Lowland Investment Company plc

Annual Report 2019

MANAGED BY
Janus Henderson
INVESTORS

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.

Investment Policy

Asset Allocation

The Company will invest in a combination of large, medium and smaller companies listed in the UK. We are not constrained by the weightings of any index; we focus instead on controlling absolute risk by diversifying on the basis of underlying company characteristics such as size, industry, economic sensitivity, clients and management. In normal circumstances up to half the portfolio will be invested in FTSE 100 companies; the remainder will be divided between small and medium-sized companies. On occasions the Manager will buy shares listed overseas. The Manager may also invest a maximum of 15% in other listed trusts.

Dividend

The Company aims to provide shareholders with better-than-average dividend growth.

Gearing

The Board believes that debt in a closed-end fund is a valuable source of long-term outperformance, therefore the Company will usually be geared. At the point of drawing down debt, gearing will never exceed 29.99% of the portfolio valuation. Borrowing will be a mixture of short and long-dated debt, depending on relative attractiveness of rates.

Strategic Report: Key Data

Net Asset Value Total Return[1]

2019
-9.6%

2018
2.7%

Benchmark Total Return[2]

2019
2.7%

2018
5.9%

Growth in Dividend

2019
10.2%

2018
10.2%

Dividend for the Year[3]

2019
59.5p

2018
54.0p

	Year ended 30 September 2019	Year ended 30 September 2018
NAV per share at year end	**1,428p**	1,625p
Share Price at year end[4]	**1,280p**	1,515p
Market Capitalisation	**£346m**	£409m
Dividend per share	**59.5p[3]**	54.0p
Ongoing Charge including the Performance Fee	**0.63%**	0.57%
Ongoing Charge excluding the Performance Fee	**0.63%**	0.57%
Dividend Yield[5]	**4.60%**	3.60%
Gearing at year end	**12.80%**	12.20%
Discount at year end[6]	**9.10%**	6.50%
AIC UK Equity Income Sector – Average Discount	**4.50%**	1.40%

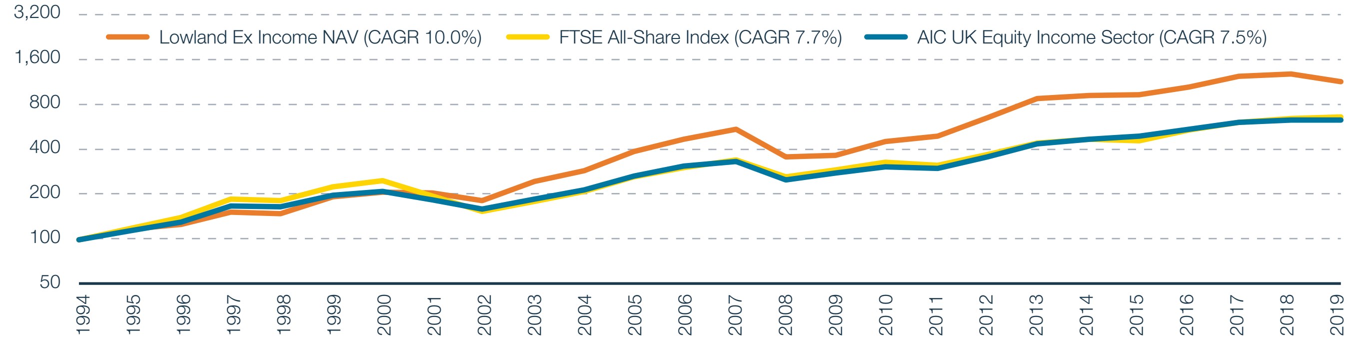
1. Net asset value per share total return (including dividends reinvested)
2. FTSE All-Share Index (including dividends reinvested)
3. Includes the final dividend of 15.0p per ordinary share for the year ended 30 September 2019 that will be put to shareholders for approval at the Annual General Meeting on Tuesday 28 January 2020
4. Mid-market closing price
5. Based on dividends paid in respect of the previous 12 months and the share price at year end
6. Calculated using year end fair value NAVs including current year revenue

Sources: Morningstar for the AIC, Janus Henderson, Refinitiv Datastream

A glossary of terms and alternative performance measures definitions are included on pages 71 to 73

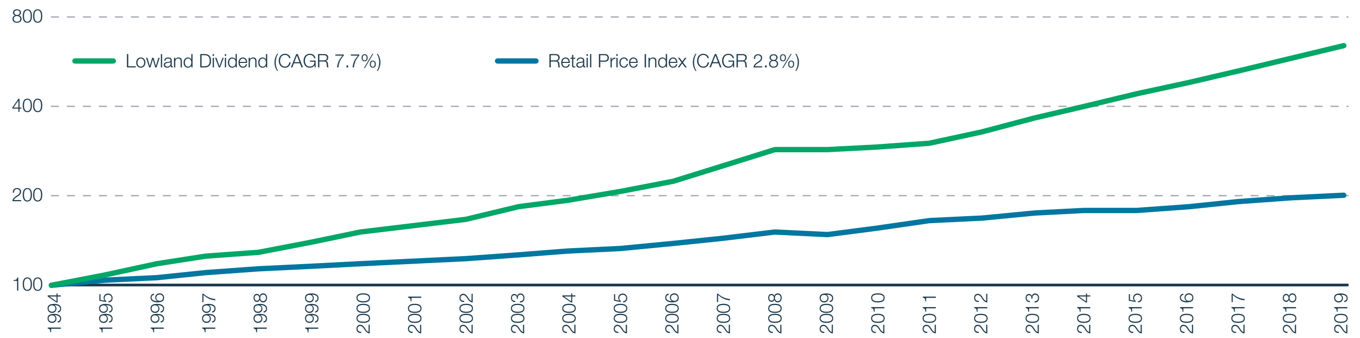
Strategic Report: Historical Performance

Lowland's Net Asset Value has outperformed the FTSE All-Share Index over the past 25 years



Total Return basis and shown on a logarithmic scale (30 September 1994 = 100)
CAGR – Compound Annual Growth Rate
Source: Thomson Financial, Refinitiv Datastream

Lowland's Dividend Growth over the past 25 years as compared to the Retail Price Index



Total Return basis and shown on a logarithmic scale (30 September 1994 = 100)
Source: Janus Henderson

Historical Performance

Year ended 30 September	Dividend per ordinary share in pence	Total return/(loss) per ordinary share in pence	Net revenue return per ordinary share in pence	Total net assets in £'000	Net asset value per ordinary share in pence	Share price per ordinary share in pence
2009	26.5	8.4	22.7	173,633	657.3	610.0
2010	27.0	139.5	22.5	203,484	770.3	699.5
2011	28.0	68.3	28.8	214,251	811.0	762.5
2012	30.5	229.9	31.1	266,401	1,008.4	991.5
2013	34.0	330.1	36.7	347,202	1,306.9	1,325.0
2014	37.0	73.3	39.4	361,856	1,345.6	1,355.0
2015	41.0	11.8	46.4	354,563	1,318.4	1,287.0
2016	45.0	156.4	47.7	386,910	1,432.0	1,336.5
2017	49.0	243.2	49.1	439,896	1,628.1	1,504.0
2018	54.0	47.4	58.6	438,934	1,624.6	1,515.0
2019	**59.5[1]**	**(138.7)**	**68.0**	**385,904**	**1,428.3**	**1,280.0**

1. Includes the final dividend of 15.0p per ordinary share for the year ended 30 September 2019 that will be put to shareholders for approval at the Annual General Meeting on Tuesday 28 January 2020

Robert Robertson
Chairman

Chairman's Statement

Strategic Report: Chairman's Statement

Performance

Lowland has two objectives: to grow capital and to grow income over the medium to long term. In recent years it has fallen short on the first and overshot on the second. In terms of capital, this was a disappointing year for Lowland. Not only did NAV underperform the FTSE All-Share Index, which rose 2.7%, but it declined in absolute terms, by 9.6%. The reasons for the underperformance are set out clearly in the Fund Managers' Report. They are predominantly three-fold. Firstly, Lowland runs a multi-cap portfolio. Its relatively high weighting in small and medium-sized companies, which has served it well over the long-term, has not done so recently, these companies being more exposed to the uncertainties of the UK. Secondly, Lowland's sectoral bias towards Industrials served it poorly. Finally, the focus on investment in shares perceived to be undervalued, as opposed to growth stocks, has been out of favour.

Lowland has now underperformed the benchmark over five years, whilst over ten and twenty years, performance remains robust. The strategy and positioning of the portfolio is always subject to Board discussion and review, but it is fair to say that this discussion is more robust during a period of prolonged difficulty. The Board is firmly of the view that it is important to stick to the investment style which has served shareholders well over the long term. We believe that inconsistency of approach is the enemy of long-term value creation. We also note that the growth in income which the Company has experienced points to fundamental value in the portfolio.

Dividends

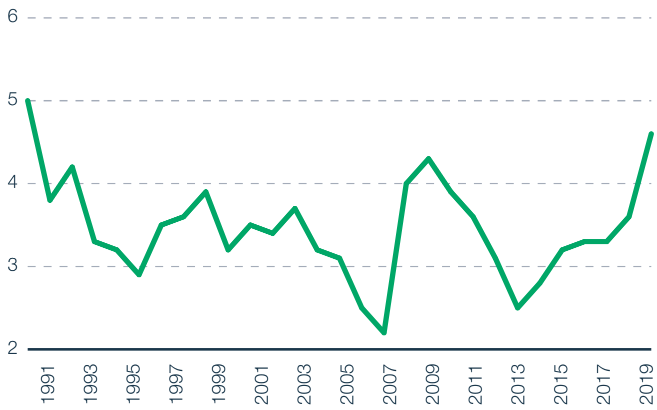
The growth in our earnings is in marked contrast with the capital performance. Earnings grew by 16.0% (9.4 pence) to 68 pence, including special dividends received, and by 11.6% (or 6.3 pence) to 61.8 pence excluding them. It should be noted that 6.1 pence of the increase is as a result of the decision to capitalise 50% of management fees and finance costs, in line with our competitors, from the beginning of the financial year.

If shareholders vote at the AGM in favour of the proposed final dividend of 15.0p, total dividends for the year will amount to 59.5p, 10.2% above the previous year. Dividends will have grown at a compound rate of 10% over seven years. In 2013 we responded to shareholder feedback by introducing a progressive quarterly dividend policy. So far it has been possible to declare dividends exceeding those for the corresponding quarter in the previous year.

Shareholders have benefited from a regular, and thus far, growing source of income. The dividend is well covered by earnings, with £2.3m being transferred to the Revenue Reserve, which at the year end stood at £18.4m.

Barring really adverse circumstances, we are committed to a progressive dividend policy, with each quarterly declaration being no less than the previous equivalent. We aspire to each quarterly dividend exceeding the previous equivalent.

Lowland Dividend Yield (%)

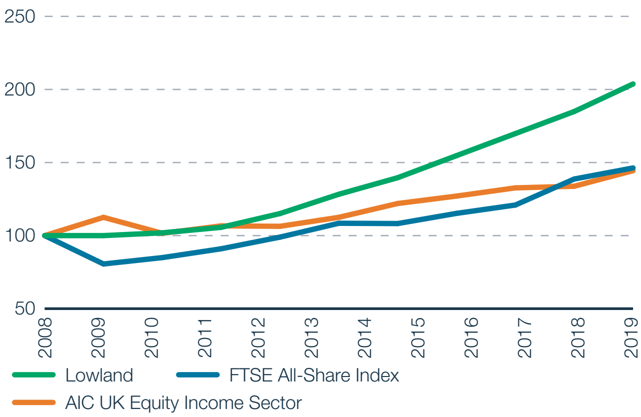


Source: Janus Henderson and Refinitiv Datastream. Assumes FY19 dividend of 59.5 pence

It is noteworthy that our dividend yield, 4.6% based on this year's dividend, has now risen to a level only seen on one previous occasion over the 29 years of James Henderson's involvement with the Company. There may be some comfort in the fact that, on the previous occasion, the spike in yield was followed by significant outperformance in Lowland's share price. Whether or not that history will be repeated, we conclude from the revenue position that there is real value in the portfolio.

The chart below demonstrates our outstanding dividend growth over the last ten years.

Dividend Growth (rebased to 100)



Source: Janus Henderson

Investment Review and Gearing

The level of gearing averaged around 12% during the year, ending at 12.8%. The Board has regarded this a reasonable level as the Fund Managers see considerable value in the underlying portfolio. Gearing has enhanced earnings, the underlying dividend yield of the portfolio being 4.7% compared with a blended cost of borrowing of 2.6%. This year gearing has detracted from capital performance; we expect gearing to enhance capital performance over the long-term.

Strategic Report: Chairman's Statement (continued)

The weighting of the portfolio in the FTSE 100 component stocks has continued to rise modestly, and was 44% as at the year end (versus 39% at the end of 2018). This has come about predominantly due to purchases that the Fund Managers judge to be good value, the largest of which are RBS and GlaxoSmithKline. There is more detail on both purchases in the Fund Managers' Report.

The sector positioning of the portfolio has remained relatively constant; Industrials and Financials are the two largest sectors. In an environment where global economic growth is slowing and bond yields have fallen, the large position in both sectors has detracted from performance this year. If economic conditions stabilise, for example on a resolution to Brexit or to the US/China trade war, the Fund Managers consider the valuation of both sectors to be low and the shares well poised to recover.

Our Fund Managers have long acted as responsible managers, paying attention to environmental, social and governance issues in performing their duties. Reflecting the growing prominence of these issues, our Fund Managers have increased their focus on them as set out for the first time in their report.

Ongoing Charge

The ongoing charge was 0.63% compared with the previous year's 0.57%. The Management Fee amounts to 0.5% on Net Chargeable assets up to £375m and 0.4% thereafter. No performance fee was paid in the year under review.

Share Price Discount

During the year the discount to NAV fluctuated between 1.7% and 9.2%, ending the year at 9.1%. The policy on discount is set out on Page 26.

Corporate Governance

'Overboarding' is a term and concern which has achieved prominence in the last year or two, and has influenced voting patterns at AGMs. It has long been our practice to ensure that we only recruit directors who are able to devote sufficient time to the job. Directors who have a breadth of activity can bring more to the table than those who do not, but they clearly must have the time to do so.

While there is welcome evidence of some movement in the right direction, I believe that some of the approaches to the 'overboarding' issue are still over-simplistic. Some shareholders and agencies measure commitments to investment companies as if they were operating companies, while at the same time ignoring commitments to private companies and charities, either of which can be very onerous. Ours is a more pragmatic approach. Each Director, actual or prospective, is required to provide to the Nominations Committee an account of time commitments to all his or her professional activities. This procedure is repeated if a Director seeks the Chairman's approval to take up an additional post.

I am quite sure that all Directors have the capacity and inclination to devote such time as may be necessary to Lowland, whether in normal or exceptional circumstances. Equally, the broad range of other activities undertaken by your Directors enriches the contributions each makes.

Tenure of office is also a matter of some concern to shareholders. Lowland has always valued a mix of continuity and refreshment. Over the last few years we have brought more discipline to the process of succession planning. Clearly individual circumstances change and flexibility is required, but we now have a framework within which Directors have an expectation of their likely retirement dates, and when we expect new Directors to be recruited. This aims to provide for one Director to be replaced on average every three years. This brings the benefit of, on the one hand, experience of past vicissitudes and, on the other, fresh thought. It should also facilitate a pool of internal candidates from which the Chair may be chosen. I would add that it would be abundantly clear to anyone who attended one of our Board meetings that all Directors are entirely independent.

The Board

As mentioned at the half year stage, we were delighted to welcome Tom Walker to the Board on 1 July. He stands for election at the AGM.

Contact with Shareholders

We are always keen to hear shareholders' views and so I would invite anyone who wishes to contact me to do so at: **itsecretariat@janushenderson.com**

Annual General Meeting

The AGM of the Company will be held at the offices of Janus Henderson on 28 January 2020 at 12.30 pm. Full details of the business to be conducted at the meeting are set out in the Notice of Meeting which has been sent to shareholders with this report.

As usual our Fund Managers will be making a presentation. This is an important opportunity for shareholders to meet the Board and Fund Managers and to ask them questions. We would encourage as many shareholders as possible to attend; we welcome your questions and observations. The AGM will be broadcast live on the internet, so if you are unable to attend the AGM in person you will be able to log on to watch as it happens, by visiting **www.janushenderson.com/en-gb/investor/investment-trusts-live/**.

Outlook

It seems likely that political uncertainty will prevail in the UK for some time to come, whatever the outcome of the General Election. None of the foreseeable results is likely to result in a speedy resolution of the relationship between the UK and the EU. However UK companies continue to show resilience, and are modestly valued by most yardsticks. We see potential for capital growth, with the current level of yield on the UK market unlikely to prevail for long. On balance we feel it will be an increase in valuations rather than reduction in dividends which brings yields towards historic norms.

Robert Robertson
Chairman
9 December 2019

Fund Managers' Report

James Henderson
Fund Manager

Laura Foll
Fund Manager

Strategic Report: Fund Managers' Report

Investment Approach

The notable features of the Company's investment approach are:

1. The portfolio is always a blend of large, medium and small companies. The medium and small companies have often produced better investment returns given their greater capacity for sales and earnings growth. Small and medium-sized companies also have the advantage of being covered by fewer analysts and therefore offer greater potential to find opportunities that have been overlooked or misunderstood by the market. The large companies reduce the volatility and aid consistency of performance.

2. The Company is invested predominantly in UK equities. Given the focus on the UK, the Company aims to invest in areas where the UK has globally competitive, world-leading companies. These companies will tend to have high barriers to entry as their products tend to be specialist and so have been fine-tuned over many years. This allows them to generate reasonable operating margins, meaning they are well placed to generate cash that can be returned to shareholders over time.

3. A focus on recovery situations, but only where a clear path can be seen to returning to sales and earnings growth. In practice this often means investing at the point of capitulation where companies look internally at what they can change, whether this is a period of sustained cost-cutting, changing the management team and/or cutting the dividend. While this is a mildly contrarian approach, the Company seeks to invest in companies that do not have long-term structural problems, in order to avoid 'value traps'. In our experience 'value traps' often arise where a company may appear cheap on valuation multiples, but operates in an industry with low barriers to entry and/or is in structural decline.

4. We prefer capital and income growth rather than absolute dividend yield. This has resulted in a high historic level of dividend growth. In the Company's view it is crucial for long-term performance to focus on companies with the capacity to grow sales and earnings, and therefore dividends, rather than companies paying a high absolute yield (with a high pay-out ratio) but with little potential for earnings growth. Companies rarely 'stand still' and a company that is forecast to stay static in terms of sales and earnings will often decline faster than analysts are anticipating. In order to avoid 'value traps' the focus should be on the potential for earnings growth which should ultimately drive capital and income growth for shareholders.

5. A long list of holdings, historically 80-120. Position sizes start small, new holdings tend to be initiated at approximately 30bps and increased as confidence is gained in the management team and the potential for earnings growth. The reason for the long list is two-fold. Firstly it provides diversification so that the Company is not overly exposed to any one cycle. For example the overweight position in industrials which follow the economic cycle is offset by the overweight position in insurers which follow the underwriting cycle. Secondly the Company invests in recovery situations where the potential returns are high but so are the risks. Therefore it is sensible to invest in a spread of different situations. The Company also sells slowly when shares approach fair value, which naturally lends itself to a relatively long list of holdings.

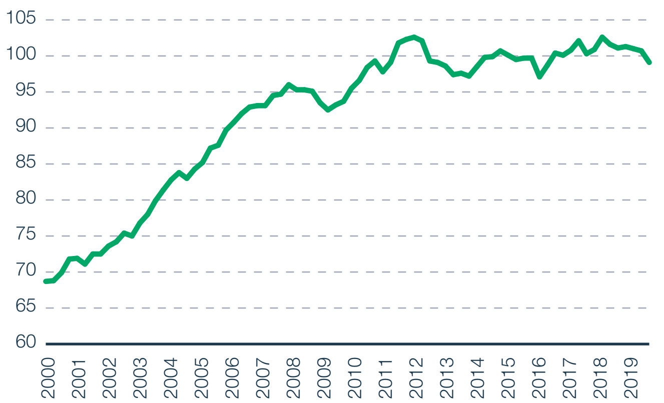
6. The Company has a low turnover rate and long holding period (typically 20% turnover rate p.a. resulting in an approximately 5 year holding period). Historically the best returns have often derived from recovery situations that have taken a number of years to reach fruition (for example it may take time for a company to reduce gearing in a situation of balance sheet stress). Therefore, given the Company's investment style, a long holding period is necessary for the merits of a company's investment case to become fully appreciated by the market.

Strategic Report: Fund Managers' Report (continued)

Background

Economic growth slowed during the period, just managing to avoid a quarter of contraction. This happened in spite of very low interest rates and weak sterling. The stimulus of low rates and cheap currency would normally cause growth to accelerate. The domestic impact was offset by the global economy: world growth slowed down as the trade war between the US and China intensified. At home, the looming possibility of a disorderly Brexit and political uncertainty compounded the scarcity of global growth. These factors combined to make companies more risk-averse: they have cut costs, and reduced capital expenditure, which in turn led to a stagnation in productivity growth.

UK output per hour in manufacturing sector



Source: Office for National Statistics via Refinitiv Datastream

It has been a difficult economic backdrop for many companies with predominantly UK operations. However, company results have been generally satisfactory. This is a testament to those companies who have excellent, differentiated products, a solid business model and good management discipline. When the UK economy picks up, we believe that the companies we hold in the portfolio will be well placed to benefit.

In particular, the cash generation of many of our portfolio companies has been strong despite the economic headwinds. This is evidenced by the decent level of dividend growth our companies have delivered, with investment income growing 4.5% year on year.

Performance Attribution

It was a disappointing year for performance. There are a number of factors which contributed to this underperformance: the positioning of the portfolio in different sizes of companies; our bias in sector exposures; the investment approach; and some company-specific challenges.

The portfolio has always been a blend of large, medium and small companies. Over the long term the best performers have often been small and medium-sized companies. Even in a bad year, as last year was for smaller companies, all of the top five performers at the stock level are listed outside the FTSE 100. While there have been small and medium-sized companies that have performed well this year, in aggregate there has been a pronounced underperformance of small companies relative to large companies and, to a lesser degree, medium-sized companies relative to large companies. Over the financial year to the end of September, the FTSE 100 rose 3.2% while the FTSE Small Cap fell 7.8% and the AIM All-Share Index fell 19.4%. The FTSE Small Cap Index made up 13% of the portfolio, and the AIM All-Share 15% of the portfolio as at the year end. Our weighting to these smaller companies is more than 8x greater than the exposure in the index.

There are two main reasons for the underperformance of smaller companies. Firstly, smaller companies are on average more exposed to the domestic economy. They are at an earlier stage in their lifecycle and tend to address their home market before expanding overseas. For Lowland's portfolio as a whole, approximately 47% of sales derive from the UK versus 27% of the benchmark. Over the long term, companies more exposed to the domestic economy have traded at approximately the same valuation as those more exposed to overseas earnings. This is not currently the case; those more exposed to the UK are trading at a material valuation discount. This 'domestic discount' has therefore damaged smaller companies' share prices more than larger companies' valuations.

