

Company number: 00670489

# LOWLAND INVESTMENT COMPANY PLC

HALF-YEAR REPORT  
(unaudited)  
for the half-year ended 31 March 2019

LOWLAND INVESTMENT COMPANY PLC  
Unaudited results for the half-year ended 31 March 2019

**INVESTMENT OBJECTIVE**

The Company aims to give shareholders a higher than average return with growth of both capital and income over the medium to long-term, by investing in a broad spread of predominantly UK Companies. The Company measures its performance against the FTSE All-Share Index Total Return.

**Key data for the six months to 31 March 2019**

Net Asset Value Total Return	<b>-10.6%</b>
Benchmark <sup>1</sup> Total Return	<b>-1.8%</b>
Growth in Dividend	<b>13.5%</b>
Dividend	<b>29.5p</b>

<sup>1</sup> FTSE All-Share Index

<b>Financial highlights</b>	<b>Half-Year Ended 31 Mar 2019</b>	<b>Half-Year Ended 31 Mar 2018</b>	<b>Year Ended 30 Sept 2018</b>
NAV Per Ordinary Share <sup>1</sup>	<b>1,431p</b>	1,553p	1,625p
Share Price <sup>2</sup>	<b>1,340p</b>	1,485p	1,515p
Market Capitalisation	<b>£362m</b>	£401m	£409m
Dividend Per Share	<b>29.5p</b>	26.0p	54.0p
Ongoing Charge Including Performance Fee	<b>0.6%</b>	0.6%	0.6%
Ongoing Charge Excluding Performance Fee	<b>0.6%</b>	0.6%	0.6%
Dividend Yield <sup>3</sup>	<b>4.3%</b>	3.4%	3.6%
Gearing	<b>11.9%</b>	14.2%	12.2%
Discount	<b>6.4%</b>	4.4%	6.8%

<sup>1</sup> NAV (Net Asset Value total return) with debt at par value

<sup>2</sup> Using mid-market closing price

<sup>3</sup> Based on dividends paid and declared in respect of the previous twelve months

**Total return performance (including dividends reinvested and excluding transaction costs)**

	<b>6 months</b>	<b>1 year</b>	<b>3 years</b>	<b>5 years</b>	<b>10 years</b>
	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
Net Asset Value	<b>-10.6</b>	-4.8	17.7	18.5	379.8
Share Price <sup>1</sup>	<b>-9.8</b>	-6.3	15.3	10.6	372.3
Benchmark <sup>2</sup>	<b>-1.8</b>	6.4	31.3	34.5	186.8

<sup>1</sup> Using mid-market closing price

<sup>2</sup> FTSE All-Share Index

Sources: Morningstar, Funddata, Datastream and Janus Henderson

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**Historical record – Year to 30 September**

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	As at 31 Mar 2019
Net Assets <sup>1</sup> (£m)	174	204	214	266	347	362	355	387	440	439	<b>387</b>
<b>Per Ordinary Share</b>											
Net Asset Value <sup>2</sup>	657p	770p	811p	1,008p	1,307p	1,346p	1,318p	1,432p	1,628p	1,625p	<b>1,431p</b>
Share Price	610p	700p	763p	992p	1,325p	1,355p	1,287p	1,337p	1,504p	1,515p	<b>1,340p</b>
Net Revenue	22.7p	22.5p	28.8p	31.1p	36.7p	39.4p	46.4p	47.7p	49.1p	58.6p	<b>22.2p</b>
Net Dividends Paid	26.5p	27.0p	28.0p	30.5p	34.0p	37.0p	41.0p	45.0p	49.0p	54.0p	<b>29.5p<sup>3</sup></b>

<sup>1</sup> Attributable to Ordinary Shares

<sup>2</sup> NAV with debt at par value

<sup>3</sup> First interim dividend of 14.5p per ordinary share paid on 30 April 2019 and second interim dividend of 15.0p per ordinary share that will be paid on 31 July 2019

## CHAIRMAN'S STATEMENT

### Overview

Lowland's Net Asset Value ("NAV") fell 10.6%, compared with a decline of 1.8% in our benchmark, the FTSE All-Share Index. This disappointing performance is analysed by the Fund Managers in their report, which also covers activity in the portfolio.

Lowland has always been characterised by periods of outperformance and underperformance. Over the longer term, performance has been strong, with an increase in NAV (total return) of 380% over the last ten years, against 187% in our benchmark. The Company's investment style, with a distinct bias away from the largest stocks in the index, gives rise both to the periods of underperformance and the long-term outperformance.

Small companies have added substantial value to the portfolio over the long-term and they will again. The portfolio also has a bias to industrial companies, which over the six months were weak overall, as uncertainty over trade wars dominated investor sentiment.

### Dividend

Underlying earnings have performed well and, helped by the change in accounting policy announced last year, earnings per share rose to 22.2p from 18.4p. The first interim dividend was 14.5p and the Board has today declared a second interim dividend of 15.0p. The total distribution at the half-year stage therefore amounts to 29.5p, compared with 26.0p at this time last year. Lowland started paying quarterly dividends in 2013 and since then each quarter's dividend has been greater than that paid in the same quarter in the previous year. It is the ambition to maintain this practice. Barring unforeseen circumstances, the Board intends to pay total dividends of 59.5p this year, extending to seven years the period in which our annual dividends have grown at 10%.

