

**LOWLAND INVESTMENT COMPANY PLC**

**HALF YEAR REPORT**

**(unaudited)**

**for the six months ended 31 March 2011**

# **LOWLAND INVESTMENT COMPANY PLC**

## **Unaudited Results for the Half Year Ended 31 March 2011**

### **Interim Management Report**

#### **Chairman's Statement**

##### **Review and Dividend**

Over the six months under review, Lowland's net asset value total return was 18.3%, compared with the FTSE All-Share total return of 8.5%. It resulted largely from our bias towards industrial stocks which benefited the portfolio as industrial companies have been producing stronger earnings growth than most investors expected. The operational gearing inherent in these companies when sales increase has continued to surprise investors pleasantly. The strong earnings growth and cash generation encourages the Portfolio Manager to believe dividend growth from the holdings in the portfolio will also be strong. This gives your Board the confidence to increase this year's first interim dividend per share from 10.0p to 10.5p - an increase of 5%. The earnings of the trust are weighted towards the second half of the year. Barring unforeseen circumstances, the Board would expect the second interim dividend, in lieu of a final dividend, also to be increased.

##### **Board Members**

The Board is pleased that Robbie Robertson has agreed to join the Board with effect from 1 May 2011. He brings valuable experience to the Board from his long and varied international business career at Anglo American Group.

##### **Outlook**

Despite the unsettled political situation in the Middle East, and the travails of the smaller European economies, we expect the global economy to maintain its recovery. The US is showing increasing signs of strength; growth in the larger European economies is improving, and emerging economies remain robust. The resumption of global expansion is driving the profit momentum of the companies in our portfolio. We expect to retain our bias towards successful manufacturing companies. They are often world leaders in their fields, with sustainable competitive advantage and excellent prospects.

##### **Related Party Transactions**

During the first six months of the current financial year, no transactions with related parties have taken place which have materially affected the financial position or performance of the Company during the period. Details of related party transactions are contained in the Annual Report and Financial Statements.

**LOWLAND INVESTMENT COMPANY PLC**

**Unaudited Results for the Half Year Ended 31 March 2011**

**Interim Management Report (continued)**

**Principal Risks and Uncertainties**

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

- Investment objective and policy
- Gearing
- Market movements and performance of the portfolio

Information on these risks is given in the Directors' Report and Notes to the Financial Statements in the Annual Report and Financial Statements. In the view of the Board these principal risks and uncertainties are applicable to the remaining six months of the financial year as they were to the six months under review.

**Directors' Responsibility Statement**

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

- (a) the set of financial statements for the half year ended 31 March 2011 has been prepared in accordance with the Accounting Standards Board's statement "Half-Yearly Financial Reports";
- (b) the Interim Management Report includes a fair review of the information required by Disclosure and Transparency Rule 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and
- (c) the Interim Management Report includes a fair review of the information required by the Disclosure and Transparency Rule 4.2.8R (disclosure of related party transactions and changes therein).

For and on behalf of the Board

10 May 2011

John Hancox, Chairman

**LOWLAND INVESTMENT COMPANY PLC**

**Unaudited Results for the Half Year Ended 31 March 2011**

**Income Statement**

for the half year ended 31 March 2011

	(Unaudited) Half year ended 31 March 2011			(Unaudited) Half year ended 31 March 2010			(Audited) Year ended 30 September 2010		
	Revenue return £'000	Capital return £'000	Total £'000	Revenue return £'000	Capital return £'000	Total £'000	Revenue return £'000	Capital return £'000	Total £'000
Gains on investments held at fair value through profit or loss	-	35,584	35,584	-	19,733	19,733	-	30,917	30,917
Income from investments held at fair value through profit or loss	3,162	-	3,162	3,120	-	3,120	8,303	-	8,303
Other interest receivable and similar income	88	-	88	64	-	64	107	-	107
<b>Gross revenue and capital gains</b>	<b>3,250</b>	<b>35,584</b>	<b>38,834</b>	3,184	19,733	22,917	8,410	30,917	39,327
Management fee and performance fee (note 2)	(516)	(702)	(1,218)	(432)	-	(432)	(924)	-	(924)
Other administrative expenses (note 2)	(194)	-	(194)	(240)	-	(240)	(399)	-	(399)
<b>Net return on ordinary activities before finance charges and taxation</b>	<b>2,540</b>	<b>34,882</b>	<b>37,422</b>	2,512	19,733	22,245	7,087	30,917	38,004
Finance charges	(346)	-	(346)	(597)	-	(597)	(1,064)	-	(1,064)
<b>Net return on ordinary activities before taxation</b>	<b>2,194</b>	<b>34,882</b>	<b>37,076</b>	1,915	19,733	21,648	6,023	30,917	36,940
Taxation on net return on ordinary activities	(57)	-	(57)	(24)	-	(24)	(90)	-	(90)
<b>Net return on ordinary activities after taxation</b>	<b>2,137</b>	<b>34,882</b>	<b>37,019</b>	1,891	19,733	21,624	5,933	30,917	36,850
<b>Return per ordinary share – basic and diluted</b> (note 3)	<b>8.1p</b>	<b>132.0p</b>	<b>140.1p</b>	7.2p	74.7p	81.9p	22.5p	117.0p	139.5p

