ESG) issues.
- Exercise its ownership rights responsibly including engagement and voting rights.
- Act alongside other investors, where appropriate.

The Manager believes that the consideration of material ESG risks and opportunities allows it to better understand risks and identify companies that are better placed to create long-term shareholder value. It is an inherent characteristic of value investing to look at any upside, including ESG considerations, which could enable a company to improve its current low valuation. This would often involve issues related to governance or management. Any ESG issues identified will be incorporated into the investment team's final analysis, and any impact that these issues may have on valuation will be considered. The Manager has a dedicated ESG team that works very closely with the investment team to provide support, guidance, training and in depth research across ESG integration and active ownership.

The Manager's Stewardship Policy and Ownership Policy & Proxy Guidelines are available on request from the Company Secretary or can be downloaded from its website.

FUTURE DEVELOPMENTS

The future development of the Company is dependent on the success of its investment strategy in the light of economic and equity market developments. The outlook is discussed in the Chairman's Statement on page 2 and the Manager's Review on page 4.

By order of the Board of Directors

Arthur Copple
Chairman
21 February 2019

PORTFOLIO OF INVESTMENTS

		INDUSTRY	PLACE OF PRIMARY LISTING	VALUATION OF HOLDING £000	% OF PORTFOLIO
1	**GLAXOSMITHKLINE** *GlaxoSmithKline is a global health care company focussing on pharmaceuticals, vaccines and consumer healthcare. The company plans to separate into two companies: pharmaceuticals/vaccines and OTC by the end of 2022.*	Healthcare	UK	62,523	6.9%
2	**ROYAL DUTCH SHELL** *Royal Dutch Shell is a global oil and gas company. It is one of the six oil and gas "supermajors". It is vertically-integrated and is active in oil and gas exploration and production, refining, distribution and marketing, petrochemicals, power generation and trading.*	Oil & Gas	UK	58,789	6.5%
3	**CAPITA** *Capita offers outsourcing services to both the private and public sector, mainly in the UK. After a few turbulent years it has strong turnaround potential.*	Industrials	UK	53,696	5.9%
4	**BP** *BP is a global oil and gas company and is one of the six oil and gas "supermajors". It is vertically-integrated and is active in oil and gas exploration and production, refining, distribution and marketing, petrochemicals, power generation and trading.*	Oil & Gas	UK	49,909	5.5%
5	**TRAVIS PERKINS** *Travis Perkins is the UK's largest product supplier to the building, construction and home improvement markets. Management plans to move away from plumbing and heating and consumer markets.*	Industrials	UK	47,429	5.2%
6	**HSBC HOLDINGS** *HSBC Holdings is one of the world's largest banks. It operates four global businesses; retail banking and wealth management, commercial banking, global banking and markets and private banking. The company has been reducing exposure to peripheral areas and refocussing on under-managed core assets. Approximately 2/3 of pre-tax profits are from Asia .*	Financials	UK	42,339	4.7%
7	**LLOYDS BANKING GROUP** *Lloyds Banking Group operates across a wide range of UK centric banking activities including retail and commercial banking and insurance. We believe the UK banking sector is through the worst on regulation and that consequently investors should expect continued attractive dividend payments.*	Financials	UK	37,027	4.1%
8	**ROYAL BANK OF SCOTLAND** *RBS operates across a wide range of banking activities including personal and corporate lending, capital markets, leasing, personal financial services and private banking. The majority of the bank's assets are located in the UK. The company's balance sheet is strong and dividends have now been resumed.*	Financials	UK	35,677	3.9%
9	**BARCLAYS** *Barclays has significant consumer, corporate and investment banking positions, particularly focussed on the UK and the US. Management has reduced the non-core part of the business and re-built capital strength. Significant efforts are being made to improve the profitability of the investment banking division.*	Financials	UK	34,545	3.8%
10	**GRAFTON GROUP** *Grafton is a distributor of building products that operates across the UK and Ireland and also has a small Benelux business. The group operates from about 500 sites in the UK, and this is by far its most important market, accounting for approximately 75% of sales. UK profitability has been held back by disappointing spend on improvement of the UK housing stock but this spending should bounce back.*	Industrials	IRELAND	34,467	3.8%
Top Ten Investments				456,401	50.3%

PORTFOLIO OF INVESTMENTS CONTINUED

	COMPANY	INDUSTRY	PLACE OF PRIMARY LISTING	VALUATION OF HOLDING £000	% OF PORTFOLIO
11	SIG	Industrials	UK	31,575	3.6%
12	Tesco	Consumer Services	UK	31,194	3.5%
13	UK Treasury 2% 2020	Fixed Interest	UK	24,516	2.7%
14	Marks & Spencer	Consumer Services	UK	20,930	2.3%
15	BT Group	Telecommunications	UK	19,123	2.1%
16	Forterra	Industrials	UK	18,499	2.0%
17	Land Securities Group	Financials	UK	17,451	1.9%
18	TP ICAP	Financials	UK	17,396	1.9%
19	easyJet	Consumer Services	UK	16,516	1.8%
20	Citigroup	Financials	USA	15,863	1.8%
Top Twenty Investments				**669,464**	**73.9%**
21	Aggreko	Industrials	UK	15,302	1.7%
22	Drax	Utilities	UK	14,107	1.6%
23	McCarthy & Stone	Consumer Goods	UK	13,871	1.5%
24	CRH	Industrials	Ireland	13,243	1.5%
25	Global X Silver Miners ETF	Basic Materials	USA	13,078	1.5%
26	Kingfisher	Consumer Services	UK	12,918	1.4%
27	WM Morrison Supermarkets	Consumer Services	UK	12,410	1.4%
28	Next	Consumer Services	UK	12,001	1.3%
29	ETFS Physical Silver	Physical Gold and Silver	UK	11,712	1.3%
30	VanEck Vectors Gold Miners ETF	Basic Materials	USA	11,225	1.2%
Top Thirty Investments				**799,331**	**88.3%**
31	Green REIT	Financials	Ireland	10,452	1.2%
32	Go Ahead	Consumer Services	UK	10,452	1.2%
33	Headlam Group	Consumer Goods	UK	9,541	1.1%
34	Delphi Technologies	Consumer Goods	UK	9,401	1.0%
35	Gold Bullion Securities ETF	Physical Gold and Silver	UK	9,282	1.0%
36	Sprott Physical Silver Trust	Physical Gold and Silver	Canada	7,583	0.9%
37	Crest Nicholson	Consumer Goods	UK	6,711	0.7%
38	Hipgnosis Songs Fund	Financials	UK	6,627	0.7%
39	Superdry	Consumer Goods	UK	5,803	0.6%
40	Dixons Carphone	Consumer Services	UK	5,751	0.6%
Top Forty Investments				**880,934**	**97.3%**
41	Chemring	Industrials	UK	5,533	0.6%
42	Countrywide	Financials	UK	5,456	0.6%
43	Brown (N) Group	Consumer Services	UK	4,601	0.5%
44	Avon Products	Consumer Goods	USA	3,050	0.3%
45	Bovis Homes	Consumer Goods	UK	2,602	0.3%
46	Aviva 2020 5.9021% FRN Perpetual	Fixed Interest	UK	954	0.1%
47	Lloyds Banking Group - preference shares	Financials	UK	809	0.1%
48	Kin & Carta	Industrials	UK	624	0.1%
49	Hochschild Mining	Basic Materials	UK	562	0.1%
Total Valuation of Portfolio				905,125	100.00%

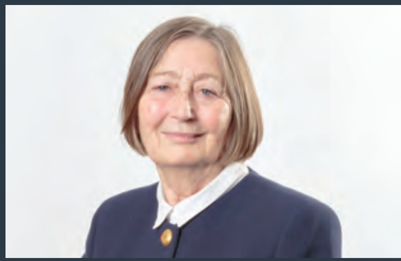
BOARD OF DIRECTORS

ARTHUR COPPLE

Arthur Copple, Chairman, was appointed a director in 2011. He has specialised in the investment company sector for over 30 years. He was a partner at Kitcat & Aitken, an executive director of Smith New Court PLC and a managing director of Merrill Lynch. He is currently a director of Montanaro UK Smaller Companies Investment Trust PLC and The University of Brighton Academies Trust.

SIR RICHARD JEWSON*

Sir Richard Jewson, senior independent director, 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 Property Limited and Tritax Big Box REIT PLC and a non-executive director of other private companies.



JUNE DE MOLLER

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

LESLEY SHERRATT

Lesley Sherratt was appointed a director in 2015. She was formerly Investment Director for the Save & Prosper and Fleming Flagship range of funds, and CEO & CIO of Ark Asset Management Ltd. She has over twenty years experience investing in the financial sector, including investment trusts, and served as a director and Chair of US Small Companies Investment Trust. She is currently a director of a private foundation, a trustee of the Medical Research Foundation and the Global Alliance for Chronic Diseases, lectures in global business ethics at King's College London and is the author of 'Can Microfinance Work? How to Improve its Ethical Balance and Effectiveness'.

RICHARD WYATT

Richard Wyatt was appointed a director in 2017. He is a former Group Managing Director at Schroders, Lazard and a Vice Chairman at Rothschild. He was Chairman of the media agency Engine Group and served on the Regulatory Decisions Committee of the FSA. He is currently Chairman of Loudwater Partners Limited and a director of a number of other companies.

All the directors are independent and members of the audit and nomination committees.
** Chairman of the audit committee and Senior Independent Director.*

REPORT OF DIRECTORS

The directors present their report and accounts for the year ended 31 December 2018.

THE ALTERNATIVE INVESTMENT FUND MANAGERS DIRECTIVE ('AIFMD')

Investec Fund Managers Limited ('IFM'), an affiliate of Investec Asset Management Limited ('IAM'), is the Company's Alternative Investment Fund Manager ('AIFM' or 'Manager'). For the purposes of the AIFMD the Company is an Alternative Investment Fund ('AIF'). IFM has delegated responsibility for the day to day management of the Company's portfolio to IAM.

IFM is required to ensure that a depositary is appointed and accordingly IFM and the Company have appointed HSBC as the depositary and custodian. HSBC is responsible for the custody of the Company's assets and for monitoring its cash flows.

The AIFMD requires certain information to be made available to investors in AIFs before they invest and requires that material changes to this information be disclosed in the annual report of each AIF. An Investor Information Document, which sets out information on the Company's investment strategy and policies, leverage, risk, liquidity, administration, management, fees, conflicts of interest and other shareholder information is available on the Company's website at www.templebarinvestments.co.uk.

There have been no material changes to this information requiring disclosure. Any information requiring immediate disclosure pursuant to the AIFMD will be disclosed to the London Stock Exchange through a primary information provider. As an authorised AIFM, IFM will make the requisite disclosures on remuneration levels and policies to the Financial Conduct Authority ('FCA') at the appropriate time.

MANAGEMENT FEES

The Company has a management agreement with Investec Fund Managers Limited ('IFM') for the provision of investment management services. The agreement is subject to one year's notice of termination by either party.

IFM receives an investment management fee of 0.35% per annum, payable quarterly, based on the value of the investments (including cash) of the Company together with an additional fee of £125,000 pa, plus or minus 0.005% of the value of the investments (including cash) of the Company above or below £750 million, calculated and payable quarterly. Investments in funds managed by IFM are wholly excluded from this charge.

There is also a fee payable to Investec Asset Management Limited of £46,845 pa excluding VAT in respect of the provision of secretarial and administrative services, adjusted annually in line with the Retail Price Index.

The contract terms are reviewed at least annually. This covers, inter alia, the performance of the Manager, its management processes, investment style, resources and risk controls. The Board endorses the investment approach adopted by the Manager, recognising that while the contrarian style can sometimes lead to periods of underperformance it usually delivers superior investment returns over the longer term. In addition, the portfolio has produced high and growing dividend income to shareholders. In the opinion of the directors the continued appointment of the Manager on the terms set out above is, therefore, in the best interests of shareholders.

GOING CONCERN

The directors have reviewed the going concern basis of accounting for the Company. The Company's assets consist substantially of equity shares in listed companies and in most circumstances are realisable within a short timescale. The use of the going concern basis of accounting is appropriate because there are no material uncertainties related to events or conditions that may cast significant doubt about the ability of the Company to continue as a going concern. After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, including recourse to a £7.5 million overdraft facility with HSBC Bank. Accordingly, the directors continue to adopt the going concern basis in preparing the accounts.

ORDINARY DIVIDENDS

Interim dividends of 8.75p per ordinary share were paid on 30 June 2018, 29 September 2018 and 27 December 2018 (2017: 8.33p in each case) and the directors are recommending a final dividend of 20.47p per ordinary share (2017: 17.48p), a total for the year of 46.72p (2017: 42.47p). Subject to shareholders' approval, the final dividend will be paid on 29 March 2019 to shareholders on the register on 8 March 2019.