<b>Year ended 30 September</b>	<b>1st Interim</b>	<b>2nd Interim</b>	<b>3rd Interim</b>	<b>Final</b>
2015	10.0p	10.0p	10.0p	11.0p
2016	11.0p	11.0p	11.0p	12.0p
2017	12.0p	12.0p	12.0p	13.0p
2018	13.0p	13.0p	14.0p	14.0p
2019	14.5p	15.0p	15.0p*	15.0p*

\* Intention barring unforeseen circumstances

### **Gearing**

During the half-year, gearing was fairly constant at around 12%. It has increased to 13% on 4 June 2019 (the latest practicable date prior to publication of this report) and we would expect it to increase moderately from this level.

### **Share price discount**

During the period the share price discount (on a total return basis) fluctuated between 2.2% and 6.4%. At the period-end it was 6.4% and it stood at 4.6% as at 4 June 2019. The Board does not operate a formal discount control mechanism. The policy with regard to discount is set out in last year's Chairman's Statement.

### **Board**

I advised at the year-end that Kevin Carter had indicated his desire to retire, and this he will do at the end of this month. The Board's thanks to Kevin for his first-class service to the Company bear repeating. I am delighted to advise that following a search and selection process, the Board has agreed that Tom Walker be appointed to the Board with effect from 1 July 2019. Tom was formerly a Fund Manager with Martin Currie Investment Management, and brings valuable experience from his career. He is a director of EP Global Opportunities Trust plc and will be appointed as a director of JPMorgan Japan Smaller Companies Trust plc with effect from 29 July 2019.

### **Outlook**

In times of uncertainty, opportunities for profitable investment occur. The Fund Managers are becoming increasingly confident that stock prices are discounting most of the problems facing the economy. Value is evident and therefore borrowings are being increased. We are net buyers of equities, utilising current uncertainties to refresh the portfolio with good-quality companies on reasonable valuations.

On a final note, we value contact with our shareholders and I would be delighted to be contacted at the Company Secretary's email address (as shown at the end of this report) should you have any matters you wish to raise with me.

**Robert Robertson**

**Chairman**

**7 June 2019**

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**Performance as at 31 March 2019**

The tables below show the top contributors to and detractors from the Company's total return performance over the six months under review.

**Top 5 Contributors**

<b>Company</b>	<b>Sector</b>	<b>Contribution %</b>
Greene King	Travel & Leisure	0.39
Marshalls	Construction & Materials	0.37
Churchill China	Household Goods & Home Construction	0.34
Shoe Zone	General Retailers	0.33
Hill & Smith	Industrial Engineering	0.23

**Top 5 Detractors**

<b>Company</b>	<b>Sector</b>	<b>Contribution %</b>
Senior	Aerospace & Defence	-1.01
Royal Mail	Industrial Transportation	-0.65
Carclo	Chemicals	-0.51
Stobart	Industrial Transportation	-0.49
Low & Bonar	General Industrials	-0.44

<b>Sector Analysis</b>	<b>% as at 31 March 2019</b>		<b>% as at 30 September 2018</b>	
	<b>Company</b>	<b>Benchmark<sup>1</sup></b>	<b>Company</b>	<b>Benchmark<sup>1</sup></b>
Financials	34.9	25.7	32.0	25.3
Industrials	25.0	11.0	27.6	11.3
Consumer Services	9.7	11.5	9.4	12.1
Oil & Gas	9.5	14.2	10.5	14.5
Health Care	5.2	8.3	4.8	9.3
Utilities	5.1	2.8	4.2	2.5
Basic Materials	4.6	8.1	5.2	7.5
Consumer Goods	4.2	14.6	3.7	13.8
Telecommunications	1.3	2.7	2.1	2.8
Technology	0.5	1.1	0.5	0.9
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

<sup>1</sup> FTSE All-Share Index

## FUND MANAGERS' STATEMENT

### Performance review

Lowland's performance in the six months to the end of March was disappointing. The NAV fell 10.6% relative to a 1.8% fall in the FTSE All-Share (both figures on a total return basis). The fall in NAV was concentrated in the fourth quarter of 2018, when the NAV fell 14.9%. The NAV has recovered by 3.5% calendar year to date.

There are two key elements to the underperformance. The first is size, as small and medium-sized companies underperformed during the six month period:

Index	Total return for the 6 months to 31 March 2019 (%)
FTSE All-Share	-1.8
FTSE 100	-1.0
FTSE 250	-4.9
FTSE AIM All-Share	-16.0

Lowland continues to invest in small and medium-sized companies, with 55% of the portfolio invested outside of the FTSE 100 as at the end of March. The best sales and earnings growth will, over time, come from this portion of the portfolio and it has been the largest source of outperformance for the Company over the long term. Small and medium-sized companies are, however, more tied into the domestic economic cycle and therefore they are more vulnerable to underperformance at times when there are concerns about the UK economy.

The second element of the underperformance was sector allocation, specifically the industrials weighting, which as at the end of March was 25% of the portfolio. In the fourth quarter of 2018, US economic data showed signs of weakening at a time when Europe and China were already exhibiting signs of a slowdown. This led to reduced (although still positive) expectations for 2019 global economic growth. For the industrials sector this resulted in sharp and fairly indiscriminate underperformance which, in our view, did not adequately reflect the diversity of end markets to which the industrials held in the portfolio are exposed.

