Temple Bar
Investment Trust PLC

ANNUAL REPORT & FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

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 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.

CONTENTS

SUMMARY OF RESULTS

	2016 £000	2015 £000	% change
Assets *as at 31 December*			
Net assets	879,940	755,755	16.4%
Ordinary Shares			
Net asset value per share with debt at book value	1,315.84p	1,130.14p	16.4%
Net asset value per share with debt at market value	1,298.01p	1,115.46p	16.4%
Market price	1,223.00p	1,052.00p	16.3%
Discount with debt at book value	7.1%	6.9%	
Discount with debt at market value	5.8%	5.6%	
Revenue *for the year ended 31 December*			
Revenue return attributable to ordinary shareholders	29,253	26,663	
Revenue return per ordinary share	43.74p	39.87p	
Dividends per ordinary share – interim and proposed final	40.45p	39.66p	2.0%
Capital *for the year ended 31 December*			
Capital return attributable to ordinary shareholders	121,751	(38,877)	
Capital return attributable per ordinary share	182.06p	(58.14p)	
Net gearing*	2.4%	3.8%	
Ongoing charges**	0.51%	0.49%	
Total Returns *for the year to 31 December 2016*			
Return on share price			20.7
Return on net assets			20.4
Return on gross assets			18.6
Return on FTSE All-Share Index			16.8
Change in Retail Prices Index over year			2.5
Dividend Yields (Net) *as at 31 December 2016*			
Yield on ordinary share price (1,223p)***			3.3
Yield on FTSE All-Share Index			3.5

* Defined as total assets less current liabilities (excluding maturing debt) and cash or cash equivalents (including gilt holdings) divided by shareholders' funds 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 recommended final dividend for the year.

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

TOTAL ASSETS LESS CURRENT LIABILITIES
£968,790,000

TOTAL EQUITY*
£879,940,000

MARKET CAPITALISATION
£817,854,000

* With debenture and loan stocks at book value

CAPITAL STRUCTURE

Ordinary Shares	*66,872,765*
9.875% Debenture Stock 2017	*£25,000,000*
5.5% Debenture Stock 2021	*£38,000,000*
4.05% Private Placement Loan 2028	*£50,000,000*

VOTING STRUCTURE
Ordinary shares 100%

CHAIRMAN'S STATEMENT

The latter part or 2016 has begun to see the value investment style, central to Temple Bar's investment process, returning to favour.

PERFORMANCE

For a number of years, conditions in global investment markets have caused the contrarian/value investment style to underperform. While all investment styles are cyclical, this period of weak performance by the value investment style has been unduly protracted, in part because of central bank action to maintain interest rates at unprecedentedly low levels. There are now emerging signs that that this period is drawing to a close and I am pleased to report that the latter part of 2016 has begun to see the value investment style, central to Temple Bar's investment process, returning to favour. In terms of the Temple Bar portfolio this manifested itself in out-performance relative to its benchmark index during the year. The total return on the net assets of Temple Bar in 2016 was 20.4% which compares with a total return of the FTSE All Share Index of 16.8%. In the longer term Temple Bar continues to outperform its benchmark over both five and ten year periods.

The Manager's review on pages 4 to 7 sets out some of the themes driving portfolio construction during the year. By any conventional yardstick 2016 bore witness to some extraordinary outcomes on the political front, significantly shaping the direction of markets. In this context the portfolio manager 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 8.09p per share and the directors are now recommending a final dividend payment for the year ended 31 December 2016 of 16.18p per share to be paid on 31 March 2017 to those shareholders on the register as at 10 March 2017. The ex-dividend date for this payment is 9 March 2017. If approved this would give an increase in the total dividend payment for the year as a whole of 2% and would be the 33rd consecutive year in which the Company has raised its annual dividend payment.

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 while the portfolio manager patiently waited for more interesting investment opportunities to appear. The position was unchanged throughout most of 2016 such that at the year end, gearing (calculated net of cash and related liquid assets, including our investment in a UK short dated gilt) was 2.4%.

SHARE CAPITAL MANAGEMENT

Shareholders may recall that discounts in the UK Equity Income sector generally widened during the course of 2015. This trend was continued into 2016 as discounts in the sector increased further. Temple Bar was not immune to this process; at the year end its discount stood at 5.8%. I reiterate my observation from last year that 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 repurchase took place during the year, the Board therefore 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.

The 33rd consecutive year in which the Company has raised its annual dividend payment.

THE BOARD

The Board remained unchanged throughout the year but in January 2017 Nick Lyons was appointed as an additional director. I am delighted to welcome Nick to the Board and I am confident that with his wealth of experience, particularly in the financial sector, he will make a valuable contribution to the Company in the coming years.

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. I refer you to the directors' biographies on page 16 for further details.

SAVINGS SCHEME

Towards the end of the year, having received notice from the Administrator that it did not wish to continue in that role, the Board took the difficult decision that the most sensible course of action was to close the Savings Scheme, almost 30 years after it was first established. It was clear that the ever-increasing amount of regulation involved with the management and administration of schemes of this nature meant that finding a cost effective alternative service provider was not possible. It was therefore decided to offer existing investors in the Scheme the option, amongst others, of transferring their investment in Temple Bar to a share dealing platform with similar characteristics managed by Equiniti, the outgoing Administrator.

ANNUAL GENERAL MEETING

The AGM this year will be held at 2 Gresham Street, London EC2V 7QP on Monday 27 March 2017 at 11am. Please note this is a change in the address of the meeting from that of the past few years. 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 alongside the directors. Shareholders who are unable to attend are encouraged to use their proxy votes.

OUTLOOK

The dramatic political events of 2016, together with their unpredictable impact on investment markets, indicate that any form of forecasting is fraught with risk. At the very least it is clear that a combination of Brexit and a change in the US Administration is likely to cause continuing uncertainties, potentially leading to a slowdown in economic activity in the UK. The portfolio manager will continue to seek to invest in companies that are undervalued by the market and where the potential for improvement exists irrespective of shorter term uncertainties.

John Reeve
Chairman

17 February 2017

TEN YEAR RECORD

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Total assets less current liabilities (£000)	557,712	422,408	553,392	603,444	585,480	664,648	905,775	913,198	869,535	968,790
Net assets (£000)	494,340	359,020	489,988	540,022	522,040	601,191	792,070	799,444	755,755	879,940
Net assets per ordinary share (pence)	847.33	612.76	831.03	915.89	874.42	992.86	1,250.84	1,195.47	1,130.14	1,315.84
Revenue return to ordinary shareholders (£000)	19,361	20,614	20,017	18,915	22,552	24,873	22,274	25,782	26,663	29,253
Revenue return per share (pence)	33.19	35.33	33.98	32.08	38.08	41.39	36.17	39.82	39.87	43.74
Dividends per share* (pence)	30.98	32.84	33.50	34.20	35.23	36.65	37.75	38.88	39.66	40.45

* Interim(s) and proposed final for the year

MANAGER'S REVIEW

A review of a year typically offers fund managers an ideal opportunity to explain how events unravelled as expected and how their portfolios were placed perfectly to benefit. However, in 2016 it's reasonable to assume few managers predicted Brexit and the Trump presidential victory, never mind the markets' reactions to these events. If this provides a lesson, it simply reminds us of the dangers of building a portfolio around a precise forecast, particularly with the aim of maximising short-term returns.

Probably of greater relevance to forecasting correctly share price performance in 2016 was the observation at the start of the year that the cheapest stocks in the market ('value' stocks) had fallen to valuation extremes, specifically when compared with stocks exhibiting very low historic price volatility or those deemed to be of the highest quality (stocks operating under the soubriquet of 'bond proxies'). This relationship did reverse in the first part of the year, but the benefit was quickly lost during the market volatility post the Brexit vote. A more sober assessment of the resulting price movements (or merely a reflection of their severity) subsequently produced another value recovery which was supported by the increase in government bond yields after Trump's victory. We were a bit cautious about investing fully at this time due to our perception of stretched valuations, notwithstanding short-term price falls.

Having highlighted the extreme unpopularity of value stocks the portfolio was reasonably well placed for their return to favour, although as usual we were too early in committing ourselves.

Most of the very best performers in the UK market last year were mining stocks, which partially recovered some dreadful underperformance of previous years. The portfolio participated in some of this rally by virtue of holdings in the silver company, Fresnillo which rose over 70% during the year, and the VanEck Gold Mining Exchange Traded Fund which rose almost 50%. However, the portfolio's only meaningful industrial metal holding was Rio Tinto and even this was sold very early in the rally. We struggle to value mining companies with sufficient confidence for us to take large holdings. Their valuations are very sensitive to the prices of the commodities they mine, most of which are currently very reliant on demand generated by the Chinese economy. There has been very high private sector debt growth in China in recent years and similar rates of debt growth in other economies have typically resulted in sub-par economic growth, recessions or even economic crises.

Our favoured investments are companies positioned to benefit from self-help and which are, in the main, masters of their fortune. Of course, one could argue that most companies are exposed to the vagaries of the economic cycle, but at least there is a reasonably dependable cycle upon which to base an estimate of a company's average earnings. Resources companies are probably the most removed from this framework.

ACTIVITY

Over the last few years the portfolio has held two food retailers, Tesco and Wm Morrison, both of which are now recovering after their poor trading experience of previous years. We invested in these two companies as we believed they could outperform the very competitive food retail

ALASTAIR MUNDY

Alastair 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.

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market rather than because we thought that the sales pool of this mature market was likely to increase significantly or that industry profitability would greatly exceed previous peaks. Whilst we retain this view, there is now evidence of improving market dynamics with lower capital expenditure and the return of food price inflation. Just as importantly, the larger retailers are competing more successfully against the discounters. The discounters have grown market share by selling good quality food at very low prices, retailed in low cost formats, but the incumbents are now pricing much more keenly, have improved product quality and increased service standards. Consequently, the extraordinary sales and profits growth of the discounters have probably peaked and the market's assumption of sizeable market share increases over the next few years may be too optimistic.