ISAs

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

SHARE CAPITAL

No new ordinary shares were issued during the year.

SECTION 992 OF THE COMPANIES ACT 2006

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

Capital structure

The Company's capital structure is summarised on pages 47 and 48.

Voting Rights in the Company's Shares

The voting rights at 31 December 2018 were:

Share class	Number of shares issued	Voting rights per share	Total voting rights
Ordinary shares of 25p each	66,872,765	1	66,872,765

As at 21 February 2019, the share capital of the Company and total voting rights were 66,872,765. There are no restrictions on the transfer of securities in the Company and there are no special rights attached to any of the shares. Deadlines for the exercise of voting rights and details of arrangements by which someone other than the registered shareholder can exercise voting rights are provided in the Notes to the Notice of Meeting on page 54. The Company's ordinary shares have a Premium listing on the London Stock Exchange.

To the extent that they exist, the revenue profits and capital of the Company (including accumulated revenue and realised capital reserves) are available for distribution by way of dividends to the holders of the ordinary shares. Upon a winding-up, after meeting the liabilities of the Company, the surplus assets would be distributed to the shareholders pro rata to their holding of ordinary shares.

Change of control

There are no agreements that may be altered or terminated on change of control of the Company.

DIRECTORS

The directors of the Company who held office at the end of the year are detailed on page 17. John Reeve retired as a director and chairman on 24 May 2018 and Nicholas Lyons resigned as a director on 7 August 2018. No other person was a director for part of the year. Details of directors' beneficial shareholdings may be found in the Report on Directors' Remuneration on page 21.

With the exception of June de Moller, who will be standing down as a director at the AGM, all the directors will be retiring in compliance with the provisions of the AIC Code and, each being eligible, the Board recommends their re-election. In making these recommendations the Board has carefully reviewed the composition of the Board as a whole and borne in mind the need for a proper balance of skills and experience. The Board does not believe that length of service of itself detracts from the independence of a director, particularly in relation to an investment trust, and on that basis considers that all directors standing for re-election are independent. It is confirmed that, following formal evaluation, the performance of each director continues to be effective and each continues to demonstrate commitment to the role.

There were no contracts subsisting during or at the end of the year in which a director of the 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.

The Company maintains insurance cover for its directors under a Directors' & Officers' Liability policy, as permitted by the Companies Act 2006. Directors are also covered by the indemnity provisions in the Company's Articles of Association.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2018 and 21 February 2019 the following were registered or had indicated an interest in 3% or more of the issued ordinary shares of the Company.

	%
Brewin Dolphin Ltd	10.5
Alliance Trust Savings Ltd	7.7
Investec Wealth & Investment Ltd	7.3
Speirs & Jeffrey Ltd	5.0
Equiniti Financial Services	3.9
AXA SA	3.1

DISCLOSURE OF INFORMATION TO AUDITOR

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

AUDITOR

A resolution to re-appoint Ernst & Young LLP as auditor to the Company will be proposed at the Annual General Meeting on 28 March 2019.

ANNUAL GENERAL MEETING

The notice of the Annual General Meeting of the Company to be held on 28 March 2019 is on page 52. In addition to the ordinary business the following matters are proposed as special business.

Investment objective and policy

As a result of a thorough review of the Company's current investment policies conducted by the Board during the year, the following changes are being proposed to the Company's Investment Objective and Policy:

- The Board believes that the present limit of 20% of the portfolio that may be held in listed equities in developed economies is unduly restrictive. The growing globalisation of economies and markets means that in certain cases the most attractive investment opportunities can be found outside the UK. Furthermore, some overseas listed securities may have a higher level of economic exposure to the UK economy than companies that are listed in London but in practice have little or no UK exposure. Accordingly, the Board is proposing to increase the maximum permissible investment in non-UK securities from 20% to 30% and to remove the 'developed economies' limitation while retaining a maximum 10% exposure to emerging markets. The new policy will therefore specify that 'up to 30% of the portfolio may be held in listed international equities, subject to a maximum 10% exposure to emerging markets'. For the sake of clarity, it should be stressed that there is no current intention to increase the portfolio's overseas exposure to this level.

- It is proposed that the requirement for a maximum exposure to a specific industrial or commercial sector of 25% should be amended. The Board believes that this rule is unduly restrictive, particularly as certain industrial or commercial sectors have in the recent past exceeded 25% of the benchmark index from time to time. Therefore, it is proposed that a maximum exposure to any one sector of 35% be applied irrespective of the benchmark weighting.
- In keeping with the Board's preference for the portfolio to be managed in a less constrained manner it is proposed that the reference to the Company maintaining a diversified portfolio, typically comprising 70-80 holdings, be amended to 30-50 holdings. Over the past decade the portfolio has consistently held fewer holdings than the 'typical' range and therefore the Board feels that it would be appropriate for the stated investment objective more accurately to reflect the likelihood of a more concentrated portfolio for the foreseeable future.
- The portfolio is not managed with respect to the specified target portfolio yield of between 120-140% of that of the benchmark index and hence this objective is no longer relevant. Accordingly, it is proposed that this target be removed. The Board will, however, continue to propose a progressive dividend policy.

The proposed amendments, which consitute a material change of the Company's investment policy, require the approval of the holders of the ordinary shares at the forthcoming annual general meeting under the Listing Rules.

The ordinary resolution numbered 9 to be proposed at the fothcoming annual general meeting will, if passed, approve the adoption of the new investment policy set out in full on page 10.

Authority to allot shares and disapplication of pre-emption rights

It is proposed that the directors be authorised to allot up to £1,671,819 of relevant securities in the Company (equivalent to 6,687,276 ordinary shares of 25p each, representing 10.0% of its ordinary shares in issue as at 21 February 2019).

When shares are to be allotted for cash, the Companies Act 2006 requires such new shares to be offered first to existing shareholders in proportion to their existing holdings of ordinary shares. However, in certain circumstances, it is beneficial to allot shares for cash otherwise than pro rata to existing shareholders and the ordinary shareholders can by special resolution waive their pre-emption rights. Therefore, a special resolution will be proposed at the AGM which, if passed, will give the directors the power to allot for cash equity securities up to an aggregate nominal amount of £1,671,819 (equivalent to 6,687,276 ordinary shares of 25p each or 10.0% of the Company's existing issued ordinary share capital).

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

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

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, as previously defined. 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 such shares, as well as being accretive to NAV. 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.

Recommendation

The Board considers the resolutions to be proposed at the AGM to be in the best interests of the Company and its members as a whole. Accordingly, the directors unanimously recommend that shareholders should vote in favour of the resolutions to be proposed at the AGM, as they intend to do so in respect of their own beneficial holdings, amounting to 104,968 ordinary shares.

By order of the Board of Directors

Arthur Copple
Chairman
21 February 2019

REPORT ON DIRECTORS' REMUNERATION

The Board presents the report on directors' remuneration for the year ended 31 December 2018 which has been prepared in accordance with Section 421 of the Companies Act 2006. The report comprises a policy report, which is subject to a triennial binding shareholder vote, or sooner if an alteration to the policy is proposed, and a remuneration policy report, which is subject to an annual advisory vote. The remuneration policy is set out in the Future Policy Table on this page.

The law requires the Company's auditor to audit certain parts of the disclosures provided. Where disclosures have been audited, they are indicated as such. The auditor's opinion is included in their report on page 29.

The principles remain the same as for previous years. There have been no changes to remuneration policy during the period of this Report nor are there any proposals for change in the foreseeable future.

DIRECTORS' REMUNERATION POLICY REPORT

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.

The level of directors' fees is determined with reference to a range of factors including the remuneration paid to the directors of other investment trusts, comparable in terms of both size and investment characteristics, and the rate of inflation. The Manager of the Company compiles such analysis as part of the management and secretarial services provided to the Company. To support such analysis in 2017 the Board commissioned Trust Associates to carry out an independent assessment of the remuneration paid to Temple Bar's Board relative to its peer group. The Company has no other relationship with Trust Associates. These data, together with consideration of any alteration in non-executive directors' responsibilities, are used to review whether any change in remuneration is necessary. Based on these inputs it has been agreed that the Chairman's fee for the year commencing 1 January 2019 will be £37,500 pa. The chairman of the audit committee will receive a fee of £30,000 pa and the directors will receive a fee of £25,000 pa.

It is the Company's policy that no director shall be entitled to any performance related remuneration, benefits in kind, long term incentive schemes, share options, pensions or other retirement benefits or compensation for loss of office. None of the Directors has a service contract with the Company.

The Company has no employees and consequently no consideration is required to be given to employment conditions elsewhere in setting directors' pay.

Consideration of Shareholders' Views

An ordinary resolution to approve the remuneration report is put to shareholders at each AGM, and shareholders have the opportunity to express their views and raise any queries in respect of remuneration policy at this meeting. To date, no shareholders have commented in respect of remuneration policy.

FUTURE POLICY TABLE

Purpose and link to strategy

Fees payable to directors should be sufficient to attract and retain individuals of high calibre with suitable knowledge and experience. Those chairing the Board and key committees should be paid higher fees than other directors in recognition of their more demanding roles. Fees should reflect the time spent by directors on the Company's affairs and the responsibilities borne by the directors.

Maximum and minimum levels

Remuneration consists of a fixed fee each year, set in accordance with the stated policies, and any increase granted must be in line with the stated policies.

The Company's Articles of Association set a limit of £250,000 in respect of the total remuneration that may be paid to directors in any financial year.

The Board reviews the quantum of directors' fees each year to ensure this is in line with the level of remuneration for other investment trusts of a similar size.

When making recommendations for any changes in fees, the Board considers wider factors such as the average rate of inflation over the period since the previous review, and the level and any change in complexity of the directors' responsibilities (including additional time commitments as a result of increased regulatory or corporate governance requirements).

There is no compensation for loss of office.

REMUNERATION POLICY REPORT (AUDITED)

A single figure for the total remuneration of each director is set out in the table below for the year ended 31 December 2018. These fees exclude employers' national insurance contributions and VAT where applicable:

	Total amount of fees[1]	
	2018	2017
John Reeve[2]	14,794	33,400
Arthur Copple[3]	32,054	22,600
June de Moller	24,500	22,600
Richard Jewson	29,400	25,500
Nicholas Lyons[4]	14,763	21,325
Lesley Sherratt	24,500	22,600
David Webster	Nil	22,600
Richard Wyatt[5]	24,500	2,231
Total	164,511	172,856

1 Other columns have been omitted as no payments of any other type were made.
2 Retired 24 May 2018.
3 Appointed Chairman 24 May 2018.
4 Appointed 23 January 2017 and resigned 7 August 2018.
5 Appointed 27 November 2017.

The amounts paid by the Company to the directors were for services as non-executive directors.

Expenditure by the Company on remuneration and distributions to shareholders

As the Company has no employees, the directors cannot show a table comparing remuneration paid to employees with distributions to shareholders. The total fees paid to directors are shown on page 21.

Directors' shareholdings (audited)

The directors' shareholdings are detailed below:

	31 December 2018	1 January 2018
John Reeve[1]	N/A	63,833
Arthur Copple	42,643	32,643
June de Moller	10,474	10,474
Richard Jewson	10,851	10,660
Nicholas Lyons[2]	N/A	–
Lesley Sherratt	31,000	7,500
Richard Wyatt	10,000	10,000

1 Retired 24 May 2018.
2 Resigned 7 August 2018.

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

No other changes in the interests shown above occurred between 31 December 2018 and 21 February 2019.

The portfolio manager also holds 61,936 ordinary shares in the Company.

Statement of Voting at General Meeting

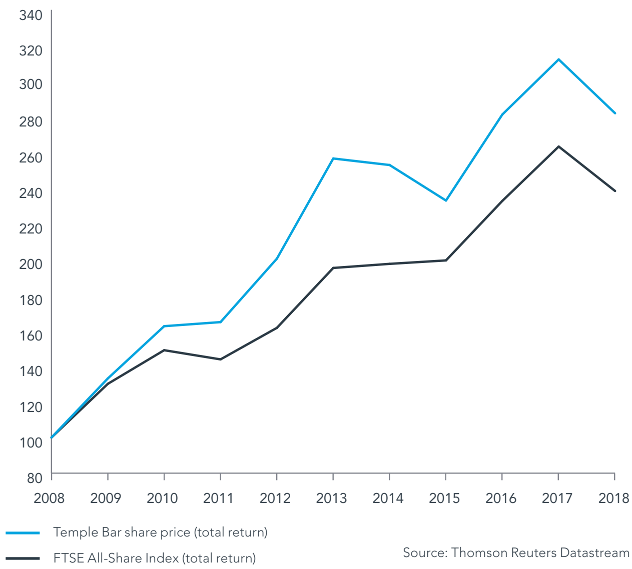
At the Company's last AGM held on 26 March 2018 shareholders approved the Directors' Remuneration Report in respect of the year ended 31 December 2017. 99.5% of proxy votes were in favour of the resolution, 0.5% were against and 31,980 votes were withheld.