As an example, the largest industrial company held is Senior, an engineering company that produces predominantly aerospace components. The civil aerospace market continues to grow well. Passenger miles flown per year are growing considerably above global economic growth, driven by emerging market demand. This trend is unlikely to change, leading to greater demand for new planes to which Senior is well exposed. Senior is winning considerable amounts of new civil aerospace work which is pressuring short-term margins. We see this work being won as a positive – it will lead to higher sales and earnings growth in future. The market, however, is sceptical that they will make a good return on this investment and as a result the shares fell 30% on a total return basis during the six months to the end of March, making it the largest individual detractor from performance. We continue to hold the position as in our view the shares are not reflecting the potential for future sales and earnings growth.

The top five active contributors to performance relative to the benchmark were:

1. **Greene King** – a UK pub and brewery. Shares recovered well from a low valuation as sales growth proved encouraging and a peer (Fuller's) sold their brewery asset at a high valuation.

- 2. Marshalls** – a building materials company, primarily paving stones. Shares have performed well as a result of ongoing good organic growth. We have reduced the position on valuation grounds.
- 3. Churchill China** – a crockery company based in Stoke-on-Trent. Management have done well to position the company as selling primarily to the restaurant industry where repeat sales are of greater importance and they have successfully grown market share.
- 4. Shoe Zone** – a UK shoe retailer positioned at the ‘value’ end of the market. The management team have done an excellent job of reducing costs (such as rent) and we think the company can begin to grow sales via their website and a new, larger store format.
- 5. Hill & Smith** – an industrial company that makes products including road crash barriers and messaging signs for roads. The shares recovered well following a difficult first half of 2018 as extremely cold weather delayed road building programmes.

The top five active detractors from performance relative to the benchmark were:

- 1. Senior** – a predominantly aerospace components supplier. Earnings are under short-term pressure but they have good prospects to grow sales and earnings over the longer term.
- 2. Royal Mail** – the largest deliverer of letters and parcels in the UK. Letter volumes have declined more steeply than anticipated as spending by businesses on direct marketing mail has decreased in the face of economic uncertainty. It is difficult to offset this reduced volume in the short term via cost reductions, as simplistically it means that each postman is delivering less volume but still has to do the same daily route. The position continues to be held as, in our view, the shares are factoring in a permanent deterioration in margins which we think is unlikely to materialise.
- 3. Carclo** – a manufacturer of technical plastics for use in medical devices and LED lighting for high-end cars. Production problems in their LED lighting division have led to material cost increases and the balance sheet is heavily indebted. This position has been a mistake. It is a small position in the overall portfolio (0.3% as at 31 March 2019).
- 4. Stobart Group** – a conglomerate which owns Southend airport and supplies biomass facilities in the UK. During the period the dividend was cut in order to reinvest in the business and this caused the shares to perform poorly. The position continues to be held as the company has excellent potential for earnings growth driven by more passengers travelling through Southend airport.
- 5. Low & Bonar** – a buildings material manufacturer that had a high level of indebtedness and as a result needed to raise money from shareholders in order to strengthen the balance sheet (we participated in the equity raise). Under a new management team the business is becoming more focussed on its core product areas, where they continue to make good operating margins.

### Activity

The largest purchase during the period was a new position in Royal Bank of Scotland. Its legacy issues (such as PPI) are largely resolved and it has retreated to its core competency of commercial and personal lending in the UK. The primary reason for the purchase is their potential to return capital to shareholders via dividends and share buy-backs, which we think is underappreciated by the market.

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The largest individual sale during the period was a reduction in the holding in Royal Dutch Shell. This continues to be the largest position in the portfolio (5.7% as at the end of March 2019). The position was added to in 2015 and 2016 during a period of severe oil price weakness. At the trough in the share price, the dividend yield rose to over 8% due to question marks about the dividend's sustainability. The company has since done an excellent job of reducing capital expenditure and operating costs and as a result their ability to generate enough cash flow to cover the dividend has greatly improved. As a result the shares have re-rated and as at the time of writing are yielding below 6%. As and when we find more exciting value opportunities elsewhere we expect to reduce the position further.

The outlook for the global economy remains uncertain, with a much greater divergence than usual among economic growth forecasts. This is partly as a result of the US and Chinese trade war, in which there is no clarity regarding the level or duration of tariffs. Aside from economic uncertainty, there is ongoing political uncertainty, with the result of Brexit still unclear and the possibility of a general election. However, the most likely outcome is that the global economy will continue to grow (albeit at a reduced pace) and domestically focused equities are already trading at a considerable valuation discount.

In the context of very low bond yields, equities continue to look excellent value – the forecast yield on the portfolio over the next twelve months is currently 4.8% with scope for dividends to grow modestly while the 10-year gilt yield is under 1%. While there is considerable uncertainty, it is the cash returns available to shareholders that give us confidence in the outlook for equities and for this reason we expect to be net investors over the upcoming period.

**James Henderson and Laura Foll**  
**Fund Managers**  
**7 June 2019**

### **Related party transactions**

The Company's current related parties are its Directors and Janus Henderson. There have been no material transactions between the Company and its Directors during the year and the only amounts paid to them were in respect of Directors' remuneration and expenses incurred on the Company's business, for which there were no outstanding amounts payable at the period end.

In relation to the provision of services by Janus Henderson, other than fees payable by the Company in the ordinary course of business and the provision of sales and marketing services, there have been no material transactions with Janus Henderson affecting the financial position of the Company during the year under review.