Secondly, there is an increasing desire for liquidity when positions are held within open-ended funds; this is particularly pronounced for companies below a market valuation of £250m. This is causing pressure on share prices where some fund managers are, in effect, becoming forced sellers. While this technical factor will gradually pass and shares will find appropriate long-term holders, in the interim stage there is dislocation in share prices.

The portfolio's sector allocation was also a detractor from performance. Our portfolio is particularly overweight in Industrials. It is industrial companies that have suffered most from the trade war between the USA and China, and it makes forecasting even more perilous than usual.

The resulting reduction in visibility in industrial company earnings has led to a de-rating of industrial company valuations. Eventually clarity on sales and earnings growth will emerge, from a low valuation base.

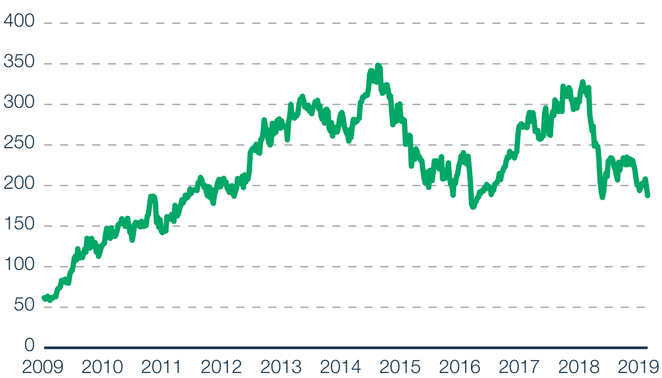
It is important at times of an economic slowdown to reassess the Industrials weighting in the portfolio and decide whether it is appropriate against the current backdrop. The Industrials we own are not producing commoditised components; they are specialist engineers, producing components that are often exported globally, and that would be difficult to substitute for another supplier. The clearest examples would be the aerospace components suppliers we hold, such as **Rolls-Royce** and **Senior**, but this would equally apply to companies such as **XP Power**, which makes components designed for medical equipment, or **Avon Rubber**, which is

Strategic Report: Fund Managers' Report (continued)

producing specialist equipment for use by the US Department of Defense. Industrials are not a homogeneous block of companies that move with the broad economic cycle. They are exposed to a wide variety of end-markets all at different stages in their cycles. For example **Somero Enterprises** is predominantly exposed to the US construction cycle, while XP Power is exposed to the semiconductor cycle. We have to assess the overall Industrials exposure by considering the exposures to multiple end-markets.

In addition to concerns over a broad economic slowdown, there was also a one-off factor for aerospace components supplier **Senior**, which is the largest industrial position and made up 2.2% of the portfolio as at the end of September. Senior's largest individual aerospace programme is the Boeing 737 Max where they make, for example, structures for the wing. Their components are unrelated to the two crashes and subsequent grounding of the aircraft but until the aircraft is re-certified, earnings forecasts have been reduced in the short term. Longer term, Senior remains well positioned on new aerospace programmes for both Airbus and Boeing. If the Boeing aircraft were to remain grounded, while it would be temporarily disruptive, over time orders would shift to Airbus where Senior is also well positioned. We have maintained our holding, as the valuation is low relative to the company's potential to grow sales and earnings.

Senior share price over 10 years (pence)



Source: Refinitiv Datastream as at 30 September 2019

The final factor contributing to underperformance has been our preference for companies with a low valuation (relative to peers or relative to history) where we can see a clear path to earnings recovery. This moderately 'contrarian' or 'value' approach has worked well for the Company historically. However, in recent years the best performers in the market have been more highly valued companies that have delivered consistent earnings growth. As this trend has persisted, valuation levels have become increasingly polarised. This can be seen clearly in the performance of the FTSE All-Share split by valuation bands, with the high valuation sections of the market materially outperforming over the past year. This has been detrimental to portfolio performance, where the average valuation of the portfolio at year end was 11.4x forward earnings.

The top five active contributors to performance (relative to the benchmark), that we own, were:

1. **Greene King** (a pub and brewer). Cash bid from CK Asset Holdings at a substantial premium to the undisturbed share price.
2. **Anexo Group** (credit hire and legal services). Encouraging results and strong cash collections coming through.
3. **Johnson Service Group** (laundry services across hotels, restaurants and workwear). Excellent organic growth being delivered and substantial new hotel linen capacity soon to come on stream in Leeds.
4. **Churchill China** (crockery for the restaurant industry). Strong organic growth coming from sales to the restaurant industry globally.
5. **Avon Rubber** (defence and dairy equipment). Excellent acquisition of a division from 3M to expand their defence division.

An encouraging theme this year has been the re-emergence of corporate activity in the portfolio: Greene King has agreed a cash bid from Hong Kong conglomerate CK Asset Holdings, while earlier in the year **Manx Telecom** agreed a cash bid from private equity and **A&J Mucklow** agreed to a bid from listed peer LondonMetric.

The top five active detractors from performance (relative to the benchmark), that we own, were:

1. **Senior** (engineer predominantly for the aerospace industry). Grounding of the Boeing 737 Max has reduced earnings forecasts.
2. **Carclo** (specialist plastics for medical devices and LED lighting for premium cars). Manufacturing issues in their car lighting division has caused an already stretched balance sheet to become very difficult. The holding has been written down to zero.
3. **International Personal Finance** (door to door and digital lending in emerging markets). Changing regulatory environment in Poland means there is a lack of earnings visibility.
4. **Royal Mail** (UK and European letter and parcel delivery). Difficulty reducing costs against a challenging UK backdrop for letters.
5. **Stobart Group** (a conglomerate; the majority of their earnings are Southend airport and biomass delivery). Corporate governance has been poor and has been discussed with the company and the balance sheet has been highly indebted.

Were there to be a common theme among the detractors from performance, it would be that they have become too highly indebted. This would be the case for Carclo and

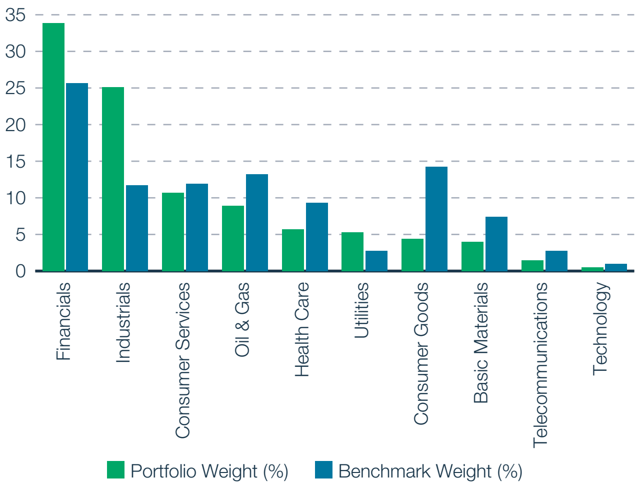
Strategic Report: Fund Managers' Report (continued)

Stobart, and is to a lesser degree the case for International Personal Finance. There is an increasing aversion to high levels of debt among equity investors given the current uncertain economic outlook. This is causing substantial valuation discounts among those companies that have a high level of debt versus peers. In our view this aversion to debt in the market is a valuation opportunity, as the potential for debt reduction is not being fully appreciated in cash generative companies. However, there is of course a need to be selective and to recognise that we have made mistakes in the past in not fully appreciating the scale of additional debt such as pension deficits.

We have adjusted our investment process to take account of these past mistakes; we shall never stop taking lessons from the judge and jury of share prices.

Portfolio Positioning

Sector Breakdown (%)

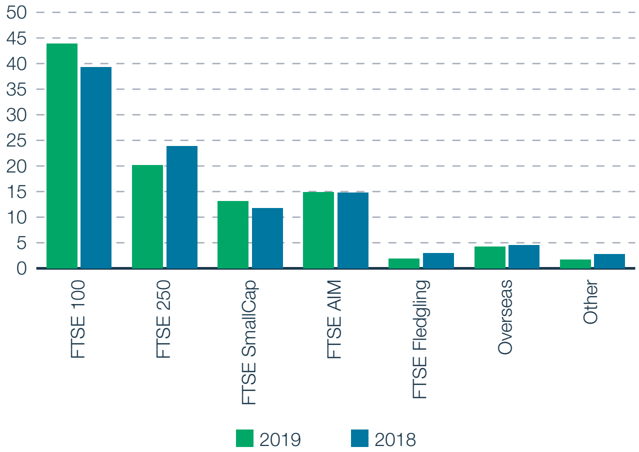


Source: Janus Henderson as at 30 September 2019

The largest sector within the portfolio remains Financials. It is worth noting that while the weighting in the financial sector is high, it is to a degree a 'catch-all' sector. For example real estate investments (such as Land Securities, Hammerson and Helical) fall within financials, as do other investment trusts held (such as Herald).

Within Financials the largest sub-sector remains insurance (13.0% of the portfolio versus 15.0% as at the previous year end). While the overall portfolio weight in insurance has remained broadly flat, the holdings in **Sabre Insurance**, **Direct Line** and **FBD Holdings** have been increased, all of which pay an attractive dividend to shareholders and look good value relative to the returns they are generating. In contrast, the position in **Hiscox** was modestly reduced on valuation grounds. It continues to grow its retail business successfully and generate strong returns; therefore, we remain happy with the position on a long-term basis.

Index breakdown within portfolio



Source: Janus Henderson as at 30 September 2018/2019

The portfolio remains more heavily weighted in large companies than the long-term average positioning, which is approximately one-third in large companies, one-third in medium-sized companies and one-third in small companies. This bias in the portfolio has come about primarily from stock-level decisions, as there are valuation opportunities in companies such as RBS and GlaxoSmithKline (both described in more detail in the portfolio activity section). As stated above, many investors have short-term concerns around smaller companies, and we felt it prudent to reduce exposure slightly.

Portfolio Activity

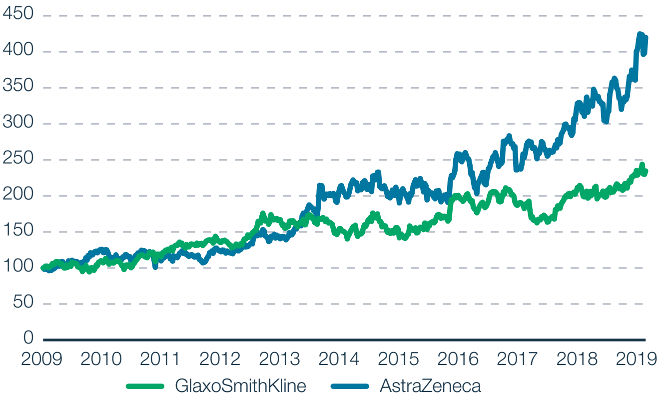
The largest purchase during the year was **RBS**, which was 1.0% of the portfolio at the year end. As an income portfolio manager, RBS had for a number of years been a relatively easy share to ignore as a result of its historic conduct issues (such as PPI) and lack of dividend. However, PPI claims have this year come to an end and a regular dividend to shareholders has been reinstated, backed by a strong balance sheet versus peers. The key remaining overhang is the government stake, which is still a majority holding. In our view this is more than factored into the current valuation, which at just over half book value implies low returns being generated into perpetuity. Even absent a re-valuation of the shares on the back of, for example, the government reducing their stake or better sentiment towards the domestic UK economy, the shares pay an attractive high-single-digit dividend yield (including recurring special dividends).

We added to the existing position in **GlaxoSmithKline** following an encouraging meeting with the relatively new Head of Pharmaceuticals, who has joined from AstraZeneca. Back in 2012 under the leadership of the then-new CEO, Pascal Soriot, AstraZeneca dramatically improved its pipeline of drugs with a renewed focus on innovative medicines. It is our view that under a new management team (new CEO, new Head of R&D and new Head of Pharmaceuticals), a similar

Strategic Report: Fund Managers' Report (continued)

process is currently underway at GlaxoSmithKline. This will, in all likelihood, be a slow process of reinvigorating research and development at such a large company, but it is not in our view factored into the valuation.

Total return of GlaxoSmithKline and AstraZeneca over 10 years



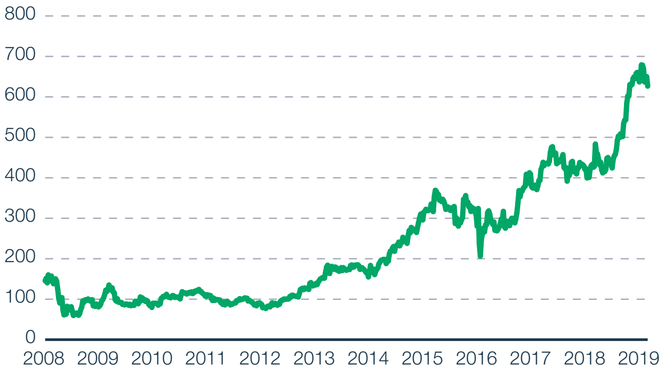
Source: Datastream. Rebased to 100 as at 30 September 2009. Total return, £

Another sizeable purchase included a new position in **XP Power**. XP Power makes power converters across a range of industries, the most material of which are healthcare and semiconductors. As the power converters are 'designed in' at an early stage in the product life cycle, and form a very small part of the overall product cost, the margins that XP Power generates are good (over 20% operating margin). Recently the valuation had come down considerably as a result of severe weakness in the semiconductor market and concerns that as a result, XP Power earnings would need to be re-based (a concern that has, at the time of writing, not come to fruition and orders have continued to grow). We purchased the position on the view that it is rare to see a company with good margins, a respected management team and a strong balance sheet trading on a low teens earnings multiple (as at the time of purchase). On any further weakness we will look to add to the position.

Our largest sale was **Royal Dutch Shell**, which we reduced to 5.6% as at the year end primarily for portfolio balance reasons following a period of strong performance. As at the beginning of December 2018 the position in Shell had been 8% of the portfolio before it was reduced.

The largest sale outside of the FTSE 100 was paving stone company **Marshalls**, which has been sold in its entirety. This had been in the portfolio since 2008, when we purchased the shares between £0.96 and £1.66. The final sales this year were between £4.20 and £6.32. The management have done an excellent job, and the performance of the shares has been driven by both good organic growth and sensible bolt-on acquisitions. The sale of the position was not as a result of concerns around the fundamentals of the business but rather a concern regarding valuation, versus both the building materials peer group and its history.

Marshalls share price between first purchase and final sale (pence)



Source: Datastream. Data goes from 17 July 2008 to 7 August 2019

Also among the largest divestments during the year were the positions in industrial property company **A&J Mucklow** and Isle of Man telecoms operator **Manx Telecom**, in both cases following a takeover offer. During the year there has been a notable uptick in bid activity, including Greene King (see performance attribution section), a failed takeover of Provident Financial and two approaches (but deemed by the board to be at an insufficient premium) for office property company, Helical. In our view, this increase in takeover interest shows that UK companies (and it is notable that all the companies mentioned are domestically focused UK companies) are valued too low relative to global peers. Therefore, while there is uncertainty regarding the domestic outlook, the valuation opportunity is such that some companies (whether operating or private equity) are willing to take the risk on exposure to the UK economy.

Lowland responsible investment strategy

Responsible Investment is the term used at Janus Henderson to cover the Manager's work on environmental, social and corporate governance ('ESG') issues in the Company's investee companies. These issues are important not only as a standalone objective in order to allocate the capital of the Company to the companies with the most responsible practices, but are also an integral part of the investment process.

As data quality and availability on ESG is in some cases poor, potential or current investments are not rigidly excluded on quantitative metrics. However, each new position in the portfolio is reviewed for ESG issues and any concerns that

Strategic Report: Fund Managers' Report (continued)

the Managers view as material are discussed with company management. In addition the existing portfolio is screened for 'red flags', which are then discussed with management and monitored.

Substantial progress has been made in the governance area in recent years, where information is more easily accessible. As the data on environmental and social issues improves we will expand our engagement in these areas. Engagement takes place at both the Fund Manager level and at the level of the Governance and Responsible Investing team (an independent team within Janus Henderson which works closely alongside the Fund Managers).

For Lowland, responsible investing incorporates:

1. A focus on companies' long-term plans. We are a long-term investor and therefore we should invest in companies that are cognisant of changing standards with regards to, for example, single-use plastic or renewable energy (even before these changing societal standards are fully recognised in legislation). These changing expectations need to be viewed within the context of the investment proposition – for example what valuation multiple should be given to a plastic packaging company?
2. Reacting to evidence of poor corporate governance where identified (whether by screening, external research or internal meetings), engaging with the company involved, and monitoring improvement.
3. Engaging thoughtfully on corporate remuneration. A company's board and senior executive remuneration policy needs to be appropriate relative to both its peers and (increasingly) relative to its broader employee base. There needs to be a defensible logic to how corporate remuneration levels have been set.

We always vote at company AGMs. Where possible, we will seek to engage with companies beforehand, but if agreement cannot be reasonably reached, we will vote against resolutions. The approach to voting is pragmatic – we subscribe to proxy voting agencies such as ISS (Institutional Shareholder Services) and we will carefully study their recommendations; however we do not necessarily follow all recommendations.

Outlook

Companies, in aggregate, are reporting results in line with modestly reduced expectations. This suggests the current slowdown in global economic activity is, at least to a degree, reflected in earnings forecasts. The low valuation for much of the portfolio means that where companies are only meeting expectations (rather than surpassing them), shares are broadly responding positively. This backdrop of modest valuations and realistic earnings expectations within the portfolio is encouraging for the year ahead.

The last year has been strong for dividend growth but disappointing for capital growth. This means the dividend yield on the underlying portfolio has reached levels not seen in many years. This dividend yield (currently just under 5%) is particularly stark when viewed in the context of low government bond yields (at the time of writing the UK 10 year gilt yield is 0.75%). This would suggest one of two things is likely to occur: either the dividends being paid by companies are unsustainable and need to be reduced, or there will be a period of valuation 'catch up' (in other words yield compression) in the portfolio. We have begun forecasting dividends for the current financial year (year ending 30 September 2020) and based on current expectations think a healthy level of dividend growth will be achieved. There will always be isolated dividend cuts, but in aggregate dividend pay-out ratios are modest and balance sheets are conservative. This attractive, and in our view sustainable, dividend yield, in combination with the level of bid interest seen this year, are the clearest indicators to us of the underlying value within the portfolio.

James Henderson and Laura Foll
Fund Managers
9 December 2019

Strategic Report: Portfolio Analysis

Sector		United Kingdom %	Overseas %	Total 30 September 2019 %	FTSE All-Share Index 2019* %	Total 30 September 2018 %
Oil & Gas	Oil & Gas Producers	7.8	0.8	**8.6**	13.0	10.2
	Alternative Energy	0.3		**0.3**	–	0.3
		8.1	**0.8**	**8.9**	**13.0**	**10.5**
Basic Materials	Chemicals	1.7		**1.7**	0.7	3.1
	Forestry & Paper	1.1		**1.1**	0.3	1.1
	Mining	1.2		**1.2**	6.3	1.0
		4.0	**–**	**4.0**	**7.3**	**5.2**
Industrials	Aerospace & Defence	6.5		**6.5**	2.1	7.1
	Construction & Materials	2.4		**2.4**	1.7	4.6
	Electronic & Electrical Equipment	2.8		**2.8**	0.6	2.1
	General Industrials	1.5		**1.5**	0.9	1.1
	Industrial Engineering	4.7		**4.7**	0.9	4.1
	Industrial Transportation	2.4		**2.4**	0.3	3.5
	Support Services	4.8		**4.8**	5.3	5.1
		25.1	**–**	**25.1**	**11.8**	**27.6**
Consumer Goods	Food Producers	0.3		**0.3**	0.7	1.0
	Household Goods & Home Construction	3.6		**3.6**	3.3	2.1
	Leisure Goods	0.1		**0.1**	0.1	0.1
	Personal Goods	0.4		**0.4**	2.7	0.5
		4.4	**–**	**4.4**	**6.8**	**3.7**
Health Care	Health Care Equipment & Services	0.7		**0.7**	1.1	1.0
	Pharmaceuticals & Biotechnology	5.0		**5.0**	8.3	3.8
		5.7	**–**	**5.7**	**9.4**	**4.8**
Consumer Services	Food & Drug Retailers	–		**–**	1.7	0.2
	General Retailers	1.4		**1.4**	1.6	1.6
	Media	3.5		**3.5**	3.9	2.2
	Travel & Leisure	4.2	1.6	**5.8**	4.7	5.4
		9.1	**1.6**	**10.7**	**11.9**	**9.4**
Telecommunications	Fixed Line Telecommunications	–		**–**	0.7	0.3
	Mobile Telecommunications	1.5		**1.5**	2.0	1.8
		1.5	**–**	**1.5**	**2.7**	**2.1**
Utilities	Gas Water & Multiutilities	5.3		**5.3**	2.1	4.2
		5.3	**–**	**5.3**	**2.1**	**4.2**
Financials	Banks	5.6		**5.6**	9.6	4.6
	Equity Investment Instruments	2.7		**2.7**	5.2	2.4
	Financial Services	7.0		**7.0**	3.6	5.9
	Life Insurance	6.9		**6.9**	3.4	7.9
	Non-Life Insurance	6.1	1.2	**7.3**	1.1	7.4
	Real Estate	4.4		**4.4**	2.7	3.8
		32.7	**1.2**	**33.9**	**25.6**	**32.0**
Technology	Software & Computer Services	0.5	–	**0.5**	0.9	0.5
		0.5	**–**	**0.5**	**0.9**	**0.5**
	Investments	96.4	3.6	**100.0**	91.5	100.0
	Total at 30 September 2019	**96.4**	**3.6**	**100.0**	**91.5**	**100.0**
	Total at 30 September 2018	**94.8**	**5.2**	**–**	**85.5**	**–**

*Index analysis does not show weighting for sectors in which Lowland holds no investments

Strategic Report: Twenty Largest Holdings

Twenty Largest Holdings as at 30 September 2019

The stocks in the portfolio are a diverse mix of businesses operating in a wide range of end markets.