At the AGM held on 27 March 2017, a resolution for the approval of the Remuneration Policy, as set out in the future policy table above, was approved by 99.8% of proxy votes, 0.2% were against and 12,540 votes were withheld.

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 ten year period is shown below.

Share price total return



Annual statement

The Board confirms that the above Remuneration Policy Report in respect of the year ended 31 December 2018 summarises:

- the major decisions on directors' remuneration;
- any significant changes relating to directors' remuneration made during the year; and
- the context in which the changes occurred and decisions have been taken.

By order of the Board of Directors

Arthur Copple
Chairman
21 February 2019

CORPORATE GOVERNANCE

THE AIC CODE OF CORPORATE GOVERNANCE

Corporate Governance is the process by which the board of directors of a company protects shareholders' interests and by which it seeks to enhance shareholder value. Shareholders hold the directors responsible for the stewardship of a company's affairs, delegating authority and responsibility to the directors to manage the company on their behalf and holding them accountable for its performance.

The Board considers the practice of good governance to be an integral part of the way it manages the Company and is committed to maintaining high standards of financial reporting, transparency and business integrity.

As Temple Bar is a UK-listed company the Board's principal governance reporting obligation is in relation to the UK Corporate Governance Code (the "UK Code") issued by the Financial Reporting Council ('FRC'). However, it is recognised that investment companies have special circumstances which have an impact on their governance arrangements. An investment company typically has no employees and the roles of portfolio manager, administration, accounting and company secretarial tend to be outsourced to a third party. The Association of Investment Companies has therefore drawn up its own set of guidelines known as the AIC Code of Corporate Governance (the "AIC Code") issued in February 2013 and updated in 2016, which recognises the nature of investment companies by focusing on matters such as board independence and the review of management and other third party contracts. The FRC has endorsed the AIC Code and confirmed that companies which report against the AIC Code will be meeting their obligations in relation to the UK Code and paragraph LR9.8.6 of the FCA's Listing Rules. The Board believes that reporting against the principles and recommendations of the AIC Code will provide better information to shareholders.

The Company has complied with the recommendations of the AIC Code (which incorporates the UK Code), except as set out below. The UK Code includes provisions relating to:

- the role of the chief executive
- executive directors' remuneration
- the need for an internal audit function

The Board considers these provisions are not relevant to the position of Temple Bar, being an externally managed investment company. In particular, all of the Company's day-to-day management and administrative functions are outsourced to third parties. As a result, the Company has no executive directors, employees or internal operations such as an internal audit function. The Company has therefore not reported further in respect of these provisions.

The Board notes that a new version of the AIC Code was published in January 2019. Temple Bar will report against the new Code for the 2019 financial year.

COMPLIANCE WITH THE PRINCIPLES OF THE AIC CODE OF CORPORATE GOVERNANCE

Operation of the Board

The Board is ultimately responsible for framing and executing the Company's strategy and for closely monitoring risks. There is a formal schedule of matters to be specifically approved by the Board. It has delegated investment management, within clearly defined parameters and dealing limits, to Investec Fund Managers Limited ('IFM') and the administration of the business to Investec Asset Management Limited ('IAM'). The Board reviews the performance of the Company at Board meetings and sets the objectives for the Manager.

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

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

Biographies of those directors in office at the date of signing of the financial statements are set out on page 17. There were seven Board meetings, two audit committee meetings and three nomination committee meetings held during the year and the attendance by the directors was as follows:

	Number of meetings attended		
	Board	Audit Committee	Nomination Committee
John Reeve[1]	4	1	2
Arthur Copple	7	2	3
Nicholas Lyons[2]	3	0	1
June de Moller	6	2	3
Richard Jewson	7	2	3
Lesley Sherratt	7	2	3
Richard Wyatt	7	2	3

1 retired 24 May 2018
2 resigned 7 August 2018

Audit committee

The audit committee is a formally constituted committee of the Board with defined terms of reference. Its role and responsibilities are set out in the Report of the Audit Committee on page 26. The Board is satisfied that members of the audit committee have relevant and recent financial experience, with at least one member having audit or accounting experience, to fulfil their role effectively and also have sufficient experience relevant to the sector. The auditor, who the Board has identified as being independent, is invited to attend the audit committee meeting at which the annual accounts are considered and any other meetings that the committee deems necessary. The committee is chaired by Sir Richard Jewson, the Senior Independent Director.

Nomination committee

A nomination committee comprising all the directors 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. This committee is chaired by Mr Copple.

The committee is also responsible for assessing on an annual basis the individual performance of directors and for making recommendations as to whether they should remain in office.

Management engagement committee

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

Independence of the directors

Each of the directors is independent of any association with the Manager and has no other relationships or circumstances which might be perceived to interfere with the exercise of independent judgement. Two of the five directors (Sir Richard Jewson and Mrs de Moller) 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 most significant relationship being with the Manager. In overseeing this relationship it is the view of the Board that long service aids the understanding and judgement of the directors. The directors have a range of business and financial skills and experience relevant to the direction of the Company. Sir Richard Jewson is the Senior Independent Director.

Re-election of directors

Directors are subject to re-election by shareholders at the first AGM following their appointment and, thereafter, are subject to retirement on an annual basis. In addition, the appointment of each director is reviewed by other members of the Board every year. Directors are not, therefore, subject to automatic re-appointment. Non-executive directors are not appointed for specified terms. Because of the nature of an investment trust the Board believes that the contribution and independence of a director is not diminished by long service.

The Board has carefully considered the position of each of the directors seeking re-election 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.

Diversity

The Board's policy on diversity, including gender, is to take this into consideration during the recruitment and appointment process. However, the Board is committed to appointing the most appropriate candidate, regardless of gender or other forms of diversity, and therefore no targets have been set against which to report.

Induction and training

New directors appointed to the Board are provided with an induction programme which is tailored to the particular circumstances of the appointee. Regular briefings are provided during the year on industry and regulatory matters and the directors receive other relevant training as required. Individual directors may seek independent advice at the expense of the Company within certain limits.

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. In 2016 the Board also employed the services of Board Evaluation, an external evaluation agency, to carry out an independent triennial evaluation of its performance. On the basis of these reviews the Board has concluded that it has an appropriate balance of skills and is operating effectively. The next external evaluation will take place in 2019.

Shareholder communications

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 half yearly and annual reports. The information contained therein is supplemented by daily NAV announcements and by a monthly fact sheet available on the Company's website.

The Board largely delegates responsibility for communication with shareholders to the management company and, through feedback, both from the Manager and the Company's stockbroker, expects to be able to develop an understanding of shareholders' views. The Board receives a quarterly report from the Manager summarising any shareholder correspondence together with any comments about Temple Bar on social media. Members of the Board are always happy to meet with shareholders for the purpose of discussing matters in relation to the operation and prospects of the Company.

The Board encourages investors to attend the AGM and welcomes questions and discussion on issues of concern or areas of uncertainty.

Following the formal AGM proceedings the portfolio 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 Company, including the Annual Report, present a fair and accurate assessment of the Company's position and prospects.

The Board confirms that there is an ongoing process for identifying, evaluating and managing the risks faced by the Company in accordance with the FRC's document 'Guidance on Risk Management, Internal Controls and Related Financial and Business Reporting'.

The directors are responsible for the Company's system of internal control and for reviewing its effectiveness. In order to facilitate the control process the Board has requested the Manager to confirm annually that it has conducted the Company's affairs in compliance with the legal and regulatory obligations which apply to the Company and to report on the systems and procedures within IFM which are applicable to the management of Temple Bar's affairs. The Board met on seven scheduled occasions during the year At each meeting it received 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. Based on the foregoing 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.

By order of the Board of Directors

Arthur Copple
Chairman
21 February 2019

REPORT OF THE AUDIT COMMITTEE

I am pleased to present the Committee's report to shareholders on the effectiveness of the external audit process and how this has been assessed for the year ended 31 December 2018.

ROLE AND RESPONSIBILITIES

The Company has established a separately chaired Audit Committee ("the Committee") whose duties include considering and recommending to the Board for approval the contents of the half yearly and annual financial statements, and providing an opinion as to whether the Annual Report, taken as a whole, is fair, balanced, understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy. The Committee also reviews the external auditor's report thereon and is responsible for reviewing and forming an opinion on the effectiveness of the external audit process and audit quality. Other duties include reviewing the appropriateness of the Company's accounting policies and ensuring the adequacy of the internal control systems and standards, as set out in more detail below. The Terms of Reference of the Committee are available on the Company's website at www.templebarinvestments.co.uk

The Committee meets at least twice a year. The two planned meetings are held prior to the Board meetings to approve the half yearly and annual results.

COMPOSITION

All the directors are members of the Committee, which is chaired by Sir Richard Jewson. The Board considers that the members of the Committee have sufficient recent and relevant financial experience for the Committee to discharge its function effectively. At least one member of the Committee has audit or accounting experience and the Committee has members with sufficient experience relevant to the sector. The Chairman of the Company is a member of the Committee to enable him to be kept fully informed of any issues which may arise.

RESPONSIBILITIES AND REVIEW OF THE EXTERNAL AUDIT

During the year the principal activities of the Committee included:

- considering and recommending to the Board for approval the contents of the half yearly and annual financial statements and reviewing the external auditor's report thereon;
- reviewing the scope, execution, results, cost effectiveness, independence and objectivity of the external auditor;
- reviewing and recommending to the Board for approval the audit and non-audit fees payable to the external auditor and the terms of their engagement;
- reviewing and approving the external auditor's plan for the financial year, with a focus on the identification of areas of audit risk, and consideration of the appropriateness of the level of audit materiality adopted;
- reviewing the quality of the audit engagement partner and the audit team, and making a recommendation to the Board with respect to the re-appointment of the auditor;
- reviewing the appropriateness of the Company's accounting policies; and
- ensuring the adequacy of the internal control systems and standards.

SIGNIFICANT ISSUES CONSIDERED REGARDING THE ANNUAL REPORT AND FINANCIAL STATEMENTS

The Committee also considered significant issues and areas of audit risk in respect of the Annual Report and Financial Statements, as outlined below. The Committee reviewed the external audit plan at an early stage and concluded that the appropriate areas of audit risk relevant to the Company had been identified and that suitable audit procedures had been put in place to obtain reasonable assurance that the financial statements as a whole would be free of material misstatements. The table below sets out the key areas of risk identified by the Committee and also explains how these were addressed by it.

Significant Issue	How the issue was addressed
Verification of the existence of the assets in the portfolio	The Committee reviews reports from its service providers on key controls over the assets of the Company. Monthly reconciliations are performed by the independent Depositary together with an annual verification of the existence of all portfolio holdings carried out by the auditor. Any significant issues are reported by the Manager to the Committee.
The valuation of the investment portfolio	The Committee reviews detailed portfolio valuations on a regular basis throughout the year and receives confirmation from the Manager that the pricing basis is appropriate. The audit includes a check of pricing back to source data to confirm that the correct valuation basis has been applied in accordance with the accounting policies adopted, as disclosed in note 1 to the Financial Statements. All investments are in quoted securities in active markets, are considered to be liquid and have been categorised as level 1 within the IFRS 13 hierarchy.
Going concern	Having considered the Company's investment objective, risk management policies and cash flow projections the Committee is satisfied that the Company has adequate resources and an appropriate financial structure to continue in operational existence for the foreseeable future.
The verification of investment income	The Committee reviews income forecasts and receives explanations from the Manager for any variations or significant movements from previous forecasts and prior year numbers.

The provision of portfolio valuation, accounting and administration services is delegated to the Company's Manager, who sub-delegates fund accounting to a third party service provider. The provision of custody services is contracted to HSBC.

AUDITOR AND AUDIT TENURE

The Company's current auditor, Ernst & Young LLP, has acted in this role since 2003 pursuant to a competitive tender process which took place at that time. There has not been a subsequent tender process. The appointment of the auditor is reviewed each year and the audit partner changes at least every five years in accordance with professional and regulatory standards in order to protect independence and objectivity and to provide fresh challenge to the business. The last five yearly partner rotation took place in 2017 when Caroline Mercer was appointed. The Committee is aware that EU legislation requires listed companies to rotate their auditor every 10 years. Under the transitional arrangements for firms where the tenure was between 11 and 20 years on the effective date under the new EU rules, there is a grace period of nine years after the enactment of the EU legislation. Accordingly, Ernst & Young will not be able to act as auditor to the Company for accounting periods starting on or after 17 June 2023 so the last financial year that they could serve as auditor would end on 31 December 2023. The Committee intends to put the audit out to tender in 2020. Ernst & Young will not participate in that review but in the meantime the Committee is satisfied that they remain independent and effective. There are no contractual obligations that restrict the Company's choice of auditor. Other non-audit fees of £2,300 (excluding VAT) paid to Ernst & Young LLP relate to their services in the electronic filing of tax returns; due to this amount being negligible, the Committee does not consider this a threat to the auditor's independence.