### **Principal risks and uncertainties**

The principal risks and uncertainties associated with the Company's business can be divided into various areas:

- Investment Activity and Strategy;
- Portfolio and Market Price;
- Financial;
- Gearing;
- Operational; and
- Accounting, Legal and Regulatory.

Information on these risks is given in the Annual Report for the year ended 30 September 2018. In the view of the Board, these principal risks and uncertainties are as applicable to the remaining six months of the financial year as they were to the six months under review.

### **Statement of Directors' Responsibilities**

The Directors confirm that, to the best of their knowledge:

- (a) the set of financial statements for the half-year to 31 March 2019 has been prepared in accordance with "FRS 104 Interim Financial Reporting";
- (b) the Interim Management Report includes a fair review of the information required by Disclosure Guidance and Transparency Rule 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and
- (c) the Interim Management Report includes a fair review of the information required by the Disclosure Guidance and Transparency Rule 4.2.8R (disclosure of related party transactions and changes therein).

**For and on behalf of the Board**

**Robert Robertson**

**Chairman**

**7 June 2019**

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**PORTFOLIO INFORMATION**

**As at 31 March 2019**

<b>Company</b>	<b>Sector</b>	<b>Market value £'000</b>	<b>% of portfolio</b>
Royal Dutch Shell	Oil & Gas Producers	24,786	5.7
HSBC	Banks	11,874	2.8
Phoenix	Life Insurance	11,330	2.6
Senior	Aerospace & Defence	10,910	2.5
Hiscox	Non-Life Insurance	10,629	2.5
Prudential	Life Insurance	9,994	2.3
GlaxoSmithKline	Pharmaceuticals & Biotechnology	9,980	2.3
Severn Trent	Gas Water & Multiutilities	8,398	1.9
BP	Oil & Gas Producers	8,098	1.9
Irish Continental (Ireland)	Travel & Leisure	7,890	1.8
<b>10 Largest</b>		<b>113,889</b>	<b>26.3</b>
Standard Chartered	Banks	7,857	1.8
Rolls-Royce	Aerospace & Defence	7,451	1.7
Relx	Media	7,387	1.7
Direct Line Insurance	Non-Life Insurance	7,237	1.7
Johnson Service <sup>1</sup>	Support Services	7,011	1.6
National Grid	Gas Water & Multiutilities	6,948	1.6
Aviva	Life Insurance	6,392	1.5
International Personal Finance	Financial Services	6,160	1.5
Churchill China <sup>1</sup>	Household Goods & Home Construction	6,089	1.4
Greene King	Travel & Leisure	5,989	1.4
<b>20 Largest</b>		<b>182,410</b>	<b>42.2</b>
Avon Rubber	Aerospace & Defence	5,980	1.4
Rio Tinto	Mining	5,806	1.3
Henderson Opportunities Trust	Equity Investment Instruments	5,742	1.3
Vodafone	Mobile Telecommunications	5,687	1.3
Land Securities	Real Estate Investment Trusts	5,480	1.3
Ten Entertainment	Travel & Leisure	5,395	1.2
Randall & Quilter <sup>1</sup>	Non-Life Insurance	5,146	1.2
Croda	Chemicals	5,038	1.2
Headlam	Household Goods & Home Construction	5,017	1.2
Somero Enterprises <sup>1</sup> (USA)	Industrial Engineering	4,860	1.1
<b>30 Largest</b>		<b>236,561</b>	<b>54.7</b>
Shoe Zone <sup>1</sup>	General Retailers	4,733	1.1
St Modwen Properties	Real Estate Investment Services	4,728	1.1
FBD (Ireland)	Non-Life Insurance	4,591	1.0
Royal Bank of Scotland	Banks	4,446	1.0
Hill & Smith	Industrial Engineering	4,369	1.0
BAE Systems	Aerospace & Defence	4,342	1.0
Mondi	Forestry & Paper	4,245	1.0
Standard Life Aberdeen	Financial Services	4,199	1.0
Park <sup>1</sup>	Financial Services	4,163	1.0
Provident Financial	Financial Services	4,014	0.9
<b>40 Largest</b>		<b>280,391</b>	<b>64.8</b>
Morgan Advanced Materials	Electronic & Electrical Equipment	4,010	0.9
Babcock	Support Services	3,948	0.9
AstraZeneca	Pharmaceuticals & Biotechnology	3,926	0.9
DS Smith	General Industrials	3,909	0.9
Consort Medical	Health Care Equipment & Services	3,860	0.9
Clarkson	Industrial Transportation	3,832	0.9
TT Electronics	Electronic & Electrical Equipment	3,806	0.9
Castings	Industrial Engineering	3,749	0.9
Pennon	Gas Water & Multiutilities	3,718	0.9
Royal Mail	Industrial Transportation	3,694	0.9
<b>50 Largest</b>		<b>318,843</b>	<b>73.8</b>