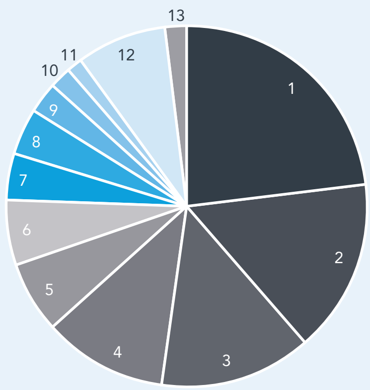
This increases our confidence that the larger food retailers can continue their recovery and so we have added J Sainsbury to the portfolio. Sainsbury's valuation has begun to look somewhat anomalous versus that of its peers; in enterprise value terms (i.e. equity value plus the group's net debt), Sainsbury is currently valued at approximately 25% of its sales whereas both Morrison and Tesco are valued at more than 40% of their revenues. Sainsbury's purchase of the Home Retail Group, the owner of Argos, could prove to be a compelling deal as it will allow the group to make more productive use of its excess space and drive significant footfall, whilst creating an enterprise with more than 2,000 collection points. The Argos deal clearly has some risks (both in terms of being a management distraction and pushing Sainsbury more into competition with Amazon) but we feel these are adequately reflected in the share price.

We have long been aware of both the risks and attractions of the large integrated oil companies. The companies are high cost producers of a commodity whose price is artificially inflated by a reasonably unstable cartel. What's more, the long-term outlook for oil is questionable as the search for cheaper and more environmentally friendly alternatives evolves. This raises the probability of the lowest cost producers such as Saudia Arabia being left with extensive stranded assets and therefore increases the risk of them pumping more oil even if that causes a lower price. Against this (rather bleak) long-term outlook is the opportunity for the major oil companies to find operational efficiencies. In the last few years they have cut costs faster than expected and are confident that more can be done. If cashflow can be improved further by containing large scale capital expenditure – and focusing on optimising returns from current assets – the security of the dividends will improve. The shares of these companies bounced strongly during the year reflecting operational improvements, dollar strength and a recovery in the oil price. With the two way pull in mind and given the share price strength we reduced our holdings in both BP and Royal Dutch Shell in 2016.

Given the increasingly bold actions of central bankers in recent years, we have long felt it prudent to hold insurance of some form on the portfolio. The authorities seem eager to outlaw both recessions and bear markets, and on this measure their strategy has been successful since the Global Financial Crisis. However, the long term cost is unknown. We remain convinced that the authorities have a longer-term strategy of minimising the cost of future liabilities and thus want to generate higher levels of inflation. They appear confident a combination of traditional interest rate moves and more modern 'unconventional' policies will both support economic growth and fine-tune the inflationary outcome. Perhaps it will, but history suggests a less benign outcome and consequently we maintain exposure to precious metals.

PORTFOLIO DISTRIBUTION %

		Temple Bar portfolio %	FTSE All-Share Index %
1	Financials	23.27	25.62
2	Consumer Services	15.37	11.66
3	Industrials	13.60	10.65
4	Oil & Gas	11.15	13.26
5	Health Care	6.60	9.14
6	Basic Materials	5.62	6.86
7	Consumer Goods	4.32	14.39
8	Utilities	4.00	3.60
9	Physical Gold and Silver	2.96	–
10	Telecommunications	1.96	3.98
11	Technology	1.41	0.84
	Total Equities	90.26	100.00
12	Fixed Interest	7.99	
13	Cash	1.75	
		100.00	



> The authorities seem eager to outlaw both recessions and bear markets, and on this measure their strategy has been successful.

In the second half of the year we switched some of our physical gold holdings into silver. We believe both metals will perform well if confidence in central bankers falls, but we now have a preference for silver. The current silver price insufficiently incentivizes new silver mining and expectations are for medium term supply to reduce. The quality of silver being mined is deteriorating and the cost of its extraction is increasing. This suggests that the silver price must increase significantly to ensure that long-term supply matches demand.

WHAT WENT WRONG?

As always not everything went right during the year. The largest detractors from portfolio performance were building related stocks and RBS.

The builder's merchant market has bounced less than predicted since the lows of the last recession. Historically, industry sales have been highly correlated to housing transaction volumes and these volumes remain fairly low relative to history. A further depressant has been the changing ownership structure of the UK housing stock in recent years with a significant increase in rented stock; stock on which the landlord is typically likely to spend less than a proud owner. Both transaction volumes and repair, maintenance and improvement of the housing stock have also been affected by the increasing number of under-occupied houses – houses where the ageing owner is rattling around with a number of spare rooms, but reluctant or unable to downsize.

It is clear that government policy is reducing the financial attractions to both new and current landlords through stamp duty increases and some disadvantageous tax changes. The Bank of England is also forcing banks to tighten buy-to let mortgage criteria for new loans. Whilst this may initially lead to a reduction in transaction volumes, the changes are clearly designed to help prospective owner occupiers compete against buy to let investors.

We believe the builder's merchant market remains structurally sound with depressed demand ultimately likely to recover, further consolidation probable in this reasonably fragmented market and IT spend and logistics improvements likely to widen the advantage of the big players over smaller ones. Our sizeable holdings in Travis Perkins and Grafton Group should benefit from these trends.

As a distributor, primarily of insulation materials, SIG is more exposed to the commercial property market than the builder's merchants. However, regardless of its business drivers, many of the company's problems appear self-inflicted, something recognized in recent management changes. Although the company operates in some very competitive and commoditized markets, we would expect the business could be run more entrepreneurially. If the new management team does not act quickly, it is possible that the very low valuation will attract some corporate interest.

The largest individual performance detractor was RBS. The company's road to recovery since its near-death experience has been tortuous and a number of potential fines and legal payments of unknown quantity still overhang the business. The company is also struggling to sell the Williams & Glyn retail banking business the EU forced it to off-load as a consequence of the Government rescue operation. This news drove the shares lower and pushed back the likely date for the reintroduction of dividend payments. Rather than increasing our holding, we decided to complement the RBS position by purchasing Barclays – a share also suffering from very poor sentiment, but which was already paying a dividend. Following the lows of the post Brexit panic, both of these banks' shares performed very well with the positive contribution from Barclays cancelling out much of the negative contribution of RBS over the course of the year.

WHAT WENT RIGHT?

Mention has already been made elsewhere of recoveries in Barclays, Wm Morrison, Tesco, BP and precious metal shares. In addition, Best Buy (a US electrical retailer) performed well. The company proved it could compete against Amazon, no doubt helped by the desire of its suppliers to see a strong physical retail presence for its brands. A bid was received for mining equipment manufacturer Joy Global, and Drax made a well-received acquisition of some gas stations and an energy supplier to businesses and also finally received EU state aid approval for its converted biomass plant.

The revenue account in particular benefited from US dollar strength given that a large proportion of total revenue receipts are paid in US dollars.

BREXIT

Much has been written about the pros, cons and consequences of Brexit and it is fascinating to observe the certainty of the two camps' views. Undoubtedly to the amusement of behavioural psychologists, each side appears to have become more entrenched since the vote. It is clearly impossible to tell how Brexit negotiations will evolve and given the breadth of possible outcomes it is simply pointless speculating.

It is interesting, however, to reflect that the Bank of England (and quite possibly the most senior members of the Conservative party) is clearly apprehensive about the downside risks of Brexit. Since the Brexit vote, the Bank of England has reduced the Bank Rate to 0.25%, expanded quantitative easing and introduced a new funding scheme allowing banks to borrow funds from the Bank of England more cheaply. Meanwhile, Chancellor Hammond has announced the end of the previous Chancellor's objective

The valuation of the average UK listed stock remains high and consequently the number of portfolio holdings remains relatively low.

of a balanced budget. This suggests that the authorities will react quickly if UK economic conditions deteriorate (or are believed likely to deteriorate), therefore making an inflationary boom perhaps just as likely as a deflationary bust.

PORTFOLIO POSITIONING

The bank sector remains the largest sector weighting in the portfolio. All the sector constituents have bounced some distance from their lows, but valuations remain undemanding. The twin evils of regulation and fines that have worried investors in recent years appear to be easing, balance sheets are stronger, underlying profitability continues to be impressive and the potential for generous dividend payments remains.

Other significant exposures to food retailing and builder's merchants companies are highlighted elsewhere. We also have a notable exposure to general retailers through two US retailers, Best Buy and Signet Jewelers (both covered in the interim report), perennial recovery stock Marks & Spencer (also covered in the interim report) and smaller holdings in niche retailers N Brown (plus sized clothes retailer) and Games Workshop (a miniature war-gaming manufacturer and retailer).

OUTLOOK

A number of factors suggest that companies, in particular those exposed to the UK economy, will in general struggle to grow earnings over the next few years. Minimum wage increases, the ratcheting cost effects of those employees higher up the pay scale, and skill shortages will boost labour costs, the weak pound will increase costs of imported products, many rental costs are linked to inflation, other costs such as business rates are increasing and new costs such as apprenticeship taxes are being introduced. While other factors may off-set these rises, most companies have been very focussed on costs since the last recession. In fact, a number of companies may well have under-invested in their businesses over this time. One should probably not, however, be excessively bearish as the UK corporate tax rate continues to fall and, of course, companies will try and regain cost increases through inflation.

The valuation of the average UK listed stock remains high and consequently the number of portfolio holdings remains relatively low. Over the last few years, commentators have justified high equity valuations by favourable comparison with low bond yields. However, if the three decade reduction in bond yields is now over, this crutch may soon vanish.