Rank 2019 (2018)	Company	% of portfolio	Approximate Market Capitalisation	Valuation 2018 £'000	Purchases £'000	Sales £'000	Appreciation/ (depreciation) £'000	Valuation 2019 £'000
1 (1)	**Royal Dutch Shell** The company explores, produces and refines oil; it produces fuels, chemicals and lubricants as well as operating filling stations worldwide. The company has attacked their cost base and has very high class assets which positions them well for the future.	5.6	£186bn	35,262	–	(7,047)	(3,740)	**24,475**
2 (7)	**GlaxoSmithKline** A global pharmaceutical, vaccine and consumer healthcare company. The consumer healthcare and vaccine businesses should be steady growers over time while the pharmaceutical division under a new leadership team could turn around what has been a mixed R&D track record.	3.5	£85bn	9,605	4,074	–	1,586	**15,265**
3 (6)	**Phoenix** The company operates primarily in the UK and specialises in taking over and managing closed life insurance and pension funds.	2.7	£5.2bn	11,305	–	–	256	**11,561**
4 (3)	**Hiscox** The international insurance company manages underwriting syndicates and underwrites a range of personal and commercial insurance. The company is very disciplined and has over the long-term achieved a high return on capital.	2.6	£4.1bn	15,074	–	(3,677)	(86)	**11,311**
5 (4)	**HSBC** The global bank provides international banking and financial services. The diversity of the countries it operates in as well as its exposure to faster growing economies make it well placed.	2.5	£121bn	12,759	–	(824)	(818)	**11,117**
6 (5)	**Prudential** The company provides an assortment of insurance and investment products around the world. The business in the Far East has grown impressively in recent years.	2.2	£36bn	11,437	–	–	(1,849)	**9,588**
7 (2)	**Senior** The company manufactures specialist engineering products for the automotive and aerospace sectors. Having come under margin pressure in recent years, the company is well positioned to grow margins as end markets recover and new aerospace programs ramp up production.	2.2	£800mn	15,610	–	–	(6,230)	**9,380**

* Not in the top 20 largest investments last year
1 AIM stocks
2 Overseas listed stocks (Ireland)

Strategic Report: Twenty Largest Holdings (continued)

Rank 2019 (2018)	Company	% of portfolio	Approximate Market Capitalisation	Valuation 2018 £'000	Purchases £'000	Sales £'000	Appreciation/ (depreciation) £'000	**Valuation 2019 £'000**
8 (16)	**Severn Trent** A UK water utility. Due to concerns regarding possible renationalisation under Labour and an upcoming regulatory review, shares have performed poorly and are trading at a lower discount to regulated asset base than in recent years. There is also a good dividend yield with scope to grow.	2.1	£5.3bn	6,934	930	–	1,337	**9,201**
9 (11)	**Standard Chartered** The international banking group operates principally in Asia, Africa and the Middle East. The new management team has focused the bank back to areas of relative strength in its growing markets.	2.1	£24bn	7,820	533	–	739	**9,092**
10 (13)	**Relx** The company publishes information for the scientific, medical, legal and business sectors serving customers worldwide. The company is a consistent, high quality growth business.	1.8	£36bn	7,272	–	(980)	1,438	**7,730**
11 (*)	**Greene King** A UK pub and brewer. Since financial year end it has been acquired by Hong Kong based investment company CK Asset Holdings.	1.7	£2.6bn	4,412	–	–	3,211	**7,623**
12 (9)	**BP** A producer and refiner of oil. Following the fall in the oil price they have successfully focused on cost reduction.	1.7	£105bn	8,545	–	–	(1,066)	**7,479**
13 (17)	**Johnson Service**[1] A textile rental company that provides linens for use across workwear, hotels and restaurants. In recent years the management team has successfully de-geared the balance sheet and grown operating margins.	1.7	£650mn	6,809	–	(1,388)	1,868	**7,289**
14 (*)	**National Grid** A regulated utility (electricity and gas distribution) operating in the US and UK. Due to concerns regarding possible renationalisation under Labour, shares are trading at an attractive valuation relative to global regulated utility peers. There is also an attractive dividend yield.	1.7	£31bn	6,463	–	–	739	**7,202**
15 (*)	**Avon Rubber** A supplier of defence equipment for predominantly the US Department of Defense as well as law enforcement. Their revenues and earnings are forecast to grow substantially following an acquisition of a personal protection business from 3M.	1.6	£570mn	5,805	121	(501)	1,722	**7,147**

* Not in the top 20 largest investments last year
1 AIM stocks
2 Overseas listed stocks (Ireland)

Strategic Report: Twenty Largest Holdings (continued)

Rank 2019 (2018)	Company	% of portfolio	Approximate Market Capitalisation	Valuation 2018 £'000	Purchases £'000	Sales £'000	Appreciation/ (depreciation) £'000	**Valuation 2019 £'000**
16 (8)	**Irish Continental**[2] The group provides passenger transport, roll-on and roll-off freight transport and container services between Ireland, the United Kingdom and Continental Europe. It is a very cash generative well-run company.	1.6	£720mn	8,676	–	–	(1,709)	**6,967**
17 (18)	**Vodafone** A global telecoms company. The company has invested in their network quality and are now better placed to grow revenue per customer as people use more mobile data.	1.5	£44bn	6,692	–	–	(101)	**6,591**
18 (10)	**Rolls-Royce** The company designs and manufactures engines as well as providing aftermarket services for use across aerospace and industry. The company has successfully won market share across many of the large new civil aerospace programmes and under a new management team has a renewed focus on removing duplicate costs.	1.5	£15.2bn	£15bn	–	–	(1,609)	**6,537**
19 (19)	**Direct Line** A UK provider of car and home insurance. The company has well-known brands which will allow them to grow policies well, while maintaining underwriting discipline. A strong balance sheet allows them to pay an attractive dividend yield to shareholders.	1.5	£3.8bn	6,640	314	–	(500)	**6,454**
20 (12)	**Aviva** This company provides a wide range of insurance and financial services. The management team have done a good job of simplifying the business, exiting peripheral and low return areas. They pay an attractive yield that has good scope to grow.	1.4	£16.9bn	7,587	–	–	(1,398)	**6,189**
				202,853	**5,972**	**(14,417)**	**(6,210)**	**188,198**

At 30 September 2019 these investments totalled £188,198,000 or 43.2% of portfolio.

* Not in the top 20 largest investments last year
1 AIM stocks
2 Overseas listed stocks (Ireland)

Strategic Report: Investment Portfolio

30 September 2019 Position	Investments	Sector	Market Value £'000	% of Portfolio
1	Royal Dutch Shell	Oil & Gas Producers	24,475	5.6
2	GlaxoSmithKline	Pharmaceuticals & Biotechnology	15,265	3.5
3	Phoenix	Life Insurance	11,561	2.7
4	Hiscox	Non-Life Insurance	11,311	2.6
5	HSBC	Banks	11,117	2.5
6	Prudential	Life Insurance	9,588	2.2
7	Senior	Aerospace & Defence	9,380	2.2
8	Severn Trent	Gas Water & Multiutilities	9,201	2.1
9	Standard Chartered	Banks	9,092	2.1
10	Relx	Media	7,730	1.8
10 largest			**118,720**	**27.3**
11	Greene King	Travel & Leisure	7,623	1.7
12	BP	Oil & Gas Producers	7,479	1.7
13	Johnson Service[1]	Support Services	7,289	1.7
14	National Grid	Gas Water & Multiutilities	7,202	1.7
15	Avon Rubber	Aerospace & Defence	7,147	1.6
16	Irish Continental	Travel & Leisure (Ireland)	6,967	1.6
17	Vodafone	Mobile Telecommunications	6,591	1.5
18	Rolls-Royce	Aerospace & Defence	6,537	1.5
19	Direct Line	Non-Life Insurance	6,454	1.5
20	Aviva	Life Insurance	6,189	1.4
20 largest			**188,198**	**43.2**
21	Churchill China[1]	Household Goods & Home Construction	5,989	1.4
22	Ten Entertainment	Travel & Leisure	5,934	1.4
23	Henderson Opportunities Trust	Equity Investment Instruments	5,478	1.3
24	FBD	Non-Life Insurance (Ireland)	5,434	1.2
25	Anexo[1]	Support Services	5,376	1.2
26	Randall & Quilter[1]	Non-Life Insurance	5,292	1.2
27	Rio Tinto	Mining	5,261	1.2
28	St Modwen Properties	Real Estate	5,171	1.2
29	Land Securities	Real Estate	5,138	1.2
30	BAE Systems	Aerospace & Defence	5,130	1.2
30 largest			**242,401**	**55.7**
31	Headlam	Household Goods & Home Construction	5,102	1.2
32	Croda	Chemicals	4,744	1.1
33	Mondi	Forestry & Paper	4,674	1.1
34	Standard Life Aberdeen	Financial Services	4,547	1.1
35	H&T Group[1]	Financial Services	4,477	1.0
36	Babcock	Support Services	4,464	1.0
37	Royal Bank of Scotland	Banks	4,463	1.0
38	Hill & Smith	Industrial Engineering	4,394	1.0
39	TT Electronics	Electronic & Electrical Equipment	4,375	1.0
40	Morgan Advanced Materials	Electronic & Electrical Equipment	4,297	1.0
40 largest			**287,938**	**66.2**

1. AIM stocks
2. Unlisted investments
3. In administration

Strategic Report: Investment Portfolio (continued)

30 September 2019 Position	Investments	Sector	Market Value £'000	% of Portfolio
41	International Consolidated Airlines	Travel & Leisure	4,275	1.0
42	DS Smith	General Industrials	4,194	1.0
43	Pennon	Gas Water & Multiutilities	4,135	1.0
44	Castings	Industrial Engineering	3,954	0.9
45	Clarkson	Industrial Transportation	3,953	0.9
46	Redde[1]	Financial Services	3,839	0.9
47	Royal Mail	Industrial Transportation	3,811	0.8
48	Sabre Insurance	Non-Life Insurance	3,756	0.8
49	Epwin[1]	Construction & Materials	3,577	0.8
50	International Personal Finance	Financial Services	3,506	0.8
50 largest			**326,938**	**75.1**
51	XP Power	Electronic & Electrical Equipment	3,496	0.8
52	Gibson Energy	Oil & Gas Producers (Canada)	3,398	0.8
53	Provident Financial	Financial Services	3,398	0.8
54	Palace Capital	Real Estate	3,331	0.8
55	HICL Infrastructure	Equity Investment Instruments	3,324	0.8
56	Consort Medical	Health Care Equipment & Services	3,321	0.7
57	IMI	Industrial Engineering	3,155	0.7
58	Balfour Beatty	Construction & Materials	3,124	0.7
59	Somero Enterprises[1]	Industrial Engineering	3,053	0.7
60	Park[1]	Financial Services	3,034	0.7
60 largest			**359,572**	**82.6**
61	Studio Retail	General Retailers	2,976	0.7
62	Stobart	Industrial Transportation	2,975	0.7
63	Euromoney	Media	2,960	0.7
64	Helical	Real Estate	2,918	0.7
65	Bellway	Household Goods & Home Construction	2,844	0.7
66	Shoe Zone[1]	General Retailers	2,701	0.6
67	Chesnara	Life Insurance	2,695	0.6
68	Numis[1]	Financial Services	2,679	0.6
69	AstraZeneca	Pharmaceuticals & Biotechnology	2,650	0.6
70	K3 Capital[1]	Financial Services	2,646	0.6
70 largest			**387,616**	**89.1**
71	Ince[1]	Support Services	2,567	0.6
72	Vitec	Industrial Engineering	2,490	0.6
73	Herald Investment Trust	Equity Investment Instruments	2,371	0.6
74	Elecosoft[1]	Technology	2,365	0.5
75	STV	Media	2,291	0.5
76	Renold[1]	Industrial Engineering	2,274	0.5
77	Low & Bonar	General Industrials	2,270	0.5
78	Ibstock	Construction & Materials	2,191	0.5
79	Daily Mail & General Trust	Media	2,170	0.5
80	Elementis	Chemicals	2,145	0.5
80 largest			**410,750**	**94.4**

1. AIM stocks
2. Unlisted investments
3. In administration

Strategic Report: Investment Portfolio (continued)

30 September 2019 Position	Investments	Sector	Market Value £'000	% of Portfolio
81	Hammerson	Real Estate	2,127	0.5
82	IP Group	Financial Services	2,039	0.5
83	Centrica	Gas Water & Multiutilities	2,028	0.5
84	Airea[1]	Personal Goods	1,732	0.4
85	4D Pharma[1]	Pharmaceuticals & Biotechnology	1,708	0.4
86	Oxford Sciences Innovation[2]	Pharmaceuticals & Biotechnology	1,560	0.3
87	Renewi	Support Services	1,434	0.3
88	Carr's Group	Food Producers	1,423	0.3
89	Tyman	Construction & Materials	1,205	0.3
90	Indus Gas[1]	Oil & Gas Producers	1,158	0.3
90 largest			**427,164**	**98.2**
91	Taylor Wimpey	Household Goods & Home Construction	1,131	0.3
92	Premier Oil	Oil & Gas Producers	974	0.2
93	Ilika[1]	Alternative Energy	798	0.2
94	Horizon Discovery[1]	Pharmaceuticals & Biotechnology	756	0.2
95	Wadworth – Ordinary shares[2]	Travel & Leisure	736	0.1
96	Flowtech Fluidpower[1]	Industrial Engineering	500	0.1
97	Moss Bros	General Retailers	472	0.1
98	Kier Group	Construction & Materials	467	0.1
99	Atlantis Resources[1]	Alternative Energy	388	0.1
100	Severfield	Industrial Engineering	338	0.1
100 largest			**433,724**	**99.7**
101	Velocys[1]	Chemicals	235	0.1
102	Chamberlin[1]	Industrial Engineering	213	0.1
103	Hornby[1]	Leisure Goods	182	0.1
104	Mercantile Ports & Logistics[1]	Industrial Transportation	181	–
105	Providence Resources[1]	Oil & Gas Producers	156	–
106	Wadworth – Preference shares[2]	Travel & Leisure	126	–
107	Modern Water[1]	Gas Water & Multiutilities	110	–
108	Endeavour Mining	Mining (Canada)	107	–
109	Faron Pharmaceuticals[1]	Pharmaceuticals & Biotechnology	99	–
110	Infrastructure India[1]	Equity Investment Instruments	54	–
110 largest			**435,187**	**100.0**
111	ACH[2]	Non-Life Insurance	–	–
112	Carclo	Chemicals	–	–
113	Carillion[3]	Support Services	–	–
114	Circle Oil[3]	Oil & Gas Producers	–	–
115	Conviviality Retail[3]	Food & Drug Retailers	–	–
116	Encor Power[3]	Electricity Generation and Distribution	–	–
117	Interserve[3]	Support Services	–	–
Total Investments			**435,187**	**100.0**

1. AIM stocks
2. Unlisted investments
3. In administration

Strategic Report: Business Model

Background

Lowland is a Company listed on the London Stock Exchange. It was created in 1960 and began trading on the London Stock Exchange in 1963. Since inception it has been managed by a representative of Janus Henderson. The Board is independent of the appointed Manager and is responsible for reviewing the ongoing management of the Company.

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.

Investment Policy

Asset Allocation

The Company will invest in a combination of large, medium and smaller companies listed in the UK. We are not constrained by the weightings of any index; we focus instead on controlling absolute risk by diversifying on the basis of underlying company characteristics such as size, industry, economic sensitivity, clients and management. In normal circumstances up to half the portfolio will be invested in FTSE 100 companies; the remainder will be divided between small and medium-sized companies. On occasions the Manager will buy shares listed overseas. The Manager may also invest a maximum of 15% in other listed trusts.

Dividend

The Company aims to provide shareholders with better-than-average dividend growth.

Gearing

The Board believes that debt in a closed-end fund is a valuable source of long-term outperformance, therefore the Company will usually be geared. At the point of drawing down debt, gearing will never exceed 29.99% of the portfolio valuation. Borrowing will be a mixture of short and long-dated debt, depending on relative attractiveness of rates.

Management

The Company qualifies as an Alternative Investment Fund ('AIF') in accordance with the Alternative Investment Fund Managers Directive ('AIFMD').

The Company has appointed Henderson Investment Funds Limited ('HIFL') to act as its Alternative Investment Fund Manager ('AIFM') in accordance with an agreement which was effective from 22 July 2014 and is terminable on six months' notice. HIFL delegates investment management services to Henderson Global Investors Limited.
Both entities are authorised and regulated by the Financial Conduct Authority ('FCA'). References to Janus Henderson and the Manager within this report refer to the services provided by both entities.

The fund management team is James Henderson and Laura Foll. James Henderson has been in place since 1990 and Laura has been in place since 2016.

Janus Henderson and its subsidiaries provide accounting, company secretarial and general administrative services. Some of the administration and accounting services are carried out, on behalf of Janus Henderson, by BNP Paribas Securities Services. Helena Harvey ACG acts as Company Secretary on behalf of the Corporate Secretary, Henderson Secretarial Services Limited.

Management and Performance Fee Arrangements

The management fee is calculated on a tiered basis at the rate of 0.5% per annum of the first £375m of the average net chargeable assets with the balance above that charged at a reduced rate of 0.4% per annum. Until 30 September 2018 management fees were charged to the revenue account. From that date such fees are charged 50% to revenue and 50% to capital.

Net chargeable assets are defined as total assets less current liabilities and without limitation any borrowings at fair value, less the value of any investment in Janus Henderson Group plc and the value of any investment in any funds managed by Janus Henderson.

The performance fee is 15% of any outperformance on a total return basis of Lowland's benchmark (currently the FTSE All-Share Index Total Return) by more than 10% (the 'hurdle rate') over the average of the last three years.
Any performance fee paid is charged to the capital account. There is a cap on the performance fee of 0.25% per annum of average net chargeable assets in any one 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 that calculation period.

Strategic Report: Biographies

From left to right: James Henderson, Gaynor Coley, Karl Sternberg, Laura Foll, Robert Robertson, Thomas Walker, Duncan Budge.

All Directors are independent of Janus Henderson and are members of the Audit (except the Chairman and Mr. Sternberg), Nominations, Management Engagement and Insider Committtees.

Directors

Robert Robertson

Position: Chairman of the Board and of the Nominations and Management Engagement Committees (Chairman 24 January 2017)

Date of appointment: 1 May 2011

Robert is a director of BlackRock Smaller Companies Trust Plc and a number of private companies. He was previously chairman of West China Cement Limited, a director of Buro Happold Engineers Limited, Metallon Corporation plc and Mondi Europe and chief executive of Tarmac Group Limited and Anglo American's Industrial Minerals division. His early career was in finance, working in London, Paris, Johannesburg, New York and Rio de Janeiro. He brings over forty years' involvement in companies of all sizes, many sectors and geographies, and in executive and non-executive capacities as well as investment experience.

Duncan Budge

Position: Director

Date of appointment: 14 July 2014

Duncan has extensive experience within the investment trust sector. He is Chairman of Dunedin Enterprise Investment Trust PLC and Artemis Alpha Trust plc. He is a non-executive director of Menhaden plc, Biopharma Credit plc and Asset Value Investors Ltd. He was formerly a director and Chief Operating Officer of RIT Capital Partners plc, and a director of J. Rothschild Capital Management Limited (RIT's management company). Prior to this he spent six years at Lazard Brothers & Co. Limited.

Strategic Report: Biographies (continued)

(Susan) Gaynor Coley

Position: Director and Chairman of the Audit Committee (Audit Chairman 24 January 2017)

Date of appointment: 1 November 2016

Gaynor is a director and Chair of the Audit Committee of SQN Secured Investment Fund plc, and a director of Asia Dragon Trust plc (formerly Edinburgh Dragon Trust plc). She is Chairman of The Wave Group Limited, a private company based in Bristol building inland surfing venues and is also a partner in Coley Hill Consultancy. She was previously the Director of Public Programmes at the Royal Botanic Gardens Kew, Managing Director of the Eden Project in Cornwall, and director of Finance at Plymouth University. A qualified chartered accountant, she has over 30 years of experience in private and public sector finance and governance.

Karl Sternberg

Position: Director

Date of appointment: 1 January 2009

Karl is a director of Jupiter Fund Management PLC, JPMorgan Elect plc, Monks Investment Trust PLC, Herald Investment Trust plc, Alliance Trust plc and Railpen. He is also a Fellow of Christ Church, Oxford. He was formerly Chief Investment Officer for Deutsche Asset Management (Europe and Asia Pacific) and Chief Executive of Oxford Investment Partners Limited. He is also used to managing investment teams in a large fund management organisation. His varied non-executive directorships give him a good understanding of contributing to the supervision of an investment trust portfolio; his involvement in operating companies also allows him to share insights with the managers on the issues businesses face in the financial sector.

Thomas Walker

Position: Director

Date of appointment: 1 July 2019

Tom is currently a non-executive director of EP Global Opportunities Trust plc and JPMorgan Japan Smaller Companies Trust plc and has longstanding trustee experience with the Church of Scotland Investors Trust. He is a qualified chartered accountant and has broad international experience of managing funds, including investment trusts. He was formerly a Fund Manager with Martin Currie Investment Management, where latterly he headed up the global long-term unconstrained team and was also the manager of the global investment trust, Martin Currie Global Portfolio Trust plc.

Fund Managers

James Henderson

James Henderson is Director of UK Investment Trusts and a Fund Manager at Janus Henderson Investors, a position he has held as part of the Janus Henderson team since 2003. He joined Janus Henderson in 1983 as a trainee fund manager and, during his tenure with the firm, has been successfully managing a number of investment trusts, and Lowland since 1990. Prior to joining Janus Henderson he was an accountant trainee at Binder Hamlyn. James graduated with an MA (Hons) in economics from Cambridge University and has 36 years of financial industry experience.

Laura Foll

Laura Foll is a Fund Manager at Janus Henderson Investors, a position she has held as part of the Janus Henderson team since 2014. Laura joined Janus Henderson in 2009 as part of the graduate scheme. She was subsequently named a global analyst on the value and income team and later an assistant fund manager for the global equity income team. Laura graduated from the London School of Economics with an honours degree in economic history with economics. She holds the Chartered Financial Analyst designation and has 10 years of financial industry experience.

Strategic Report: Corporate Information

Registered Office

201 Bishopsgate
London EC2M 3AE

Service Providers

Alternative Investment Fund Manager

Henderson Investment Funds Limited
201 Bishopsgate
London EC2M 3AE

Corporate Secretary

Henderson Secretarial Services Limited
201 Bishopsgate
London EC2M 3AE
Telephone: 020 7818 1818
Email: ITSecretariat@janushenderson.com

Depositary and Custodian

HSBC Bank plc
8 Canada Square
London E14 5HQ

Stockbrokers

J.P. Morgan Cazenove
25 Bank Street
Canary Wharf
London E14 5JP

Registrar

Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol BS99 6ZZ
Telephone: 0370 707 1057

Independent Auditor

Ernst & Young LLP
25 Churchill Place
London E14 5EY

Financial Calendar

Annual results	announced December 2019
Ex dividend date	2 January 2020
Dividend record date	3 January 2020
Annual General Meeting[1]	28 January 2020
Final dividend payable on	31 January 2020
Half year results	announced June 2020

Information Sources

For more information about Lowland Investment Company plc, visit the website at **www.lowlandinvestment.com**.

HGi

HGi is a content platform provided by Janus Henderson that offers online personalisation where you can 'follow' investment experts, topics and the trusts that are of interest to you. By creating your HGi profile you will be updated regularly on the topics that interest you most, bringing you closer to Janus Henderson's investment expertise.

Scan the QR code or use this short URL to register for HGi. http://HGi.co/rb

Follow Janus Henderson Investment Trusts on Twitter, YouTube and Facebook

For alternative access to Janus Henderson's insight you can now follow on Twitter, YouTube and Facebook.