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Company	Sector	Market value	% of
		£'000	portfolio
Balfour Beatty	Construction & Materials	3,688	0.9
H&T <sup>1</sup>	Financial Services	3,688	0.9
Sabre Insurance	Non-Life Insurance	3,642	0.8
Chesnara	Life Insurance	3,618	0.8
International Consolidated Airlines	Travel & Leisure	3,584	0.8
Stobart	Industrial Transportation	3,572	0.8
Anexo <sup>1</sup>	Support Services	3,510	0.8
Redde <sup>1</sup>	Financial Services	3,391	0.8
Gibson Energy (Canada)	Oil & Gas Producers	3,216	0.7
Palace Capital	Real Estate Investment Services	3,179	0.7
<b>60 Largest</b>		<b>353,931</b>	<b>81.8</b>
Elementis	Chemicals	3,169	0.7
IMI	Industrial Engineering	3,148	0.7
Centrica	Gas Water & Multiutilities	3,140	0.7
XP Power	Electronic & Electrical Equipment	3,125	0.7
HICL Infrastructure	Equity Investment Instruments	3,118	0.7
Daily Mail & General Trust	Media	3,068	0.7
Epwin <sup>1</sup>	Construction & Materials	3,066	0.7
Marshalls	Construction & Materials	2,969	0.7
Numis <sup>1</sup>	Financial Services	2,937	0.7
K3 Capital <sup>1</sup>	Financial Services	2,683	0.7
<b>70 Largest</b>		<b>384,354</b>	<b>88.8</b>
Airea <sup>1</sup>	Personal Goods	2,681	0.6
Renold	Industrial Engineering	2,661	0.6
Low & Bonar	General Industrials	2,626	0.6
A & J Mucklow	Real Estate Investment Trusts	2,620	0.6
Gordon Dadds <sup>1</sup>	Support Services	2,567	0.6
Helical	Real Estate Investment Services	2,479	0.6
Findel	General Retailers	2,366	0.6
Elecosoft <sup>1</sup>	Technology	2,365	0.6
Herald Investment Trust	Equity Investment Instruments	2,242	0.5
Ibstock	Construction & Materials	2,225	0.5
<b>80 Largest</b>		<b>409,186</b>	<b>94.6</b>
4D Pharma <sup>1</sup>	Pharmaceuticals & Biotechnology	2,207	0.5
IP Group	Financial Services	2,067	0.5
Oxford Sciences Innovation <sup>2</sup>	Pharmaceuticals & Biotechnology	1,548	0.4
Bellway	Household Goods & Home Construction	1,523	0.3
Ilika <sup>1</sup>	Alternative Energy	1,406	0.3
Carr's Group	Food Producers	1,365	0.3
Indus Gas <sup>1</sup>	Oil & Gas Producers	1,257	0.3
Taylor Wimpey	Household Goods & Home Construction	1,228	0.3
Hammerson	Real Estate Investment Trusts	1,175	0.3
Premier Oil	Oil & Gas Producers	1,174	0.3
<b>90 Largest</b>		<b>424,136</b>	<b>98.1</b>
Carclo	Chemicals	1,165	0.3
Renewi	Support Services	1,116	0.2
Wadworth – ordinary shares <sup>2</sup>	Travel & Leisure	723	0.2
Horizon Discovery <sup>1</sup>	Pharmaceuticals & Biotechnology	721	0.2
SIMEC Atlantis Energy <sup>1</sup>	Alternative Energy	689	0.1
Moss Bros	General Retailers	573	0.1
Flowtech Fluidpower <sup>1</sup>	Industrial Engineering	512	0.1
Modern Water <sup>1</sup>	Gas Water & Multiutilities	424	0.1
Providence Resources <sup>1</sup> (Ireland)	Oil & Gas Producers	386	0.1
Velocys <sup>1</sup>	Chemicals	371	0.1
<b>100 Largest</b>		<b>430,816</b>	<b>99.6</b>

<sup>1</sup> AIM Stocks

<sup>2</sup> Unlisted Investments

Source: Janus Henderson

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**CONDENSED INCOME STATEMENT**

	(Unaudited) Half-year ended 31 March 2019			(Unaudited) Half-year ended 31 March 2018			(Audited) Year ended 30 September 2018		
	Revenue return £'000	Capital return £'000	Total £'000	Revenue return £'000	Capital return £'000	Total £'000	Revenue return £'000	Capital return £'000	Total £'000
Losses on investments held at fair value through profit or loss	-	(49,907)	(49,907)	-	(18,550)	(18,550)	-	(3,032)	(3,032)
Income from investments	7,117	-	7,117	6,888	-	6,888	19,757	-	19,757
Other interest receivable and similar income	51	-	51	93	-	93	190	-	190
<b>Gross revenue and capital losses</b>	<b>7,168</b>	<b>(49,907)</b>	<b>(42,739)</b>	6,981	(18,550)	(11,569)	19,947	(3,032)	16,915
Management fee and performance fee (note 2)	(488)	(488)	(976)	(1,009)	-	(1,009)	(2,048)	-	(2,048)
Other administrative expenses (note 2)	(271)	-	(271)	(296)	-	(296)	(520)	-	(520)
<b>Net return/(loss) before finance costs and taxation</b>	<b>6,409</b>	<b>(50,395)</b>	<b>(43,986)</b>	5,676	(18,550)	(12,874)	17,379	(3,032)	14,347
Finance costs	(324)	(324)	(648)	(606)	-	(606)	(1,347)	-	(1,347)
<b>Net return/(loss) before taxation</b>	<b>6,085</b>	<b>(50,719)</b>	<b>(44,634)</b>	5,070	(18,550)	(13,480)	16,032	(3,032)	13,000
Taxation on net return	(82)	-	(82)	(95)	-	(95)	(183)	-	(183)
<b>Net return/(loss) after taxation</b>	<b>6,003</b>	<b>(50,719)</b>	<b>(44,716)</b>	4,975	(18,550)	(13,575)	15,849	(3,032)	12,817
<b>Return/(loss) per ordinary share – basic and diluted (note 3)</b>	<b>22.2p</b>	<b>(187.7p)</b>	<b>(165.5p)</b>	18.4p	(68.7p)	(50.3p)	58.6p	(11.2p)	47.4p

The total columns of this statement represent the Income Statement of the Company, prepared in accordance with FRS 104. The revenue and capital columns are supplementary to this and are published under guidance from the Association of Investment Companies.