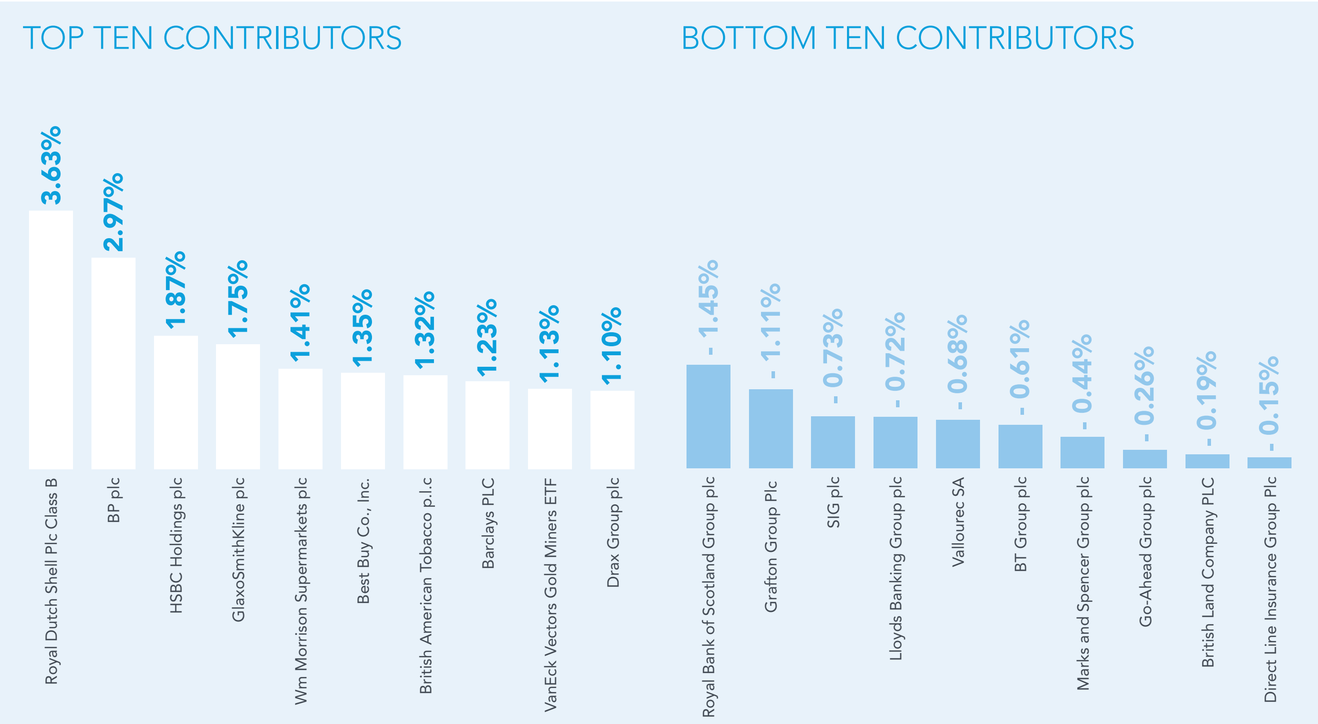
Our opportunity set – those stocks which have fallen significantly relatively to the market – has offered little excitement in recent years. It is therefore promising that there is now more to interest us. Well regarded companies such as Easyjet and Next have declining earnings for reasons at least partially beyond their control, previous high fliers such as Essentra, Mitie and Capita have significantly disappointed investors with poor profit announcements, the likes of IG Group and International Personal Finance have been hit by regulatory issues and Sports Direct and Restaurant Group have come unstuck as their growth stories have dried up and management pushed too hard to maintain profitability. All these companies have fairly straightforward business models and, therefore, we would be comfortable investing in them at the right price. So far, our patience has not been rewarded, but we are willing to wait and indeed are often happiest to act when others are most fearful. A bumpy 2017 could quite possibly allow us to seize some of these prospects.

Alastair Mundy
For Investec Fund Managers Limited

17 February 2017

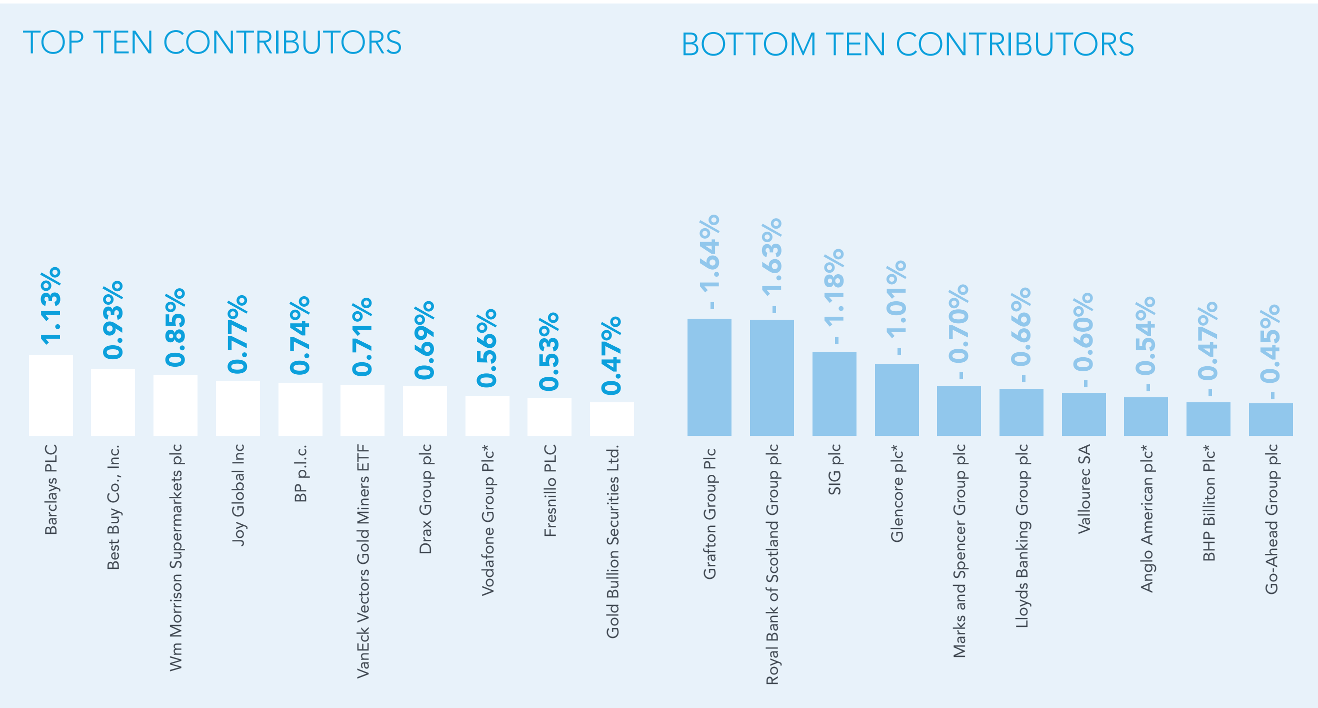
ATTRIBUTION ANALYSIS

By stocks held in the portfolio
Source: Factset



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



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.

* Not held in portfolio

OVERVIEW OF STRATEGY

The directors present the strategic report for the Company for the year ended 31 December 2016.

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 34.

INVESTMENT OBJECTIVE AND POLICY

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

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 5% of the portfolio value.

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

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

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

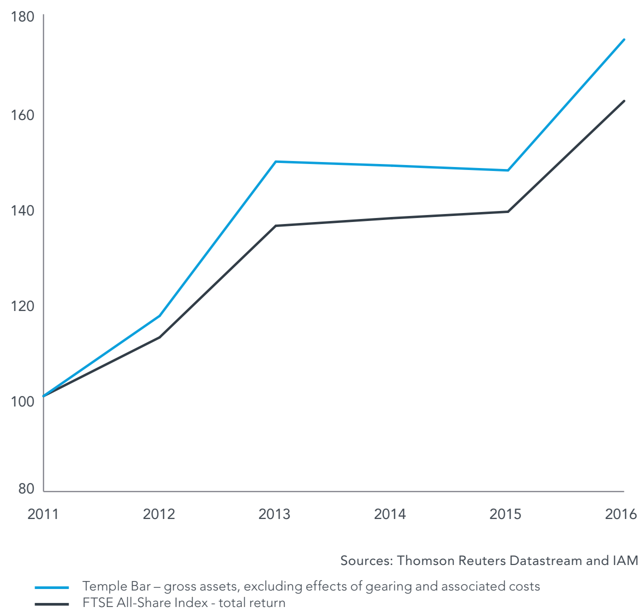
3. Fundamental valuation is the key determinant of share price performance over the long term. In other words 'cheap' stocks will outperform 'expensive' stocks.

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 2016 the net asset value total return of the Company was 20.4% compared with a total return of the Company's benchmark index of 16.8%. The effect of removing gearing from the performance calculation is shown in the following graph of investment performance over a five year period compared with the FTSE All-Share Index. The Chairman's Statement on pages 2 and 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 5 year performance



KEY PERFORMANCE INDICATORS

The principal 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:

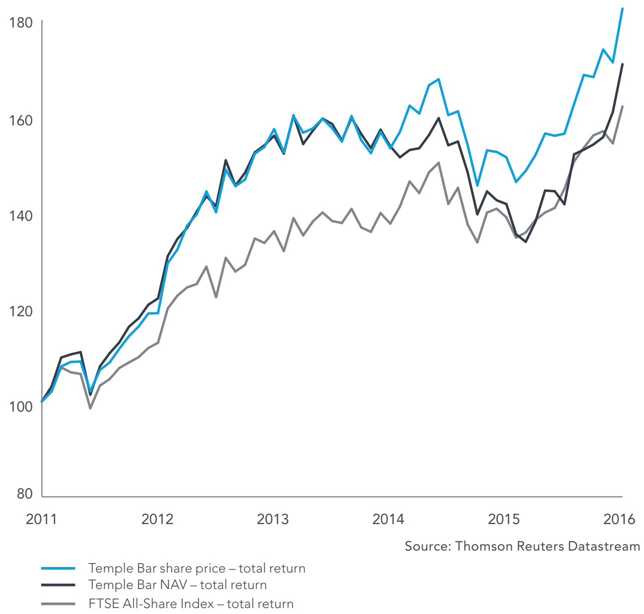
- Net asset value total return relative to the FTSE All-Share Index and to competitors within the UK Equity Income sector of investment trust companies;
- Discount/premium on net asset value;
- Earnings and dividends per share; and
- Ongoing charges.

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 20.4% compared with a total return of 16.8% by the FTSE All-Share Index. The five year net asset value total return performance is shown below.

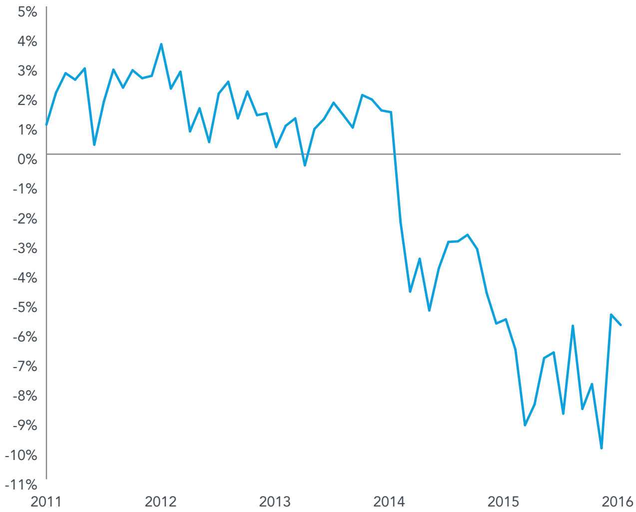
Net asset value total return



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 7.3%. This compares with an average discount of 3.7% 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 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)



Cum income NAV, debt at market value

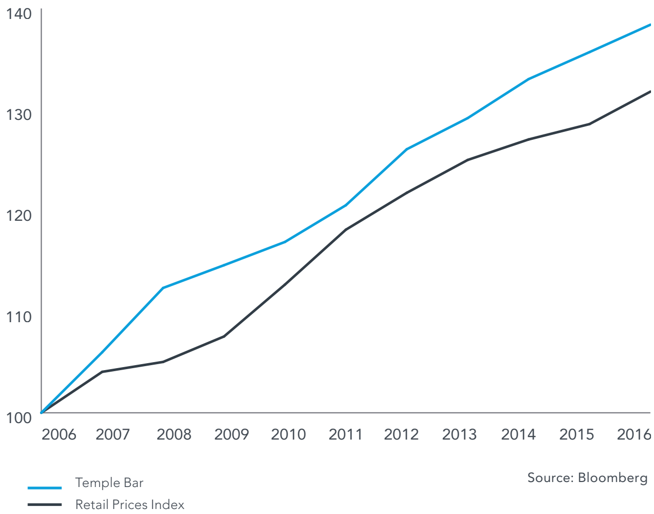
Source: Morningstar

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, subject to preserving a prudent balance in revenue reserves to facilitate a smooth dividend progression. The Manager aims to maximise total returns from the portfolio and attaches great importance to dividends in achieving total return.