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.

No operations were acquired or discontinued during the half year ended 31 March 2011. The Company has no recognised gains or losses other than those disclosed in the Income Statement and the Reconciliation of Movements in Shareholders' Funds.

**LOWLAND INVESTMENT COMPANY PLC****Unaudited Results for the Half Year Ended 31 March 2011****Reconciliation of Movements in Shareholders' Funds**

For the half year ended 31 March 2011

(Unaudited)  
Half year ended 31 March 2011

	Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Other capital reserves £'000	Revenue reserve £'000	Total £'000
At 30 September 2010	6,604	53,561	1,007	134,986	7,326	203,484
Net return on ordinary activities after taxation	-	-	-	34,882	2,137	37,019
Second interim dividend (17.0p) for the year ended 30 September 2010	-	-	-	-	(4,491)	(4,491)
At 31 March 2011	6,604	53,561	1,007	169,868	4,972	236,012

(Unaudited)  
Half year ended 31 March 2010

	Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Other capital reserves £'000	Revenue reserve £'000	Total £'000
At 30 September 2009	6,604	53,561	1,007	104,069	8,392	173,633
Net return on ordinary Activities after taxation	-	-	-	19,733	1,891	21,624
Second interim dividend (16.5p) for the year ended 30 September 2009	-	-	-	-	(4,359)	(4,359)
Write back of dividends over 12 years old	-	-	-	-	1	1
At 31 March 2010	6,604	53,561	1,007	123,802	5,925	190,899

(Audited)  
Year ended 30 September 2010

	Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Other capital reserves £'000	Revenue reserve £'000	Total £'000
At 30 September 2009	6,604	53,561	1,007	104,069	8,392	173,633
Net (loss)/return on ordinary Activities after taxation	-	-	-	30,917	5,933	36,850
Second interim dividend (16.5p) for the year ended 30 September 2009	-	-	-	-	(4,359)	(4,359)
First interim dividend (10.0p) for the year ended 30 September 2010	-	-	-	-	(2,642)	(2,642)
Write back of dividends over 12 years old	-	-	-	-	2	2
At 30 September 2010	6,604	53,561	1,007	134,986	7,326	203,484

Purchase transaction costs for the half year ended 31 March 2011 were £103,000 (half year ended 31 March 2010: £101,000; year ended 30 September 2010: £149,000). Sale transaction costs for the half year ended 31 March 2011 were £28,000 (half year ended 31 March 2010: £27,000; year ended 30 September 2010: £36,000). These comprise mainly stamp duty and commission.

**LOWLAND INVESTMENT COMPANY PLC**

**Unaudited Results for the Half Year Ended 31 March 2011**

**Balance Sheet**

as at 31 March 2011

	(Unaudited) 31 March 2011 £'000	(Unaudited) 31 March 2010 £'000	(Audited) 30 September 2010 £'000
<b>Fixed assets</b>			
Investments held at fair value through profit or loss	267,226	215,210	229,074
<b>Current assets</b>			
Debtors	3,202	872	1,562
Cash at bank and on deposit	813	3,547	2,282
	<b>4,015</b>	4,419	3,844
<b>Creditors:</b> amounts falling due within one year	<b>(35,229)</b>	(28,730)	(29,434)
<b>Net current liabilities</b>	<b>(31,214)</b>	(24,311)	(25,590)
<b>Total net assets</b>	<b>236,012</b>	190,899	203,484
<b>Capital and reserves</b>			
Called up share capital	6,604	6,604	6,604
Share premium account	53,561	53,561	53,561
Capital redemption reserve	1,007	1,007	1,007
Other capital reserves	169,868	123,802	134,986
Revenue reserve	4,972	5,925	7,326
<b>Total equity shareholders' funds</b>	<b>236,012</b>	190,899	203,484
<b>Net asset value per ordinary share (note 4)</b>	<b>893.4p</b>	722.6p	770.3p