ASSESSMENT OF THE EFFICIENCY OF THE EXTERNAL AUDIT PROCESS

To assess the effectiveness of the external audit, members of the Committee work closely with the Manager to obtain a good understanding of the progress and efficiency of the audit.

Feedback in relation to the audit process, and also of the effectiveness of the Manager in performing its role, is also sought from relevant parties, notably the audit partner and team. The external auditor is invited to attend the Committee meeting at which the annual accounts are considered, where they have the opportunity to meet with the Committee without representatives of the Manager being present.

To form a conclusion with regard to the independence of the external auditor, the Committee considers whether the skills and experience of the auditor make them a suitable supplier of any non-audit service and whether there is any threat to their objectivity and independence in the conduct of the audit resulting from the provision of such services. On an annual basis, Ernst & Young LLP review the independence of their relationship with the Company and report to the Board, providing details of any other relationships with the Manager. As part of this review, the Committee also receives information about policies and processes for maintaining independence and monitoring compliance with relevant requirements from the Company's auditor, including information on the rotation of audit partners and staff, and details of any relationships between the audit firm and its staff and the Company, as well as an overall confirmation from the auditor of its independence and objectivity. As a result of their review, the Committee has concluded that Ernst & Young LLP is independent of the Company and the Manager.

The Company confirms that it has complied with the September 2014 Competition and Markets Authority Order.

CONCLUSIONS IN RESPECT OF THE ANNUAL REPORT AND FINANCIAL STATEMENTS

The production and audit of the Company's Annual Report and Financial Statements is a comprehensive process requiring input from a number of different contributors. One of the key governance requirements of a Company's financial statements is for the Report and Financial Statements to be fair, balanced and understandable. In order to reach a conclusion on this matter, the Board has requested that the Committee advise on whether it considers that the Annual Report and Financial Statements fulfils these requirements.

As a result of the work performed, the Committee has concluded that the Annual Report for the year ended 31 December 2018, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy. The Committee has reported on these findings to the Board. The Board's conclusions in this respect are set out in the Statement of Directors' Responsibilities on page 28.

Sir Richard Jewson
Chairman
Audit Committee
21 February 2019

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

- select suitable accounting policies in accordance with IAS8: 'Accounting Policies, Changes in Accounting Estimates and Errors', and then apply these consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- state that the Company has complied with IFRS, subject to any material departures disclosed and explained in the financial statements.

The directors are responsible for keeping adequate accounting records which are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for ensuring that the Annual Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties it faces.

The directors confirm that to the best of their knowledge:

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

The UK Corporate Governance Code also requires Directors to ensure that the Annual Report and Accounts are fair, balanced and understandable. In order to reach a conclusion on this matter, the Board has requested that the Audit Committee advise on whether it considers that the Annual Report and Accounts fulfils these requirements. The process by which the Committee has reached these conclusions is set out in the Audit Committee's report on pages 26 and 27. As a result, the Board has concluded that the Annual Report and Financial Statements for the year ended 31 December 2018, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

On behalf of the Board

Arthur Copple
Chairman
21 February 2019

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF TEMPLE BAR INVESTMENT TRUST PLC

Opinion

We have audited the financial statements of Temple Bar Investment Trust plc (the 'Company') for the year ended 31 December 2018 which comprise the Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Financial Position, Statement of Cash Flows and the related notes 1 to 22, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRS as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report below. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to principal risks, going concern and viability statement

We have nothing to report in respect of the following information in the annual report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- the disclosures in the annual report set out on page 13 that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation set out on page 28 in the annual report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity;
- the directors' statement set out on page 18 in the annual report about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- whether the directors' statement in relation to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the directors' explanation set out on page 13 in the annual report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Overview of our audit approach

Key audit matters	• Risk of incomplete or inaccurate revenue recognition, including classification of special dividends as revenue or capital items in the Statement of Comprehensive Income.
	• Risk of incorrect valuation and defective title to the investment portfolio.
Materiality	• Overall materiality of £8.02m which represents 1% of equity shareholders' funds.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Incomplete or inaccurate revenue recognition, including classification of special dividends as revenue or capital items in the Statement of Comprehensive Income (per the Audit Committee report set out on page 26 and the accounting policy set out on page 40). The income received for the year to 31 December 2018 was £37.26m (2017: £34.0m), consisting primarily of dividend income from listed investments. The income receivable by the Company during the year directly affects the Company's revenue return. There is a risk of incomplete or inaccurate recognition of income through the failure to recognise proper income entitlements or applying appropriate accounting treatment. In addition to the above, the Directors are required to exercise judgment in determining whether income receivable in the form of special dividends should be classified as 'revenue' or 'capital'.	**We have performed the following procedures:** We obtained an understanding of the Manager's and Administrator's processes and controls surrounding revenue recognition and allocation of special dividends by reviewing their internal controls report and performing our walkthrough procedures to evaluate the design and implementation of controls. We agreed a sample of dividends received from the income report to the corresponding announcement made by the investee company. We recalculated the dividend amount receivable using exchange rates obtained from an independent data vendor and confirmed that the cash received as shown on bank statements was consistent with the recalculated amount. We agreed a sample of investee company dividend announcements from an independent data vendor to the income recorded by the Company to test completeness of the income recorded. For all dividends accrued at the year end, we reviewed the investee company announcements to assess whether the obligation arose prior to 31 December 2018. We agreed the dividend rate to corresponding announcements made by the investee company. We recalculated the dividend amount receivable and confirmed this was consistent with cash received as shown on post year end bank statements, where paid. We reviewed the income report and the acquisition and disposal report produced by the Administrator to identify special dividends received or accrued in excess of our revenue testing threshold. The Company received two special dividends above our revenue testing threshold, amounting to £993k.We reviewed the underlying circumstances and motives for the payments to verify the classification of both special dividends as revenue.	**The results of our procedures are:** We have no issues to communicate with respect to our procedures performed over the risk of incomplete or inaccurate revenue recognition, including classification of special dividends as revenue or capital items in the Statement of Comprehensive Income.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Incorrect valuation and defective title to the investment portfolio (as described on page 26 in the Report of the Audit Committee and as per the accounting policy set out on page 41). The valuation of the investment portfolio at 31 December 2018 was £905.13m (2017: £1,035.7m) consisting entirely of listed investments. The valuation of the assets held in the investment portfolio is the key driver of the Company's net asset value and total return. Incorrect investment pricing, or a failure to maintain proper legal title of the investments held by the Company could have a significant impact on the portfolio valuation and the return generated for shareholders. The fair value of listed investments is determined by reference to stock exchange quoted market bid prices at the close of business on the year-end date.	**We performed the following procedures:** For all listed investments in the portfolio, we compared the market values and exchange rates applied to an independent pricing vendor. We reviewed the price exception and stale pricing reports produced by the Administrator to highlight and investigate any unexpected price movements in investments held as at the year-end. We agreed the Company's investments to the independent confirmation received from the Company's Custodian and Depositary as at 31 December 2018.	**The results of our procedures are:** We have no issues to communicate with respect to our procedures performed over the risk of incorrect valuation and defective title to the investment portfolio.

There have been no changes to the areas of key focus raised in the above risk table from the prior year.

An overview of the scope of our audit

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the Company. This enables us to form an opinion on the financial statements. We take into account size, risk profile, the organisation of the Company and effectiveness of controls, including controls and changes in the business environment when assessing the level of work to be performed.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Company to be £8.02m (2017: £9.36m) which is 1% of equity shareholders' funds. We believe that equity shareholders' funds provides us with materiality aligned to the key measurement of the Company's performance.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Company's overall control environment, our judgement was that performance materiality was 75% of our planning materiality, namely £6.02m (2017: £7.02m).

Given the importance of the distinction between revenue and capital for the Company, we have also applied a separate testing threshold for the revenue column of the Statement of Comprehensive Income of £1.66m (2017: £1.46m) being 5% of profit before tax.

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £0.40m (2017: £0.47m) which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- **Fair, balanced and understandable set out on page 28** – the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- **Audit committee reporting set out on pages 26 to 27** – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or
- **Directors' statement of compliance with the UK Corporate Governance Code set out on page 23** – the parts of the directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 28, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

The objectives of our audit, in respect to fraud, are; to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and to respond appropriately to fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are IFRS, the Companies Act 2006, AIC SORP, the Listing Rules, the UK Corporate Governance Code and Section 1158 of the Corporation Tax Act 2010.
- We understood how the Company is complying with those frameworks through discussions with the Audit Committee and Company Secretary and review of the Company's documented policies and procedures.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by considering the key risks impacting the financial statements. We identified a fraud risk with respect to the incomplete or inaccurate income recognition through incorrect classification of special dividends. Further discussion of our approach is set out in the section on key audit matters above.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved review of the reporting to the directors with respect to the application of the documented policies and procedures and review of the financial statements to ensure compliance with the reporting requirements of the Company.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters we are required to address

- Following the recommendation of the Audit Committee, we were appointed by the Company with effect from 1 January 2003 to audit the financial statements of the Company for the year ending 31 December 2003 and subsequent financial periods, and signed an engagement letter on 12 November 2003.

  The period of total uninterrupted engagement is 16 years, covering periods from our appointment through to the period ending 31 December 2018.
- Non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company and we remain independent of the Company in conducting the audit.
- The audit opinion is consistent with the additional report to the Audit Committee.

Use of our report

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

Caroline Mercer (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Edinburgh

21 February 2019

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FINANCIAL REPORT

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

		2018			2017		
	Notes	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
Investment Income	4	37,258	–	37,258	33,990	–	33,990
Other operating income	4	26	–	26	8	–	8
		37,284	–	37,284	33,998	–	33,998
Profit/(losses) on investments							
Profit/(losses) on investments held at fair value through profit or loss	12(b)	–	(131,528)	(131,528)	–	62,251	62,251
Total income/(loss)		37,284	(131,528)	(94,244)	33,998	62,251	96,249
Expenses							
Management fees	6	(1,503)	(2,168)	(3,671)	(1,532)	(2,215)	(3,747)
Other expenses	7	(559)	(1,427)	(1,986)	(600)	(969)	(1,569)
Profit/(loss) before finance costs and tax		35,222	(135,123)	(99,901)	31,866	59,067	90,933
Finance costs	8	(1,962)	(2,968)	(4,930)	(2,701)	(4,078)	(6,779)
Profit/(loss) before tax		33,260	(138,091)	(104,831)	29,165	54,989	84,154
Tax	9	(161)	–	(161)	(207)	–	(207)
Profit/(loss) for the year		33,099	(138,091)	(104,992)	28,958	54,989	83,947
Earnings per share (basic and diluted)	11	49.50p	(206.50p)	(157.00p)	43.30p	82.23p	125.53p

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

No operations were acquired or discontinued during the year.

The Company does not have any income or expense that is not included in profit for the year. Accordingly, the profit for the year is also the Total Comprehensive Income for the Year, as defined in IAS1 (revised).

The notes on pages 40 to 51 form an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	Ordinary share capital £000	Share premium account £000	Capital reserves £000	Retained revenue earnings £000	Total equity £000
Balance at 1 January 2017		16,719	96,040	735,178	32,003	879,940
Unclaimed dividends		–	–	–	11	11
Profit for the year		–	–	54,989	28,958	83,947
Dividends paid to equity shareholders	10	–	–	–	(27,532)	(27,532)
Balance at 31 December 2017		16,719	96,040	790,167	33,440	936,366
Unclaimed dividends		–	–	–	51	51
Profit/(loss) for the year		–	–	(138,091)	33,099	(104,992)
Dividends paid to equity shareholders	10	–	–	–	(29,243)	(29,243)
Balance at 31 December 2018		16,719	96,040	652,076	37,347	802,182

As at 31 December 2018 the Company had distributable revenue reserves of £37,347,000 (2017: £33,440,000) and distributable realised capital reserves of £672,212,000 (2017: £642,323,000) for the payment of future dividends. The only distributable reserves are the retained earnings and realised capital reserves. Please refer to note 18 for the breakdown of capital reserves.

The notes on pages 40 to 51 form an integral part of the financial statements.

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

	Notes	31 December 2018 £000	31 December 2018 £000	31 December 2017 £000	31 December 2017 £000
Non-current assets					
Investments held at fair value through profit or loss	12		905,125		1,035,670
Current assets					
Receivables	13	3,231		3,613	
Cash and cash equivalents		9,005		12,161	
			12,236		15,774
Total assets			917,361		1,051,444
Current liabilities					
Payables	14		(1,208)		(1,159)
Total assets less current liabilities			916,153		1,050,285
Non-current liabilities					
Interest bearing borrowings	15	(113,971)			(113,919)
Net assets			802,182		936,366
Equity attributable to equity holders					
Ordinary share capital	16	16,719		16,719	
Share premium	17	96,040		96,040	
Capital reserves	18	652,076		790,167	
Retained revenue earnings		37,347		33,440	
Total equity			802,182		936,366
Net asset value per share	20		1,199.56p		1,400.22p

The notes on pages 40 to 51 form an integral part of the financial statements.