Investing

Shares can be purchased in the market via a stockbroker or through share dealing platforms. They can also be held through share plans, ISAs or pensions and links to various providers are included on the website. Individuals holding shares through Halifax Share Dealing Limited can write to them at Lovell Park Road, Leeds LS1 1NS or contact them via telephone 03457 225525, email **customercare.HSDL@halifax.co.uk** or visit their website **www.halifax.co.uk/sharedealing**.

Potential investors are reminded that the value of investments and the income from them may go down as well as up and investors may not receive back the full amount invested. Tax benefits may vary as a result of statutory changes and their value will depend on individual circumstances.

Nominee Share Code

Where notification has been provided in advance, the Company will arrange for copies of shareholder communications to be provided to the operators of nominee accounts. Nominee investors may attend General Meetings and speak at them when invited to do so by the Chairman.

1. At the Company's registered office at 12.30 p.m

Strategic Report: Corporate Information (continued)

Status

The Company is registered as a public limited company and is an investment trust as defined under section 833 of the Companies Act 2006 (the 'Act'). It has been approved as an investment company under sections 1158/1159 of the Corporation Tax Act 2010 ('Section 1158'), as amended, and is a member of the Association of Investment Companies ('AIC').

The Directors are of the opinion that the Company continues to conduct its affairs as an Approved Investment Trust under the Investment Trust (Approved Company) (Tax) Regulations 2011. The Company maintains a primary listing on the London Stock Exchange and is subject to the Listing, Prospectus and Disclosure Guidance and Transparency Rules published by the FCA. The Company is governed by its Articles of Association, amendments to which must be approved by shareholders by way of a special resolution.

Principal Risks and Uncertainties

The Board, with the assistance of the Manager, has carried out a robust assessment of the principal risks, and uncertainties, facing the Company that would threaten its business model, future performance, solvency and liquidity. A matrix of these risks has been drawn up and steps taken to mitigate these. The principal risks and mitigating actions are as follows:

Investment Activity and Strategy Risk

An inappropriate investment strategy or poor execution, for example, in terms of asset allocation or level of gearing, may result in underperformance against the Company's benchmark index and the companies in its peer group, and also in the Company's shares trading on a wider discount to the net asset value per share.

The Board manages these risks by ensuring a diversification of investments and a regular review of the extent of borrowings. Janus Henderson operates in accordance with investment limits and restrictions and policy determined by the Board, which includes limits on the extent to which borrowings may be employed.

The Board reviews the investment limits and restrictions on a regular basis and the Manager confirms adherence to them every month. Janus Henderson provides the Board with management information, including performance data and reports and shareholder analyses.

The Board monitors the implementation and results of the investment process with the Fund Managers at each Board meeting and monitor risk factors in respect of the portfolio.

Investment strategy is reviewed at each meeting.

Portfolio and Market Price Risk

Market risk arises from uncertainty about the future prices of the Company's investments. Although the Company invests almost entirely in securities that are listed on recognised markets, share prices may move rapidly. The companies in which investments are made may operate unsuccessfully, or fail entirely.

The Fund Managers seek to maintain a diversified portfolio to mitigate against this risk. The Board regularly reviews the portfolio, activities and performance. An analysis of the Company's portfolio is shown on pages 14 to 20. See note 14.1.1 on pages 60 to 61 also.

Financial Risk

The financial risks faced by the Company include market price risk, interest rate risk, liquidity risk, currency risk and credit and counterparty risk.

The Company minimises the risk of a counterparty failing to deliver securities or cash by dealing through organisations that have undergone rigorous due diligence by Janus Henderson. The Company holds its liquid funds almost entirely in interest bearing bank accounts in the UK or on short-term deposit. This, together with a diversified portfolio which comprises mainly investments in large and medium-sized listed companies mitigates the Company's exposure to liquidity risk. Currency risk is mitigated by the low exposure to overseas stocks.

Gearing Risk

At the point of drawing down debt, gearing will never exceed 29.99% of the portfolio valuation. In the event of a significant or prolonged fall in equity markets gearing would exacerbate the effect of the falling market on the Company's NAV per share and, consequently, its share price.

The Company minimises the risk by the regular monitoring of the levels of the Company's borrowings in accordance with the agreed limits. The Company confirms adherence to the covenants of the loan facilities on a monthly basis.

Operational Risk

Disruption to, or the failure of, Janus Henderson's accounting, dealing or payment systems or the custodian's records could prevent the accurate reporting or monitoring of the Company's financial position.

Janus Henderson contracts some of the operational functions (principally those relating to trade processing, investment administration and accounting), to BNP Paribas Securities Services.

Details of how the Board monitors the services provided by Janus Henderson and its other suppliers, including cyber risk, and the key elements designed to provide effective internal control, are explained further in the Internal Controls section of the Corporate Governance Statement on page 36.

Strategic Report: Corporate Information (continued)

Accounting, Legal and Regulatory Risk

In order to qualify as an investment trust, the Company must comply with Section 1158. A breach of Section 1158 could result in the Company losing investment trust status and, as a consequence, capital gains realised within the Company's portfolio would be subject to Corporation Tax.

Compliance with the requirements of Section 1158 is monitored by Janus Henderson and the results are reported at each Board meeting. The Company must comply with the provisions of the Companies Act 2006 and, since its shares are listed on the London Stock Exchange, the FCA's Listing and Disclosure Guidance and Transparency Rules and the Prospectus Rules ('FCA Rules').

A breach of the Companies Act 2006 could result in the Company and/or the Directors being fined or the subject of criminal proceedings. A breach of the Listing Rules could result in the suspension of the Company's shares; which in turn would breach Section 1158.

The Board relies on its Company Secretary and its professional advisers to ensure compliance with the Companies Act 2006 and FCA Rules.

The Board receives internal control reports produced by Janus Henderson on a quarterly basis, which confirm regulatory compliance.

The Board considers these risks to have remained unchanged throughout the year under review.

Viability Statement

The Company is a long-term investor; the Board believes it is appropriate to assess the Company's viability over a five-year period in recognition of our long-term horizon and what we believe to be investors' horizons, taking account of the Company's current position and the potential impact of the principal risks and uncertainties as documented above in this Strategic Report.

The assessment has considered the impact of the likelihood of the principal risks and uncertainties facing the Company, in particular investment strategy and performance against benchmark, whether from asset allocation or the level of gearing, and market risk, materialising in severe but plausible scenarios, and the effectiveness of any mitigating controls in place.

The Board has taken into account the liquidity of the portfolio and the gearing in place when considering the viability of the Company over the next five years and its ability to meet liabilities as they fall due. This included consideration of the duration of the Company's loan facilities and how a breach of the loan facility covenants could impact on the Company's liquidity, net asset value and share price.

The Board does not expect there to be any significant change in the current principal risks and adequacy of the mitigating controls in place. The Directors do not envisage any change in strategy or objectives or any events that would prevent the Company from continuing to operate over that period as the Company's assets are liquid, its commitments are limited and the Company intends to continue to operate as an investment trust. Only a substantial financial crisis affecting the global economy could have an impact on this assessment.

Based on this assessment, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the next five-year period.

Key Performance Indicators

In order to measure the success of the Company in meeting its objectives and to evaluate the performance of Janus Henderson, the Directors take into account the following key performance indicators:

Performance Measured against the Benchmark

The Board reviews and compares, at each meeting, the performance of the portfolio as well as the net asset value and share price for the Company and its benchmark, which is the FTSE All-Share Index Total Return.

Discount/Premium to Net Asset Value

At each Board meeting, the Board monitors the level of the Company's discount/premium to NAV and reviews the average discount/premium for the Company's relevant Association of Investment Companies ('AIC') sector (UK Equity Income).

The Board does not believe that a discount control mechanism is in the interests of shareholders. It would negate some of the benefits of a closed-end fund. It might force the Company to purchase its own shares at a time when it does not have spare cash; when it may be inopportune to realise investments; or when there are good buying opportunities in the market. Furthermore it could shrink the size of the Company, reducing the audience of potential investors, increase the ongoing charges ratio, and reduce liquidity in the Company's shares. The Board may agree to purchase Lowland shares opportunistically if it believes that the benefits in terms of NAV enhancement are sufficient.

The Board believes that the best way of reducing or eliminating the discount is to continue to provide superior returns to shareholders, and to elucidate the attractions of investment in Lowland to as large and diverse an audience as possible.

The Board is prepared to issue shares at a premium, provided the transaction will enhance cum-income NAV after costs; and provided that a premium has prevailed for sufficient time for current shareholders to have had the opportunity to sell shares at a premium. The Board would see the advantages as including NAV enhancement,

Strategic Report: Corporate Information (continued)

reducing the ongoing charges ratio, growing the Company, and increasing liquidity in its shares. The Board believes that each of these four factors will be in the interests of Lowland's shareholders.

The Company publishes a NAV per share figure on a daily basis, through the official newswire of the London Stock Exchange. This figure is calculated in accordance with the AIC formula and since 1 June 2008 includes current financial year revenue items.

Performance against the Company's Peer Group

The Company is included in the AIC UK Equity Income sector. In addition to comparison against the stated benchmark, the Board also considers the performance against its AIC peer group at each Board meeting.

Ongoing Charge

The Ongoing Charge is a measure of the recurring expenses incurred by the Company expressed as a percentage of the average shareholders' funds over the year. The Board regularly reviews the Ongoing Charge and monitors all Company expenses.

The charts and tables on pages 2 and 3 show how the Company has performed against these KPIs and the Chairman's Statement and Fund Managers' Report give more information on performance.

Borrowings

The Company has a committed loan facility with Scotiabank of up to £40m, which allows it to borrow as and when appropriate. The facility expires on 27 October 2020. The Company also has a conditional option to increase the facility by £20m.

The maximum amount drawn down in the year under review was £30.2m (2018: £39.5m), with borrowing costs for the year totalling £383,000 (2018: £389,000). £21.2m (2018: £26.5m) of the facility was in use at the year end.

The Company has in issue £30m fixed rate 20 year senior unsecured loan notes at a fixed sterling coupon rate of 3.15%.

Gearing at 30 September 2019 was 12.8% (2018: 12.2%) of net asset value.

Future Developments

The future performance of the Company is dependent on international financial markets which are subject to various external factors, including political and economic conditions. It is the Board's intention that the Company will continue to pursue its stated investment objective and policy. The Chairman's Statement and the Fund Managers' Report provide commentary on the outlook of the Company.

Corporate Responsibility

Responsible investment

Janus Henderson is responsible for reporting on its work on corporate governance and corporate responsibility issues in the companies in which it invests on its clients' behalf, across all funds as part of its management duties. In May 2005 Henderson became a founding signatory to the United Nations Principles for Responsible Investment. The Principles, developed under the auspices of the UN Secretary-General, are a voluntary and aspirational framework for incorporating environmental, social and corporate governance ('ESG') issues into mainstream investment decision-making and ownership practices.

The way companies respond to ESG issues can affect their business performance, both directly and indirectly. ESG factors are considered by Janus Henderson investment teams but investments are not necessarily ruled out on ESG grounds only.

Voting Policy and the UK Stewardship Code

The Manager has a responsible investment policy in place which sets out its approach to corporate governance and corporate responsibility for all the companies in which it invests on behalf of its clients and its policy on proxy voting. The policy also sets out how Janus Henderson implements the Stewardship Code. The Company has reviewed the policy and has delegated responsibility for voting to the Manager. The Board receives regular reports on the voting undertaken by the Manager on behalf of the Company. The Board and the Manager believe that voting at general meetings is an important aspect of corporate stewardship and a means of signalling shareholder views on board policy, practices and performance. Voting recommendations are guided by the best interests of the investee companies' shareholders. The Manager actively votes at shareholder meetings and engages with companies as part of the voting process. Voting decisions are made in close consultation with the Fund Manager, with regular dialogue between fund managers and corporate governance specialists.

The responsible investment policy and further details of responsible investment activities can be found on the website **www.janushenderson.com**.

Employees, Social, Community, Human Rights and Environmental Matters

The Company's core activities are undertaken by Janus Henderson, which has implemented environmental management practices, including systems to limit the use of non-renewable resources and to minimise the impact of operations on the environment, and is focused on reducing greenhouse gas emissions and minimising waste, where possible. The Company has therefore not reported on these, or social, community or human rights issues. Janus Henderson's corporate responsibility statement is included on its website.

Strategic Report: Corporate Information (continued)

The Company's Annual Report is printed on paper produced using 50% recycled post consumer waste and 50% wood fibre from fully sustainable forests with certification by the Forest Stewardship Council; the printing company used is certified as CarbonNeutral®.

Modern Slavery Act 2015

As an investment vehicle the Company does not provide goods or services in the normal course of business, and does not have customers. Accordingly, the Directors consider that the Company is not required to make any slavery or human trafficking statement under the Modern Slavery Act 2015.

Board Diversity and Experience

The Company's affairs are overseen by a Board comprising of five non-executive Directors – one female and four males. The Directors are diverse in their experience bringing knowledge of investment markets, banking and accounting and auditing expertise to discussions regarding the Company's business. The Directors regularly consider the leadership needs and specific skills required to achieve the Company's investment objective, and are cognisant of diversity when making appointments to the Board. The Company has no employees and therefore has no further disclosures to make in respect of gender representation within the Company.

For and on behalf of the Board

Robert Robertson
Chairman
9 December 2019

Corporate Report

Report of the Directors

The Directors present their report and the audited financial statements of the Company for the year ended 30 September 2019.

Lowland Investment Company plc ('the Company') (registered in England & Wales with company registration number 670489) was active throughout the year under review and was not dormant.

Directors' Remuneration and Shareholdings

The Directors' Remuneration Report on pages 33 and 34 provides information on the remuneration and interests of the Directors.

Directors' Conflicts of Interest

The Company's Articles of Association permit the Board to consider, and, if it sees fit, to authorise situations where a Director has an interest that conflicts, or may possibly conflict, with the interests of the Company ('situational conflicts'). The Board has a formal system in place for Directors to declare situational conflicts to be considered for authorisation by those Directors who have no interest in the matter being considered. In deciding whether to authorise a situational conflict, the non-conflicted Directors must act honestly and in good faith with a view to the best interests of the Company and they may impose limits or conditions when giving the authorisation, or subsequently, if they think this is appropriate. Any situational conflicts considered, and any authorisations given, are recorded in the relevant meetings' minutes. The prescribed procedures have been followed in deciding whether, and on what terms, to authorise situational conflicts and the Board believes that the systems it has in place for reporting and considering situational conflicts continue to operate effectively.

Share Capital

The Company's share capital comprises ordinary shares with a nominal value of 25p each. The voting rights of the shares on a poll are one vote for every share held. There are no restrictions on the transfer of the Company's ordinary shares or voting rights, no shares which carry specific rights with regard to the control of the Company and no agreement which the Company is party to that affects its control following a takeover bid. To the extent that they exist, the revenue profits of the Company (including accumulated revenue reserves and realised capital gains) 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. As at 30 September 2019, there were 27,018,565 ordinary shares in issue. No shares were issued during the year or in the period up to the date of this report. At the AGM held in January 2019 the Directors were granted authority to buy-back 4,050,082 shares. At 30 September 2019 no shares had been bought back from this authority. The Directors have remaining authority to purchase 4,050,082 shares. This authority will expire at the conclusion of the 2020 AGM.

The Company will seek authority from its shareholders at the 2020 AGM to renew the authorisation to allot new shares, to dis-apply pre-emption rights and to buy-back shares for cancellation or to be held in Treasury.

Holdings in the Company's Shares

There were no declarations of interests in the voting rights of the Company as at 30 September 2019 in accordance with the Disclosure, Guidance and Transparency Rules.

No changes have been notified in the period 1 October 2019 to 9 December 2019.

Fund Managers' Interests

James Henderson, Fund Manager, has a beneficial interest in 92,490 ordinary shares of the Company (2018: 92,490). Laura Foll, Fund Manager, has a beneficial interest in 2,334 ordinary shares of the Company (2018: 811).

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. The fees and expenses paid to Directors are set out on page 34. There were no outstanding amounts payable at the year 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. More details on transactions with Janus Henderson, including amounts outstanding at the year end, are given in note 19 on page 66.

Annual General Meeting ('AGM')

The AGM will be held on Tuesday 28 January 2020 at 12:30p.m. at the Company's registered office. The Notice of Meeting and details of the resolutions to be put at the AGM are contained in the separate document being sent to shareholders with this report.

The Meeting will be broadcast live on the internet. If you are unable to attend the AGM in person you will be able to log on to watch the Meeting as it happens, by visiting **www.janushenderson.com/en-gb/investor/investment-trusts-live/**.

Corporate Governance

The Corporate Governance Statement set out on pages 35 to 39 forms part of the Report of the Directors.

Other Information

Information on future developments and financial risks are detailed in the Strategic Report.

Report of the Directors (continued)

Directors' Statement as to Disclosure of Information to the Auditor

Each of the Directors who were members of the Board at the date of approval of this report confirms that to the best of his or her knowledge and belief, there is no information relevant to the preparation of the Annual Report of which the Company's Auditor is unaware and he or she has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's Auditor is aware of that information.

Global Greenhouse Gas Emissions

As an externally managed investment company, the Company has no greenhouse gas emissions to report from its operations for the year to 30 September 2019 (2018: same), nor does it have responsibility for any other emissions producing sources under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013.

Listing Rule 9.8.4

Listing Rule 9.8.4 requires the Company to include certain information in a single identifiable section of the Annual Report or a cross reference table indicating where the information is set out. The Directors confirm that there are no disclosures to be made in this regard.

By order of the Board

Henderson Secretarial Services Limited
Corporate Secretary
9 December 2019

Statement of Directors' Responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice comprising FRS 102 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland' (United Kingdom Accounting Standards) and applicable law. 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 net return or loss of the Company for that year. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that 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 and the Directors' Remuneration Report 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 consider that the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

Statement under DTR 4.1.12

Each of the Directors, who are listed on pages 22 and 23, confirms that, to the best of his/her knowledge:

- the Company's financial statements, which have been prepared in accordance with UK Accounting Standards and applicable law give a true and fair view of the assets, liabilities, financial position and loss of the Company; and
- the Strategic Report, Report of the Directors and financial statements include 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 it faces.

For and on behalf of the Board

Robert Robertson
Chairman
9 December 2019

The financial statements are published on **www.lowlandinvestment.com** which is a website maintained by Janus Henderson.

The maintenance and integrity of the website is the responsibility of the Manager. The work carried out by the Auditor does not involve consideration of these matters and, accordingly, the Auditor accepts no responsibility for any changes that may have occurred to the Annual Report since it was initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' Remuneration Report

Remuneration Policy

The Remuneration Policy sets out the principles applied in the remuneration of the Company's Directors. An ordinary resolution to approve the Remuneration Policy was last put to shareholders at the AGM on 24 January 2017 and will be put to them again at the forthcoming AGM in January 2020.

The Board's approach is that fees payable to the Directors should:

- reflect the time spent by them on the Company's affairs;
- reflect the responsibilities borne by them as Directors;
- be sufficient to promote the long-term success of the Company; and
- not exceed the aggregate limit of £250,000 per annum as established by the Articles of Association.

Directors are remunerated in the form of fees which are payable quarterly in arrears.

No Director is eligible to receive bonuses, pension benefits, share options or other benefits and no long-term incentive schemes are in place.

The Directors may be reimbursed for all reasonable and properly documented expenses incurred in the performance of their duties. The level of remuneration paid to each Director is reviewed annually, although such review will not necessarily result in a change to the rate.

All Directors, including any new appointments to the Board, are paid at the same rate. The Chairman of the Board and Chairman of the Audit Committee are paid a higher fee in recognition of their additional responsibilities.

The Remuneration Policy has been in place since 22 January 2014 and will remain in place unless it is amended by way of an ordinary resolution put to shareholders at a general meeting. The Remuneration Policy, irrespective of any changes, should be put to shareholders at intervals of not more than three years. The Board may amend the levels of remuneration paid to individual Directors within the parameters of the Remuneration Policy.

Shareholders' Views

Any feedback from shareholders on the fees paid to Directors would be taken into account by the Board when reviewing remuneration levels. None was received for the year under review.

Letters of Appointment

All Directors are non-executive and are appointed under a letter of appointment, which is an engagement for services and not a contract for employment. The appointment may be terminated at any time by written notice with no compensation payable. The Company has no executive directors or employees.

Annual Report on Remuneration

The Directors' Remuneration Report (the 'Report') is prepared in accordance with Schedule 8 of The Large and Medium-sized Companies and Group (Accounts and Reports) Regulations 2008 as amended in August 2013 (the 'Regulations').

A resolution to approve this Report will be put to shareholders at the AGM to be held on Tuesday 28 January 2020.

Statement from the Chairman

As the Company has no employees and the Board is comprised entirely of non-executive Directors, the Board has not established a separate Remuneration Committee. Directors' remuneration is determined by the Board as a whole, at its discretion, with an aggregate ceiling of £250,000 per annum.

Directors' fees for the year under review were £38,500 for the Chairman, £30,000 for the Chairman of the Audit Committee and £25,000 for the remaining Directors.

The last fee increase took effect from 1 October 2018. During 2019, the Board carried out a review of Directors' remuneration which included a comparative peer assessment of Directors' fees together with external data such as that provided by Trust Associates. The Board reviewed the assessment and proposed increases to ensure that the Directors are properly remunerated for their services to the Company and so that the Company can remain competitive when seeking new Directors. As a result, Directors fees were increased with effect from 1 October 2019 to the following: Chairman £39,000, Audit Committee Chairman £30,500 and Directors £25,500.

Directors' Interests in Shares (audited)

The interests of the Directors in the ordinary shares of the Company at the beginning and end of the financial year under review are set out in the table below.

	Ordinary shares of 25p	
	30 September 2019	1 October 2018
Beneficial:		
Robert Robertson	**59,225**	49,225
Duncan Budge	**5,000**	5,000
Gaynor Coley	**500**	500
Karl Sternberg	**9,629**	9,048
Thomas Walker	**1,600**	N/A
Non Beneficial:		
Robert Robertson	**12,000**	12,000

Mr Budge notified the Company that, between 11 and 14 October, purchases of an additional 4,779 beneficially held ordinary shares were made. There have been no other changes to any of the Directors' holdings in the period 1 October 2019 to the date of this report.

In accordance with the Company's Articles of Association no Director is required to hold any shares of the Company by way of qualification.

Relative Importance of Spend on Pay

In order to show the relative importance of spend on pay, the table below sets out the total level of remuneration compared to the distributions paid to shareholders by way of dividends. There were no other significant distributions, payments or other uses of the Company's profit or cash flow deemed to assist in the understanding of the relative importance of spend on pay.