The Company has no recognised gains or losses other than those disclosed in the Income Statement and Statement of Changes in Equity.

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

The accompanying notes are an integral part of the condensed financial statements.

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**CONDENSED STATEMENT OF CHANGES IN EQUITY**

	(Unaudited) Half-year ended 31 March 2019					
	Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Other capital reserves £'000	Revenue reserve £'000	Total £'000
At 1 October 2018	6,755	61,619	1,007	353,998	15,555	438,934
Net (loss)/return after taxation	-	-	-	(50,719)	6,003	(44,716)
Third interim dividend (14.0p) for the year ended 30 September 2018	-	-	-	-	(3,783)	(3,783)
Final dividend (14.0p) for the year ended 30 September 2018	-	-	-	-	(3,782)	(3,782)
At 31 March 2019	<u>6,755</u>	<u>61,619</u>	<u>1,007</u>	<u>303,279</u>	<u>13,993</u>	<u>386,653</u>

	(Unaudited) Half-year ended 31 March 2018					
	Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Other capital reserves £'000	Revenue reserve £'000	Total £'000
At 1 October 2017	6,755	61,619	1,007	357,030	13,485	439,896
Net (loss)/return after taxation	-	-	-	(18,550)	4,975	(13,575)
Third interim dividend (12.0p) for the year ended 30 September 2017	-	-	-	-	(3,242)	(3,242)
Final dividend (13.0p) for the year ended 30 September 2017	-	-	-	-	(3,512)	(3,512)
At 31 March 2018	<u>6,755</u>	<u>61,619</u>	<u>1,007</u>	<u>338,480</u>	<u>11,706</u>	<u>419,567</u>

	(Audited) Year ended 30 September 2018					
	Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Other capital reserves £'000	Revenue reserve £'000	Total £'000
At 1 October 2017	6,755	61,619	1,007	357,030	13,485	439,896
Net (loss)/return after taxation	-	-	-	(3,032)	15,849	12,817
Third interim dividend (12.0p) for the year ended 30 September 2017	-	-	-	-	(3,242)	(3,242)
Final dividend (13.0p) for the year ended 30 September 2017	-	-	-	-	(3,512)	(3,512)
First interim dividend (13.0p) for the year ended 30 September 2018	-	-	-	-	(3,512)	(3,512)
Second interim dividend (13.0p) for the year ended 30 September 2018	-	-	-	-	(3,513)	(3,513)
At 30 September 2018	<u>6,755</u>	<u>61,619</u>	<u>1,007</u>	<u>353,998</u>	<u>15,555</u>	<u>438,934</u>

The accompanying notes form an integral part of these condensed financial statements.

LOWLAND INVESTMENT COMPANY PLC  
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**CONDENSED STATEMENT OF FINANCIAL POSITION**

	(Unaudited) Half-year ended 31 March 2019 £'000	(Unaudited) Half-year ended 31 March 2018 £'000	(Audited) Year ended 30 September 2018 £'000
<b>Fixed assets</b>			
Investments held at fair value through profit or loss (note 4)	432,493	479,143	492,659
<b>Current assets</b>			
Debtors	2,263	2,479	2,018
Cash at bank	1,983	1,115	1,445
	4,246	3,594	3,463
<b>Creditors: amounts falling due within one year</b>	<b>(20,312)</b>	<b>(33,409)</b>	<b>(27,421)</b>
<b>Net current liabilities</b>	<b>(16,066)</b>	<b>(29,815)</b>	<b>(23,958)</b>
<b>Total assets less current liabilities</b>	<b>416,427</b>	<b>449,328</b>	<b>468,701</b>
<b>Creditors: amounts falling due after more than one year</b>	<b>(29,774)</b>	<b>(29,761)</b>	<b>(29,767)</b>
<b>Net assets</b>	<b>386,653</b>	<b>419,567</b>	<b>438,934</b>
<b>Capital and reserves</b>			
Called up share capital	6,755	6,755	6,755
Share premium account	61,619	61,619	61,619
Capital redemption reserve	1,007	1,007	1,007
Other capital reserves	303,279	338,480	353,998
Revenue reserve	13,993	11,706	15,555
<b>Total shareholders' funds</b>	<b>386,653</b>	<b>419,567</b>	<b>438,934</b>
<b>Net asset value per ordinary share – basic and diluted (note 7)</b>	<b>1,431.1p</b>	<b>1,552.9p</b>	<b>1,624.6p</b>

The accompanying notes form an integral part of these condensed financial statements.