The portfolio will typically provide a yield premium to the market. The final dividend recommended for the year is 16.18p per ordinary share which brings the total for the year to 40.45p per ordinary share, an increase of 2%. This will be the 33rd consecutive year in which the Company has increased the overall level of its dividend payment.

10 Year Comparative Dividend Growth



Source: Bloomberg

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 2016 were 0.51% (2015: 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 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, resulting in the Company's shares trading on a wider discount. The Board manages such risks by diversification of investments through its investment restrictions and guidelines, which are monitored and reported on by the Manager. The Manager provides the directors with regular 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 January 2016.

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 2016 the Company had distributable revenue reserves of £32.0 million before declaration of the final dividend for 2016 of £10.8 million.

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. However, market sentiment is beyond the absolute control of the Manager and the Board.

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.

Corporate governance and shareholder relations

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

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 22.

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 out over 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 on page 12. Particular scrutiny was given to the impact of a significant fall in global 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 fixed rate borrowings, notably the £25 million debenture due to expire in December 2017 and the £40 million debenture due to expire in March 2021, 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 four 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 22.

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.

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 recognises its wider stewardship responsibilities to its clients as a major asset owner. To this end, it supports the FRC Stewardship Code, which sets out the responsibilities of institutional shareholders in respect of investee companies. Under the Code, managers should:

- publicly disclose their policy on how they will discharge their stewardship responsibilities to their clients;
- disclose their policy on managing conflicts of interest;
- monitor their investee companies;
- establish clear guidelines on how they escalate engagement;
- be willing to act collectively with other investors where appropriate;
- have a clear policy on proxy voting and disclose their voting record; and
- report to clients.

The Manager endorses the Stewardship Code for its UK investments and supports the principles as best practice elsewhere. The Manager believes that regular contact with the companies in which it invests is central to its investment process and it also recognises the importance of being an 'active' owner on behalf of its clients.

The Manager believes that companies should act in a socially responsible manner. Although its priority at all times is the best economic interests of its clients, it recognises that, increasingly, non-financial issues such as social and environmental factors have the potential to impact the share price, as well as the reputation of companies. Specialists within the Manager's Environmental, Social and Governance (ESG) team work with the investment teams to appropriately integrate material ESG factors into the investment process.

The Manager's Voting Policy and Corporate Governance 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

John Reeve
Chairman
17 February 2017

PORTFOLIO OF INVESTMENTS

		INDUSTRY	PLACE OF PRIMARY LISTING	VALUATION OF HOLDING £M	% OF PORTFOLIO
1	**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	75.133	7.72%
2	**UK TREASURY 1.00% 2017** *Held in the portfolio in lieu of cash.*	Fixed Interest	UK	68.356	7.02%
3	**GLAXOSMITHKLINE** *GlaxoSmithKline is a global health care company focussing on pharmaceuticals, vaccines and consumer healthcare. After a number of years of earnings disappointment profitability seems to have stabilised. The new chief executive may investigate the possibility of breaking up the company.*	Healthcare	UK	65.428	6.72%
4	**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. The fall in the oil price has focussed management attention on cost efficiencies. The BG acquisition increased debt and has necessitated some disposals.*	Oil & Gas	UK	59.191	6.08%
5	**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. Like Shell, the Company is concentrated on operating efficiencies.*	Oil & Gas	UK	51.272	5.27%
6	**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	UK	41.333	4.25%
7	**BARCLAYS** *Barclays has significant consumer, corporate and investment banking positions, particularly focussed on the UK and the US. New management has been quick to reduce the non-core part of the business and re-build capital strength. Significant efforts are being made to improve UK profitability of investment banking.*	Financials	UK	38.402	3.95%
8	**LLOYDS BANKING GROUP** *Lloyds Banking Group operates across a wide range of UK centric banking activities including retail and commercial banking and insurance. The company still has an extensive branch network which may be reduced significantly when the government sells its shareholding.*	Financials	UK	34.772	3.57%
9	**WM MORRISON SUPERMARKETS** *Morrison's is one of the big four food retail chains in the UK. In the last few years management has concentrated the business on its large superstores and improved pricing, products and service. The company's large food manufacturing business has benefitted as the stores' performance has improved.*	Consumer Services	UK	28.454	2.92%
10	**SIG** *SIG is a specialist distributor of building products in Europe. Its three core product areas are insulation and energy management, exteriors and interiors. New management has the opportunity to improve disappointing earnings history.*	Industrials	UK	28.131	2.89%
Top Ten Investments				**£490.472**	**50.39%**

PORTFOLIO OF INVESTMENTS CONTINUED

	COMPANY	INDUSTRY	PLACE OF PRIMARY LISTING	VALUATION OF HOLDING £M	% OF PORTFOLIO
11	Royal Bank of Scotland	Financials	UK	27.682	2.84%
12	Tesco	Consumer Services	UK	24.892	2.56%
13	Marks & Spencer	Consumer Services	UK	24.565	2.52%
14	CitiGroup	Financials	USA	23.202	2.38%
15	Centrica	Utilities	UK	20.769	2.13%
16	Travis Perkins	Industrials	UK	19.476	2.00%
17	BT Group	Telecommunications	UK	19.365	1.99%
18	Drax	Utilities	UK	18.843	1.94%
19	Best Buy	Consumer Services	USA	18.540	1.91%
20	British American Tobacco	Consumer Goods	UK	18.383	1.89%
Top Twenty Investments				**706.189**	**72.55%**
21	CRH	Industrials	UK	18.015	1.85%
22	Yara International	Basic Materials	Norway	17.786	1.83%
23	Direct Line Insurance	Financials	UK	17.240	1.77%
24	ETFS Physical Silver	Financials	UK	15.864	1.63%
25	Vaneck Vectors Gold Miners	Financials	USA	15.778	1.62%
26	Go Ahead	Consumer Services	UK	15.322	1.57%
27	Imperial Brands	Consumer Goods	UK	15.169	1.56%
28	Sainsbury (J)	Consumer Services	UK	14.161	1.46%
29	Computacenter	Technology	UK	13.955	1.43%
30	Gold Bullion Securities ETF	Financials	UK	13.478	1.39%
Top Thirty Investments				**862.957**	**88.66%**
31	Qinetiq	Industrials	UK	12.476	1.28%
32	Signet Jewellers	Consumer Services	USA	11.054	1.14%
33	Green REIT	Financials	Ireland	10.109	1.04%
34	Ladbrokes Coral	Consumer Services	UK	8.078	0.83%
35	Land Securities REIT	Financials	UK	7.435	0.76%
36	Standard Chartered	Financials	UK	7.170	0.74%
37	Royal Mail	Industrials	UK	6.516	0.67%
38	International Personal Finance 5% 2021	Fixed Interest	UK	5.859	0.60%
39	Avon Products	Consumer Goods	USA	5.837	0.60%
40	Chemring	Industrials	UK	5.834	0.60%
Top Forty Investments				**943.325**	**96.92%**
41	Brown (N) Group	Consumer Services	UK	5.577	0.57%
42	Fresnillo	Basic Materials	UK	5.539	0.57%
43	British Land REIT	Financials	UK	4.356	0.45%
44	Games Workshop	Consumer Goods	UK	3.404	0.35%
45	Hammerson 6.875% 2020	Fixed Interest	UK	2.952	0.30%
46	Kingspan	Industrials	UK	2.166	0.22%
47	Future	Consumer Services	UK	1.628	0.17%
48	RSA Insurance 6.701% 2017 Variable Perpetual	Fixed Interest	UK	1.015	0.10%
49	Aviva 2020 5.9021% FRN Perpetual	Fixed Interest	UK	0.971	0.10%
50	Lloyds Banking Group – preference shares	Financials	UK	0.834	0.09%
Top Fifty Investments				**971.767**	**99.84%**
51	St. Ives	Industrials	UK	0.816	0.08%
52	Hochschild Mining	Basic Materials	UK	0.762	0.08%
53	Johnston Press	Consumer Services	UK	0.008	0.00%
Total Valuation of Portfolio				973.353	100.0%

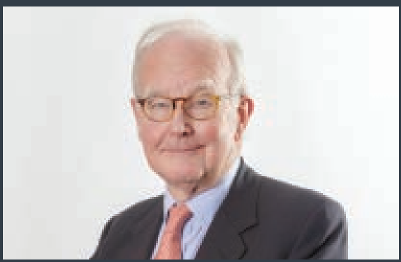
BOARD OF DIRECTORS

JOHN REEVE

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

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.



DAVID WEBSTER

David Webster was appointed a director in 2009. His career started in corporate finance at Samuel Montagu before becoming a founder and subsequently chairman of Safeway PLC from which he retired in 2004. He is currently a non-executive director of Amadeus IT Holdings SA. He has a wide range of other business interests including membership of the Appeals Committee of the Panel on Takeovers and Mergers. He was previously chairman of InterContinental Hotels Group PLC and a non-executive director of Reed Elsevier PLC.

RICHARD JEWSON*

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 Russia Limited and Tritax Big Box REIT PLC and a non-executive director of other private companies.