	2019 £	2018 £	Change £
Total remuneration paid to Directors	**145,106**	139,383	5,723
Ordinary dividends paid during the year	**15,535,675**	13,779,468	1,756,207

Directors' Remuneration Report (continued)

Directors' Fees and Expenses (audited)

The remuneration paid to the Directors who served during the years ended 30 September 2019 and 30 September 2018 was as follows:

	Year ended 30 September 2019 Total salary and fees £	Year ended 30 September 2018 Total salary and fees £	**Year ended 30 September 2019 Taxable benefits £**	Year ended 30 September 2018 Taxable benefits £	**Year ended 30 September 2019 Total £**	Year ended 30 September 2018 Total £
Robert Robertson	38,500	37,500	312	439	38,812	37,939
Gaynor Coley	30,000	29,000	1,113	444	31,113	29,444
Karl Sternberg	25,000	24,000	–	–	25,000	24,000
Kevin Carter[1]	18,750	24,000	–	–	18,750	24,000
Duncan Budge	25,000	24,000	–	–	25,000	24,000
Tom Walker[2]	6,250	–	181	–	6,431	–
Total	**143,500**	**138,500**	**1,606**	**883**	**145,106**	**139,383**

HMRC view certain expenses incurred by Directors (primarily travel to/from Board meetings) as a taxable benefit. The Board has decided that with effect from the 2019/2020 tax year onward, Directors' expenses in relation to travel to/from Board meetings will be reimbursed as a 'grossed up' amount to compensate the affected Directors for the additional tax cost that is incurred as a result of the HMRC decision.

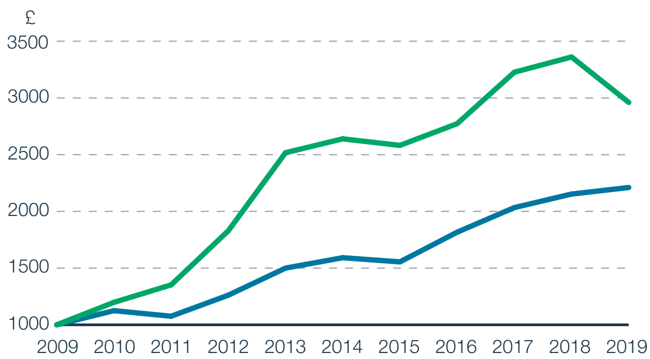
Notes:
The table above omits other columns set out in the relevant regulations because no payments of other types such as performance related pay, vesting performance-related pay and pension-related benefits were made
1. Retired from the Board on 30 June 2019
2. Appointed to the Board on 1 July 2019

The fees paid to the Directors during the year were: Chairman £38,500, Audit Committee Chairman £30,000 and Directors £25,000. With effect from 1 October 2019 the fees were increased to: Chairman £39,000, Audit Committee Chairman £30,500, Director £25,500.

No other remuneration or compensation was paid or payable by the Company during the year to any of the current or former Directors or third parties specified by any of them.

Performance

The graph below compares the mid-market price of the Company's ordinary shares over the ten-year period ended 30 September 2019 with the return from the FTSE All-Share Index Total Return over the same period.



Source: Datastream

Lowland Investment Company plc share price total return, assuming the investment of £1000 on 30 September 2009 and the reinvestment of all dividends (excluding dealing expenses)

FTSE All-Share Index Total Return, assuming the notional investment of £1000 on 30 September 2009 and the reinvestment of all income (excluding dealing expenses)

Statement of Voting at AGM

A binding ordinary resolution adopting the Directors' Remuneration Policy was approved at the AGM held on 24 January 2017. The votes cast by proxy were as follows:

	% of votes cast
For	98.2
Against	1.2
At the Chairman's discretion	0.6
Votes withheld	28,038

A non-binding ordinary resolution adopting the Directors' Remuneration Report for the year ended 30 September 2018 was approved by shareholders at the AGM held on 28 January 2019. The votes cast by proxy were as follows:

	% of votes cast
For	98.8
Against	0.6
Discretionary	0.6
Votes withheld	31,734

The percentage of votes in the tables above excludes votes withheld.

For and on behalf of the Board

Robert Robertson
Chairman
9 December 2019

Corporate Governance Statement

The Corporate Governance Statement forms part of the Report of the Directors.

Applicable Corporate Governance Codes

The Company is required by the Listing Rules and the Disclosure Guidance and Transparency Rules issued by the FCA to disclose how it has applied the principles and complied with the provisions of the corporate governance code to which the issuer is subject. The UK Corporate Governance Code (the 'UK Code') issued by the Financial Reporting Council ('FRC') in April 2016 is applicable, along with the related Code of Corporate Governance issued by the AIC (the 'AIC Code') in July 2016 (together the 'Governance Codes').

The AIC Code addresses all of the applicable principles set out in the UK Code, as well as principles and recommendations which are of specific relevance to investment trust companies. The FRC has confirmed that by following the AIC Code, and associated AIC Guide, the boards of investment companies will meet their obligations in relation to the UK Code and the disclosure requirements of the Disclosure Guidance and Transparency Rules.

Copies of the AIC Code, the AIC Guide and the UK Code can be found on the respective organisations' websites: **www.theaic.co.uk** and **www.frc.org.uk**.

The Board has noted that the FRC has issued a revised code which the Company will be required to report against for the financial year ending 30 September 2020.

Statement of Compliance

The Board has considered the principles and recommendations of the Governance Codes and believe the Company has complied with the applicable provisions throughout the period under review and up to the date of this report except as set out below.

The UK Code includes provisions relating to the role of the chief executive, executive directors' remuneration and the need for an internal audit function. For the reasons set out in the AIC Guide, and as explained in the AIC Code, the Board considers these provisions are not relevant to the position of the Company as it is an externally managed investment trust company. The Company has no executive directors, employees or internal operations and has therefore not reported further in these respects.

All the Directors are non-executive, and as there is a Chairman and a Chairman of the Audit Committee amongst them, the appointment of a Senior Independent Director is considered to be superfluous.

The Board

As at the date of this report, the Board comprises five non-executive Directors who were in office throughout the period under review with the exception of Tom Walker, who was appointed on 1 July 2019. Biographical details for each Director are set out on pages 22 and 23.

Responsibilities of the Board

The Board is responsible for providing leadership, setting the investment objective of the Company, establishing an appropriately robust internal control framework enabling effective risk management and monitoring the performance delivered by the Company's third party service providers in meeting the objective within the control framework.

The Board meets formally at least five times a year, with additional Board or committee meetings arranged when required. The Directors have regular contact with the Fund Managers and other employees of the Manager in connection with the delivery of company secretarial, sales and marketing and other administrative services.

The Board has a formal schedule of matters specifically reserved for its decision, which includes setting strategy and providing oversight of performance against agreed measures. It approves any changes to the structure and capital arrangements for the Company, has oversight of financial reporting and assesses the effectiveness of the internal control framework. The Board approves communications with shareholders, the appointments of new Directors, oversees corporate governance matters and is responsible for determining the remuneration of Directors.

Each meeting follows an agenda agreed with the Chairman and includes a review of the Company's investment performance, financial position, compliance with the investment parameters, reporting from the Depositary, a review of shareholder movements along with any sales or marketing activities undertaken and any other relevant business matters in order to ensure that control is maintained over the Company's affairs.

The Board has delegated contractually to external third-party service providers the management of the investment portfolio, the custodial services (which encompasses the safeguarding of the Company's assets by the Depository and, separately, the Custodian), the day-to-day accounting, company secretarial, administration and registration services.

Each of these contracts was entered into after full and proper consideration by the Board of the quality and cost of the services offered, including the control systems in operation in so far as they relate to the affairs of the Company. The Board, and its committees, maintain oversight of the third party service

Corporate Governance Statement (continued)

providers through regular and ad hoc reporting addressing any specific areas which the Board has requested.

The Manager ensures that the Directors receive all relevant management, regulatory and financial information. Employees of the Manager attend each Board meeting enabling the Directors to probe further on matters of concern. The Chairman is able to attend meetings of all the chairmen of the investment trust companies managed by Janus Henderson which provides a forum to discuss industry matters. The Directors have access to the advice and services of the Company Secretary through its designated representative who is responsible for ensuring that Board and committee procedures are followed and that the applicable rules and regulations are complied with. The proceedings of all Board and committee meetings are minuted, with any particular concerns raised by the Directors appropriately recorded. The Board and the Manager operate in a supportive, co-operative and open environment.

The Company has a procedure for Directors to take independent professional advice in the furtherance of their duties at the expense of the Company. In order to enable them to discharge their responsibilities, all Directors have full and timely access to relevant information.

Internal Controls

The Board has overall responsibility for the Company's system of internal control and for reviewing its effectiveness. The Board has established an ongoing process for identifying, evaluating and managing the principal risks faced by the Company.

The process accords with the FRC's guidance on Risk Management, Internal Control and Related Business and Financial Reporting published in September 2014. The system was in operation throughout the year and up to the date of this report. The system is designed to meet the specific risks faced by the Company and takes account of the nature of the Company's reliance on its service providers and their internal controls. The system therefore manages rather than eliminates the risk of failure to achieve the Company's business objectives and provides reasonable, but not absolute assurance against material misstatement or loss.

The key components of the internal control framework include:

- Clearly defined investment criteria, specifying levels of authority and exposure limits. The Board reviews reports on investment performance against and compliance with the criteria at each meeting.
- Regular financial reporting which allows the Board to assess the Company's financial position. The management accounts and forecasts are reviewed by the Board at each meeting.
- Contractual agreements with the Manager and all other third party service providers. The Board reviews performance levels and adherence to relevant provisions in the agreements on a regular basis through reporting to the Board and conducts a formal evaluation of the overall level of service provided at least annually.
- The review of controls at the Manager and other third party service providers. The Board receives quarterly reporting from the Manager and Depositary, and reviews annual assurance reports on the effectiveness of the control environments at the Company's key service providers.
- Review of additional reporting provided by:
  - The Manager's Enterprise Risk team on the control environment in operation at the Manager and their view of the control environments in place at the third party service providers used by the Company.
  - The Manager's Internal Audit team on areas of operation which are relevant to the Company.

The Audit Committee noted the service auditors' qualifications in respect of the Janus Henderson assurance report which covered controls during the reporting period. The committee anticipated this qualification following its inclusion in the previous year and sought additional clarification in respect of its resolution. The Committee understands from Janus Henderson that the project put in place to remediate the exception that caused the qualification was completed during the period covered by the report. The Committee is satisfied that none of the exceptions identified impact the Company for the year ended 30 September 2019 and that appropriate actions have been taken to address the issues identified.

The Board has reviewed the effectiveness of the Company's system of internal controls for the year ended 30 September 2019. During the course of its review the Board has not identified or been advised of any failings or weaknesses that have been determined as significant.

In addition the Audit Committee has considered the cyber-attack safeguards its third party service providers have in place.

Internal Audit Function

Systems are in operation to safeguard the Company's assets and shareholders' investments, to maintain proper accounting records and to ensure that financial information used within the business, or published, is reliable. The Company's management functions are delegated to third parties and the Board monitors the controls in place with support from the Manager's internal audit department. As such the Board has determined that there is currently no need for the Company to have its own internal audit function.

Corporate Governance Statement (continued)

Directors

Appointment, Retirement and Tenure

The Board may appoint Directors to the Board without shareholder approval. Any Director appointed during the year must stand for election by the shareholders at the next AGM in accordance with provisions of the Articles. Directors are generally expected to serve two terms of three years, which may be extended at the discretion of the Board and subject to satisfactory performance evaluation and re-election by shareholders.

All Directors retire at intervals of not more than three years and the Company's Articles stipulate that at least one third of the Directors should retire at each AGM. The UK Code and AIC Code recommend that all directors stand for election annually. Whilst these provisions do not affect the Company for this financial year, all Directors have decided to stand for election at the 2020 AGM.

The Articles permit shareholders to remove a Director before the end of his term by passing an ordinary resolution at a general meeting. An appointment may be terminated by either party giving written notice without compensation payable.

Independence

The independence of the Directors is determined with reference to the AIC Code and is reviewed by the Nominations Committee at least annually. The Committee considers each of the Directors other appointments and commitments, as well as their tenure of service and any connections they may have with the Manager. Following conclusion of the evaluation in September 2019, the Committee concluded that all Directors continued to be independent in character and judgement.

One Director has served longer than nine years, and his independence was considered as part of the Board evaluation. Following an extensive review of his contribution, time commitments and conduct, he has been considered independent.

There were no contracts subsisting during or at the end of the year in which a Director of the Company is or was materially interested and which is or was significant in relation to the Company's business. No Director has a contract of service with the Company and there are no agreements between the Company and its Directors concerning compensation for loss of office.

Induction and Ongoing Training

Newly appointed Directors are offered a bespoke induction programme which covers the legal and regulatory framework for investment trust companies and the operations of the Manager, including the compliance and risk management frameworks, accounting, sales and marketing, and other administrative services carried out by the Manager.

Directors are regularly provided with information on the Company's policies, regulatory and statutory requirements affecting the Company, as well as changes to the Directors' responsibilities as they arise.

Directors are encouraged to attend external training and industry seminars, and may do so at the expense of the Company.

Directors' Insurance and Indemnification

Directors' and officers' liability insurance cover is in place which indemnifies the Directors against certain liabilities arising from the carrying out of their duties. The Company's Articles and the provisions of English law, permit a qualifying third party provision indemnity to be provided to Directors in respect of costs which they may incur relating to the defence of any proceedings brought against them arising out of their positions as Directors, in which they are acquitted or judgement is given in their favour by the Court. No indemnity was given during the year or up until the date of this report.

Meeting Attendance

The meeting attendance of each Director is set out in the table below:

	Board	AC	MEC	NC
Number of meetings	5	2	1	1
Robert Robertson[1]	5/5	0/0	1/1	1/1
Duncan Budge	5/5	2/2	1/1	1/1
Kevin Carter[2]	4/4	2/2	0/0	0/0
Gaynor Coley	5/5	2/2	1/1	1/1
Karl Sternberg[3]	5/5	2/2	1/1	1/1
Thomas Walker[4]	1/1	0/0	1/1	1/1

1. Mr Robertson is not a member of the Audit Committee but attends its meetings by invitation
2. Retired on 30 June 2019
3. Mr. Sternberg resigned from the Audit Committee on 10 September 2019
4. Appointed on 1 July 2019

A Committee of the Board met during the year to approve various items of business including the Company's half-year results.

Performance Evaluation

The Board conducted a review of its own performance, together with that of its committees and each individual Director. The evaluation was carried out through the use of a questionnaire. The outcome concluded that the Board continued to have an appropriate balance of skills and experience and that each Director continued to make a significant contribution to the affairs of the Company.

Ms Coley led the performance evaluation of the Chairman, taking feedback from all Directors after completion of a questionnaire. The review of the Chairman's performance concluded that he had displayed effective leadership during the year.

Corporate Governance Statement (continued)

The Board's committees

The Board has three principal committees: the Audit Committee, the Management Engagement Committee and the Nomination Committee.

Board of Directors

Comprised of five independent non-executive directors

Audit Committee

Chairman: Gaynor Coley

Purpose: Ensure the integrity of the financial reporting, evaluate the effectiveness of the systems of internal control and risk management and oversee the relationship with the external auditors

Management Engagement Committee

Chairman: Robert Robertson

Purpose: Ensure that the performance of third-party service providers meets expectations and their terms of engagement remain appropriate

Nominations Committee

Chairman: Robert Robertson

Purpose: Ensure the Board has a balance of skills, experience and diversity, has a formal approach to the appointment of directors and maintains an effective framework for succession planning

Contractually engages third-party service providers to deliver the Company's Operations, principal among them being the investment manager

Janus Henderson Investors

Fund Managers:
James Henderson
Laura Foll

Committees of the Board

The terms of reference for the Audit, Management Engagement and Nominations committees are available on the website **www.lowlandinvestment.com**.

The Board has also constituted an Insider Committee which meets when required to assist the Board in discharging its responsibilities under the Market Abuse Regulation.

Audit Committee

The Audit Committee is responsible for ensuring the integrity of the Company's financial reporting, evaluating the effectiveness of the systems of internal control and risk management and monitoring the effectiveness and objectivity of the external Auditor.

The Committee is chaired by a qualified chartered accountant and all of the independent non-executive Directors (with the exception of Mr Sternberg and the Chairman) are members of the Committee. The Board is satisfied that at least one member has recent and relevant experience and the Committee as a whole has competence relevant to the sector in which the Company operates.

The Audit Committee Report can be found on pages 40 and 41.

Nominations Committee

The Nominations Committee is responsible for ensuring the Board retains an appropriate balance of skills, experience and diversity, has a formal, rigorous and transparent approach to the appointment of Directors and maintains an effective framework for succession planning.

The Committee is chaired by the Chairman of the Board. All of the independent non-executive Directors are members of the Committee. In discharging its duties over the course of the year, the Committee considered:

- The composition of the Board and each of its committees, taking account of the skills, experience and knowledge of each Director and whether the diversity of these continued to contribute to the success of the Company;
- The outcomes of the Board performance evaluation with a view as to whether adjustments should be made to the number of Directors or knowledge and skills represented on the Board;
- The tenure of each of the Directors, giving consideration as to whether the Board retained a sufficient balance of length of service without becoming ossified;
- The independence of the Directors taking account of the guidelines established by the AIC Code and the Directors' other commitments; the time commitment of the Directors and whether this had been sufficient over the course of the year;

Corporate Governance Statement (continued)

- Succession planning for appointments to the Board taking account of the provisions of the Articles of Association regarding the retirement and rotation of Directors and the tenure of the current Directors and taking the advice of an external recruitment agency (which has no links to the Board, its members, or the Manager); and
- The performance and contribution of the Directors standing for re-election at the 2020 AGM.

Following completion of its reviews, the Committee concluded that no changes to the composition of the Board were required at present and that each Director continued to commit sufficient time to fulfilling their duties. Taking account of the performance of individual Directors, the Committee recommended to the Board that it should support the re-appointment of each of the Directors, who are retiring and standing for re-election (in the case of Mr Walker, election) at the forthcoming AGM.

Management Engagement Committee

The Management Engagement Committee is responsible for formally evaluating the overall performance of the Manager and other third-party service providers engaged by the Company. The Committee is chaired by the Chairman of the Board. All of the independent non-executive Directors are members of the Committee. In discharging its duties over the course of the year, the Committee considered:

- The investment performance of the Company, taking account of the benchmark and performance of competitors in the AIC UK Equity Income sector, the share price, level of discount and gearing;
- The quality and experience of the team involved in managing all aspects of the Company's business;
- The fee structures of its closed-ended competitors and other, similar sized investment trust companies;
- The key clauses of the investment agreement, how the Manager had fulfilled these and whether these continued to be appropriate; and
- The performance and fees of the Company's other third-party service providers, including the Broker, Depositary, Registrar and sales, marketing and research providers.

Following completion of its reviews, the Committee concluded that the continued appointment of the Manager remained in the best interests of the Company and the shareholders, and therefore recommended to the Board the re-appointment of Janus Henderson for a further year. The reasons for this are discussed in the Chairman's Statement.

Bribery Act 2010

The Company has no employees. The Board has reviewed the implications of the Bribery Act 2010 and confirmed its zero tolerance to bribery and corruption in its business activities. It receives assurances from the Company's main contractors and suppliers that they will maintain adequate safeguards to protect against any potentially illegal behaviour by their employees and agents.

Criminal Finances Act 2017

The Board has also considered the changes made by the Criminal Finances Act 2017, which came into effect in September 2018, which introduced a new corporate criminal offence of failing to take reasonable steps to prevent the facilitation of tax evasion. The Company has received assurances from the Company's main contractors and suppliers that they maintain a zero tolerance policy towards the provision of illegal services, including the facilitation of tax evasion.

Relations with Shareholders

Shareholder relations are given high priority by the Board. The prime medium by which the Company communicates with its shareholders is through the Annual Report and half year results which aim to provide shareholders with a clear understanding of the Company's activities and financial position. This information is supplemented by the daily calculation and publication of the NAV per share and a monthly fact sheet which is available on the website. The Manager provides information on the Company and videos of the Fund Managers on the Company's website, via various social media channels and through its HGi content platform.

The Board encourages shareholders to attend and participate in the AGM. Shareholders have the opportunity to address questions to the Chairman of the Board, the Fund Managers and all Directors. A summary of the proxy votes received on the resolutions proposed is displayed at the meeting and each substantial issue is dealt with in a separate resolution. It is the intention of the Board that the Annual Report and Notice of Meeting are issued to shareholders so as to provide at least 20 working days' notice of the meeting. These documents are also available on the website.

Shareholders wishing to lodge questions in advance of the meeting, or raise issues or concerns at any time are invited to do so by writing to the Chairman at the registered office. General presentations to both shareholders and analysts follow the publication of the annual results. All meetings between the Fund Managers and shareholders are reported to the Board.

By order of the Board

Henderson Secretarial Services Limited
Corporate Secretary
9 December 2019

Report of the Audit Committee

The Audit Committee is responsible for ensuring the integrity of the Company's financial reporting, evaluating the effectiveness of the systems of internal control and risk management and monitoring the effectiveness and objectivity of the external Auditor.

Membership

The Chairman of the Committee is Gaynor Coley who is an experienced chartered accountant.

All of the independent non-executive Directors are members of the Committee with the exception of Mr Sternberg and the Chairman of the Board. Both the Chairman of the Board and Mr Sternberg attend the Committee meetings in the ordinary course of business.

Meetings

The Committee met twice during the year under review and invited the Auditor to attend as appropriate. The Manager's designated Financial Reporting Manager for the Company also attends meetings.

Roles and responsibilities

In discharging its duties over the course of the year, the Committee considered:

- The Company's Annual Report and half-year financial statements, the appropriateness of the accounting policies applied and the use of the going concern statement;
- The assessment of the principal risks facing the Company and the long-term viability statement in light of these risks;
- The areas of judgement in the financial statements including the valuation of the Company's unquoted investments and performance fee calculation;
- The overall approach to paying dividends and the appropriate level of dividend to be paid in respect of the year ended 30 September 2019;
- The appointment and evaluation of the effectiveness and objectivity of the Auditor, and determining their remuneration;
- Agreeing the nature and scope of the statutory audit and reviewing the Auditor's findings;
- Monitoring and evaluating the effectiveness of the Company's system of internal controls, and assessing the need for a separate internal audit function;
- The policy on the provision of non-audit services; and
- The whistle-blowing arrangements in place at the Manager enabling staff to raise concerns about possible improprieties in confidence.

Appointment and tenure of the auditors

As a Public Interest Entity listed on the London Stock Exchange, the Company is subject to the mandatory auditor rotation requirements of the European Union.

The Statutory Auditors and Third Country Auditors Regulations which came into force on 17 June 2016, require the Company to rotate its audit firm after a period of 10 years. Ernst & Young LLP ('EY') were appointed by the Board following a formal tender process which concluded in 2016.

This is the third year the current audit partner, Matthew Price, has been in place.

The Audit Committee remains satisfied with the effectiveness of the audit provided by EY. On the basis of the Auditor's performance the Audit Committee recommended their continuing appointment to the Board. The Auditor has indicated their willingness to continue in office. Accordingly, resolutions to confirm the re-appointment of EY as Auditor to the Company and to authorise the Audit Committee to determine their remuneration will be proposed at the AGM.

The Committee discusses the audit process with the Auditor without representatives of Janus Henderson present and considers the effectiveness of the audit process after each audit. This is the third year EY has audited the Company's Annual Report.