**LOWLAND INVESTMENT COMPANY PLC****Unaudited Results for the Half Year Ended 31 March 2011****Cash Flow Statement**

for the half year ended 31 March 2011

	(Unaudited) Half year ended 31 March 2011 £'000	(Unaudited) Half year ended 31 March 2010 £'000	(Audited) Year ended 30 September 2010 £'000
Net cash inflow from operating activities	2,744	2,818	6,774
Net cash outflow from servicing of finance	(420)	(662)	(1,122)
Net tax recovered	28	36	95
Net cash outflow from financial investments	(4,315)	(1,887)	(3,762)
Equity dividends paid	(4,491)	(4,358)	(6,999)
	-----	-----	-----
Net cash outflow before financing	(6,454)	(4,053)	(5,014)
Net cash inflow from financing	5,000	5,277	5,000
	-----	-----	-----
<b>(Decrease)/increase in cash</b>	<b>(1,454)</b>	<b>1,224</b>	<b>(14)</b>
	=====	=====	=====
<b>Reconciliation of operating revenue to net cash flow from operating activities</b>			
Total return before finance charges and taxation	37,422	22,245	38,004
Less capital gain before finance charges and taxation	(34,882)	(19,733)	(30,917)
	-----	-----	-----
Net revenue return before finance charges and taxation	2,540	2,512	7,087
Decrease/(increase) in accrued income	286	431	(172)
Decrease in creditors	(17)	(82)	(27)
Income tax suffered on property income dividends	(8)	(19)	(24)
Overseas withholding tax	(57)	(24)	(90)
	-----	-----	-----
<b>Net cash inflow from operating activities</b>	<b>2,744</b>	<b>2,818</b>	<b>6,774</b>
	=====	=====	=====
<b>Reconciliation of net cash flow to movement in net debt</b>			
(Decrease)/increase in cash as above	(1,454)	1,224	(14)
Repayment of Debenture Stock	-	-	6,000
Cash inflow from movement in loans	(5,000)	(5,277)	(11,000)
Exchange movements	(15)	(11)	(38)
	-----	-----	-----
	<b>(6,469)</b>	<b>(4,064)</b>	<b>(5,052)</b>
	-----	-----	-----
<b>Net debt at the beginning of the period</b>	<b>(25,718)</b>	<b>(20,666)</b>	<b>(20,666)</b>
	-----	-----	-----
Net debt at the end of the period	(32,187)	(24,730)	(25,718)
	=====	=====	=====
<b>Represented by:</b>			
Cash at bank less bank overdrafts	813	3,547	2,282
Debt falling due within one year	(33,000)	(28,277)	(28,000)
	-----	-----	-----
	<b>(32,187)</b>	<b>(24,730)</b>	<b>(25,718)</b>



=====

=====

=====

**LOWLAND INVESTMENT COMPANY PLC**

**Unaudited Results for the Half Year Ended 31 March 2011**

**Notes to the Financial Statements**

**1. Accounting policies**

The financial statements have been prepared using the same accounting policies as set out in the Company's Report and Financial Statements for the year ended 30 September 2010.

The taxation charge for each period is based on overseas tax suffered.

**2. Expenses**

All expenses with the exception of the performance fee are charged wholly to revenue. Expenses which are incidental to the purchase or sale of an investment are included in the cost or deducted from the proceeds of sale of the investment. A provision of £702,000 has been made for a performance fee based on Lowland's performance relative to the FTSE All-Share Index (Lowland's benchmark) over the six months to 31 March 2011. The actual performance fee payable will be calculated based on the actual relative performance for the twelve months to 30 September 2011 and will be equal to 15% of any out-performance (on a total return basis) of the FTSE All-Share Index plus a 10% hurdle rate. The total of the management and performance fees are capped at 0.75% of average net assets for the year. The provision, which is the maximum that could be charged under the cap arrangements, has been charged to the capital column of the income statement whereas the management fee is charged to the revenue column.