NICHOLAS LYONS

Nicholas Lyons was appointed a director in 2017. He worked in investment banking for 21 years, retiring in 2003 from Lehman Brothers as a Managing Director where he specialsied in advising financial institutions on mergers and acquisitions and capital raising. He is currently Senior Independent Director at Pension Insurance Corporation, Chairman of Price Forbes Holdings Limited and of Clipstone Logistics REIT plc. He was previously Chairman of Miller Insurance Services LLP and a non-executive director of Catlin Group Limited, Friends LIfe Group Limited and of other private companies.

ARTHUR COPPLE

Arthur Copple 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.

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, 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'.

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 2016.

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 £45,450 pa in respect of the provision of secretarial and administrative services, adjusted annually in line with the Retail Price Index.

IFM's performance under the contract and 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 8.09p per ordinary share were paid on 30 June 2016, 30 September 2016 and 30 December 2016 (2015: 7.93p in each case) and the directors are recommending a final dividend of 16.18p per ordinary share (2015: 15.87p), a total for the year of 40.45p (2015: 39.66p). Subject to shareholders' approval, the final dividend will be paid on 31 March 2017 to shareholders on the register on 10 March 2017.

ISAs

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

SHARE CAPITAL

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 page 44.

Voting Rights in the Company's Shares

The voting rights at 31 December 2016 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 17 February 2017, the share capital of the Company and total voting rights was 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 51. 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 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 16. Nicholas Lyons was appointed as an additional director on 23 January 2017. No other person was a director during any part of the year. Details of directors' beneficial shareholdings may be found in the Report on Directors' Remuneration on page 20.

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 2016 and 17 February 2017 the following were registered or had indicated an interest in 3% or more of the issued ordinary shares of the Company.

	%
Brewin Dolphin Ltd	8.7
Alliance Trust Savings Ltd	7.6
Speirs & Jeffrey Ltd	6.5
Investec Wealth & Investment Ltd	5.1
Equiniti Financial Services	3.8
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 27 March 2017.

ANNUAL GENERAL MEETING

The notice of the Annual General Meeting of the Company to be held on 27 March 2017 is on page 49. In addition to the ordinary business the following matters are proposed as special business.

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 17 February 2017).

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, 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. 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. 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 126,159 ordinary shares.

By order of the Board of Directors

John Reeve
Chairman
17 February 2017

REPORT ON DIRECTORS' REMUNERATION

The Board presents the report on directors' remuneration for the year ended 31 December 2016 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 implementation report, which is subject to an annual advisory vote. The remuneration policy was last approved at the AGM held on 24 March 2014 and is therefore required to be re-submitted to shareholders for approval. 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 28.

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. These data, together with consideration of any alteration in non-executive directors' responsibilities, are used to review whether any change in remuneration is necessary. No other external advice is taken in considering such fees.

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' pay 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 pay, the Board will consider 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 IMPLEMENTATION REPORT

A single figure for the total remuneration of each director is set out in the table below for the year ended 31 December 2016. These fees exclude employers' national insurance contributions and VAT where applicable:

	Total amount of fees[1]	
	2016	2015
John Reeve	33,400	33,400
Arthur Copple	22,600	22,600
June de Moller	22,600	22,600
Richard Jewson	25,500	25,500
Martin Riley	–	5,650
Lesley Sherratt	22,600	16,950
David Webster	22,600	22,600
Total	149,300	149,300

1 Other columns have been omitted as no payments of any other type were made.

The information in the above table has been audited. 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.

Directors' shareholdings

The directors' shareholdings are detailed below:

	31 December 2016	1 January 2016
John Reeve	60,959	57,613
Arthur Copple	32,643	27,924
June de Moller	10,231	9,305
Richard Jewson	10,275	9,760
Lesley Sherratt	7,500	–
David Webster	4,279	4,151

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

On 4 January 2017 Mr Reeve acquired an additional 386 ordinary shares as a result of a dividend reinvestment. On 11 January 2017 and 10 February 2017 Mr Reeve acquired a further 78 and 78 ordinary shares respectively in the Company through his regular monthly saving in an ISA. On 4 January 2017 and 6 February 2017, Mr Jewson acquired a further 20 and 19 ordinary shares respectively in the Company through his regular monthly savings in Temple Bar. On 19 January 2017 and 9 February 2017 respectively, Mrs de Moller acquired a further 39 and 38 ordinary shares in the Company through a regular monthly saving programme. No other changes in the interests shown above occurred between 31 December 2017 and 17 February 2017.

The portfolio manager also holds 58,255 ordinary shares in the Company.

Statement of Voting at General Meeting

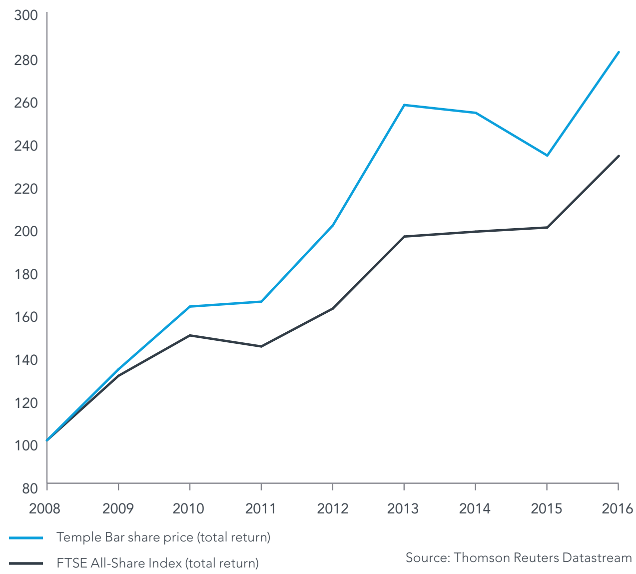
At the Company's last AGM held on 30 March 2016 shareholders approved the Directors' Remuneration Report in respect of the year ended 31 December 2015. 99.4% of proxy votes were in favour of the resolution, 0.6% were against and 52,686 votes were withheld.

At the AGM held on 24 March 2014, a resolution for the approval of the Remuneration Policy, as set out in the future policy table above, was approved by 99.1% of proxy votes, 0.4% were against and 0.5% 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 an eight year period is shown below.

Share price total return



Annual statement

The Board confirms that the above Remuneration Implementation Report in respect of the year ended 31 December 2016 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

John Reeve
Chairman
17 February 2017

CORPORATE GOVERNANCE

THE AIC CODE OF CORPORATE GOVERNANCE

Corporate Governance is the process by which the board of directors of a company looks after 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') in September 2014. 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 CEO, 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 2015, 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 Corporate Governance 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 Corporate Governance Code), except as set out below. The UK Corporate Governance 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. The Company has therefore not reported further in respect of these provisions.

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 and 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 content and presentation of Board papers circulated before each meeting contain sufficient information on 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 16. Nicholas Lyons was appointed as a director on 23 January 2017. There were seven Board meetings, two audit committee meetings and two nomination committee meetings held during the year and the attendance by the directors was as follows:

	Number of meetings attended		
	Board	Audit Committee	Nomination Committee
John Reeve	7	2	2
Arthur Copple	7	2	2
June de Moller	5	2	1
Richard Jewson	6	1	2
Lesley Sherratt	6	2	2
David Webster	7	2	2

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 25. The Board is satisfied that members of the audit committee have relevant and recent financial experience to fulfil their role effectively. 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 Mr 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 Reeve.

After the year end the Board appointed Nick Lyons as an additional director. The process leading up to this appointment involved the identification and interview of potential candidates put forward by an external agency alongside the evaluation of various other candidates either known personally to or recommended by individual board members. Following an extensive review process it was decided to proceed with the appointment of Nick Lyons, as the candidate best qualified to complement the existing balance of skills and experience on the board. He will stand for election at the AGM alongside all other board members proposed for re-election in accordance with our policy.

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. Three of the seven directors (Mr Reeve, Mr 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. Mr 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 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. Typically, the Board seeks to ensure that there is a suitable balance between directors with industrial/commercial and traditional 'City' backgrounds. 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 external independent 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.

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 reports 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 their 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 willing 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 meets on seven scheduled occasions in each year and at each meeting receives sufficient financial and statistical information to enable it to monitor adequately the investment performance and status of the business. In addition, financial information is circulated to the directors on a monthly basis.

The Board has also established a series of investment parameters, which are reviewed annually, designed to limit the risk inherent in managing a portfolio of investments. The 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

John Reeve
Chairman
17 February 2017

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 2016.

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 Mr 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. 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 key 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 and also explains how these were addressed by the Committee.

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. 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.
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.
Compliance with Sections 1158 and 1159 of the Corporation Tax Act 2010	Ongoing compliance with the eligibility criteria is monitored on a regular basis by the board.
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, and 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 audit rotation took place in 2012. 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 will be a grace period of nine years after the enactment of the EU legislation. Accordingly, based upon the new legislation, Ernst & Young will not be able to act as auditor to the Company after June 2023 so the last financial year that they could serve as auditor would end on 31 December 2022. The Committee has not decided when to put the audit out to tender but will keep this matter under review. 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 Board 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 involved 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.

The effectiveness of the Board and the Manager in the external audit process is assessed principally in relation to the timely identification and resolution of any process errors or control breaches that might impact the Company's NAVs and accounting records. It is also assessed by reference to how successfully any issues in respect of areas of accounting judgement are identified and resolved, the quality and timeliness of papers analysing these judgements, the Board and the Manager's approach to the value of independent audit, the booking of any audit adjustments arising and the timely provision of draft public documents, for review by the auditor and the Committee.

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 their 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 2016, 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 27.

Richard Jewson
Chairman
Audit Committee
17 February 2017

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 25 and 26. As a result, the Board has concluded that the Annual Report for the year ended 31 December 2016, 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

John Reeve
Chairman
17 February 2017

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF TEMPLE BAR INVESTMENT TRUST PLC

Our opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

We have audited the financial statements of Temple Bar Investment Trust plc for the year ended 31 December 2016 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. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Overview of our audit approach

Risks of material misstatement	• Incomplete or inaccurate revenue recognition.
	• Incorrect valuation and existence of the investment portfolio.
Materiality	• £8.8m which represents 1% of total net assets.

Our assessment of risk of material misstatement

We identified the risks of material misstatement described below as those that had the greatest effect on our overall audit strategy, the allocation of resources in the audit and the direction of the efforts of the audit team. In addressing these risks, we have performed the procedures below which were designed in the context of the financial statements as a whole and, consequently, we do not express any opinion on these individual areas.