Policy on Non-Audit Services

The Committee reviewed the policy on the provision of non-audit services by the Auditor.

The Company's Auditor will only be considered for non-audit work where these are not prohibited by the regulations and where they do not appear to affect the independence and objectivity of the Auditor. Such services require approval in advance by the Audit Committee, or Audit Committee Chairman, following due consideration of the proposed services. No non-audit services were provided by the Auditor during the year.

Audit Independence

During the year, the Committee met with EY and reviewed their audit plan for the year ended 30 September 2019 and assessed their independence.

EY attended the half year and year-end Audit Committee meetings to present their planning and results reports and observe the Committee's review of the financial statements and internal controls reporting by Janus Henderson. Based on its review of EY's reporting, interactions with the audit team throughout the process and our discussions with representatives of Janus Henderson, the Audit Committee is satisfied with the effectiveness of the audit provided by EY and that they are independent of the Company. The current audit partner is expected to serve until the 2022 AGM.

Report of the Audit Committee (continued)

Audit from the Year Ended 30 September 2019

In relation to the Annual Report for the year ended 30 September 2019 the following significant issues were considered by the Committee:

Significant issue	How the issue was addressed
Valuation and ownership of the Company's investments	The Directors have appointed Janus Henderson, who outsource some of the administration and accounting services to BNP Paribas Securities Services, to perform the valuation of the assets of the Company in accordance with its responsibilities under the AIFMD rules. As required under the AIFMD rules, Janus Henderson has adopted a written valuation policy, which may be modified from time to time. Actively traded investments are valued using stock exchange prices provided by third party pricing vendors. Ownership of listed investments are verified by reconciliation to the Custodian's records and the Audit Committee has received quarterly reports of the Depositary who has responsibility for overseeing operations of the Company, including verification of ownership and valuation. For more information please refer to note 1(c) on page 53.
Recognition of income	Income received is accounted for in line with the Company's accounting policies (as set out in note 1(e)) on page 54 and is reviewed by the Committee at each meeting. The Committee also considers the treatment of income received from special dividends and the revenue forecast at each meeting.
Compliance with Section 1158 of the Corporation Tax Act 2010	The Committee regularly considers the controls in place to ensure that the regulations for ensuring investment trust status are observed at all times, receiving supporting documentation from Janus Henderson and BNP Paribas Securities Services.
Performance fee	The calculation of the performance fee to Janus Henderson is reviewed by the Audit Committee before being approved by the Board (when payable). No performance fee is payable for the year ended 30 September 2019.
Maintaining internal controls	The Committee receives regular reports on internal controls from Janus Henderson, BNP Paribas Securities Services and HSBC and its delegates and has access to the relevant personnel of Janus Henderson who have a responsibility for risk management and internal audit. The Audit Committee noted the service auditor's qualification in respect of the assurance report of Janus Henderson which covered controls during the reporting period which had been anticipated following its inclusion in the prior year, and had been remediated by Janus Henderson during the period covered by the report. The Audit Committee was satisfied that none of the exceptions noted across the assurance reports were considered to have a material impact on the Company and appropriate actions have been taken to address the issues identified at Janus Henderson.

Effectiveness of the external audit

The Audit Committee in conclusion recommended to the Board that the Annual Report, taken as a whole, was fair, balanced and understandable and provided the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

Auditor's Fees

Fees paid or payable to the Auditor amounted to £23,000 plus VAT. No non-audit services by the Auditor have been provided in the year under review. Further detail can be found in note 6 on page 56.

For and on behalf of the Board

Gaynor Coley
Audit Committee Chairman
9 December 2019

Independent Auditor's Report to the Members of Lowland Investment Company plc

Opinion

We have audited the financial statements of Lowland Investment Company plc for the year ended 30 September 2019 which comprise the Income Statement, Statement of Changes in Equity, Statement of Financial Position, Statement of Cash Flows and the related Notes 1 to 19, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

— give a true and fair view of the Company's affairs as at 30 September 2019 and of its loss for the year then ended;

— have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and

— have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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

Conclusions relating to principal risks, going concern and viability statement

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

- the disclosures in the Annual Report set out on pages 25 to 26 that describe the principal risks and explain how they are being managed or mitigated;
- the Directors' confirmation set out on page 32 in the Annual Report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity;
- the Directors' statement set out on page 53 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;
- whether the Directors' statement in relation to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the Directors' explanation set out on page 26 in the Annual Report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Overview of our audit approach

Key audit matters	• Incomplete or inaccurate revenue recognition, including classification of special dividends as revenue or capital items in the Income Statement. • Incorrect valuation and/or defective title to the investment portfolio.
Materiality	• Overall materiality of £3.86m (2018: £4.39m) which represents 1% of Net Asset Value of the Company as of 30 September 2019.

Key audit matters

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

Independent Auditor's Report to the Members of Lowland Investment Company plc (continued)

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Incomplete or inaccurate revenue recognition, including classification of special dividends as revenue or capital items in the Income Statement Refer to the Audit Committee Report (pages 40-41); Accounting policies (pages 53-55); and Note 3 of the Financial Statements (page 55). The Company had reported investment income of £20.64m (2018: £19.76m), out of which special dividends charged to revenue comprised £1.68m (2018: £0.88m). £0.23m (2018: £nil) of dividends were classified as capital. The investment income receivable by the Company during the year directly affects the Company's ability to pay a dividend to shareholders. There is a risk that income is recognised incorrectly through failure to recognise proper income entitlements or apply appropriate accounting treatment. In addition to the above, the Directors are required to exercise judgement in determining whether income receivable in the form of special dividends should be classified as revenue or capital.	We performed the following procedures: • performed a walkthrough of procedures, understanding and assessing the design effectiveness of BNP Paribas Securities Services' (the Administrator) and Janus Henderson's (the Manager) processes and controls for the recording of investment income; • performed a review of a sample of special dividends received and assessed the appropriateness of the accounting treatment; • traced a sample of special dividends to the Company's income report, agreed key details (dividend rate, ex-date, payment date) to an independent source and agreed proceeds net of withholding taxes to bank statement; • tested the completeness of special dividends identified through comparing, for a sample of investments, the special dividends declared by that portfolio company during the year to the list of special dividends reported by the Company; • reviewed the journal entry listing and corroborated that a sample of entries agree with the income report; • reviewed a sample of dividends received from the Company's income report by agreeing key details (dividend rate, ex-date, payment date) to an independent source and agreeing proceeds net of withholding taxes to bank statement; • agreed a sample of dividends paid on investments held during the year from an independent pricing source to the income report; and • agreed accrued dividends to an independent pricing source, recalculated the amount receivable and agreed this to post year end bank statements.	We have no matters to report with respect to our procedures performed over incomplete or inaccurate revenue recognition, including the classification of special dividends as revenue or capital items in the Income Statement.

Independent Auditor's Report to the Members of Lowland Investment Company plc (continued)

Incorrect valuation and/or defective title to the investment portfolio

Refer to the Audit Committee Report (pages 40-41); Accounting policies (pages 53-55); and Note 11 of the Financial Statements (page 59).

The Company holds a significant portfolio of quoted investments throughout the UK. The value of investments held on 30 September 2019 was £435.19m (2018: £492.66m).

The valuation of the assets held in the investment portfolio is the key driver of the Company's net asset value and total return. Incorrect asset pricing or a failure to maintain proper legal title of the assets held by the Company could have a significant impact on the portfolio valuation and the return generated for shareholders.

We performed the following procedures:

- performed a walkthrough of procedures, understanding the Administrator's processes for investment portfolio valuation;
- agreed the prices of 100% of the quoted investment portfolio to an independent pricing vendor, which is different to the vendor used by the Company;
- reviewed the stale price report to assess the liquidity of the investments held. Where any items were stale, we assessed the trading volume post year end in order to check the accuracy of the fair value and stated investment level;
- recalculated 100% of the value of quoted investments in foreign currencies to verify the accuracy of the corresponding Sterling balances based upon exchange rates verified to an external source;
- reviewed the valuation methodology for the two unquoted investments (2018: two) and considered the work performed by the pricing committee to confirm that the approach was in accordance with UK GAAP fair valuation principles;
- agreed the Company's holdings as at 30 September 2019 to independently obtained HSBC Bank Plc (the Custodian and Depositary) reports; and
- reviewed the controls report issued by HSBC Bank Plc for exceptions that would impact the accuracy of the Depositary or Custodian records.

We have no matters to report with respect to our procedures performed over incorrect valuation and/or defective title to the investment portfolio.

In comparison with the prior year, we have removed the Key Audit Matter of 'Incorrect calculation of the performance fee' as we do not deem it to be a sufficiently complex or subjective calculation to warrant it being a significant risk.

An overview of the scope of our audit

Tailoring the scope

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

Our application of materiality

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

Materiality

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

We determined materiality for the Company to be £3.86m (2018: £4.39m), which is 1% (2018: 1%) of Net Asset Value of the Company as of 30 September 2019. We believe that Net Asset Value provides the most important financial metric on which shareholders judge the performance of the Company and it is a generally accepted auditing practice for investment trust audits.

Independent Auditor's Report to the Members of Lowland Investment Company plc (continued)

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% (2018: 75%) of our planning materiality, namely £2.89m (2018: £3.29m). 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 £0.93m (2018: £0.80m) for the revenue column of the Income Statement, being 5% of net revenue return on ordinary activities 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 £0.19m (2018: £0.20m), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

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

Other information

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

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

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

We have nothing to report in this regard.

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

- **Fair, balanced and understandable set out on page 32** – the statement given by the Directors that they consider the Annual Report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- **Report of the Audit Committee set out on pages 40-41** – the section describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee; or
- **Directors' statement of compliance with the UK Corporate Governance Code set out on page 35** – the parts of the Directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

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

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

Independent Auditor's Report to the Members of Lowland Investment Company plc (continued)

Matters on which we are required to report by exception

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

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

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

Responsibilities of Directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 32, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

Our approach was as follows:

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

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

Independent Auditor's Report to the Members of Lowland Investment Company plc (continued)

Other matters we are required to address

- We were appointed by the Company on 24 January 2017 to audit the financial statements for the year ending 30 September 2017 and subsequent financial periods.

  The period of total uninterrupted engagement including previous renewals and reappointments is 3 years, covering the years ending 30 September 2017 to 30 September 2019.
- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company and we remain independent of the Company in conducting the audit.
- The audit opinion is consistent with the additional report to the Audit Committee.

Use of our report

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

Matt Price (Senior statutory auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
London
9 December 2019

Notes:

1. The maintenance and integrity of the Company's website is the responsibility of the Manager; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

Financial Statements

Income Statement

Notes		Year ended 30 September 2019 Revenue return £'000	Year ended 30 September 2019 Capital return £'000	Year ended 30 September 2019 Total £'000	Year ended 30 September 2018 Revenue return £'000	Year ended 30 September 2018 Capital return £'000	Year ended 30 September 2018 Total £'000
2	Losses on investments held at fair value through profit or loss	–	(54,206)	(54,206)	–	(3,032)	(3,032)
3	Income from investments	20,640	–	20,640	19,757	–	19,757
4	Other interest receivable and similar income	121	–	121	190	–	190
	Gross revenue and capital losses	**20,761**	**(54,206)**	**(33,445)**	**19,947**	**(3,032)**	**16,915**
5	Management fee	(983)	(983)	(1,966)	(2,048)	–	(2,048)
6	Administrative expenses	(539)	–	(539)	(520)	–	(520)
	Net return/(loss) before finance costs and taxation	**19,239**	**(55,189)**	**(35,950)**	**17,379**	**(3,032)**	**14,347**
7	Finance costs	(669)	(670)	(1,339)	(1,347)	–	(1,347)
	Net return/(loss) before taxation	**18,570**	**(55,859)**	**(37,289)**	**16,032**	**(3,032)**	**13,000**
8	Taxation on net return	(205)	–	(205)	(183)	–	(183)
	Net return/(loss) after taxation	**18,365**	**(55,859)**	**(37,494)**	**15,849**	**(3,032)**	**12,817**
9	Return/(loss) per ordinary share – basic and diluted	68.0p	(206.7p)	(138.7p)	58.6p	(11.2p)	47.4p

The total columns of this statement represent the Profit and Loss Account of the Company. The revenue return and capital return columns are supplementary to this and are prepared under guidance published by the Association of Investment Companies. All revenue and capital items in the above statement derive from continuing operations. The Company had no other comprehensive income. The net return is both the profit for the year and the total comprehensive income.

The notes on pages 53 to 66 form part of these financial statements

Statement of Changes in Equity

Notes	Year ended 30 September 2019	Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Other capital reserves £'000	Revenue reserve £'000	Total shareholders' funds £'000
	At 1 October 2018	6,755	61,619	1,007	353,998	15,555	438,934
	Net (loss)/return after taxation	–	–	–	(55,859)	18,365	(37,494)
10	Third interim dividend (14.0p) for the year ended 30 September 2018 paid 31 October 2018	–	–	–	–	(3,783)	(3,783)
10	Final dividend (14.0p) for the year ended 30 September 2018 paid 31 January 2019	–	–	–	–	(3,782)	(3,782)
10	First interim dividend (14.5p) for the year ended 30 September 2019 paid 30 April 2019	–	–	–	–	(3,918)	(3,918)
10	Second interim dividend (15.0p) for the year ended 30 September 2019 paid 31 July 2019	–	–	–	–	(4,053)	(4,053)
	At 30 September 2019	**6,755**	**61,619**	**1,007**	**298,139**	**18,384**	**385,904**

Notes	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 shareholders' funds £'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
10	Third interim dividend (12.0p) for the year ended 30 September 2017 paid 31 October 2017	–	–	–	–	(3,242)	(3,242)
10	Final dividend (13.0p) for the year ended 30 September 2017 paid 31 January 2018	–	–	–	–	(3,512)	(3,512)
10	First interim dividend (13.0p) for the year ended 30 September 2018 paid 30 April 2018	–	–	–	–	(3,512)	(3,512)
10	Second interim dividend (13.0p) for the year ended 30 September 2018 paid 31 July 2018	–	–	–	–	(3,513)	(3,513)
	At 30 September 2018	**6,755**	**61,619**	**1,007**	**353,998**	**15,555**	**438,934**

The notes on pages 53 to 66 form part of these financial statements

Statement of Financial Position

Notes		As at 30 September 2019 £'000	As at 30 September 2018 £'000
	Fixed assets		
11	**Investments held at fair value through profit or loss**		
	Listed at market value in the United Kingdom (main market)	351,431	390,951
	Listed at market value on AIM	65,428	73,811
	Listed at market value overseas	15,906	25,641
	Unlisted	2,422	2,256
		435,187	**492,659**
	Current assets		
12	Debtors	1,710	2,018
	Cash at bank	2,008	1,445
		3,718	**3,463**
13	**Creditors: amounts falling due within one year**	(23,222)	(27,421)
	Net current liabilities	**(19,504)**	**(23,958)**
	Total assets less current liabilities	**415,683**	**468,701**
13	**Creditors: amounts falling due after one year**	(29,779)	(29,767)
	Net assets	**385,904**	**438,934**
	Capital and reserves		
15	Called up share capital	6,755	6,755
	Share premium account	61,619	61,619
	Capital redemption reserve	1,007	1,007
16	Other capital reserves	298,139	353,998
	Revenue reserve	18,384	15,555
	Total shareholders' funds	**385,904**	**438,934**
17	**Net asset value per ordinary share – basic and diluted**	**1,428.3p**	**1,624.6p**

The financial statements on pages 49 to 66 were approved and authorised for issue by the Board of Directors on 9 December 2019 and signed on their behalf by:

Robert Robertson
Chairman

The notes on pages 53 to 66 form part of these financial statements

Statement of Cash Flows

	Year ended 30 September 2019 £'000	Year ended 30 September 2018 £'000
Cash flows from operating activities		
Net (loss)/return before taxation	(37,289)	13,000
Add back: finance costs	1,339	1,347
Add: losses on investments held at fair value through profit or loss	54,206	3,032
Withholding tax on dividends deducted at source	(282)	(228)
Decrease in other debtors	386	89
Increase/(decrease) in other creditors	1,159	(371)
Net cash inflow from operating activities	**19,519**	**16,869**
Cash flows from investing activities		
Purchase of investments	(51,677)	(76,383)
Sale of investments	54,923	48,182
Net cash inflow/(outflow) from investing activities	**3,246**	**(28,201)**
Cash flows from financing activities		
Equity dividends paid (net of refund of unclaimed distributions and reclaimed distributions)	(15,536)	(13,779)
Net loans (repaid)/drawn down	(5,342)	16,507
Interest paid	(1,344)	(1,310)
Net cash (outflow)/inflow from financing activities	**(22,222)**	**1,418**
Net increase/(decrease) in cash and cash equivalents	543	(9,914)
Cash and cash equivalents at start of year	1,445	11,362
Effect of foreign exchange rates	20	(3)
Cash and cash equivalents at end of year	**2,008**	**1,445**
Comprising:		
Cash at bank	2,008	1,445
	2,008	**1,445**

Cash inflow from dividends net of taxation was £20,564,000 (2018: £19,665,000)

The notes on pages 53 to 66 form part of these financial statements

Notes to the Financial Statements

1 Accounting Policies

a) Basis of Preparation

The Company is a registered investment company as defined in section 833 of the Companies Act 2006 and is incorporated in the United Kingdom. It operates in the United Kingdom and is registered at the address on page 24.

The financial statements have been prepared in accordance with the Companies Act 2006, FRS 102 – The Financial Reporting Standard applicable in the UK and Republic of Ireland and with the Statement of Recommended Practice: Financial Statements of Investment Trust Companies and Venture Capital Trusts (the 'SORP') issued in November 2014 and updated in February 2018 with consequential amendments.

The principal accounting policies applied in the presentation of these financial statements are set out below. These policies have been consistently applied to all the years presented.

The financial statements have been prepared under the historical cost basis except for the measurement of fair value of investments. In applying FRS102, financial instruments have been accounted for in accordance with Section 11 and 12 of the standard. All of the Company's operations are of a continuing nature.

The preparation of the Company's financial statements on occasion requires the Directors to make judgements, estimates and assumptions that affect the reported amounts in the primary financial statements and the accompanying disclosures. These assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in the current and future periods, depending on circumstance.

The Directors do not believe that any accounting judgements or estimates have been applied to this set of financial statements that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

b) 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, the principal risks and other matters discussed in connection with the Viability Statement on page 26, the Directors considered it appropriate to adopt the going concern basis of accounting in the financial statements.

c) Investments held at Fair Value through Profit or Loss

Listed investments, including AIM stocks are held at fair value through profit or loss and accordingly are valued at fair value, deemed to be the quoted bid price or the last trade price depending on the convention of the exchange on which the investment is quoted.

Unlisted investments have also been classified as held at fair value through profit or loss and are valued by the Directors using primary valuation techniques such as recent transactions and net assets.

Changes in the fair value of investments held at fair value through profit or loss and gains and losses on disposal are recognised in the Income Statement as 'gains or losses on investments held at fair value through profit or loss'. Also included in this are transaction costs incurred on the purchase and disposal of investments. All purchases and sales are accounted for on a trade date basis.

d) Foreign Currency

The results and financial position of the Company are expressed in pounds sterling, which is the functional and presentational currency of the Company. Sterling is the functional currency because it is the currency of the primary economic environment in which the Company operates.

Transactions recorded in overseas currencies during the year are translated into sterling at the appropriate daily exchange rates. Monetary assets and liabilities and equity investments held at fair value through profit or loss which are denominated in foreign currencies at the Statement of Financial Position date are translated into sterling at the exchange rates ruling at that date.

Any gains or losses on the translation of foreign currency balances, whether realised or unrealised, are taken to the capital or to the revenue return of the Income Statement, depending on whether the gain or loss is of a capital or revenue nature.

Notes to the Financial Statements (continued)

e) Income

Dividends receivable on equity shares are taken to the revenue return on an ex-dividend basis except where, in the opinion of Directors, the dividend is capital in nature in which case it is taken to the 'losses on investments' in the capital return column. The ordinary element of scrip dividends received in lieu of cash dividends is recognised as revenue. Any enhancement above the cash dividend is treated as capital. Income from fixed interest debt securities and preference shares is based on the coupon payable by the instrument adjusted to spread any premium or discount on purchase or redemption over its remaining life.

Bank interest and income from stock lending are accounted for monthly on an accruals basis and shown in the revenue return based on amounts to which the Company is entitled.

Where the Company enters into a commitment to underwrite an issue of securities in exchange for the receipt of commission, a derivative financial instrument is recognised initially at fair value. The derivative is re-measured subsequently at fair value, with the related gains and losses being reflected in the Income Statement. Net losses arising from these derivatives, where actual or expected loss from taking up the securities underwritten exceeds the commission income, are allocated to the capital return. Net gains are allocated to the revenue return.

Fees earned from stock lending are accounted for on an accruals basis and shown in the revenue return after deduction of amounts withheld by the counterparty arranging the stock lending facility.

f) Management Fees, Performance Fees, Administrative Expenses and Finance Costs

All expenses and finance costs are accounted for on an accruals basis. All administrative expenses except the management fee and finance costs, are charged to the revenue return of the Income Statement. With effect from 1 October 2018 the management fee and finance costs are charged 50% to the capital return of the Income Statement and 50% to the revenue return of the Income Statement. These were previously charged wholly to revenue. Any performance fees payable are allocated wholly to capital.

g) 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. Taxable profit differs from net return before taxation as reported in the Income Statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using the applicable rate of corporation tax for the accounting period.

In line with the recommendations of the AIC SORP, the allocation method used to calculate tax relief on expenses presented against capital returns in the supplementary information in the Income Statement is the 'marginal basis'. Under this basis, if taxable income is capable of being offset entirely by expenses presented in the revenue return column of the Income Statement, then no tax relief is transferred to the capital return column.

Deferred taxation is provided on all timing differences that have originated but not reversed by the Statement of Financial Position date. This is subject to deferred tax assets only being recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of timing differences can be deducted. Any liability to deferred tax is provided at the average rate of tax expected to apply based on tax rates and laws that have been enacted or substantively enacted at the Statement of Financial Position date. Deferred tax assets and liabilities are not discounted to reflect the time value of money.

h) Borrowings

Interest bearing bank loans and overdrafts are recorded initially at fair value, being the proceeds received, less direct issue costs. They are subsequently re-measured at amortised cost. Finance costs including interest payable, premiums on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the Income Statement using the effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Senior unsecured notes are recorded initially at proceeds received, less direct issue costs. They are subsequently re-measured at amortised cost. The issue costs will be amortised over the life of the senior unsecured notes. Finance costs, including interest payable, are accounted for on an accruals basis in the Income Statement using the effective interest rate method.

i) Dividends Payable to Shareholders

Dividends payable to shareholders are recognised in the financial statements when they are paid, or in the case of final dividends, when they are approved by shareholders. Dividends are dealt with in the Statement of Changes in Equity.

Notes to the Financial Statements (continued)

j) Capital and Reserves

Called up share capital represents the nominal value of ordinary shares issued.

The share premium account represents the premium above nominal value received by the Company on issuing shares net of issue costs.