LOWLAND INVESTMENT COMPANY PLC  
Unaudited results for the half-year ended 31 March 2019

**CONDENSED STATEMENT OF CASH FLOWS**

	(Unaudited) Half-year ended 31 March 2019 £'000	(Unaudited) Half-year ended 31 March 2018 £'000	(Audited) Year ended 30 September 2018 £'000
<b>Cash flows from operating activities</b>			
Net (loss)/return before taxation	(44,634)	(13,480)	13,000
Add back: finance costs	648	606	1,347
Add: losses on investments held at fair value through profit or loss	49,907	18,550	3,032
Withholding tax on dividends deducted at source	(107)	(109)	(228)
(Increase)/decrease in debtors	(220)	(404)	89
Increase/(decrease) in creditors	523	(410)	(371)
	-----	-----	-----
<b>Net cash inflow from operating activities</b>	<b>6,117</b>	<b>4,753</b>	<b>16,869</b>
	=====	=====	=====
<b>Cash flows from investing activities</b>			
Purchase of investments	(28,240)	(50,043)	(76,383)
Sale of investments	38,776	24,862	48,182
	-----	-----	-----
<b>Net cash inflow/(outflow) from investing activities</b>	<b>10,536</b>	<b>(25,181)</b>	<b>(28,201)</b>
<b>Cash flows from financing activities</b>			
Equity dividends paid (net of refund of unclaimed distributions and reclaimed distributions)	(7,565)	(6,754)	(13,779)
Net loans (repaid)/drawn down	(7,885)	17,540	16,507
Interest paid	(665)	(600)	(1,310)
	-----	-----	-----
<b>Net cash (outflow)/inflow from financing activities</b>	<b>(16,115)</b>	<b>10,186</b>	<b>1,418</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>			
	<b>538</b>	<b>(10,242)</b>	<b>(9,914)</b>
Cash and cash equivalents at start of year	1,445	11,362	11,362
Effect of foreign exchange rates	-	(5)	(3)
	-----	-----	-----
<b>Cash and cash equivalents at end of year</b>	<b>1,983</b>	<b>1,115</b>	<b>1,445</b>
	=====	=====	=====
<b>Comprising:</b>			
Cash at bank	1,983	1,115	1,445
	=====	=====	=====

The accompanying notes are an integral part of these condensed financial statements.

LOWLAND INVESTMENT COMPANY PLC  
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**NOTES TO THE FINANCIAL STATEMENTS**

The half-year financial statements cover the period from 1 October 2018 to 31 March 2019 and have not been audited or reviewed by the Company's auditors.

**1. Accounting policies – basis of preparation**

The condensed set of financial statements has been prepared in accordance with FRS 104, Interim Financial Reporting, FRS 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland, and the Statement of Recommended Practice for "Financial Statements of Investment Trust Companies and Venture Capital Trusts", which was updated by the Association of Investment Companies in February 2018 with consequential amendments.

For the period under review, the Company's accounting policies have not varied from those described in the annual report for the year ended 30 September 2018.

**2. Expenses**

All expenses with the exception of the performance fee, management fee and finance costs are charged wholly to revenue. Performance fees are charged wholly to capital. With effect from 1 October 2018, management fees and finance costs are charged 50% to revenue and 50% to capital (previously 100% to revenue). Expenses which are incidental to the purchase or sale of an investment are included in the cost or deducted from the proceeds of sale of the investment. No provision has been made for a performance fee based on the Company's performance relative to the FTSE All-Share Index (the benchmark) over the thirty months to 31 March 2019 (31 March 2018 and 30 September 2018: £nil). Any performance fee payable will be calculated based on the actual relative performance for the thirty-six months to 30 September 2019 and will be equal to 15% of any outperformance (on a total return basis) of the FTSE All-Share Index by more than 10% (the 'hurdle rate'). The performance fee is capped at 0.25% of average net chargeable assets for the year.

No performance fee will be payable if the net asset value per share on the last day of the relevant calculation period is lower than the net asset value per share on the first day of the calculation period.

**3. Return per ordinary share – basic and diluted**

	(Unaudited) Half-year ended 31 March 2019 £'000	(Unaudited) Half-year ended 31 March 2018 £'000	(Audited) Year ended 30 September 2018 £'000
The return/(loss) per ordinary share is based on the following figures:			
Net revenue return	6,003	4,975	15,849
Net capital loss	(50,719)	(18,550)	(3,032)
Net total(loss)/return	(44,716)	(13,575)	12,817
Weighted average number of ordinary shares in issue for each period	27,018,565	27,018,565	27,018,565
Revenue return per ordinary share	22.2p	18.4p	58.6p
Capital loss per ordinary share	(187.7p)	(68.7p)	(11.2p)
Total (loss)/return per ordinary share	(165.5p)	(50.3p)	47.4p

LOWLAND INVESTMENT COMPANY PLC  
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The Company does not have any dilutive securities; therefore, basic and diluted returns per share are the same.

**4. Fair value of financial assets and liabilities**

The table below analyses fair value measurements for investments held at fair value through profit or loss. These fair value measurements are categorised into different levels in the fair value hierarchy based on the valuation techniques used and are defined as follows:

Level 1: valued using quoted prices in active markets for identical assets

Level 2: valued by reference to valuation techniques using observable inputs other than quoted prices included in Level 1

Level 3: valued by reference to valuation techniques using inputs that are not based on observable market data

<b>Investments held at fair value through profit or loss at 31 March 2019 (unaudited)</b>	<b>Level 1 £'000</b>	<b>Level 2 £'000</b>	<b>Level 3 £'000</b>	<b>Total £'000</b>
<b>Investments</b>	<b>430,012</b>	<b>-</b>	<b>2,481</b>	<b>432,493</b>
Investments held at fair value through profit or loss at 31 March 2018 (unaudited)	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investments	476,874	-	2,269	479,143
Investments held at fair value through profit or loss at 30 September 2018 (audited)	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investments	490,403	-	2,256	492,659

A reconciliation of movements within Level 3 is set out below:

	<b>2019 £'000</b>
Opening balance	<b>2,256</b>
Transfers in	<b>84</b>
Total gain included in the Income Statement – on investments held	<b>141</b>
<b>Closing balance</b>	<b>2,481</b>

The transfer in relates to the Company's holding in ACHP, which has been delisted from AIM.