Risk	Our response to the risk	What we concluded to the Audit Committee
Incomplete or Inaccurate revenue recognition *(as described on page 25 in the Report of the Audit Committee and as per the accounting policy set out on page 38)* As can be seen in note 4 in the notes to the financial statements, the Company has reported investment income of £34 million (2015: £31 million). This includes special dividends of £2.7m (2015: £4.6m). For special dividends the Company determines whether amounts should be credited to the revenue or capital columns of the income statement based on the underlying substance of the transaction. We focus on the recognition of revenue and its presentation in the financial statements because revenue return is a key area of focus for shareholders.	**We performed the following procedures:** Obtained an understanding of processes and controls for the recognition of investment income at Investec Fund Managers Ltd ("Investec" or "the Manager") and State Street Global Services ("State Street" or the "Administrator") by performing walkthrough procedures, reviewing the Administrator's and the Manager's internal control reports and discussing with the Manager the governance structure and protocols for oversight of investment income recognition. Agreed a sample of dividends received from the underlying financial records to an independent pricing source and to bank statements as supporting documentation. Tested all accrued dividends at the period end for occurrence and measurement. To test the risks of management override within investment income we tested all material special dividends received during the period and assessed the appropriateness of the accounting treatment adopted. Performed a review of revenue related journal entries focusing in particular on manual journals, journals posted around the year end date and raised in the processing and recording of special dividends.	The results of our procedures identified no issues with the accuracy or completeness of income receipts. We concurred with the accounting treatment adopted for material special dividends. Based on the work performed, we had no matters to report.

Risk	Our response to the risk	What we concluded to the Audit Committee
Incorrect valuation and existence of the investment portfolio *(as described on page 25 in the Report of the Audit Committee and as per the accounting policy set out on page 39)* The investment portfolio at the year-end comprised listed securities of £973m (2015: £856m). The valuation of the assets held in the investment portfolio is the key driver of the Company's net asset value and investment return. Incorrect valuation and existence of assets by the Company could have a significant impact on portfolio valuation and, therefore, the return generated for shareholders.	**We performed the following procedures:** Obtained an understanding of the Administrator and the Manager's processes and controls for the valuation of investments by performing walkthrough procedures, reviewing the Administrator's and the Manager's internal control reports and discussing with the Manager the governance structure and protocols for oversight of investment valuations. We agreed all investment holding prices to a relevant independent source. We have agreed the exchange rates used to translate the year end valuation of non-sterling investments to external sources. We recalculated the value of investments in foreign currencies to verify the accuracy of the corresponding sterling balances. We agreed all investment holdings in the portfolio to third party confirmations received from the Custodian and the Depositary.	The results of our procedures identified no material error in the valuation or existence of the investment portfolio assets. Based on the work performed, we had no matters to report.

The scope of our audit

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the Company. Taken together, this enables us to form an opinion on the financial statements. We take into account size, risk profile, the organisation and effectiveness of controls, changes in the business environment and other factors such as recent Service Organisation Control ('SOC') reporting 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 £8.8m million (2015: £7.6 million), which is 1% (2015: 1%) of total net assets. We believe that total net assets is the most important financial metric on which shareholders judge the performance of the Company.

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% (2015: 75%) of our planning materiality, namely £6.6m (2015: £5.7m). We have set performance materiality at this percentage due to our past experience of the audit that indicates a lower risk of misstatements, both corrected and uncorrected.

Given the importance of the distinction between revenue and capital for the Company we also applied a separate testing threshold of £1.5m (2015: £1.3m) for the revenue column of the income statement, being 5% of the revenue profit before taxation.

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 £440k (2015: £380k), 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.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 27, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Report on Directors' Remuneration to be audited has been properly prepared in accordance with the Companies Act 2006; and
- based on the work undertaken in the course of the audit:
  - the information given in the Strategic Report and the Report of Directors for the financial year for which the financial statements are prepared is consistent with the financial statements;
  - the Strategic Report and the Report of Directors have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

ISAs (UK and Ireland) reporting	We are required to report to you if, in our opinion, financial and non-financial information in the annual report is: • materially inconsistent with the information in the audited financial statements; or • apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Company acquired in the course of performing our audit; or • otherwise misleading. In particular, we are required to report whether we have identified any inconsistencies between our knowledge acquired in the course of performing the audit and the directors' statement that they consider the annual report and accounts taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the entity's performance, business model and strategy, and whether the annual report appropriately addresses those matters that we communicated to the audit committee that we consider should have been disclosed.	We have no exceptions to report.
Companies Act 2006 reporting	In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified no material misstatements in the Strategic Report or Report of Directors. We are required 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 Report of Directors' Remuneration 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.	We have no exceptions to report.
Listing Rules review requirements	We are required to review: • the directors' statement in relation to going concern, set out on page 17, and longer-term viability, set out on page 12; and • the part of the Corporate Governance Report relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review	We have no exceptions to report.

Statement on the Directors' Assessment of the Principal Risks that Would Threaten the Solvency or Liquidity of the Entity

ISAs (UK and Ireland) reporting	We are required to give a statement as to whether we have anything material to add or to draw attention to in relation to: • the directors' confirmation 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 disclosures in the annual report that describe those risks and explain how they are being managed or mitigated; • the directors' statement in the financial statements 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; and • the directors' explanation 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.	We have nothing material to add or to draw attention to.

Ashley Coups (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London

February 2017

FINANCIAL REPORT

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2016

		2016			2015		
	Notes	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
Investment Income	4	34,069	–	34,069	31,243	–	31,243
Other operating income	4	5	–	5	10	–	10
		34,074	–	34,074	31,253	–	31,253
Profit/(losses) on investments							
Profit/(losses) on investments held at fair value through profit or loss	12(b)	–	128,792	128,792	–	(31,615)	(31,615)
Total income		34,074	128,792	162,866	31,253	(31,615)	(362)
Expenses							
Management fees	6	(1,380)	(1,990)	(3,370)	(1,374)	(1,980)	(3,354)
Other expenses	7	(633)	(1,039)	(1,672)	(581)	(1,282)	(1,863)
Profit/(loss) before finance costs and tax		32,061	125,763	157,824	29,298	(34,877)	(5,579)
Finance costs	8	(2,645)	(4,012)	(6,657)	(2,635)	(4,000)	(6,635)
Profit/(loss) before tax		29,416	121,751	151,167	26,663	(38,877)	(12,214)
Tax	9	(163)	–	(163)	–	–	–
Profit/(loss) for the year		29,253	121,751	151,004	26,663	(38,877)	(12,214)
Earnings per share (basic and diluted)	11	43.74p	182.06p	225.80p	39.87p	(58.14p)	(18.27p)

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 net profit for the year. Accordingly, the net profit for the year is also the Total Comprehensive Income for the Year, as defined in IAS1 (revised).

The notes on pages 38 to 48 form an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	Ordinary share capital £000	Share premium account £000	Capital reserves £000	Retained earnings £000	Total equity £000
Balance at 1 January 2015		16,719	96,040	652,304	34,381	799,444
Unclaimed dividends		–	–	–	35	35
(Loss)/profit for the year		–	–	(38,877)	26,663	(12,214)
Dividends paid to equity shareholders	10	–	–	–	(31,510)	(31,510)
Balance at 31 December 2015		16,719	96,040	613,427	29,569	755,755
Unclaimed dividends		–	–	–	24	24
Profit for the year		–	–	121,751	29,253	151,004
Dividends paid to equity shareholders	10	–	–	–	(26,843)	(26,843)
Balance at 31 December 2016		16,719	96,040	735,178	32,003	879,940

As at 31 December 2016 the Company had distributable revenue reserves of £32,003,000 (2015: £29,569,000) and distributable realised capital reserves of £596,215,000 (2015: £573,113,000) for the payment of future dividends. The only distributable reserves are the retained earnings and realised capital reserves.

The notes on pages 38 to 48 form an integral part of the financial statements.

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

	Notes	31 December 2016 £000	31 December 2016 £000	31 December 2015 £000	31 December 2015 £000
Non-current assets					
Investments held at fair value through profit or loss	12		973,353		855,625
Current assets					
Receivables	13	4,266		2,722	
Cash and cash equivalents		17,340		12,262	
			21,606		14,984
Total assets			994,959		870,609
Current liabilities					
Interest bearing borrowings	14		(25,000)		–
Payables	14		(1,169)		(1,074)
Total assets less current liabilities			968,790		869,535
Non-current liabilities					
Interest bearing borrowings	15		(88,850)		(113,780)
Net assets			879,940		755,755
Equity attributable to equity holders					
Ordinary share capital	16	16,719		16,719	
Share premium	17	96,040		96,040	
Capital reserves	18	735,178		613,427	
Retained earnings		32,003		29,569	
Total equity			879,940		755,755
Net asset value per share	20		1,315.84p		1,130.14p

The notes on pages 38 to 48 form an integral part of the financial statements.

The financial statements on pages 34 to 48 were approved by the board of directors and authorised for issue on 17 February 2017. They were signed on its behalf by:

J Reeve
Chairman

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016 £000	2016 £000	2015 £000	2015 £000
Cash flows from operating activities					
Profit/(loss) before tax			151,167		(12,214)
Adjustments for:					
(Gains)/losses on investments	12(b)	(128,792)		31,615	
Finance costs	8	6,657		6,635	
Purchases of investments[1]	12(a)	(335,164)		(360,358)	
Sales of investments[1]	12(a)	346,228		346,899	
Dividend income	4	(32,841)		(29,919)	
Interest income	4	(1,233)		(1,334)	
Dividend received		32,078		30,662	
Interest received		1,683		1,344	
Decrease in receivables		(1,231)		(218)	
Increase in payables		95		10	
Overseas withholding tax suffered	9	(163)		–	
			(112,683)		25,335
Net cash flows from operating activities			**38,484**		**13,121**
Cash flows from financing activities					
Issue costs relating to 4.05% Private Placement Loan			–		(24)
Unclaimed dividends			24		35
Interest paid on borrowings			(6,587)		(6,585)
Equity dividends paid	10		(26,843)		(31,510)
Net cash used in financing activities			(33,406)		(38,084)
Net increase/(decrease) in cash and cash equivalents			5,078		(24,963)
Cash and cash equivalents at the start of the year			12,262		37,225
Cash and cash equivalents at the end of the year			17,340		12,262

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 38 to 48 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 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 gain in the Statement of Comprehensive Income.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

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 a party to the contractual provisions of the instrument. The Company shall offset financial assets and financial liabilities if it has a legally enforceable right to set off the recognised amounts and interests and intends to settle on a net basis. Financial assets and liabilities are derecognised when the Company settles its obligations relating to the instrument.