The financial statements on pages 36 to 51 were approved by the board of directors and authorised for issue on 21 February 2019. They were signed on its behalf by:

A Copple
Chairman

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 £000	2018 £000	2017 £000	2017 £000
Cash flows from operating activities					
Profit/(loss) before tax			(104,831)		84,154
Adjustments for:					
(Gains)/losses on investments	12(b)	131,528		(62,251)	
Finance costs	8	4,930		6,779	
Purchases of investments[1]		(513,298)		(437,327)	
Sales of investments[1]		512,712		437,261	
Dividend income	4	(36,728)		(32,410)	
Interest income	4	(545)		(1,588)	
Dividend received		36,115		32,189	
Interest received		1,365		1,248	
Decrease in receivables		25		1,212	
Decrease in payables		(199)		(10)	
Overseas withholding tax suffered	9	(161)		(207)	
			135,744		(55,104)
Net cash flows from operating activities			30,913		29,050
Cash flows from financing activities					
Repayment of 9.875% 2017 debenture		–		(25,000)	
Proceeds from issue of 2.99% Private Placement Loan		–		25,000	
Issue costs relating to 2.99% Private Placement Loan		–		(121)	
Unclaimed dividends		51		11	
Equity dividends paid	10	(29,243)		(27,532)	
Interest paid on borrowings		(4,877)		(6,587)	
Net cash flows from financing activities			(34,069)		(34,229)
Net increase in cash and cash equivalents			(3,156)		(5,179)
Cash and cash equivalents at the start of the year			12,161		17,340
Cash and cash equivalents at the end of the year			9,005		12,161

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

The notes on pages 40 to 51 form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1 PRINCIPAL ACCOUNTING POLICIES

Basis of accounting

The financial statements 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 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 November 2014, as amended in February 2018, 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.

Presentation of Statement of Comprehensive Income

In order better to reflect the activities of an investment trust company and in accordance with guidance issued by the AIC, supplementary information which analyses the Statement of Comprehensive Income between items of a revenue and capital nature has been presented alongside the Statement of Comprehensive Income.

Income

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

Where the Company 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 capital gain in the Statement of Comprehensive Income.

Interest income is recognised in line with coupon terms on a time apportioned basis.

Special dividends are credited to capital or revenue according to their circumstances.

Foreign Currency

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

The primary objective of the Company is to generate returns in Pounds Sterling, its capital-raising currency. The liquidity of the Company is managed on a day-to-day basis in Sterling as the Company's performance is evaluated in that currency. Therefore, the directors consider Pounds Sterling as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions.

Transactions involving foreign currencies are converted at the exchange rate ruling at the date of the transaction. Foreign currency monetary assets and liabilities as well as instruments carried at fair value are translated into Pounds Sterling at the exchange rate ruling on the year-end date. Foreign exchange differences arising on translation are recognised in the Statement of Comprehensive Income.

Expenses

All expenses are accounted for on the accruals basis. In respect of the analysis between revenue and capital items presented within the Statement of Comprehensive Income, all expenses have been presented as revenue items except as follows:

- Transaction costs which are incurred on the purchases or sales of investments designated as fair value through profit or loss are expensed to capital in the Statement of Comprehensive Income.
- Expenses are split and presented partly as capital items where a connection with the maintenance or enhancement of the value of the investments held can be demonstrated and, accordingly, the investment management fee and finance costs have been allocated 40% to revenue and 60% to capital, in order to reflect the directors' long term view of the nature of the expected investment returns of the Company.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on the taxable profit for the year. The taxable profit differs from profit before tax as reported in the Statement of Comprehensive Income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using a blended rate as applicable throughout the year.

In line with the recommendations of the SORP, the allocation method used to calculate tax relief on expenses presented against capital returns in the supplementary information in the Statement of Comprehensive Income is the 'marginal basis'. Under this basis, if taxable income is capable of being entirely offset by expenses in the revenue column of the income statement, then no tax relief is transferred to the capital 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 of the Statement of Comprehensive Income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Investment trusts which have approval under Section 1158 of the Corporation Tax Act 2010 are not liable for taxation on capital gains.

Irrecoverable withholding tax is recognised on any overseas dividends on an accruals basis using the applicable rate for the country of origin.

Financial instruments

Financial assets and financial liabilities are recognised in the Statement of Financial Position when the Company becomes party to the contractual provisions of the instrument. The Company will offset financial assets and financial liabilities if it has a legally enforceable right to set off the recognised amounts and interest and intends to settle on a net basis. A financial asset is derecogised when the right to receive cash flows from the asset expires or the rights to receive cash flows from the asset have been transferred and a financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. The Company classifies its financial assets as subsequently measured at amortised cost or measured at fair value through profit or loss on the basis of its business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. Financial assets are measured at fair value through profit or loss if its contractual terms do not give rise to cash flows on specified dates that are solely payments of principal and interest and at amortised cost if they do.

Receivables

Receivables are held to collect contractual cash flows, 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. The Company has chosen to apply an approach similar to the simplified approach for expected credit losses (ECL) under IFRS 9 to all its receivables. Therefore the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company's approach to ECLs reflects a probability-weighted outcome, based on reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Investments

Investments held at fair value through profit or loss are initially recognised at fair value, being the consideration given and excluding transaction or other dealing costs associated with the investment.

After initial recognition, investments are measured at fair value through profit or loss. Gains or losses on investments measured at fair value through profit or loss are included in net profit or loss as a capital item and transaction costs on acquisition or disposal of investments are expensed. For investments that are actively traded in organised financial markets, fair value is determined by reference to stock exchange quoted market bid prices at the close of business on the year-end date.

All purchases and sales of investments are recognised on the trade date, i.e. the date that the Company commits to purchase or sell an asset.

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. Investments are held at fair value through profit or loss as they fail the contractual cash flows test under IFRS 9 so there is no change to comparative figures as investments were historically held at fair value through profit or loss under IAS 39.

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 Company after deducting all of its liabilities.

Interest bearing borrowings

Interest bearing borrowings, being the debenture stock and loans issued by the Company, are initially recognised at a carrying value equivalent to the proceeds received net of issue costs associated with the borrowings. After initial recognition, interest bearing borrowings are subsequently measured at amortised cost using the effective interest rate method. The fair value of the debenture stock is determined by reference to quoted market mid prices at close of business on the year-end date, while the fair value of private placement loans is determined using discounted cash flow techniques which utilise inputs including interest rates obtained from comparable loans in the market.

Payables

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. For interim dividends this is when they are paid and for final dividends this is when they are approved by shareholders.

Finance costs

Interest payable on the debenture stock and loans in issue is accrued on the effective interest rate basis. In accordance with the expected long term division of returns, 40% of the interest for the year is charged to revenue, and the other 60% is charged to capital.

Cash and cash equivalents

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

The carrying value of these assets approximates their fair value.

2 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company's financial statements requires the directors to make judgements, estimates and assumptions that affect the reported amounts recognised in the financial statements and disclosure of contingent liabilities. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in future periods. There have been no judgements, estimates or assumptions which have had a significant impact on the financial statements for the current or preceding financial year.

3 ADOPTION OF NEW AND REVISED STANDARDS

IFRS 9 Financial Instruments

In the current period the Company has adopted IFRS 9 Financial Instruments on its effective date of 1 January 2018. IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement and introduces new requirements for classification and measurement, impairment and hedge accounting. IFRS 9 is not applicable to items that have already been derecognised at 1 January 2018, the date of initial application.

Receivables that were previously measured at amortised cost under IAS 39 are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. Therefore, such instruments continue to be measured at amortised cost under IFRS 9.

The classification of financial liabilities under IFRS 9 remains broadly the same as under IAS 39. The main impact on measurement from the classification of liabilities under IFRS 9 relates to the element of gains or losses for financial liabilities designated at fair value through profit or loss attributable to changes in credit risk. The Company has not designated any financial liabilities at fair value through profit or loss therefore this requirement has not had an impact on the Company.

IFRS 9 requires the Company to record expected credit losses on all of its receivables, either on a 12 month or lifetime basis. As the Company has limited exposure to credit risk, this amendment has not had a material impact on the financial statements as the Company only holds receivables with no financing component that have maturities of 12 months or less. This requirement has not significantly changed the carrying amounts of the Company's financial assets under IFRS 9.

Comparative figures for the year ended 31 December 2017 have not been restated and are still accounted for in accordance with IAS 39 Financial Instruments: Recognition and Measurement.

IFRS 15 Revenue from Contracts with Customers

The Company adopted IFRS 15 Revenue from Contracts with Customers on its effective date of 1 January 2018. IFRS 15 replaces IAS 18 Revenue and establishes a five-step model to account for revenue arising from contracts with customers. In addition, guidance on interest and dividend income have been moved from IAS 18 to IFRS 9 without significant changes to the requirements. Therefore, there was no impact of adopting IFRS 15 for the Company.

Standards issued but not yet effective

There are no standards or amendments to standards not yet effective that are relevant to the Company and should be disclosed.

4 INCOME

	2018 £000	2017 £000
Income from investments		
UK dividends	35,276	30,717
Overseas dividends	1,452	1,693
Interest from fixed interest securities	530	1,580
	37,258	33,990
Other income		
Deposit interest	15	8
Underwriting commission	11	–
Total income	37,284	33,998
Investment income comprises:		
Listed investments	37,258	33,990
	37,258	33,990

During the year ended 31 December 2018, the Company received special dividends totalling £1,556,991 (2017: £1,448,779). Of this, £1,556,991 (2017: £583,324) is recognised as revenue and is included within investment income and £Nil (2017: £865,475) is recognised as capital and is included in profit on investments held at fair value through profit or loss (see note 12(b)).

5 SEGMENTAL REPORTING

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

6 INVESTMENT MANAGEMENT FEE

	2018			2017		
	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
Investment management fee	1,446	2,168	3,614	1,477	2,215	3,692
Secretarial fee	57	–	57	55	–	55
	1,503	2,168	3,671	1,532	2,215	3,747

As at 31 December 2018 an amount of £833,397 (2017: £952,319) was payable to the Manager in relation to management fees for the quarter ended 31 December 2018.

Details of the terms of the investment management agreement are provided on page 18.

7 OTHER EXPENSES

	2018			2017		
	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
Transaction costs on fair value through profit or loss assets[1]	–	1,427	1,427	–	969	969
Directors' fees (see Report on Directors Remuneration on page 21)	176	–	176	185	–	185
Registrar's fees	63	–	63	85	–	85
AIC membership costs	18	–	18	21	–	21
Marketing costs	36	–	36	45	–	45
Printing & postage	14	–	14	30	–	30
Directors' liability insurance	21	–	21	14	–	14
Auditor's remuneration – annual audit[2]	30	–	30	30	–	30
– non audit fee	3	–	3	3	–	3
Stock exchange fees	23	–	23	26	–	26
FCA fee	18	–	18	20	–	20
Depositary fee	99	–	99	101	–	101
Safe custody fees	11	–	11	10	–	10
Other expenses	47	–	47	30	–	30
	559	1,427	1,986	600	969	1,569

1 Transaction costs on fair value through profit or loss assets represent such costs incurred on both the purchase and sale of those assets. Transaction costs on purchases amounted to £1,340,962 (2017: £755,713) and on sales amounted to £85,959 (2017: £213,276).

2 During the year there were audit fees of £25,500 (2017: £25,000) (excluding VAT) paid to the Auditor.

All expenses are inclusive of VAT where applicable.

8 FINANCE COSTS

	2018			2017		
	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
Interest on borrowings						
9.875% debenture stock 2017	–	–	–	988	1,481	2,469
5.5% debenture stock 2021	847	1,291	2,138	839	1,269	2,108
4.05% Private placement loan 2028[1]	810	1,226	2,036	815	1,242	2,057
2.99% Private placement loan 2047[1]	301	451	752	56	86	142
	1,958	2,968	4,926	2,698	4,078	6,776
Bank interest payable	4	–	4	3	–	3
Total finance costs	1,962	2,968	4,930	2,701	4,078	6,779

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

1 The 4.05% and 2.99% Private Placement Loans contain the following principal financial or other covenants, with which failure to comply could necessitate the early repayment of the loan:

- net tangible assets of at least £275 million
- aggregate principal amount of financial indebtedness not to exceed 50% of net tangible assets
- prior approval by the note holder of any change of Manager
- prior approval by the note holder of any change in the Company's investment objectives and policies

9 TAXATION

(a) There is no corporation tax payable (2017: nil).