The revenue reserve represents accumulated revenue profits retained by the Company that have not currently been distributed to shareholders as a dividend.

The capital redemption reserve represents the nominal value of ordinary shares that have been repurchased and cancelled.

Other capital reserves are split into two components, the capital reserve arising on investments sold and the capital reserve arising on investments held. The following analyses what is accounted for in each of these components.

Capital reserve arising on investments sold

The following are accounted for in this reserve:

- gains and losses on the disposals of investments;
- realised foreign exchange differences of a capital nature;
- cost of repurchasing ordinary share capital; and
- expenses and finance costs allocated to capital net of tax relief.

Capital reserve arising on revaluation of investments held

The following are accounted for in this reserve:

- increases and decreases in the valuation of investments held at the year end; and
- unrealised foreign exchange differences of a capital nature.

k) Distributable reserves

The Company's capital reserve arising on investments sold and revenue reserve may be distributed by way of a dividend.

2 Losses on investments held at fair value through profit or loss

	2019 £'000	2018 £'000
Gains on the sale of investments based on historical cost	13,452	18,056
Less: revaluation gains recognised in previous years	(11,057)	(16,524)
Gains on investments sold in the year based on carrying value at previous Statement of Financial Position date	**2,395**	**1,532**
Revaluation losses on investments held at 30 September	(56,621)	(4,561)
Exchange gains/(losses)	20	(3)
	(54,206)	**(3,032)**

3 Income from Investments

	2019 £'000	2018 £'000
UK dividends:		
Listed investments	16,682	15,205
Unlisted	69	50
Property income dividends	442	391
	17,193	**15,646**
Non UK dividends:		
Overseas dividend income	3,447	4,111
	3,447	**4,111**
	20,640	**19,757**

Notes to the Financial Statements (continued)

4 Other Interest Receivable and Similar Income

	2019 £'000	2018 £'000
Stock lending commission	112	112
Income from underwriting	5	76
Bank interest	4	2
	121	**190**

At 30 September 2019 the total value of securities on loan by the Company for stock lending purposes was £74,715,000 (2018: £50,426,000). The maximum aggregate value of securities on loan at any time during the year ended 30 September 2019 was £118,213,000 (2018: £53,415,000). The Company's agent holds collateral comprising FTSE 100 stocks, gilts, overseas equities and overseas government bonds with a collateral value of £78,772,000 (2018: £54,285,000) amounting to a minimum of 105% (2018: minimum 105%) of the market value of any securities on loan. Stock lending commission has been shown net of brokerage fees of £28,000 (2018: £28,000).

5 Management and Performance Fees

	2019			2018		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Management fee	983	983	1,966	2,048	–	2,048
Total fee	**983**	**983**	**1,966**	**2,048**	**–**	**2,048**

A description of the basis for calculating the management fee and performance fees is given in the Strategic Report on page 21. For the year ended 30 September 2019, a performance fee of £nil is payable (2018: £nil). This is based on the Company's 3 year average NAV total return to 30 September 2019 of 3.0% compared to the FTSE All-Share Index Total Return (plus a 10% hurdle rate) of 8.0%.

6 Administrative Expenses

	2019 £'000	2018 £'000
Directors' fees and expenses (see Directors' Remuneration Report on page 34)[1]	145	139
Auditor's remuneration – for audit services	23	23
AIC subscriptions	21	20
Directors' and Officers' liability insurance	8	8
Listing fees (Stock Exchange, newspapers and internet)	36	33
Safe custody and bank charges	22	24
Loan facility fees	47	59
Printing and postage	14	22
Registrar's fees	18	18
General expenses and marketing expenses payable to Janus Henderson	74	58
Depositary fees	30	39
Other expenses	57	36
Irrecoverable VAT	44	41
	539	**520**

1. All transactions with Directors, as disclosed in the Directors' Remuneration Report, are related party transactions

Notes to the Financial Statements (continued)

7 Finance Costs

	2019 Revenue £'000	2019 Capital £'000	2019 Total £'000	2018 Revenue £'000	2018 Capital £'000	2018 Total £'000
On bank loans and overdrafts repayable within one year	191	192	383	389	–	389
On senior unsecured notes	478	478	956	958	–	958
Total fee	**669**	**670**	**1,339**	**1,347**	**–**	**1,347**

The allocation between revenue return and capital return is explained in note 1(f) on page 54.

8 Taxation on Net Return

Analysis of Tax Charge for the Year

	2019 Revenue return £'000	2019 Capital return £'000	2019 Total £'000	2018 Revenue return £'000	2018 Capital return £'000	2018 Total £'000
Overseas tax suffered	277	–	277	232	–	232
Overseas tax reclaimable	(72)	–	(72)	(49)	–	(49)
Total taxation for the year	**205**	**–**	**205**	**183**	**–**	**183**

Factors Affecting the Tax Charge for the Year

	2019 Revenue return £'000	2019 Capital return £'000	2019 Total £'000	2018 Revenue return £'000	2018 Capital return £'000	2018 Total £'000
Net return/(loss) before taxation	18,570	(55,859)	(37,289)	16,032	(3,032)	13,000
Corporation tax at standard rate of 19%[1]	3,528	(10,613)	(7,085)	3,046	(576)	2,470
Effects of:						
Non-taxable UK dividends	(3,179)	–	(3,179)	(2,847)	–	(2,847)
Other non-taxable income	(655)	–	(655)	(781)	–	(781)
Overseas tax suffered	205	–	205	183	–	183
Excess expenses/non-trading deficits for the year	306	314	620	582	–	582
Currency losses	–	(4)	(4)	–	–	–
Non-taxable/deductible capital gains	–	10,303	10,303	–	576	576
Total tax charge	**205**	**–**	**205**	**183**	**–**	**183**

1. The Company's profit for the accounting year is taxed at the standard rate of 19%. The standard rate of corporation tax has been 19% since 1 April 2017

No provision for deferred taxation has been made in the current or prior accounting year. The Company has not provided for deferred tax on capital gains or losses arising on the revaluation and disposal of investments as it is exempt from tax on these items because of its investment trust status. The Company has not recognised a deferred tax asset totalling £9,765,000 (2018: £9,210,000) based on a prospective corporation tax rate of 17% (2018: 17%).

The deferred tax asset arises as a result of having unutilised management expenses and unutilised non-trade loan relationship deficits. These expenses will only be utilised, to any material extent, if the Company has profits chargeable to corporation tax in the future because changes are made either to the tax treatment of the capital gains made by investment trusts or to the Company's investment profile which require them to be used.

Notes to the Financial Statements (continued)

9 Return per Ordinary Share – Basic and Diluted

The (loss)/return per ordinary share is based on the net loss attributable to the ordinary shares of £37,494,000 (2018: net return of £12,817,000) and on 27,018,565 ordinary shares (2018: 27,018,565) being the weighted average number of ordinary shares in issue during the year. The (loss)/return per ordinary share can be further analysed between revenue and capital, as below.

	2019 £'000	2018 £'000
Net revenue return	18,365	15,849
Net capital loss	(55,859)	(3,032)
Net total (loss)/return	**(37,494)**	**12,817**
Weighted average number of ordinary shares in issue during the year	**27,018,565**	**27,018,565**

	2019 Pence	2018 Pence
Revenue return per ordinary share	68.0	58.6
Capital loss per ordinary share	(206.7)	(11.2)
Total (loss)/return per ordinary share	**(138.7)**	**47.4**

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

10 Dividends Paid and Payable on the Ordinary Shares

Dividends on ordinary shares	Record date	Payment date	2019 £'000	2018 £'000
Third interim dividend (12.0p) for the year ended 30 September 2017	6 October 2017	31 October 2017	–	3,242
Final dividend (13.0p) for the year ended 30 September 2017	5 January 2018	31 January 2018	–	3,512
First interim dividend (13.0p) for the year ended 30 September 2018	6 April 2018	30 April 2018	–	3,512
Second interim dividend (13.0p) for the year ended 30 September 2018	6 July 2018	31 July 2018	–	3,513
Third interim dividend (14.0p) for the year ended 30 September 2018	5 October 2018	31 October 2018	3,783	–
Final dividend (14.0p) for the year ended 30 September 2018	4 January 2019	31 January 2019	3,782	–
First interim dividend (14.5p) for the year ended 30 September 2019	5 April 2019	30 April 2019	3,918	–
Second interim dividend (15.0p) for the year ended 30 September 2019	5 July 2019	31 July 2019	4,053	–
			15,536	**13,779**

The third interim dividend and the final dividend for the year ended 30 September 2019 have not been included as a liability in these financial statements. The total dividends payable in respect of the financial year, which form the basis of the retention test under Section 1158 of the Corporation Tax Act 2010, are set out below.

	2019 £'000
Revenue available for distribution by way of dividends for the year	18,365
First interim dividend (14.5p) for the year ended 30 September 2019	(3,918)
Second interim dividend (15.0p) for the year ended 30 September 2019	(4,053)
Third interim dividend (15.0p) for the year ended 30 September 2019	(4,053)
Final dividend (15.0p) for the year ended 30 September 2019 (based on 27,018,565 ordinary shares in issue at 9 December 2019)	(4,053)
Revenue surplus	**2,288**

For Section 1158 purposes the Company's undistributed revenue represents 11.1% of the income from investments.

Notes to the Financial Statements (continued)

11 Investments held at Fair Value through Profit or Loss

	2019 £'000	2018 £'000
Valuation at start of year	492,659	467,488
Investment holding gains at start of year	(96,052)	(117,138)
Cost at start of year	**396,607**	**350,350**
Additions at cost	51,677	76,383
Disposals at cost	(41,471)	(30,126)
Cost at end of year	**406,813**	**396,607**
Investment holding gains at end of year	28,374	96,052
Valuation at end of year	**435,187**	**492,659**

Included in the total investments are unlisted investments shown at the Directors' fair value of £2,422,000 (2018: £2,256,000).

Purchase transaction costs for the year ended 30 September 2019 were £228,000 (2018: £328,000). These comprise mainly stamp duty and commission. Sale transaction costs for the year ended 30 September 2019 were £22,000 (2018: £23,000).

The Company has interests of 3% or more of any class of capital in 17 (2018: 20) investee companies. At 30 September 2019, of the 17 investee companies, the following represented more than 1% of investments.

	2019 Valuation £'000	2019 % of voting rights	2018 Valuation £'000	2018 % of voting rights
Henderson Opportunities Trust	5,478	7.6	6,540	7.5
Ten Entertainment	5,934	3.8	5,728	3.6
Churchill China	5,989	3.5	5,075	4.2

12 Debtors

	2019 £'000	2018 £'000
Prepayments and accrued income	1,537	1,922
Taxation recoverable	173	96
	1,710	**2,018**

13 Creditors

Amounts falling due within one year

	2019 £'000	2018 £'000
Unsecured sterling bank loans	21,165	26,507
Other creditors	2,057	914
	23,222	**27,421**

The Company has a 3 year loan facility of up to £40m with Scotiabank (Ireland) Designated Activity Company Limited. As at 30 September 2019 £21.2m (2018: £26.5m) of the facility was drawn down. The Company also has a conditional option to increase the facility by £20m.

Amounts falling due after more than one year

	2019 £'000	2018 £'000
3.15% senior unsecured loan notes 2037	29,779	29,767
	29,779	**29,767**

On 5 January 2017 the Company issued £30m (nominal) 3.15% senior unsecured notes due 2037, net of costs totalling £255,000. The issue costs will be amortised over the life of the notes.

The £30m senior unsecured notes are redeemable at par on 5 January 2037.

Notes to the Financial Statements (continued)

14 Financial Risk Management Policies and Procedures

As an investment trust, the Company invests in equities and other investments for the long-term so as to secure its investment objective and policy as stated on page 21. In pursuing its investment objective and policy, the Company is exposed to a variety of financial risks that could result in either a reduction in the Company's net assets or a reduction in the profits available for distribution by way of dividends.

These financial risks, including market risk (comprising market price risk, currency risk and interest rate risk), liquidity risk and credit and counterparty risk, and the Directors' approach to the management of these risks, are set out below and have not changed from the previous accounting period. The Board and Janus Henderson co-ordinate the Company's risk management and there are various risk management systems in place as detailed below:

- straight-through processing via a deal order and management system ('OMS') is utilised for securities, with connectivity to third-party affirmation and trade repository services;
- portfolio modelling and investment management functions (including order-raising, dealing and trade execution) are performed using one of, or a combination of, the following third-party software applications: Charles River Development OMS and/or Imagine;
- fund pricing and accounting services are outsourced to a third-party administrator (currently BNP Paribas Securities Services) which utilises HiPortfolio software; and
- the IT tools to which the Janus Henderson risk, compliance and operations teams have access for independent monitoring and risk measurement purposes include:
  - Charles River Compliance module for investment restrictions monitoring;
  - Nasdaq Bwise operational risk database;
  - Riskmetrics, UBS Delta, Style Research, Cognity and Barra for market risk measurement;
  - Bloomberg for market data and price-checking; and
  - HiPortfolio for portfolio holdings and valuations.

These are supplemented by in-house developments: derivatives risk and compliance database ('DRAC') and counterparty exposure ('CER') reports.

14.1 Market Risk

The fair value of a financial instrument held by the Company may fluctuate due to changes in market prices. This market risk comprises market price risk (see note 14.1.1), currency risk (see note 14.1.2) and interest rate risk (see note 14.1.3). The Board reviews and agrees policies for managing these risks. Janus Henderson assesses the exposure to market risk when making each investment decision, and monitors the overall level of market risk on the whole of the investment portfolio on an ongoing basis.

14.1.1 Market Price Risk

Market price risk (i.e. changes in market prices other than those arising from interest rate risk or currency risk) may affect the fair value of listed and unlisted investments.

The Company's exposure to market price risk at 30 September 2019 is represented by its investments held on the Statement of Financial Position under the heading 'Investments held at fair value through profit or loss' on page 51.

Management of the Risk

The Board manages the risks inherent in the investment portfolio by ensuring full and timely access to relevant information from Janus Henderson. The Board meets regularly and at each meeting reviews investment performance. The Board monitors Janus Henderson's compliance with the Company's objectives, and is directly responsible for investment strategy and asset allocation.

Concentration of Exposure to Market Price Risks

An analysis of the Company's investment portfolio is shown on pages 14 to 20. This shows that the majority of the investments' value is in UK listed companies. Accordingly, there is a concentration of exposure to market price risk, though it is recognised that an investment's country of domicile or of listing does not necessarily equate to its exposure to the economic conditions in that country.

Notes to the Financial Statements (continued)

14.1.1 Market Price Risk (continued)

Market Price Risk Sensitivity

The following table illustrates the sensitivity of the total return after taxation for the year and the net assets to an increase or decrease of 20% (2018: 20%) in the fair values of the Company's investments. This level of change is considered to be reasonably possible based on observation of market behaviour in the last few years.

Sensitivity analysis – Market prices if prices change by 20%

	2019		2018	
	If prices go up £'000	If prices go down £'000	If prices go up £'000	If prices go down £'000
Investments at year end	435,187	435,187	492,659	492,659
Impact on income statement:				
Revenue return	(348)	348	(394)	394
Capital return	87,037	(87,037)	98,352	(98,352)
Impact on net assets and total return (excluding gearing)	**86,689**	**(86,689)**	**98,138**	**(98,138)**

14.1.2 Currency Risk

A proportion of the Company's assets, liabilities and income are denominated in currencies other than sterling (the Company's functional currency and presentational currency). As a result, movements in exchange rates may affect the sterling value of those items. As the Company's investments are predominantly in sterling denominated securities its exposure to currency risk is not considered material and no sensitivity analysis has been presented. Investments held in currencies other than sterling were £15,906,000 (2018: £17,104,000) representing 3.7% (2018: 3.5%) of the total investments of the Company.

Management of the Risk

Janus Henderson monitors the Company's exposure to foreign currencies on a daily basis and reports to the Board at each Board meeting. Janus Henderson measures the risk to the Company of the foreign currency exposure by considering the effect on the Company's net asset value and total return of a movement in the exchange rates to which the Company's assets, liabilities, income and expenses are exposed.

Investment income denominated in foreign currencies is converted into sterling on receipt. The Company does not use financial instruments to mitigate the currency exposure in the period between the time that income is included in the financial statements and its receipt.

14.1.3 Interest Rate Risk

Interest rate movements may affect:

- the fair value of investments in fixed interest securities;
- the level of income receivable from interest-bearing securities and cash at bank and on deposit; and
- the interest payable on the Company's variable rate borrowings.

Management of the Risk

The possible effects on fair value and cash flows that could arise as a result of changes in interest rates are taken into account when making investment decisions and borrowing under the loan facility. The Company, generally, does not hold significant cash balances, with short-term borrowings being used when required. The Company finances part of its activities through borrowings at levels approved and monitored by the Board. Derivative contracts have not been used during the year to hedge against the exposure to interest rate risk.

Notes to the Financial Statements (continued)

14.1.3 Interest Rate Risk (continued)

Interest Rate Exposure

The Company's exposure to floating interest rates can be found on the Statement of Financial Position under the heading 'Cash at bank' and in note 13 under the heading 'Unsecured sterling bank loans'.

Interest receivable and finance costs are at the following rates:

- Interest received on cash balances, or paid on bank overdrafts, is at a margin linked to LIBOR (2018: same); and
- Interest paid on borrowings under the loan facility is at a margin over LIBOR for the type of loan. The weighted average interest rate of these is 1.7% as at 30 September 2019 (2018: 1.7%).

The Company had fixed interest rate asset exposure at 30 September 2019 on the holding in Wadworth at £126,000 (2018: Wadworth at £126,000 and Virgin Money Holding at £2,140,000). The Company also had fixed interest rate liability exposure through the senior unsecured loan notes.

Interest Rate Risk Sensitivity

The Company is primarily exposed to interest rate risk through its loan facility with Scotiabank (Ireland) Designated Activity Company Limited. The sensitivity is as follows:

- Borrowings vary throughout the year as a result of the Board's borrowing policy. Borrowings (net of cash) at the year end were £19,157,000 (2018: net cash of £25,062,000) and if that level of borrowing was maintained for a full year, then a 200 basis points change in LIBOR (up or down) would decrease or increase net revenue and total net return after taxation by approximately £383,000 (2018: £501,000).

14.2 Liquidity Risk

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

Management of the Risk

Liquidity risk is not significant as the majority of the Company's assets are investments in quoted securities that are readily realisable. The Company had unsecured sterling loan facilities totalling £60,000,000 (2018: £60,000,000) and an overdraft facility with the custodian, the extent of which is determined by the custodian on a regular basis by reference to the value of the securities held by it on behalf of the Company. The facilities are subject to regular review.

The Board gives guidance to Janus Henderson as to the maximum amount of the Company's resources that should be invested in any one company. The policy is that the Company should generally remain fully invested and that short-term borrowings be used to manage short-term cash requirements.

The contractual maturities of the financial liabilities at 30 September based on the earliest date on which payment can be required are as follows:

At 30 September 2019	Due within 1 year £'000	Due within 1-5 years £'000	Due after 5 years £'000
Bank loans[1]	21,216	–	–
Senior unsecured notes[2]	945	3,780	41,813
Other creditors	1,803	–	–
	23,964	**3,780**	**41,813**

At 30 September 2018	Due within 1 year £'000	Due within 1-5 years £'000	Due after 5 years £'000
Bank loans[1]	26,590	–	–
Senior unsecured notes[2]	945	3,780	42,758
Other creditors	644	–	–
	28,179	**3,780**	**42,758**

1 Includes the interest payable to maturity

2 The above figures show interest payable over the remaining term of the senior unsecured notes. The figures in the 'due after 5 years' column also include the capital to be repaid. Details of the repayment are set out on page 59

Notes to the Financial Statements (continued)

14.3 Credit and Counterparty Risk

The failure of the counterparty to a transaction to discharge its obligations under that transaction could result in the Company suffering a loss.

Management of the Risk

The risk is managed as follows:

- Investment transactions are carried out with a large number of brokers, whose credit standard is reviewed periodically by Janus Henderson, and limits are set on the amount that may be due from any one broker; and
- Cash at bank is held only with reputable banks with high quality external credit ratings.

The table below summarises the credit risk exposure of the Company at year end.

	2019 £'000	2018 £'000
Fixed interest securities	126	2,266
Cash	2,008	1,445
Debtors:		
– accrued income	1,497	1,922
– taxation recoverable	173	96
	3,804	**5,729**

14.4 Fair Values of Financial Assets and Financial Liabilities

Except as noted below, the financial assets and financial liabilities are either carried in the Statement of Financial Position at their fair value (investments) or the Statement of Financial Position amount is a reasonable approximation of fair value (due from brokers, dividends and interest receivable, due to brokers, accruals, cash at bank, bank overdrafts and amounts due under the loan facilities). The senior unsecured notes are carried in the Statement of Financial Position at amortised cost.

At 30 September 2019, the fair value of the senior unsecured notes was estimated to be £35,029,000 (2018: £31,056,000). The fair value of the senior unsecured notes is calculated using a discounted rate which reflects the yield on a UK Gilt of similar maturity plus a suitable credit spread.

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

14.5 Fair Value Hierarchy Disclosures

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 under FRS 102:

Categorisation within the hierarchy has been determined on the basis of the lowest level of input that is significant to the fair value measurement of the relevant asset 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 within Level 1.

Level 3 – valued by reference to valuation techniques using inputs that are not observed on observable market data.

Financial assets at fair value through profit or loss at 30 September 2019	**Level 1 £'000**	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
Investments	432,765	–	2,422	435,187
Total	**432,765**	**–**	**2,422**	**435,187**

Financial assets at fair value through profit or loss at 30 September 2018	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investments	490,403	–	2,256	492,659
Total	**490,403**	**–**	**2,256**	**492,659**

There have been no transfers during the year between any of the levels.

Notes to the Financial Statements (continued)

14.5 Fair Value Hierarchy Disclosures (continued)

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

	2019 £'000	2018 £'000
Opening balance	2,256	2,218
Total gain included in the Income Statement		
– on investments held	166	38
Closing balance	**2,422**	**2,256**

The Company's holding in Oxford Sciences was revalued upward during the year to take account of the increase in its net asset value per share. The holding in Wadworth was revalued based on broker quotes. The Level 3 revaluation in the prior year related to Oxford Sciences and Wadworth.

14.6 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 maximise the revenue and capital return to its equity shareholders. This is achieved through an appropriate balance of equity capital and debt.

The Company's capital at 30 September 2019 comprises its equity share capital, reserves and loans that are shown in the Statement of Financial Position at a total of £436,848,000 (2018: £495,208,000).

The Board, with the assistance of Janus Henderson, monitors and reviews the broad structure of the Company's capital on an ongoing basis. This review includes:

- the planned level of gearing, which takes into account the Manager's view on the market;
- the need to buy-back equity shares, either for cancellation or to hold in Treasury, which takes account of the difference between the net asset value per share and the share price (ie the level of share price discount or premium) as well as the discount of the peer group and the level of the equity market;
- the need for new issues of equity shares, including sales from Treasury; and
- the extent to which revenue in excess of that which is required to be distributed should be retained.