Receivables

Receivables do not carry any interest, are short term in nature and are accordingly stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

Investments

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

After initial recognition, investments 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.

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 stocks and loan 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 is determined by reference to quoted market mid prices at close of business on the year-end date.

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.

Finance costs

Interest payable on the debenture stocks and loan 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, net of any incremental corporation tax relief.

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 significant judgements, estimates or assumptions for the current or preceding financial year.

3 ADOPTION OF NEW AND REVISED STANDARDS

At the date of authorisation of these financial statements, the following Standards and Interpretations, which have not been applied in these financial statements, were in issue but were not yet effective (and in some cases had not yet been adopted by the European Union):

IAS 1 Amendment Discloure Initiative
IAS 7 Amendment Discloure Initiative
IAS 12 Amendment Recognition of Deferred Tax Assets for Unrealised Losses
IAS 34 Amendment (AI 2013-14) Disclosure of information 'elsewhere in the interim report'
IFRS 9 Financial Instruments
IFRS 15 Revenue from Contracts with Customers
IFRS 15 Amendment – Clarification

The Company does not believe that there will be a material impact on the financial statements from the adoption of these standards/interpretations.

4 INCOME

	2016 £000	2015 £000
Income from investments		
UK dividends	30,634	27,212
UK REITs	525	749
Overseas dividends	1,682	1,958
Interest from fixed interest securities	1,228	1,324
	34,069	31,243
Other income		
Deposit interest	5	10
Total income	34,074	31,253
Investment income comprises:		
Listed investments	34,069	31,243
	34,069	31,243

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

	2016			2015		
	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
Investment management fee	1,326	1,990	3,316	1,320	1,980	3,300
Secretarial fee	54	–	54	54	–	54
	1,380	1,990	3,370	1,374	1,980	3,354

As at 31 December 2016 an amount of £870,483 (2015: £761,789) was payable to the Manager in relation to management fees for the quarter ended 31 December 2016.

Details of the terms of the investment management agreement are provided on page 17.

7 OTHER EXPENSES

	2016			2015		
	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
Transaction costs on fair value through profit or loss assets[1]	–	1,039	1,039	–	1,282	1,282
Directors' fees (see Report on Directors Remuneration on page 20)	163	–	163	160	–	160
Registrar's fees	125	–	125	111	–	111
AIC membership costs	21	–	21	21	–	21
Marketing costs	25	–	25	29	–	29
Printing & postage	37	–	37	35	–	35
Directors' liability insurance	15	–	15	14	–	14
Auditor's remuneration – annual audit[2]	31	–	31	30	–	30
– non audit fee	3	–	3	2	–	2
Stock exchange fees	22	–	22	24	–	24
FCA fee	20	–	20	22	–	22
Depositary fee	95	–	95	87	–	87
Safe custody fees	11	–	11	15	–	15
Other expenses	65	–	65	31	–	31
	633	1,039	1,672	581	1,282	1,863

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 £898,478 (2015: £1,147,897) and on sales amounted to £140,080 (2015: £134,285).

2 During the year there were audit fees of £25,000 (2015: £25,000) (excluding VAT) paid to the Auditor.

All expenses are inclusive of VAT where applicable.

8 FINANCE COSTS

	2016			2015		
	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
Interest on borrowings						
9.875% debenture stock 2017	990	1,486	2,476	988	1,481	2,469
5.5% debenture stock 2021	838	1,276	2,114	836	1,272	2,108
4.05% Private placement loan 2028[1]	812	1,250	2,062	810	1,247	2,057
	2,640	4,012	6,652	2,634	4,000	6,634
Bank interest payable	5	–	5	1	–	1
Total finance costs	2,645	4,012	6,657	2,635	4,000	6,635

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

1 The 4.05% Private Placement Loan contains 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 (2015: nil).

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

	2016			2015		
	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
Profit/(loss) before taxation	29,416	121,751	151,167	26,663	(38,877)	(12,214)
Tax at UK corporation tax rate of 20.00% (2015:20.25%)	5,883	24,350	30,233	5,430	(7,871)	(2,441)
Tax effects of:						
Non-taxable gains on investments	–	(25,758)	(25,758)	–	6,401	6,401
Disallowed expenses	–	208	208	–	259	259
Non-taxable UK dividends[1]	(6,145)	–	(6,145)	(5,521)	–	(5,521)
Overseas withholding tax suffered	163	–	163	–	–	–
Non-taxable overseas dividends[1]	(316)	–	(316)	(454)	–	(454)
Increase in excess management expenses in the year[2]	578	1,200	1,778	545	1,211	1,756
Total tax charge for the year	163	–	163	–	–	–

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

2 The Company has not recognised a deferred tax asset of £14,013,219 (2015: £13,225,300) based on an effective tax rate of 20.0% (2015: 20.0%) 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

	2016 £000	2015 £000
Amounts recognised as distributions to equity holders in the year		
Final dividend for the year ended 31 December 2015 of 15.87p (2014: 23.33p) per share	10,613	15,601
Interim dividends (three) for the year ended 31 December 2016 of 8.09p (2015: three payments of 7.93p) per share	16,230	15,909
	26,843	31,510
Proposed final dividend for the year ended 31 December 2016 of 16.18p (2015: 15.87p) per share	10,820	10,613

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.

	2016 £000	2015 £000
Interim dividends (three) for the year ended 31 December 2016 of 8.09p (2015: three payments of 7.93p) per share	16,230	15,909
Proposed final dividend for the year ended 31 December 2016 of 16.18p (2015: 15.87p) per share	10,820	10,613
	27,050	26,522

11 EARNINGS PER SHARE

	2016			2015		
	Revenue pence	Capital pence	Total pence	Revenue pence	Capital pence	Total pence
Earnings per ordinary share	43.74p	182.06p	225.80p	39.87p	(58.14p)	(18.27p)

The calculation of the above is based on revenue returns of £29,253,000 (2015: £26,663,000), capital returns of £121,751,000 (2015: (£38,877,000)) and total returns of £151,004,000 (2015: (£12,214,000)) and a weighted average number of ordinary shares of 66,872,765 (2015: 66,872,765).

12 INVESTMENTS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS

	2016 £000	2015 £000
(a) Movements in the year		
Opening cost at 1 January	815,311	743,492
Investment holding gains at 1 January	40,314	130,289
Opening fair value	855,625	873,781
Purchases at cost	335,164	360,358
Sales – proceeds	(346,228)	(346,899)
– realised gains on sales	30,143	58,358
Increase/(decrease) in investment holding gains	98,649	(89,973)
Closing fair value at 31 December	973,353	855,625
Closing cost at 31 December	834,390	815,311
Investment holding gains at 31 December	138,963	40,314
	973,353	855,625
(b) Gains/(losses) on investments		
Gains on sales of investments based on historical book cost	30,143	58,358
Revaluation gains recognised in previous years	(16,337)	(99,255)
Gains/(losses) on investments sold in the year based on carrying value at previous statement of financial position date	13,806	(40,897)
Increase/(decrease) in investment holding gains	114,986	9,282
	128,792	(31,615)

All investments are listed.

(c) Fair value of financial instruments

FRS 102 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 – quoted prices in active markets for identical investments.
- Level 2 – other significant observable inputs (including quoted prices for similar investments, interest rates, prepayments, credit risk, etc). There are no level 2 financial assets (2015: £nil).
- Level 3 – significant unobservable inputs (including the Company's own assumptions in determining the fair value of investments). There are no level 3 financial assets (2015: £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 £973,353,000 (2015: £855,625,000) has therefore been determined as Level 1.

Please refer to Note 22 on page 46 for the disclosure and fair value categorisation of the financial liabilities.

13 RECEIVABLES

	2016 £000	2015 £000
Accrued income	2,757	2,437
Other receivables	1,509	285
	4,266	2,722

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	2016 £000	2015 £000
Accruals	1,169	1,074
	1,169	1,074

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.

Interest bearing borrowings	2016 £000	2015 £000
9 7/8% Debenture stock 2017	25,000	–
	25,000	–

15 NON-CURRENT LIABILITIES

Interest bearing borrowings	2016 £000	2015 £000
Amounts payable after more than one year:		
9 7/8% Debenture stock 2017	–	25,000
5.5% Debenture stock 2021	38,535	38,491
4.05% Private placement loan 2028	50,315	50,289
	88,850	113,780

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

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

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.

16 ORDINARY SHARE CAPITAL

	2016 Number	2015 Number	2016 £000	2015 £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 2016 (2015: Nil)

17 SHARE PREMIUM

	2016 £000	2015 £000
Balance at 1 January 2016	96,040	96,040
Premium arising on issue of new shares	–	–
Balance at 31 December 2016	96,040	96,040

18 CAPITAL RESERVES

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

	2016 £000	2015 £000
Capital reserves – realised	596,215	573,113
Capital reserves – unrealised	138,963	40,314
	735,178	613,427

19 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

As at 31 December 2016 there were no contingent liabilities or capital commitments for the Company (2015: £nil).

20 NET ASSET VALUES

	Net asset value per ordinary share Pence	Net assets attributable £000
Ordinary shares of 25p each	1,315.84p	879,940

The net asset value per ordinary share is based on net assets at the year-end of £879,940,000 (2015: £755,755,000) and on 66,872,765 (2015: 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 20. 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 2016 there was £40,797 (2015: £40,797) 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 17.

22 RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

The Company's investing activities undertaken in pursuit of its investment objective, as set out on page 9, 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. These policies have remained substantially unchanged during the current and preceding periods.

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 Board meets on seven scheduled occasions in each year and at each meeting it receives sufficient financial and statistical information to enable it to monitor adequately the investment performance and status of the business. In addition, financial information is circulated to the directors on a monthly basis. The Board has also established a series of investment parameters, which are reviewed annually, designed to limit the risk inherent in managing a portfolio of investments. The Company's borrowings have the effect of increasing the 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 two debenture stocks in issue and the Private Placement Loan, 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 14 to 15.

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 at fair value based on the exchange rates ruling at the respective year-ends. They are not representative of the currency exposures during the year as a whole.