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

	2018			2017		
	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
Profit/(loss) before tax per accounts	33,260	(138,091)	(104,831)	29,165	54,989	84,154
UK corporation tax rate at 19.00% (2017: 19.25%)	6,319	(26,237)	(19,918)	5,615	10,585	16,200
Effects of:						
Non-taxable gains on investments[1]	–	24,990	24,990	–	(11,984)	(11,984)
Disallowed expenses	–	271	271	–	187	187
Non-taxable UK dividends[1]	(6,518)	–	(6,518)	(5,814)	–	(5,814)
Non-taxable overseas dividends[1]	(197)	–	(197)	(319)	–	(319)
Increase in excess management expenses in the year[2]	396	976	1,372	518	1,212	1,730
Overseas withholding tax suffered	161	–	161	207	–	207
Total tax charge for the year	161	–	161	207	–	207

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

2 The Company has not recognised a deferred tax asset of £16,779,272 (2017: £15,541,058) based on a future effective tax rate of 17.0% (2017: 17.0%) arising as a result of having unutilised management expenses since, under current tax legislation, it is unlikely that the Company will obtain any benefit from the asset.

10 DIVIDENDS

	2018 £000	2017 £000
Amounts recognised as distributions to equity holders in the year		
Final dividend for the year ended 31 December 2017 of 17.48p (2016: 16.18p) per share	11,689	10,820
Interim dividends (three) for the year ended 31 December 2018 of 8.75p (2017: three payments of 8.33p) per share	17,554	16,712
	29,243	27,532
Proposed final dividend for the year ended 31 December 2018 of 20.47p (2017: 17.48p) per share	13,689	11,689

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

	2018 £000	2017 £000
Interim dividends (three) for the year ended 31 December 2018 of 8.75p (2017: three payments of 8.33p) per share	17,554	16,712
Proposed final dividend for the year ended 31 December 2018 of 20.47p (2017: 17.48p) per share	13,689	11,689
	31,243	28,401

11 EARNINGS PER SHARE

	2018			2017		
	Revenue pence	Capital pence	Total pence	Revenue pence	Capital pence	Total pence
Earnings per ordinary share	49.50p	(206.50p)	(157.00p)	43.30p	82.23p	125.53p

The calculation of the above is based on revenue returns of £33,099,000 (2017: £28,958,000), capital returns of £(138,091,000) (2017: £54,989,000) and total returns of £(104,992,000) (2017: £83,947,000) and a weighted average number of ordinary shares of 66,872,765 (2017: 66,872,765).

12 INVESTMENTS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS

	2018 £000	2017 £000
(a) Movements in the year		
Opening cost at 1 January	887,825	834,390
Investment holding gains at 1 January	147,845	138,963
Opening fair value	1,035,670	973,353
Purchases at cost	513,428	437,327
Sales – proceeds	(512,445)	(437,261)
– realised gains on sales	36,453	53,370
(Decrease)/increase in investment holding gains	(167,981)	8,881
Closing fair value at 31 December	905,125	1,035,670
Closing cost at 31 December	925,261	887,825
Investment holding (losses)/gains at 31 December	(20,136)	147,845
	905,125	1,035,670
(b) Gains/(losses) on investments		
Gains on sales of investments based on historical book cost	36,453	53,370
Revaluation losses recognised in previous years	(64,550)	(49,079)
(Losses)/gains on investments sold in the year based on carrying value at previous statement of financial position date	(28,097)	4,291
(Decrease)/increase in investment holding gains	(103,431)	57,960
	(131,528)	62,251

All investments are listed.

(c) Fair value of financial instruments

IFRS 13 requires an entity to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following classifications:

- Level 1 – valued using quoted prices in active markets for identical investments.
- Level 2 – valued using other significant observable inputs (including quoted prices for similar investments, interest rates, prepayments, credit risk, etc). There are no level 2 financial assets (2017: £nil).
- Level 3 – valued using significant unobservable inputs (including the Company's own assumptions in determining the fair value of investments). There are no level 3 financial assets (2017: £nil).

All of the Company's investments are in quoted securities actively traded on recognised stock exchanges, with their fair value being determined by reference to their quoted bid prices at the reporting date. The total value of the investments of £905,125,000 (2017: £1,035,670,000) has therefore been determined as Level 1.

Please refer to Note 22 on page 50 for the disclosure and fair value categorisation of the financial liabilities.

13 RECEIVABLES

	2018 £000	2017 £000
Accrued income	3,113	3,320
Other receivables	118	293
	3,231	3,613

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

14 CURRENT LIABILITIES

Payables	2018 £000	2017 £000
Purchases for further settlement	248	–
Accruals and deferred income	960	1,159
	1,208	1,159

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

15 NON-CURRENT LIABILITIES

Interest bearing borrowings	2018 £000	2017 £000
Amounts payable after more than one year:		
5.5% Debenture stock 2021	38,572	38,550
4.05% Private placement loan 2028	50,386	50,349
2.99% Private placement loan 2047	25,013	25,020
	113,971	113,919

	2018 £000	2017 £000
Opening balance as per the Statement of financial position	(113,919)	(113,850)
Loans drawn in the year	–	(25,000)
Loans repaid in the year	–	25,000
Interest paid in the year	4,874	6,707
Finance costs for the year as per the Statement of comprehensive income	(4,926)	(6,776)
Closing balance as per the Statement of financial position	(113,971)	(113,919)

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.

The 4.05% Private Placement Loan is secured by a floating charge over the assets of the Company. The loan is repayable at par on 3 September 2028.

The 2.99% Private Placement Loan is secured by a floating charge over the assets of the Company. The loan is repayable at par on 24 October 2047.

16 ORDINARY SHARE CAPITAL

	2018 Number	2017 Number	2018 £000	2017 £000
Issued, allotted and fully paid				
Ordinary shares of 25p each	66,872,765	66,872,765	16,718,191	16,718,191

There were no shares issued during 2018 (2017: Nil)

17 SHARE PREMIUM

	2018 £000	2017 £000
Balance at 1 January 2018	96,040	96,040
Premium arising on issue of new shares	–	–
Balance at 31 December 2018	96,040	96,040

18 CAPITAL RESERVES

The capital reserves comprise both realised and unrealised gains. A summary of the split is shown below.

	2018 £000	2017 £000
Capital reserves – realised	672,212	642,323
Capital reserves – unrealised	(20,136)	147,844
	652,076	790,167

19 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

As at 31 December 2018 there were no contingent liabilities or capital commitments for the Company (2017: £nil).

20 NET ASSET VALUES

	Net asset value per ordinary share Pence	Net assets attributable £000
Ordinary shares of 25p each	1,199.56p	802,182

The net asset value per ordinary share is based on net assets at the year-end of £802,182,000 (2017: £936,366,000) and on 66,872,765 (2017: 66,872,765) ordinary shares in issue at the year-end.

21 RELATED PARTY TRANSACTIONS AND TRANSACTIONS WITH THE MANAGER

IAS 24 'Related party disclosures' requires the disclosure of the details of material transactions between the Company and any related parties. Accordingly, the disclosures required are set out below:

Directors – The remuneration of the directors is set out in the Report on Directors' Remuneration on page 21. There were no contracts subsisting during or at the end of the year in which a director of the Company is or was interested and which are or were significant in relation to the Company's business. There were no other material transactions during the year with the directors of the Company.

At 31 December 2018 there was £38,277 (2017: £48,910) payable to the directors for fees and expenses.

Manager – Investec Fund Managers Limited is the Alternative Investment Fund Manager of the Company and has delegated portfolio management to Investec Asset Management Limited. Details of the services provided by the Manager and the fees paid are given on page 18 and also set out in note 6 on page 43.

22 RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

The Company's investing activities undertaken in pursuit of its investment objective, as set out on page 10, involve certain inherent risks. The main financial risks arising from the Company's financial instruments are market price risk, interest rate risk, liquidity risk, credit risk and currency risk. The Board reviews and agrees policies for managing each of these risks as summarised below. 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. These policies have remained substantially unchanged during the current and preceding periods. 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.

Market price risk

Market price 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 Company's borrowings have the effect of increasing the market risk faced by shareholders. This gearing effect is such that, for example, for a 10% movement in the valuation of the Company's investments, the net assets attributable to shareholders would move by approximately 11.1%.

Interest rate risk

Interest rate risk is the risk of movements in the value of financial instruments or interest income cash flows that arise as a result of fluctuations in interest rates. The Company finances its operations through retained profits including capital profits, and additional financing is obtained through the debenture stock in issue and the two Private Placement Loans, on all of which interest is paid at a fixed rate.

Liquidity risk

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

22 RISK MANAGEMENT AND FINANCIAL INSTRUMENTS CONTINUED

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. This is mitigated by the Manager reviewing the credit ratings of broker counterparties. The risk attached to dividend flows is mitigated by the Manager's research of potential investee companies. The Company's custodian is responsible for the collection of income on behalf of the Company. Cash is held either with reputable banks with high quality external credit ratings or in liquidity/cash funds providing a spread of exposures to various underlying banks in order to diversify risk. The carrying amounts of financial assets represent their maximum exposure to credit risk. The full portfolio can be found on pages 15 to 16.

Currency risk

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

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

The Company had the following currency exposures, all of which are included in the Statement of Financial Position based on the exchange rates ruling at the respective year-ends. Exposures vary throughout the year as a consequence of changes in the composition of the net assets of the Company arising out of the investment and risk management processes.

	31 December 2018					
	Investments £000	Cash £000	Receivables £000	Payables £000	Non-current liabilities £000	Total £000
Euro	10,452	366	57	–	–	10,875
US Dollar	81,193	5	253	(117)	–	81,334
Norwegian Krone	–	1	–	–	–	1
Pounds Sterling	813,480	8,633	2,921	(1,091)	(113,971)	709,972
	905,125	9,005	3,231	(1,208)	(113,971)	802,182

	31 December 2017					
	Investments £000	Cash £000	Receivables £000	Payables £000	Non-current liabilities £000	Total £000
Euro	19,046	–	361	–	–	19,407
US Dollar	93,858	272	3	–	–	94,133
Norwegian Krone	18,938	1	1	–	–	18,940
Pounds Sterling	903,828	11,888	3,248	(1,159)	(113,919)	803,886
	1,035,670	12,161	3,613	(1,159)	(113,919)	936,366

Foreign currency sensitivity

The following table illustrates the sensitivity of the profit after tax for the year and the net assets for the year in relation to foreign exchange movements on Euro, Norwegian Krone and US Dollar denominated investments. The analysis below assumes that the Euro, Norwegian Krone and US Dollar exchange rates may move +/-2% against Pounds Sterling.

	£000	£000
Projected movement	+2%	-2%
Effect on net assets for the year	1,844	(1,844)
Effect on capital return	1,833	(1,833)

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. The Company's fixed interest holdings have a market value of £25,470,000, representing 3.2% of net assets of £802,182,000 (2017: £137,047,000; 14.6%). The weighted average running yield as at 31 December 2018 was 2.0% (2017: 1.5%) and the weighted average remaining life was 2.7 years (2017: 0.9 years). The Company's cash balance of £9,005,000 (2017: £12,161,000) earns interest, calculated on a tiered basis, depending on the balance held, by reference to the base rate.

If the bank base rate had increased by 0.5%, the impact on the profit or loss and net assets would have been a positive £45,025 (2017: £60,805). If the bank base rate had decreased by 0.5%, the impact on the profit or loss and net assets would have been a negative £45,025 (2017: negative £60,805). 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 current liabilities have no interest rate and are repayable within one year. The 5.5% debenture stock, the 4.05% Private Placement Loan and the 2.99% Private Placement Loan, which are repayable in 2021, 2028 and 2047 respectively, pay interest at fixed rates. The weighted average period until maturity of the loans is 11 years (2017: 12 years) and the weighted average interest rate payable is 4.0% (2017: 4.0%) p.a.

Other price risk exposure

If the investment valuation fell by 10% at 31 December 2018, the impact on profit or loss and net assets would have been negative £90.5 million (2017: negative £103.6 million). If the investment portfolio valuation rose by 10% at 31 December 2018, the impact on profit or loss and net assets would have been positive £90.5 million (2017: positive £103.6 million). Exposures vary throughout the year as a consequence of changes in the net assets of the Company arising out of the investment and risk management processes.

The Company held the following categories of financial instruments, all of which are included in the Statement of Financial Position at fair value or an approximation to fair value, with the exception of interest bearing borrowings which are shown at book value at 31 December 2018. The valuation techniques are explained in the Principal Accounting Policies note.