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

	<b>(Unaudited) Half year ended 31 March 2011 £'000</b>	(Unaudited) Half year ended 31 March 2010 £'000	(Audited) Year ended 30 September 2010 £'000
The return per ordinary share is based on the following figures:			
Revenue return	2,137	1,891	5,933
Capital return	34,882	19,733	30,917
	-----	-----	-----
Total	<b>37,019</b>	21,624	36,850
	=====	=====	=====
Weighted average number of ordinary shares in issue for each period			
	<b>26,417,427</b>	26,417,427	26,417,427
Revenue return per ordinary share	<b>8.1p</b>	7.2p	22.5p
Capital return per ordinary share	<b>132.0p</b>	74.7p	117.0p
	-----	-----	-----
Total	<b>140.1p</b>	81.9p	139.5p
	=====	=====	=====

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

**4. Net asset value per ordinary share**

The net asset value per ordinary share is based on the net assets attributable to the ordinary shares of

£236,012,000 (31 March 2010: £190,899,000; 30 September 2010: £203,484,000) and on 26,417,427 ordinary shares (31 March 2010: 26,417,427; 30 September 2010: 26,417,427) being the number of ordinary shares in issue at the end of each period.

**LOWLAND INVESTMENT COMPANY PLC****Unaudited Results for the Half Year Ended 31 March 2011****5. VAT on management fees**

While the Company has received back from HMRC 100% of the VAT which had been borne by the Company between 1990 and 1996, and 2000 and 2007, as well as simple interest on those amounts, there remains an amount outstanding relating both to VAT reclaims for 1996 to 2000 and compound interest for 1990 to 2007. It is uncertain whether any further amounts will be recovered.

**6. Interim dividend**

An interim dividend of 10.5p per ordinary share has been declared and will be paid on 17 June 2011 to shareholders on the register of members on 27 May 2011. The ex-dividend date is 25 May 2011.

**7. Going concern**

The Directors believe that it is appropriate to adopt the going concern basis in preparing the financial statements. The assets of the Company consist mainly of securities that are readily realisable and, accordingly, the Company has adequate financial resources to continue in operational existence for the foreseeable future.

**8. Comparative information**

The financial information contained in this half year report does not constitute statutory financial statements as defined in section 434 of the Companies Act 2006. The financial information for the half years ended 31 March 2011 and 31 March 2010 has not been audited or reviewed by the Company's auditors.

The figures and financial information for the year ended 30 September 2010 have been extracted from the latest audited financial statements of the Company. These financial statements have been delivered to the Registrar of Companies and included the report of the auditors which was unqualified and did not contain a statement under either section 498(2) or 498(3) of the Companies Act 2006.

**9. General Information***a) Company 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.

*b) Company Status*

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

*c) Directors, Secretary and Registered Office*

The Directors of the Company are John Hancox (Chairman), Rupert Barclay, Peter Troughton, Karl Sternberg, Kevin Carter and Robert Robertson. The Secretary is Henderson Secretarial Services Limited, represented by Wendy King FCIS. The registered office is 201 Bishopgate, London EC2M 3AE.

*d) Website*

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

**LOWLAND INVESTMENT COMPANY PLC****Unaudited Results for the Half Year Ended 31 March 2011****Top Twenty Investments as at 31 March 2011**

<b>£'000</b>	<b>Company</b>	<b>Main Activity</b>	<b>% of Total Portfolio</b>
14,279	Carclo	Engineering	5.4
12,136	Senior	Aerospace	4.5
11,865	Royal Dutch Shell	Oil Exploration and Marketing	4.4
6,693	Canfor Pulp	General Industrials	2.5
6,632	Hiscox	Insurance	2.5
6,492	Aviva	Life Insurance/Assurance	2.4
5,902	BP	Oil Exploration and Marketing	2.2
5,869	Vodafone	Telecommunications	2.2
5,485	Interserve	Support Services	2.1
5,353	GlaxoSmithKline	Pharmaceuticals	2.0
5,223	GKN	Automobiles and Parts	2.0
5,144	Meggitt	Aerospace	1.9
5,034	Croda	Chemicals	1.9
4,908	Hill & Smith	Engineering	1.8
4,875	Amlin	Insurance	1.8
4,328	Weir	Engineering	1.6
4,288	Oxford Instruments	Electronic & Electrical Equipment	1.6
4,125	IMI	Engineering	1.6
3,954	Daily Mail & General	Media	1.5
3,806	Balfour Beatty	Construction and Materials	1.4
			-----
			47.3
			=====

<b>Sector Breakdown</b>	<b>% as at 31 March 2011</b>
Industrials	33.3
Other Financials	20.8
Basic Materials	12.8
Oil & Gas	8.1
Consumer Goods	7.4
Consumer Services	7.2
Health Care	3.1
Telecommunications	3.1
Utilities	2.9
Banks	1.3
	-----
Total	100.0
	=====