	31 December 2016					
	Investments £000	Cash £000	Receivables £000	Payables £000	Non-current liabilities £000	Total £000
Euro	18,134	–	328	–	–	18,462
US Dollar	103,753	1	–	–	–	103,754
NOK	17,786	1	–	–	–	17,787
Pounds Sterling	833,680	17,338	3,938	(1,169)	(113,850)	739,937
	973,353	17,340	4,266	(1,169)	(113,850)	879,940

	31 December 2015					
	Investments £000	Cash £000	Receivables £000	Payables £000	Non-current liabilities £000	Total £000
Euro	49,631	236	124	–	–	49,991
US Dollar	55,003	–	1,102	–	–	56,105
Pounds Sterling	750,991	12,026	1,496	(1,074)	(113,780)	649,659
	855,625	12,262	2,722	(1,074)	(113,780)	755,755

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 in Euro, NOK and US Dollar. The analysis below assumes that the Euro, NOK and US Dollar exchange rates may move +/-2% against Pounds Sterling.

	£000	£000
Projected movement	+2%	-2%
Effect on net assets for the year	2,800	(2,800)
Effect on capital return	2,793	(2,793)

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 £79,153,000, representing 9% of net assets of £879,940,000 (2015: £78,118,000; 10.34%). The weighted average running yield as at 31 December 2016 was 1.6% (2015: 4.9%) and the weighted average remaining life was 1.9 years (2015: 2.0 years). The Company's cash balance of £17,340,000 (2015: £12,262,000) 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 £86,700 (2015: £61,309). 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 £86,700 (2015: negative £61,309). The calculations are based on the cash balances at the respective balance sheet dates and are not representative of the year as a whole.

Financial liabilities – Interest rate risk

All of the Company's financial liabilities of £115,019,000 (2015: £114,854,000) are denominated in Pounds Sterling. All current liabilities have no interest rate and are repayable within one year. The 9.875% debenture stock, the 5.5% debenture stock and the 4.05% Private Placement Loan, which are repayable in 2017, 2021 and 2028 respectively, pay interest at fixed rates. The weighted average period until maturity of the loans is 7 years (2015: 8 years) and the weighted average interest rate payable is 6.0% (2015: 6.0%) p.a.

Other price risk exposure

If the investment valuation fell by 10% at 31 December 2016, the impact on profit or loss and net assets would have been negative £97.3 million (2015: negative £85.6 million). If the investment portfolio valuation rose by 10% at 31 December 2016, the impact on profit or loss and net assets would have been positive £97.3 million (2015: positive £85.6 million). The calculations are based on the portfolio valuations as at the respective year-end dates and are not representative of the year as a whole.

The Company held the following categories of financial instruments, all of which are included in the 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 2016. The valuation techniques are explained in the Principal Accounting Policies note.

	2016		2015	
	Book value £000	Fair value £000	Book value £000	Fair value £000
Assets at fair value through profit or loss	973,353	973,353	855,625	855,625
Cash	17,340	17,340	12,262	12,262
Loans and receivables				
Investment income receivable	2,757	2,757	2,437	2,437
Other receivables	1,509	1,509	285	285
Payables	(1,169)	(1,169)	(1,074)	(1,074)
Interest bearing borrowings:				
9.875% Debenture Stock[1]	(25,000)	(27,500)	(25,000)	(28,568)
5.5% Debenture Stock[2]	(38,535)	(43,431)	(38,491)	(43,010)
4.05% Private Placement Loan[3]	(50,315)	(54,843)	(50,289)	(52,018)
	879,940	868,016	755,755	745,939

1 Effective interest rate is 9.875%
2 Effective interest rate is 5.583%
3 Effective interest rate is 4.133%

The 9.875% Debenture Stock 2017 and the 5.5% Debenture Stock 2021 are classified as Level 1 instruments (2015: Level 1).

The 4.05% Private Placement Loan 2028 is classified as a Level 2 instrument (2015: 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:

	2016				2015			
	Three months or less £000	Not more than one year £000	More than one year £000	Total £000	Three months or less £000	Not more than one year £000	More than one year £000	Total £000
Creditors: amounts falling due after more than one year								
Debenture stocks and Loan	2,058	29,526	117,590	149,174	2,058	6,584	155,759	164,401
Creditors: amounts falling due within one year								
Accruals and deferred income	870	299	–	1,169	766	308	–	1,074
	2,928	59,351	117,590	150,343	2,824	6,892	155,759	165,475

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 debentures and fixed term loan (see note 15) at a total of £993,790,000 (2015: £869,535,000).

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 deeds have various covenants that prescribe that moneys borrowed should not exceed the adjusted total capital and reserves as defined in the debenture trust deeds. The Note Purchase Agreement governing the terms of the Private Placement Loan also contains 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.

OTHER INFORMATION

Securities Financing and Total Return Swap Disclosure
During the year the Company did not engage in securities lending or any total return swaps.

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 54) and the numerical remuneration disclosures in respect of the AIFM's first relevant reporting period (year ended 31 March 2016) 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 2016 are shown below:

Leverage Exposure	Gross method	Commitment method
Maximum limit	250%	200%
Actual	115%	117%

Remuneration
Remuneration paid for 2016 to all staff employed by the AIFM, split into fixed and variable remuneration paid

IFML does not directly employ staff.

Aggregate remuneration paid for 2016 to senior management and members of staff whose actions have a material impact on the risk profile of IFM

	Senior Management	Other members of staff with material impact
Fixed Remuneration	£15,940	£2,736
Variable Remuneration	£132,839	£837
Number of Staff	7	2

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 91st Annual General Meeting of Temple Bar Investment Trust PLC will be held at 11.00am on Monday 27 March 2017 at 2 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 2016 (together with the reports of the directors and auditor thereon).
2. To approve the report on directors' remuneration for the year ended 31 December 2016.
3. To approve the Company's remuneration policy.
4. To declare a final dividend of 16.18p per ordinary share.
5. To re-elect Mr A T Copple as a director of the Company.
6. To re-elect Mrs J F de Moller as a director of the Company.
7. To re-elect Mr R W Jewson as a director of the Company.
8. To re-elect Mr J Reeve as a director of the Company.
9. To re-elect Dr L R Sherratt as a director of the Company.
10. To re-elect Mr D G C Webster as a director of the Company.
11. To elect Mr N S L Lyons as a director of the Company.
12. 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:

13. 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 17 February 2017 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 2018 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:

14. That, in substitution of all existing powers but, subject to the passing of resolution 13 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 17 February 2017 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 13 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.

15. 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 2018, or, if earlier, the date falling fifteen months from the date of this resolution;

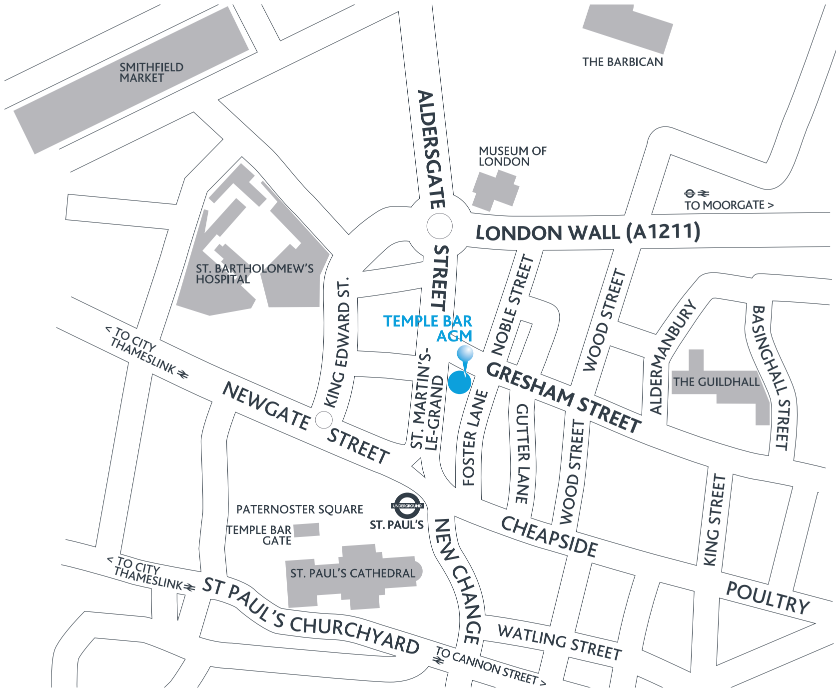
    (v) the Company may make a contract to purchase its own ordinary shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority, and may make a purchase of its own shares in pursuance of any such contract.

By order of the Board of Directors

M K Slade
For Investec Asset Management Limited
Secretary

Woolgate Exchange
25 Basinghall Street
London EC2V 5HA

17 February 2017



SHOWN IS A PLAN OF THE LOCATION OF INVESTEC ASSET MANAGEMENT LIMITED, 2 GRESHAM STREET, LONDON EC2V 7QP WHERE THE ANNUAL GENERAL MEETING WILL BE HELD ON MONDAY 27 MARCH 2017 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 23 March 2017 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 23 March 2017. 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 11am on 23 March 2017.

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 2016; or (ii) any circumstance connected with an auditor of the Company appointed for the financial year 1 January 2016 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 17 February 2017, 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 2 Gresham Street, London EC2V 7QP (see map on page 51), on 27 March 2017 at 11.00am.

FINANCIAL CALENDAR

The financial calendar for 2017 is set out below:

Ordinary shares	
Final dividend, 2016 – payable	31 March 2017
– ex-dividend	9 March 2017
– record date	10 March 2017
First interim dividend, 2017	30 June 2017
Second interim dividend, 2017	29 September 2017
Third interim dividend, 2017	29 December 2017
Final dividend, 2017	End of March 2018
9.875% Debenture Stock 2017	
Interest payments	30 June and 31 December
5.5% Debenture Stock 2021	
Interest payments	8 March and 8 September

PAYMENT OF DIVIDENDS

Cash dividends will be sent by cheque to the first-named shareholder on the Register at his or her registered address together with a tax voucher. At shareholders' request, dividends may instead be paid direct into the shareholder's bank account through the Bankers' Automated Clearing System ('BACS'). This may be arranged by contacting the Company's Registrar on 0371 384 2432.

PRICE AND PERFORMANCE INFORMATION

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

SHARE REGISTER ENQUIRIES

The Company's Registrar, Equiniti, maintains the share register. In the event of queries regarding your holding, please contact the Registrar on 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.

SEDOL CODES FOR ORDINARY SHARES AND DEBENTURE STOCKS

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

The ISIN Number for the ordinary shares is GB0008825324

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.

MANAGEMENT AND ADMINISTRATION

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

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
1 More London Place
London SE1 2AF

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.

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.

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

This figure includes the annual management fee and administrative costs but excludes any performance fee or portfolio transaction costs. Ongoing charges may vary from year to year.

PEER COMPANIES

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

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 income generated over a holding period.

VALUATION

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

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.

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