	2018		2017	
	Book value £000	Fair value £000	Book value £000	Fair value £000
Assets at fair value through profit or loss	905,125	905,125	1,035,670	1,035,670
Cash	9,005	9,005	12,161	12,161
Loans and receivables				
Investment income receivable	3,113	3,113	3,320	3,320
Other receivables	118	118	293	293
Payables	(1,208)	(1,208)	(1,159)	(1,159)
Interest bearing borrowings:				
5.5% Debenture Stock[1]	(38,572)	(41,114)	(38,550)	(42,510)
4.05% Private Placement Loan[2]	(50,386)	(54,107)	(50,349)	(54,846)
2.99% Private Placement Loan[3]	(25,013)	(24,902)	(25,020)	(25,456)
	802,182	796,030	936,366	927,473

1 Effective interest rate is 5.583%
2 Effective interest rate is 4.133%
3 Effective interest rate is 3.015%

The 5.5% Debenture Stock 2021 is classified as a Level 1 instrument (2017: Level 1).

The 4.05% Private Placement Loan 2028 and the 2.99% Private Placement Loan 2047 do not have prices quoted on an active market but their fair values are based on observable inputs. As such they have been classified as Level 2 instruments (2017: Level 2).

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:

	2018				2017			
	Three months or less £000	Not more than one year £000	More than one year £000	Total £000	Three months or less £000	Not more than one year £000	More than one year £000	Total £000
Creditors: amounts falling due after more than one year								
Debenture stock and Loans	2,058	2,805	155,290	160,153	2,058	2,805	160,153	165,016
Creditors: amounts falling due within one year								
Accruals and deferred income	1,048	160	–	1,208	917	242	–	1,159
	3,106	2,965	155,290	161,361	2,975	3,047	160,153	166,175

22 RISK MANAGEMENT AND FINANCIAL INSTRUMENTS CONTINUED

Capital management policies and procedures

The Company's capital management objectives are to ensure that it will be able to continue as a going concern, and to provide long term growth in revenue and capital, principally by investment in UK securities.

The Company's capital is its equity share capital and reserves that are shown in the Statement of Financial Position and its debenture and fixed term loans (see note 15) at a total of £916,153,000 (2017: £1,050,285,000).

The Company is subject to several externally imposed capital requirements:

- as a public company, the Company has a minimum share capital of £50,000.
- in order to be able to pay dividends out of profits available for distribution by way of dividends, the Company has to be able to meet one of the two capital restriction tests imposed on investment companies by company law.
- the terms of the debenture trust deed have various covenants that prescribe that moneys borrowed should not exceed the adjusted total capital and reserves as defined in the debenture trust deed. The Note Purchase Agreements governing the terms of the Private Placement Loans also contain certain financial covenants. These are measured in accordance with the policies used in the annual financial statements.

The Company has complied with all of the above requirements.

NOTICE OF MEETING

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

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

NOTICE IS HEREBY GIVEN that the 93rd Annual General Meeting of Temple Bar Investment Trust PLC will be held at 11.00am on Thursday 28 March 2019 at 30 Gresham Street, London EC2V 7QP for the following purposes:

ORDINARY BUSINESS:

1. To approve the Company's Annual Report and Financial Statements for the year ended 31 December 2018 (together with the reports of the directors and auditor thereon).
2. To approve the report on directors' remuneration for the year ended 31 December 2018.
3. To declare a final dividend of 20.47p per ordinary share.
4. To re-elect Mr A T Copple as a director of the Company.
5. To re-elect Sir Richard Jewson KCVO as a director of the Company.
6. To re-elect Dr L R Sherratt as a director of the Company.
7. To re-elect Mr R E J Wyatt as a director of the Company.
8. To re-appoint Ernst & Young LLP as the auditor to the Company and to authorise the audit committee to determine their remuneration.

SPECIAL BUSINESS:

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

ORDINARY RESOLUTION:

9. That the investment policy of the Company be amended as described in the Overview of Strategy Section of the Annual Financial Statements of the Company for the year ended 31 December 2018.
10. That in substitution of all existing authorities the directors be and are hereby generally and unconditionally authorised in accordance with Section 551 of the Companies Act 2006 to allot shares in the Company or grant rights to subscribe for or to convert any security into shares in the Company ('Rights') up to an aggregate maximum nominal amount of £1,671,819, being 10% of the issued share capital of the Company as at 21 February 2019 and representing 6,687,276 ordinary shares of 25p each in the capital of the Company (or if changed the number representing 10% of the issued share capital of the Company at the date at which this resolution is passed), provided that:

    (i) the authority granted shall expire at the conclusion of the Annual General Meeting of the Company in 2020 or 15 months from the date of the passing of this resolution, whichever is the earlier, but may be revoked or varied by the Company in general meeting and may be renewed by the Company in general meeting; and

    (ii) the said authority shall allow and enable the directors to make an offer or agreement before the expiry of that authority which would or might require shares to be allotted or Rights to be granted after such expiry and the directors may allot shares and grant Rights in pursuance of any such offer or agreement as if that authority had not expired.

SPECIAL RESOLUTIONS:

11. That, in substitution of all existing powers but, subject to the passing of resolution 10 set out above, the directors be and they are hereby generally empowered pursuant to Section 570-573 of the Companies Act 2006 (the 'Act') to allot equity securities (as defined in Section 560 of that Act) for cash, including for the avoidance of doubt, the sale of shares held by the Company as treasury shares, in accordance with the authority conferred on them by this meeting to allot shares as if Section 561(i) of that Act did not apply to the allotment, provided that the power conferred by this resolution shall be limited to:

    (i) the allotment of equity securities in connection with a rights issue, open offer or the pre-emptive offer in favour of ordinary shareholders where the equity securities respectively attributable to the interests of all ordinary shareholders are proportionate to the respective numbers of ordinary shares held by them on the record date of such allotment (but subject to such exclusions or other arrangements as the directors may deem necessary or expedient to deal with equity securities in relation to fractional entitlements or legal or practical problems under the law of or the requirements of any regulatory body or any stock exchange in any territory or any other matter whatsoever); and

    (ii) the allotment (otherwise than pursuant to sub paragraph (i) above) of equity securities up to an aggregate nominal value not exceeding £1,671,819, being 10% of the issued share capital of the Company as at 21 February 2019 and representing 6,687,276 shares of 25p each in the capital of the Company ('Shares') (or, if changed, the number representing 10% of the issued share capital of the Company at the date at which this resolution is passed), and provided further that (i) the number of equity securities to which this power applies shall be reduced from time to time by the number of treasury shares which are sold pursuant to any power conferred on the directors by resolution 10 set out above and (ii) no allotment of equity securities shall be made under this power which would result in Shares being issued at a price which is less than the higher of the Company's estimated cum or ex income net asset value per Share as at the latest practicable time before such allotment of equity securities as determined by the directors in their reasonable discretion; and

    such power shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or 15 months from the date of passing this resolution, whichever is earlier, unless previously revoked, varied or renewed by the Company in general meeting and save that the Company may make an offer or agreement before this power has expired, which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired.

12. That the Company generally be and is hereby authorised for the purpose of Section 701 of the Companies Act 2006 (the 'Act') to make one or more market purchases (as defined in Section 693 of the Act) of ordinary shares of 25p each in the capital of the Company ('ordinary shares') either for retention as treasury shares for future reissue, resale, transfer or cancellation provided that:

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

    (ii) the minimum price (exclusive of expenses payable by the Company) which may be paid for such ordinary shares is 25p per share;

    (iii) the maximum price (exclusive of expenses payable by the Company) which may be paid for such ordinary 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 immediately 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 to be held in 2020, 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 ordinary shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority, and may make a purchase of its own shares in pursuance of any such contract.

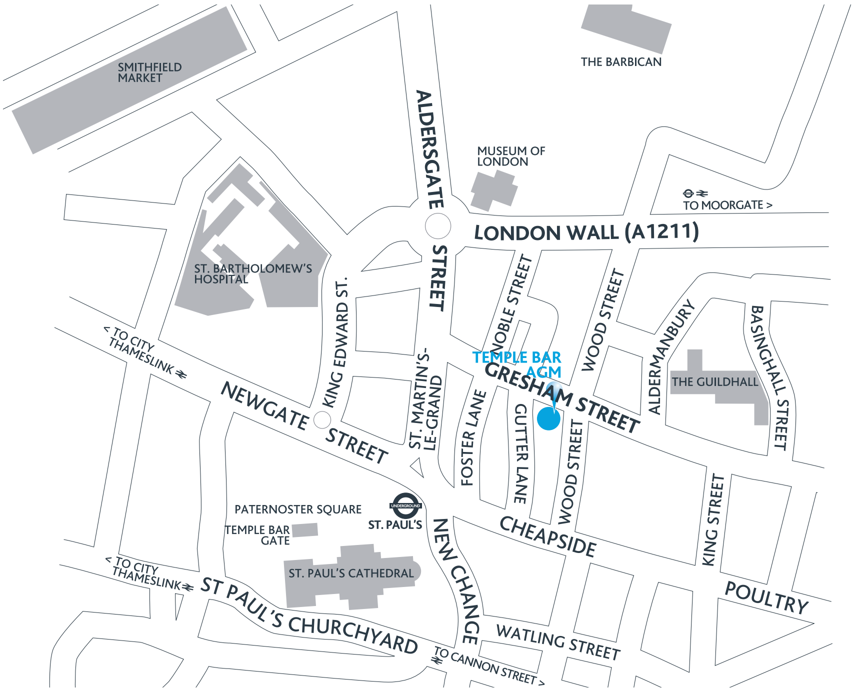
By order of the Board of Directors

M K Slade
For Investec Asset Management Limited
Secretary

Woolgate Exchange
25 Basinghall Street
London EC2V 5HA

21 February 2019

NOTICE OF MEETING CONTINUED



SHOWN IS A PLAN OF THE LOCATION OF INVESTEC'S OFFICES AT, 30 GRESHAM STREET, LONDON EC2V 7QP WHERE THE ANNUAL GENERAL MEETING WILL BE HELD ON THURSDAY 28 MARCH 2019 AT 11.00AM.

NOTES

1. Entitlement to attend and vote

Members who hold ordinary shares in the Company in uncertificated form must have been entered on the Company's register of members by 6.30pm on 26 March 2019 in order to be able to attend and vote at the meeting, or if the meeting is adjourned, 6.30pm on the day two business days before the time fixed for the adjourned meeting. Such members may only vote at the meeting in respect of ordinary shares held at the time.

2. Proxies

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.

Instruments of proxy should be sent to Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA so as to arrive no later than 11.00am on 26 March 2019. 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.

As an alternative to completing a hard copy Form of Proxy, you can appoint a proxy or proxies electronically by visiting www.sharevote.co.uk. You will need your Voting ID, Task ID and Shareholder Reference Number (this is the series of numbers printed at the top right-hand side of the Form of Proxy). Alternatively, if you have already registered with Equiniti Limited's online portfolio service, Shareview, you can submit your Form of Proxy at www.shareview.co.uk. You may not use any electronic address provided in this notice of meeting to communicate with the Company for any purposes other than those expressly stated. Full instructions are given on both websites. To be valid, your proxy appointment(s) and instructions should reach Equiniti Limited no later than 11.00am on 26 March 2019.

CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the meeting and any adjournment(s) thereof by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members and those CREST members who have appointed a voting service provider(s) should refer to their CREST sponsor or voting service provider(s) who will be able to take the appropriate action on their behalf. In order for a proxy appointment made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear's specifications and must contain the information required for such instructions, as described in the CREST Manual (available via www.euroclear.com). The CREST message must be transmitted so as to be received by the issuer's agent (ID RA19) by not later than 48 hours (excluding non-working days) before the time appointed for the holding of the meeting or the adjourned meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the CREST message by the CREST Applications Host) from which the issuer's agent is able to retrieve the CREST message by enquiry to CREST in the manner prescribed by CREST.

2. Proxies continued

After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means. CREST members and, where applicable, their CREST sponsors or voting service provider(s), should note that Euroclear does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member(s) is/are a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that the CREST sponsor or voting service provider takes) such action as shall be necessary to ensure that a CREST message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service provider(s) is/are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. The Company may treat as invalid a CREST Proxy instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

3. Corporate representatives

A member of the Company which is a corporation may authorise a person or persons to act as its representative(s) at the AGM. In accordance with the provisions of the Companies Act 2006, each such representative may exercise (on behalf of the corporation) the same powers as the corporation could exercise if it were an individual member of the Company, provided that they do not do so in relation to the same shares. It is no longer necessary to nominate a designated corporate representative.

4. Nominated persons

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. Members' requests under Section 527 of the 2006 Act

Under Section 527 of the Companies Act 2006 members meeting the threshold requirements set out in that section have the right to require the Company to publish on a website a statement setting out any matter relating to (i) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the Annual General Meeting for the financial year beginning 1 January 2018; or (ii) any circumstance connected with an auditor of the Company appointed for the financial year 1 January 2018 ceasing to hold office since the previous meeting at which annual accounts and reports were laid. The Company may not require the shareholders requesting any such website publication to pay its expenses in complying with Sections 527 or 528 (requirements as to website availability) of the Companies Act 2006. Where the Company is required to place a statement on a website under Section 527 of the Companies Act 2006, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the Annual General Meeting for the relevant financial year includes any statement that the Company has been required under Section 527 of the Companies Act 2006 to publish on a website.