The valuation techniques used by the Company are explained in the accounting policies note in the Company's Annual Report for the year ended 30 September 2018.

The fair value of the senior unsecured loan notes at 31 March 2019 has been estimated to be £32,451,000 (31 March 2018: £31,679,000; 30 September 2018: £31,056,000). The fair value of the senior unsecured loan notes is calculated using a discount rate which reflects the yield on a UK Gilt of similar maturity plus a suitable credit spread.

The senior unsecured loan notes are categorised as level 3 in the fair value hierarchy.

LOWLAND INVESTMENT COMPANY PLC  
Unaudited results for the half-year ended 31 March 2019

**5. Share Capital**

At 31 March 2019 there were 27,018,565 ordinary shares of 25p each in issue (31 March 2018: 27,018,565; 30 September 2018: 27,018,565). During the half-year ended 31 March 2019 no shares were issued or bought back (31 March 2018 and 30 September 2018: no shares issued or bought back).

**6. Transaction costs**

Purchase transaction costs for the half-year ended 31 March 2019 were £121,000 (31 March 2018: £277,000; 30 September 2018: £328,000). Sale transaction costs for the half-year ended 31 March 2019 were £15,000 (31 March 2018: £12,000; 30 September 2018: £23,000). These comprise mainly stamp duty and commission.

**7. Net asset value per ordinary share – basic and diluted**

The net asset value per ordinary share of 1,431.1p (31 March 2018: 1,552.9p; 30 September 2018: 1,624.6p) is based on the net assets attributable to the ordinary shares of £386,653,000 (31 March 2018: £419,567,000; 30 September 2018: £438,934,000) and on 27,018,565 ordinary shares (31 March 2018 and 30 September 2018: 27,018,565), being the number of ordinary shares in issue at the end of each period.

**8. Dividend**

On 30 April 2019, a first interim dividend of 14.5p per ordinary share was paid in respect of the year ending 30 September 2019. A second interim dividend of 15.0p per ordinary share has been declared and will be paid on 31 July 2019 to shareholders on the register of members at the close of business on 5 July 2019. The ex-dividend date is 4 July 2019. Based on the number of shares in issue on 4 June 2019 of 27,018,565, the cost of the dividend will be £4,053,000 (second interim dividend for the year ended 30 September 2018: £3,513,000).

**9. Going concern**

The assets of the Company consist of securities that are readily realisable and, accordingly, the Directors believe that the Company has adequate resources to continue in operational existence for at least twelve months from the date of approval of the financial statements. Having assessed these factors and the principal risks, the Board has determined that it is appropriate for the financial statements to be prepared on a going concern basis.

**10. Comparative Information**

The financial information contained in this half-year report does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. The financial information for the half-years ended 31 March 2019 and 31 March 2018 has not been audited nor reviewed by the Company's auditor.

The figures and financial information for the year ended 30 September 2018 are extracted from the latest published accounts and do not constitute the statutory accounts for that year. Those accounts have been delivered to the Registrar of Companies and included the report of the independent auditors, which was unqualified and did not include a statement under either section 498(2) or 498(3) of the Companies Act 2006.

**11. Manager**

Henderson Investment Funds Limited ('HIFL') is appointed to act as the Company's Alternative Investment Fund Manager. HIFL delegates investment management services to Henderson Global Investors Limited. References to Janus Henderson within these results refer to the services provided by both entities.

## 12. General information

### Company Status

The Company is a UK-domiciled investment trust company. The registered number is 670489.

The London Stock Exchange Daily Official List SEDOL number is 0536806

The ISIN number is GB0005368062.

The London Stock Exchange (TIDM) Code is LWI.

The Global Intermediary Identification Number (GIIN) is 2KBHLK.99999.SL.826.

The Legal Entity Identifier Number (LEI) is 2138008RHG5363FEHV19

### Directors

The Directors of the Company are Robert Robertson (Chairman), Gaynor Coley (Audit Committee Chairman), Duncan Budge, Kevin Carter, and Karl Sternberg.

### Corporate Secretary

Henderson Secretarial Services Limited, represented by Helena Harvey ACIS.

Email: ITSecretariat@janushenderson.com

### Registered Office

201 Bishopsgate, London EC2M 3AE.

### Website

Details of the Company's share price and net asset value, together with general information about the Company, monthly factsheets and data, copies of announcements, reports and details of general meetings can be found at [www.lowlandinvestment.com](http://www.lowlandinvestment.com).

## 13. Half-year update

An abbreviated version of the half-year report, the 'Update', will be posted will be posted to shareholders in June 2019. The Update will also be available on the Company's website, and hard copies will be available at the Company's registered office, 201 Bishopsgate, London EC2M 3AE.

For further information, please contact:

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