The Company is subject to several externally imposed capital requirements:

- borrowings under the bank facility are not to exceed 30% of the adjusted net asset value;
- adjusted net asset value not less than £105,000,000;
- net asset value not less than £150,000,000;
- total borrowings not to exceed 35% of the net asset value;
- as a public company, the Company has a minimum share capital of £50,000; and
- 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 the capital restriction tests imposed on investment companies by company law.

The Company has complied with these requirements.

15 Called Up Share Capital

	Number of shares entitled to dividend	Total number of shares	Nominal value of shares £'000
At 30 September 2018	27,018,565	27,018,565	6,755
At 30 September 2019	**27,018,565**	**27,018,565**	**6,755**

During the year, the Company issued no ordinary shares (2018: nil).

Notes to the Financial Statements (continued)

16 Other Capital Reserves

	Capital reserve arising on revaluation of investments held £'000	Capital reserve arising on investments sold £'000	Other capital reserves total £'000
At 1 October 2018	96,053	257,945	353,998
Transfer on disposal of investments	(11,057)	11,057	–
Net (losses)/gains on investments	(56,621)	2,395	(54,226)
Expenses and finance costs allocated to capital	–	(1,653)	(1,653)
Exchange differences	–	20	20
At 30 September 2019	**28,375**	**269,764**	**298,139**

The capital reserve arising on revaluation of investments held at 30 September 2019 includes a gain of £232,000 (2018: £871,000) based on historical book cost, in respect of the revaluation of unlisted investments.

	Capital reserve arising on revaluation of investments held £'000	Capital reserve arising on investments sold £'000	Other capital reserves total £'000
At 1 October 2017	117,138	239,892	357,030
Transfer on disposal of investments	(16,524)	16,524	–
Net (losses)/gains on investments	(4,561)	1,532	(3,029)
Exchange differences	–	(3)	(3)
At 30 September 2018	**96,053**	**257,945**	**353,998**

17 Net Asset Value per Ordinary Share

The net asset value per ordinary share of 1,428.3p (2018: 1,624.6p) is based on the net assets attributable to the ordinary shares of £385,904,000 (2018: £438,934,000) and on 27,018,565 (2018: 27,018,565) shares in issue on 30 September 2019.

The movements during the year of the assets attributable to the ordinary shares were as follows:

	2019 £'000	2018 £'000
Total net assets at start of year	438,934	439,896
Total net (loss)/return after taxation	(37,494)	12,817
Net dividends paid in the year:		
Ordinary shares	(15,536)	(13,779)
Net assets attributable to the ordinary shares at 30 September	**385,904**	**438,934**

18 Capital Commitments and Contingent Liabilities

Capital Commitments

There were no capital commitments as at 30 September 2019 (2018: £nil).

Contingent Liabilities

There were no contingent liabilities in respect of underwriting participations as at 30 September 2019 (2018: £nil).

Notes to the Financial Statements (continued)

19 Transactions with the Manager and related parties

Under the terms of an agreement effective from 22 July 2014, the Company has appointed Janus Henderson to provide investment management, accounting, administrative and secretarial services. Janus Henderson has contracted with BNP Securities Services to provide accounting and administration services.

Details of the fee arrangements for these services are given in the Strategic Report on page 21. The total of the management fees paid or payable to Janus Henderson under this agreement in respect of the year ended 30 September 2019 was £1,966,000 (2018: £2,048,000). The amount outstanding at 30 September 2019 was £1,474,000 (2018: £520,000). The total of the performance fee paid or payable to Janus Henderson under this agreement in respect of the year ended 30 September 2019 was £nil (2018: £nil).

In addition to the above services, Janus Henderson facilitates marketing activities with third parties which are recharged to the Company. Janus Henderson also provided sales and marketing services which until 31 December 2017 were charged to the Company at an annual cost of £24,000. Since 1 January 2018 there were no separate charges for these services. The total amounts paid to Janus Henderson in respect of marketing for the year ended 30 September 2019 amounted to £74,000 (2018: £58,000).

Details of fees paid to Directors are included in the Directors' Remuneration Report on page 34 and in note 6 on page 56.

Securities Financing Transactions

The Company engages in Securities Financing Transactions (as defined in Article 3 of Regulation (EU) 2015/2365, securities financing transactions include repurchase transactions, securities or commodities lending and securities or commodities borrowing, buy-sell back transactions or sell-buy back transactions and margin lending transactions). In accordance with Article 13 of the Regulation, the Company's involvement in and exposures related to securities lending for the year ended 30 September 2019 are detailed below.

Global Data

The amount of securities on loan as a proportion of total lendable assets and the Company's net assets as at 30 September are disclosed below:

	Stock lending 2019	
Market value of securities on loan £'000	% of lendable assets	% of assets under management
74,715	17.17	19.36

Concentration Data

The ten largest collateral issuers across all the securities financing transactions as at 30 September are disclosed below:

Issuer	**2019 Market value of collateral received £'000**
Government of Japan	27,407
UK Treasury	15,052
Alphabet	3,826
Rio Tinto	2,687
British American Tobacco	2,652
Amazon	2,539
Ferguson	2,361
Discovery	2,353
Imperial Tobacco	2,014
WPP	1,987
	62,878

The top ten counterparties of each type of securities financing transactions as at 30 September are disclosed below:

Counterparty	**2019 Market value of securities on loan £'000**
Barclays	25,000
Bank of Nova Scotia	24,320
HSBC	14,033
Natixis	7,824
Societe Generale	2,049
UBS	709
MacQuarie	446
BNP Paribas	178
Citigroup	156
	74,715

All counterparties have been included.

Securities Financing Transactions (continued)

Aggregate Transaction Data

The following table discloses a summary of aggregate transaction data related to the collateral received from securities on loan as at 30 September:

Stock lending 2019

Counterparty	Counterparty country of origin	Type	Quality	Collateral currency	Settlement basis	Custodian	Market value of collateral received £'000
Barclays	United Kingdom	Government Debt	Investment Grade	JPY	Tri-party	HSBC	25,487
		Government Debt	Investment Grade	EUR	Tri-party	HSBC	701
		Equity	Main Market Listing	EUR	Tri-party	HSBC	64
Bank of Nova Scotia	Canada	Equity	Main Market Listing	GBP	Tri-party	HSBC	13,298
		Equity	Main Market Listing	USD	Tri-party	HSBC	12,160
		UK Gilts	Investment Grade	GBP	Tri-party	HSBC	318
HSBC	Hong Kong	UK Gilts	Investment Grade	GBP	Bilateral	HSBC	14,732
		UK Gilts	Investment Grade	GBP	Tri-party	HSBC	2
		Equity	Main Market Listing	EUR	Tri-party	HSBC	1
Natixis	France	Government Debt	Investment Grade	EUR	Tri-party	HSBC	2,105
		Equity	Main Market Listing	USD	Tri-party	HSBC	1,566
		Equity	Main Market Listing	EUR	Tri-party	HSBC	1,378
		Government Debt	Investment Grade	JPY	Tri-party	HSBC	1,217
		Equity	Main Market Listing	HKD	Tri-party	HSBC	811
		Equity	Main Market Listing	CHF	Tri-party	HSBC	514
		Equity	Main Market Listing	JPY	Tri-party	HSBC	340
		Equity	Main Market Listing	GBP	Tri-party	HSBC	332
Societe Generale	France	Equity	Main Market Listing	GBP	Tri-party	HSBC	1,607
		Government Debt	Investment Grade	JPY	Tri-party	HSBC	438
		Equity	Main Market Listing	JPY	Tri-party	HSBC	84
		Equity	Main Market Listing	EUR	Tri-party	HSBC	40
UBS	Switzerland	Equity	Main Market Listing	USD	Tri-party	HSBC	303
		Equity	Main Market Listing	EUR	Tri-party	HSBC	150
		Equity	Main Market Listing	HKD	Tri-party	HSBC	118
		Equity	Main Market Listing	AUD	Tri-party	HSBC	106
		Equity	Main Market Listing	SGD	Tri-party	HSBC	73
		Equity	Main Market Listing	GBP	Tri-party	HSBC	1
MacQuarie	Australia	Equity	Main Market Listing	AUD	Tri-party	HSBC	169
		Equity	Main Market Listing	JPY	Tri-party	HSBC	165
		Equity	Main Market Listing	HKD	Tri-party	HSBC	44
		Equity	Main Market Listing	SEK	Tri-party	HSBC	43
		Equity	Main Market Listing	EUR	Tri-party	HSBC	35
		Government Debt	Investment Grade	JPY	Tri-party	HSBC	15
		Equity	Main Market Listing	USD	Tri-party	HSBC	3
BNP Paribas	France	Government Debt	Investment Grade	JPY	Tri-party	HSBC	162
		Equity	Main Market Listing	SGD	Tri-party	HSBC	19
		Equity	Main Market Listing	JPY	Tri-party	HSBC	6
		Equity	Main Market Listing	EUR	Tri-party	HSBC	1
Citigroup	United States	Government Debt	Investment Grade	JPY	Tri-party	HSBC	88
		Equity	Main Market Listing	EUR	Tri-party	HSBC	49
		Government Debt	Investment Grade	EUR	Tri-party	HSBC	5
		Equity	Main Market Listing	UK	Tri-party	HSBC	14
		Equity	Main Market Listing	JPY	Tri-party	HSBC	8
							78,772

Re-use of Collateral

The Company does not engage in any re-use of collateral.

Return and Cost

The return and cost of engaging in securities lending by the Company and the securities lending agent in absolute terms and as a percentage of overall returns are disclosed below:

Total gross amount of securities lending income	Direct and indirect costs and fees deducted by securities lending agent	% return of the securities lending agent	Net securities lending income received by the Company	% return of the Company
£140,000	£28,000	20%	£112,000	80%

General Shareholder Information

AIFMD Disclosures

In accordance with the Alternative Investment Fund Managers Directive ('AIFMD'), information in relation to the Company's leverage (leverage is considered in terms of the Company's overall exposure to financial or synthetic gearing and includes any method by which its exposure is increased whether through borrowing of cash or securities, foreign currency holdings, leverage embedded in derivative positions or by any other means) and remuneration of Henderson Investment Funds Limited, as the Company's Alternative Investment Fund Manager ('AIFM') are required to be made available to investors. These disclosures, including those on the AIFM's remuneration policy, are contained in a separate document called 'AIFMD Disclosures' which can be found on the Company's website.

BACS

Dividends can be paid to shareholders by means of BACS (Bankers' Automated Clearing Services); mandate forms for this purpose are available from the Registrar, Computershare Investor Services PLC. Alternatively, shareholders can write to the Registrar (the address is given on page 24) to give their instructions; these must include the bank account number, the bank account title and the sort code of the bank to which payments are to be made.

Common Reporting Standard

With effect from 1 January 2016 new tax legislation under The Organisation for Economic Co-operation and Development Common Reporting Standard for Automatic Exchange of Financial Account Information was introduced. The legislation requires the Company to provide personal information to HMRC on certain investors who purchase shares in investment trusts. This information will have to be provided annually to the local tax authority of the tax residencies of a number of non-UK based certificated shareholders and corporate entities.

Equality Act

Copies of this report and other documents issued by the Company are available from the Company Secretary. If needed, copies can be made available in a variety of formats, including Braille or larger type as appropriate.

You can contact the Registrar, Computershare Investor Services PLC, which has installed textphones to allow speech and hearing impaired people who have their own textphone to contact them directly, without the need for an intermediate operator by dialling 0370 707 0005. Specially trained operators are available during normal business hours to answer queries via this service.

Alternatively, if you prefer to go through a 'typetalk' operator (provided by the Royal National Institute for Deaf People) dial 18001 followed by the number you wish to dial.

General Data Protection Regulation ('GDPR')

The General Data Protection Regulation ('GDPR') came into force on 25 May 2018. It aims to protect and empower individual data privacy and reshape the way organisations approach data privacy. A privacy statement can be found on the website **www.janushenderson.com**.

ISA

The Company intends to continue to manage its affairs in order to qualify as an eligible investment for a stocks and shares ISA.

Key Investor Document

Information in relation to the Company's disclosures in accordance with the Packaged Retail and Insurance-based Investment Products ('PRIIPs') Regulation are contained in a 'Key Investor Document' which can be found on the Company's website.

Non-Mainstream Pooled Investment ('NMPI') Status

The Company currently conducts its affairs so that its ordinary shares of 25p each can be recommended by IFAs to ordinary retail investors in accordance with the FCA Rules in relation to non-mainstream investment products and intends to continue to do so for the foreseeable future. The shares are excluded from the FCA's restrictions which apply to non-mainstream investment products because they are shares in an investment trust.

Packaged Retail and Insurance-based Investment Products Regulation ('PRIIPs')/ Key Information Document ('KID')

Investors should be aware that the PRIIPs Regulation requires the Manager, as the PRIIP manufacturer, to prepare a key information document in respect of the Company. This KID must be made available by the Manager to retail investors prior to them making any investment decision and is available on the Company's website. The Company is not responsible for the information contained in the KID and investors should note that the procedures for calculating the risks, costs and potential returns are prescribed by the law. The figures in the KID may not reflect the expected returns for the Company and anticipated performance returns cannot be guaranteed.

Performance Details/Share Price Information

Details of the Company's share price and NAV can be found on the website. The address is **www.lowlandinvestment.com**. The Company's NAV is published daily.

General Shareholder Information (continued)

Shareholder Details

Shareholders who hold their shares in certificated form can check their shareholding with the Registrar, Computershare Investor Services PLC, via **www.computershare.com**.

Please note that to gain access to your details on the Computershare site you will need the holder reference number shown on your share certificate.

Share Price Listings

The market price of the Company's ordinary shares is published daily in The Financial Times. The Financial Times also shows figures for the estimated NAV and the discount.

The market price of the Company's shares can be found in the London Stock Exchange Daily Official List.

Warning to Shareholders

Many companies are aware that their shareholders have received unsolicited phone calls or correspondence concerning investment matters. These are typically from overseas based 'brokers' who target UK shareholders offering to sell them what often turn out to be worthless or high risk shares in US or UK investments. They can be very persistent and extremely persuasive. Shareholders are therefore advised to be very wary of any unsolicited advice, offers to buy shares at a discount or offers of free company reports.

Please note that it is very unlikely that either the Company or the Company's Registrar, Computershare Investor Services PLC, would make unsolicited telephone calls to shareholders and that any such calls would relate only to official documentation already circulated to shareholders and never in respect of investment 'advice'.

If you are in any doubt about the veracity of an unsolicited phone call, please call the Company Secretary at the number provided on page 24.

Glossary

Alternative Investment Fund Managers Directive ('AIFMD')

Agreed by the European Parliament and the Council of the European Union and transposed into UK legislation, the AIFMD classifies certain investment vehicles, including investment companies, as Alternative Investment Funds ('AIFs') and requires them to appoint an Alternative Investment Fund Manager ('AIFM') and Depositary to manage and oversee the operations of the investment vehicle. The Board of the Company retains responsibility for strategy, operations and compliance and the Directors retain a fiduciary duty to shareholders.

Association of Investment Companies ('AIC')

The Company is a member of the AIC which is the trade body for investment companies and represents the industry in relation to various matters which impact the regulation of such entities.

Benchmark

An index against which performance is compared. For the Company this is the FTSE All-Share Index Total Return.

Custodian

The Custodian is responsible for ensuring the safe custody of the Company's assets and that all transactions in the underlying holdings are transacted in an accurate and timely manner.

Depositary

With effect from 22 July 2014 all AIFs were required to appoint a Depositary which has responsibility for overseeing the operations of the Company including safekeeping, cash monitoring and verification of ownership and valuation of the underlying holdings. The Depositary is strictly liable for the loss of any investments or other assets in its custody unless it has notified that it has discharged its liability in certain markets. The Depositary has confirmed that it has not discharged liability in relation to any of the Company's assets.

Derivative

A contract between two or more parties in relation to an underlying security. The value of a derivative will fluctuate in accordance with the value of the security and is a form of gearing as the fluctuations in value are usually greater than the fluctuations in the underlying security's value. Examples of derivatives are put and call options, swap contracts, futures and contracts for difference. Foreign exchange, interest rates and commodities may also be traded using derivative contracts. The Company did not use derivatives in the year under review.

Dividend Dates

When declared or recommended, each dividend will have three key dates applied to it. The payment date is the date on which shareholders will receive their dividend, either by BACS transfer or by receipt of a dividend cheque. The record date applied to the dividend is used as a cut-off for the Company's registrars to know which shareholders should be paid a dividend. Only shareholders on the register of members at the close of business on the record date will receive the dividend. The ex-dividend date is the business day before the record date and is the date upon which the Company's net asset value will be disclosed ex-dividend.

Investment Trusts

Investment trusts are public limited companies, listed on the London Stock Exchange, which provide shareholders with a professionally managed portfolio of investments. Investment trusts are exempt from tax on the capital gains arising on their investments subject to meeting certain criteria. Income, net of expenses and tax, is substantially distributed to shareholders. Investment trusts are also known as investment companies, although the tax legislation retains the reference to investment trusts.

Initial Public Offering ('IPO')

The first time that the stock of a private company is offered to the public.

Liquidity

In the context of the liquidity of shares in the stock market, this refers to the availability of buyers in the market for the share in question. Where the market in a particular share is described as liquid, that share will be in demand and holders wishing to sell their shares should find ready buyers. Conversely, where the market in a share is illiquid the difficulty of finding a buyer will tend to depress the price that might be negotiated for a sale.

Market Capitalisation ('Market Cap')

The market value of a company, calculated by multiplying the mid-market price per share by the number of shares in issue.

Retail Price Index

An inflationary indicator that measures the change in the cost of a fixed basket of retail goods.

Alternative Performance Measures

The Company uses the following Alternative Performance Measures ('APMs') throughout the annual report, financial statements and notes to the financial statements. The APMs are reconciled to the financial statements through the narrative below. The Board believes that each of the APMs, which are typically used within the investment trust sector, provide additional useful information to shareholders to help assess the Company's performance against its peer group.

Capital Return per Ordinary Share

The capital return per share, is the capital profit/(loss) for the year (see Income Statement) divided by the weighted average number of ordinary shares in issue during the year (see note 9 on page 58).

Discount or Premium

The amount by which the market price per share of an investment trust is either higher (premium) or lower (discount) than the NAV per share, expressed as a percentage of the NAV per share.

	NAV with Debt at fair value	NAV with Debt at par	Share price	(Discount)/ premium to par value NAV	(Discount)/ premium to fair value NAV
At 30 September 2019	**1,408.9p**	**1,428.3p**	**1,280.0p**	**-10.4%**	**-9.1%**
At 30 September 2018	1,619.8p	1,624.6p	1,515.0p	-6.7%	-6.5%

Net Asset Value (NAV) with Debt at Market Value

The Company's debt (bank borrowings and senior unsecured notes, further details can be found in note 13 on page 59) is valued in the Statement of Financial Position (page 51) at amortised cost, which is materially equivalent to the repayment value of the debt on assumption that it is held to maturity. This is often referred to as 'Debt at Par'. The current market value of the debt, which assumes it is repaid under current market conditions, is referred to as 'Debt at Market Value'. This market value is detailed in note 14.4 on page 63. The difference between the market and par values of the debt is subtracted from or added to the Statement of Financial Position on page 51 to derive the NAV with debt at market value. The NAV with debt at market value at 30 September 2019 was £380,653,000 (1,408.9p per ordinary share) and the NAV with debt at par was £385,904,000 (1,428.3p per ordinary share).

Gearing/(Net Cash)

Gearing represents the excess amount above shareholders' funds of total investments, expressed as a percentage of the shareholders' funds. If the amount calculated is negative, this is a 'net cash' position and no gearing.

		2019	2018
Investments held at fair value through profit or loss (page 51) (£'000)	(A)	435,187	492,659
Net assets (page 51) (£'000)	(B)	385,904	438,934
Gearing (C = A / B – 1) (%)	(C)	12.8%	12.2%

Net Asset Value (NAV) per Ordinary Share

The value of the Company's assets (i.e. investments held at fair value through profit or loss (see note 11) and cash held (see Statement of Financial Position)) less any liabilities (i.e. Unsecured sterling bank loans and senior unsecured notes (see note 13)) for which the Company is responsible divided by the number of ordinary shares in issue (see note 15). The aggregate NAV is also referred to as Total shareholders' funds in the Statement of Financial Position. The NAV per ordinary share is published daily and the year end NAV can be found on page 3 and further information is available on page 65 in note 17 within the notes to the financial statements.

Alternative Performance Measures (continued)

Ongoing Charges

The ongoing charges ratio has been calculated in accordance with guidance issued by the AIC as the total investment management fees and administrative expenses and expressed as a percentage of the average daily net asset values throughout the year.

	2019 £'000	2018 £'000
Management fees (note 5)	1,966	2,048
Other administrative expenses (note 6)	539	520
Less: non-recurring expenses	(64)	(64)
Ongoing charges	**2,441**	**2,504**
Performance fee	–	–
Ongoing charges including performance fee	**2,441**	**2,504**
Average net assets[1]	**386,452**	**439,790**
Ongoing charges ratio	**0.63%**	**0.57%**
Ongoing charges ratio including performance fee	**0.63%**	**0.57%**

1. Calculated using the average daily net asset value

The ongoing costs provided in the Company's Key Information Document ('KID') is calculated in line with the PRIIPs regulations. The ongoing costs in the KID includes finance costs.

Revenue Return per Ordinary Share

The revenue return per ordinary share, is the revenue return for the year (see Income Statement) divided by the weighted average number of ordinary shares in issue during the year (see note 9 on page 58).

Total Return

The return on the share price or NAV with debt at market value taking into account both the rise and fall of NAV/share prices and dividends paid to shareholders. Any dividends received by a shareholder are assumed to have been reinvested in either additional shares (for share price total return) or the Company's assets (for NAV total return). Dividends paid and payable are set out in note 10 on page 58.

	NAV per share	Share price
NAV/Share Price per ordinary share at 30 September 2018 (pence)	1,619.8	1,515.00
NAV/Share Price per ordinary share at 30 September 2019 (pence)	1,408.9	1,280.00
Change in the year	-13.0%	-15.5%
Impact of dividends reinvested	3.5%	3.6%
Total return for the year	**-9.6%**	**-11.9%**

Yield

The yield is the annual dividend expressed as a percentage of the year end share price.

		30 September 2019	30 September 2018
Annual dividend (pence)	(A)	59.50	54.00
Share price (pence)	(B)	1,280.00	1,515.00
Yield (C=A/B) (%)	(C)	4.6%	3.6%

Lowland Investment Company plc
Registered as an investment company in England and Wales with registration number 670489
Registered office: 201 Bishopsgate, London EC2M 3AE

SEDOL/ISIN number: 0536806/GB00 053680 62
London Stock Exchange (TDIM) Code: LWI
Global Intermediary Identification Number (GIIN): 2KBHLK.99999.SL826
Legal Entity Identifier (LEI): 2138008RHG5363FEHV19

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The Association of
Investment Companies

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