6. Members' rights to ask questions

Any member attending the meeting has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the meeting but no such answer need be given if (a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information, (b) the answer has already been given on a website in the form of an answer to a question, or (c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

7. Inspection of documents

None of the directors has a service contract with the Company.

8. Total number of shares and voting rights

As at 21 February 2019, the latest practicable date prior to publication of this document, the Company had 66,872,765 ordinary shares in issue with a total of 66,872,765 voting rights.

9. Website

In accordance with Section 311A of the Companies Act 2006, the contents of this notice of meeting, details of the total number of shares in respect of which members are entitled to exercise voting rights at the AGM and, if applicable, any members' statements, members' resolutions or members' matters of business received by the Company after the date of this notice will be available on the Company's website: www.templebarinvestments.co.uk.

USEFUL INFORMATION FOR SHAREHOLDERS

ANNUAL GENERAL MEETING

The Annual General Meeting will be held at 30 Gresham Street, London EC2V 7QP (see map on page 54), on 28 March 2019 at 11.00am.

FINANCIAL CALENDAR

The financial calendar for 2019 is set out below:

Ordinary shares

Final dividend, 2018 – payable	29 March 2019
– ex-dividend	7 March 2019
– record date	8 March 2019
First interim dividend, 2019	28 June 2019
Second interim dividend, 2019	30 September 2019
Third interim dividend, 2019	30 December 2019
Final dividend, 2019	End of March 2020

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 0371 384 2432.

PRICE AND PERFORMANCE INFORMATION

The Company's ordinary shares and debenture stock 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 0371 384 2432 (overseas +44 (0)121 415 7047). Lines are open from 8.30am to 5.30pm Monday to Friday. Changes of name or address must be notified in writing to the Registrar.

TAX INFORMATION EXCHANGE

Local laws may require Temple Bar to disclose investor, holding and income data to UK and other tax authorities. This will only happen where required by law.

ASSOCIATION OF INVESTMENT COMPANIES

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

TEMPLE BAR WEBSITE

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

WHERE TO BUY TEMPLE BAR SHARES

1. Via a third party provider

Third party providers include:

AJ Bell
Barclays Stockbrokers
Bestinvest
Charles Stanley Direct
FundsNetwork
Hargreaves Lansdown
Interactive Investor
James Brearley
James Hay
Selftrade
TD Direct
The Share Centre
Trustnet Direct

Please note this list is not exhaustive and the availability of Temple Bar may vary depending on the provider. These websites are third party sites and Temple Bar does not endorse or recommend any. Please observe each site's privacy and cookie policies as well as their platform charges structure.

2. Through a professional adviser

Professional advisers are usually able to access the products of all the companies in the market and can help you find an investment that suits your individual circumstances. An adviser will let you know the fee for their service before you go ahead. You can find an adviser at www.unbiased.co.uk

You may also buy investment trusts through stockbrokers, wealth managers and banks.

To familiarise yourself with the Financial Conduct Authority (FCA) adviser charging and commission rules, visit fca.org.uk

ALTERNATIVE INVESTMENT FUND MANAGERS (AIFM) DIRECTIVE

In accordance with the AIFM Directive, information in relation to the Company's leverage and the remuneration of the Company's AIFM, Investec Fund Managers Limited ('IFM'), is required to be made available to investors. In accordance with the Directive, the AIFM remuneration policy is available at www.investecassetmanagement.com or from the Company Secretary on request (see contact details on page 58) and the numerical remuneration disclosures in respect of the AIFM's relevant reporting period (year ended 31 March 2018) are also available at www.investecassetmanagement.com.

Leverage

For the purposes of the AIFM Directive, leverage is any method which increases the Company's exposure, including the borrowing of cash and the use of derivatives. It is expressed as a ratio between the Company's exposure and its net asset value and can be calculated on a gross and a commitment method. Under the gross method, exposure represents the sum of the Company's positions after the deduction of sterling cash balances, without taking into account any hedging and netting arrangements. Under the commitment method, exposure is calculated without the deduction of sterling cash balances and after certain hedging and netting positions are offset against each other. The Company's maximum and actual leverage levels at 31 December 2018 are shown below:

Leverage Exposure	Gross method	Commitment method
Maximum limit	250%	200%
Actual	122%	127%

Remuneration

The table below, as provided by the AIFM, shows the total amount of remuneration paid by the AIFM to its staff for the financial year ending 31 March 2018, split into fixed and variable remuneration, and showing the number of beneficiaries. No performance fees or any other type of remuneration was paid directly by the Fund.

IFM does not directly employ staff.

The table below shows, for the same period, the aggregate amount of remuneration paid to Identified/Code Staff in respect of activities related to the AIFM and the Fund. Identified/Code Staff are staff and other individuals identified by the AIFM whose activities have a material impact on the risk profile of the AIFM or the Fund. This table excludes Identified/Code Staff activities subject to a delegation agreement.

Aggregate Remuneration	£163,276
Senior Management	£159,940
Other individuals with material impact	£3,336
Number of Staff	9

CORPORATE INFORMATION

Alternative Investment Fund Manager (AIFM)
Investec Fund Managers Limited
Authorised and Regulated by the Financial Conduct Authority
Portfolio Manager, Alastair Mundy
Woolgate Exchange
25 Basinghall Street
London EC2V 5HA
Telephone No. 020 7597 2000

Registered office
Woolgate Exchange
25 Basinghall Street
London EC2V 5HA

Company Secretary
Investec Asset Management Limited,
represented by Martin Slade

Registered number
Registered in England No. 214601

Temple Bar Identifiers
Company registration number – 214601
Ordinary Shares ISIN – GB0008825324
Ordinary Shares Sedol – 0882532
Legal Entity Identifier – 213800O8EAP4SG5JD323

Registrar
Equiniti Limited
Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA

Telephone No:
+44 121 415 7047 (overseas shareholder helpline)
0371 384 2432 (shareholder helpline)*
0906 559 6025 (broker helpline)

*Lines open 8.30 a.m. to 5.30 p.m., Monday to Friday.

Independent auditor
Ernst & Young LLP
Atria One
144 Morrison Street
Edinburgh EH3 8EX

Depositary, bankers and custodian
HSBC Bank plc
Poultry
London EC2P 2BX

Stockbrokers
JPMorgan Cazenove
25 Bank Street
Canary Wharf
London E14 5JP

Solicitors
Eversheds LLP
1 Wood Street
London EC2V 7WS

GLOSSARY OF TERMS

ABSOLUTE PERFORMANCE
The return that an asset achieves over a period of time, relative to the investment itself.

AIC
The Association of Investment Companies.

ANNUAL MANAGEMENT FEE
The annual consideration paid to an asset management company for managing clients' investments.

ATTRIBUTION ANALYSIS
A performance-evaluation tool used to analyse the abilities of portfolio or fund managers. Attribution analysis uncovers the impact of the manager's investment decisions with regard to overall investment policy, asset allocation, security selection and activity.

BENCHMARK
A comparative performance index.

BORROWING
See gearing.

BOTTOM-UP STOCK SELECTION

An investment approach that concentrates on the analysis of individual companies and considers the company's history, management and potential as more important than macroeconomic trends.

CASH ALTERNATIVES/EQUIVALENT

Also known as cash equivalents. A class of investments considered relatively low-risk because of their high liquidity, meaning they can be quickly converted into cash.

CONTRARIAN APPROACH

An investment style that goes against prevailing market trends. In very simple terms the approach is defined by buying assets that are performing poorly and then selling when they perform well.

DEBENTURE STOCKS

A type of stock entitling the bearer to a certain fixed dividend at set periods of time.

DERIVATIVE INSTRUMENTS

An instrument whose value depends on the performance of an underlying security or rate which requires no initial exchange of principal. Options, futures and swaps are all examples of derivatives.

DISCOUNT*

The amount by which the market price per share of an investment trust is lower than the net asset value per share. The discount is normally expressed as a percentage of the net asset value per share.

DIVERSIFICATION

Holding a range of assets to reduce risk.

DIVIDEND

The portion of company net profits paid out to shareholders.

FIXED INTEREST

Fixed interest securities, also known as bonds, are loans usually taken out by a government or company which normally pay a fixed rate of interest over a given time period, at the end of which the loan is repaid.

FTSE ALL-SHARE INDEX

A comparative index that tracks the market price of the UK's leading companies listed on the London Stock Exchange. Covering around 900 companies, including investment trusts, the name FTSE is taken from the Financial Times (FT) and the London Stock Exchange (SE), who are its joint owners.

FTSE 350 INDEX

A comparative index that tracks the market price of the UK's 350 largest companies, by market value, listed on the London Stock Exchange.

GEARING*

In accounting terms, gearing is the amount of a company's total borrowings divided by its share capital. High gearing means a proportionately large amount of debt, which may be considered more risky for equity holders. However, gearing also entails tax advantages. In investment analysis, a highly geared company is one where small changes in sales produce big swings in profits. Also known as leverage.

GILTS

A bond that is issued by the British government which is generally considered low risk.

HEDGING

A technique seeking to offset or minimise the exposure to a specific risk by entering an opposing position.

LIQUIDITY

The ease with which an asset can be sold at a reasonable price for cash.

MARKET CAPITALISATION

The total value of a company's equity, calculated by the number of shares multiplied by their market price.

NET ASSET VALUE

In a company context, the net asset value describes total assets minus total liabilities.

ONGOING CHARGE*

Defined as the total of the investment management fee of £3,671,000 and administrative expenses of £559,000 divided by the average cum income net asset value throughout the year of £896,186,480. This figure excludes any performance fee or portfolio transaction costs and may vary from year to year.

PEER COMPANIES

Companies that operate in the same industry sector and are of similar size.

PREMIUM*

The amount by which the market price per share of an investment trust exceeds the net asset value per share. The premium is normally expressed as a percentage of the net asset value per share.

RELATIVE PERFORMANCE

The return that an asset achieves over a period of time, compared to a benchmark.

SHARE BUYBACK

When a company buys some of its own shares in the market, which leads to a rise in the share price. It changes the company's debt-to-equity ratio and is a tax-efficient alternative to paying out dividends.

STOCK LENDING

Also known as securities lending. The act of loaning a stock, derivative, or other security to an investor or firm. It requires the borrower to put up collateral, whether cash, security or a letter of credit. When a security is loaned, the title and the ownership is also transferred to the borrower.

TOTAL RETURN*

Captures both the capital appreciation/depreciation of an investment as well as the dividends generated over a holding period.

Return on Gross Assets

As at 31 December 2018, the difference between the Trust's opening and closing total assets less current liabilities stood at £(134,132,000) (2018: £916,153,000; 2017: £1,050,285,000); adding the dividend and debenture interest paid in the current year of £29,243,000 and £4,926,000 respectively results in a total return of £(99,962,000) for the purposes of this calculation. Dividing this return by the opening total assets less current liabilities of the Trust results in the return of (9.5)% (please see the Statement of Financial position as well as notes 8 and 10 of the financial statements on pages 38, 44 and 45 respectively for the audited inputs to the calculation).

Return on Net Asset Value

As at 31 December 2018, the difference between the Trust's opening and closing NAV stood at £(134,184,000) (2018: £802,182,000; 2017: £936,366,000); adding the dividend paid in the current year of £29,243,000 results in a total return of £(104,940,000) for the purposes of this calculation. Dividing this return by the opening NAV of the Trust results in the return of (11.2)% (please see the Statement of Financial position and note 10 of the financial statements on pages 38 and 45 respectively, for the audited inputs to the calculation).

Return on Share price

As at 31 December 2018, the difference between the Trust's opening and closing market price per share stood at (168.00)p (2018: 1,146.00p; 2017: 1,314.00p); adding the dividend accrued in the current year of 43.73p results in a total return per share of (124.27)p for the purposes of this calculation. Dividing this return on a daily basis by the opening market value per share results in an annual cumulative return of (9.7)% (please see the Summary of Results on page 1 for the inputs to the calculation).

VALUATION

Determination of the value of a company's stock based on earnings and the market value of assets.

VALUE INVESTING

An investment strategy where stocks are selected that trade for less than their intrinsic values because it is believed that the market has undervalued them based on certain forms of fundamental analysis.

YIELD*

A measure of the income return earned on an investment. In the case of a share the yield expresses the annual dividend payment as the percentage of the market price of the share. In the case of a bond the running yield (or flat or current yield) is the annual interest payable as a percentage of the current market price. The redemption yield (or yield to maturity) allows for any gain or loss of capital which will be realised at the maturity date.

* Alternative Performance Measure.

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