

Company Number: 00670489

LOWLAND INVESTMENT COMPANY PLC

HALF YEAR REPORT (unaudited) for the six months ended 31 March 2013

www.lowlandinvestment.com

LOWLAND INVESTMENT COMPANY PLC

Unaudited Results for the Half Year Ended 31 March 2013

This announcement contains regulated information

Key Data

	(Unaudited) Half year ended 31 March 2013	(Unaudited) Half year ended 31 March 2012	(Audited) Year ended 30 September 2012
Net asset value per ordinary share (including income)	1182.6p	958.3p	1008.4p
Share price	1164.0p	901.0p	991.5p
Market capitalisation	£307.5m	£238.0m	£261.9m
Net revenue return per ordinary share	9.0p	8.7p	31.1p
Net dividends per ordinary share			
- First Interim	8.0p	15.0p	15.0p
- Second Interim	8.5p	-	7.5p
- Final	-	-	8.0p
Number of shares in issue	26,417,427	26,417,427	26,417,427

Interim Management Report Chairman's Statement

Review

Over the six months under review, Lowland's net asset value total return was 19.6%, compared with the FTSE All-Share Total Return Index of 14.5%. Over the medium and long term, the Company has continued to achieve outstanding returns, both in absolute and relative terms, as illustrated in the table below.

	3 years	5 years	10 years
Net Asset Value Total Return	80.5%	67.0%	339.7%
FTSE All-Share Total Return Index	28.7%	38.5%	175.3%

The outperformance of Lowland has been the result of a reasonable level of gearing as well as strong share price performance from some of the medium and small sized stocks in the portfolio. The exposure to industrial companies has been beneficial with some of the manufacturing firms being the most significant contributors. This has been the case in the six months under review with the holding in the aerospace company, **Senior**, being the largest individual contributor by value to the Company.

The debate between those who are concerned about the outlook for the global economy and those that believe companies in aggregate are well placed to continue performing satisfactorily, has dominated investor analysis. We remain firmly of the view that there remain good investment opportunities in equities. The operating margin improvement coupled with a clear focus on costs is resulting in impressive cash generation. The portfolio manager believes that the high level of dividend cover, low levels of corporate debt and relatively modest valuations means that we should retain a positive stance towards equities and retain a geared position.

Dividend

Given the increase in the underlying income, the Board has increased the second interim dividend so at the interim stage there has been 16.5p of dividend which compares with 15.0p at the interim stage last year, an increase of 10.0%. The Company's shares for the second interim dividend will be traded ex-dividend on 3 July 2013.

LOWLAND INVESTMENT COMPANY PLC

Unaudited Results for the Half Year Ended 31 March 2013

Interim Management Report (continued)

Activity

The level of activity within the portfolio of buying and selling has been low. Shareholders may recall that we have been underweight in banks but during this period the portfolio manager bought both **Barclays** shares and a **Barclays** bond. They both appreciated as a result of improved sentiment towards the bank. We have recently 'taken profits' as there is still a long way to go before the future of Barclays' earnings and dividends is clear.

The commitment to smaller companies remains. Recently we have started buying some oil exploration companies where the current valuations could prove modest.

Outlook

Corporate UK is in good health with strong operating margins, a well-disciplined cost base and growing exports. The fall in sterling will further aid the competitiveness of the economy. In the past the benefit of a sterling fall was often dissipated by wage increases that undermined the relative cost advantage of British goods. This time there is little upward wage pressure and therefore the competitive boost will not be diluted. UK companies that have excellent products and strong international sales are likely to continue to be a good area for equity investment.

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 for the year ended 30 September 2012.

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 2012 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

Peter Troughton, Chairman

LOWLAND INVESTMENT COMPANY PLC

Unaudited Results for the Half Year Ended 31 March 2013

Income Statement

for the half year ended 31 March 2013

	(Unaudited) Half year ended 31 March 2013			(Unaudited) Half year ended 31 March 2012			(Audited) Year ended 30 September 2012		
	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	-	48,626	48,626	-	41,884	41,884	-	53,157	53,157
Income from investments held at fair value through profit or loss	3,680	-	3,680	3,523	-	3,523	10,677	-	10,677
Other interest receivable and similar income	31	-	31	60	-	60	97	-	97
Gross revenue and capital gains	3,711	48,626	52,337	3,583	41,884	45,467	10,774	53,157	63,931
Management fee and performance fee (note 2)	(648)	(896)	(1,544)	(584)	(639)	(1,223)	(1,173)	(646)	(1,819)
Other administrative expenses (note 2)	(259)	-	(259)	(237)	-	(237)	(402)	-	(402)
Net return on ordinary activities before finance charges and taxation	2,804	47,730	50,534	2,762	41,245	44,007	9,199	52,511	61,710
Finance charges	(403)	-	(403)	(441)	-	(441)	(911)	-	(911)
Net return on ordinary activities before taxation	2,401	47,730	50,131	2,321	41,245	43,566	8,288	52,511	60,799
Taxation on net return on ordinary activities	(17)	-	(17)	(35)	-	(35)	(62)	-	(62)
Net return on ordinary activities after taxation	2,384	47,730	50,114	2,286	41,245	43,531	8,226	52,511	60,737
Return per ordinary share – basic and diluted (note 3)	9.0p	180.7p	189.7p	8.7p	156.1p	164.8p	31.1p	198.8p	229.9p

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 2013. The Company has no recognised gains or losses other than those disclosed in the Income Statement and the Reconciliation of Movements in Shareholders' Funds.

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Unaudited Results for the Half Year Ended 31 March 2013

Reconciliation of Movements in Shareholders' Funds

For the half year ended 31 March 2013

	(Unaudited) Half year ended 31 March 2013					
	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 2012	6,604	53,561	1,007	197,911	7,318	266,401
Net return on ordinary activities after taxation	-	-	-	47,730	2,384	50,114
Second interim dividend (7.5p) for the year ended 30 September 2012	-	-	-	-	(1,981)	(1,981)
Final dividend (8.0p) for the year ended 30 September 2012	-	-	-	-	(2,113)	(2,113)
At 31 March 2013	<u>6,604</u>	<u>53,561</u>	<u>1,007</u>	<u>245,641</u>	<u>5,608</u>	<u>312,421</u>
	(Unaudited) Half year ended 31 March 2012					
	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 2011	6,604	53,561	1,007	145,400	7,679	214,251
Net return on ordinary activities after taxation	-	-	-	41,245	2,286	43,531
Second interim dividend (17.5p) for the year ended 30 September 2011	-	-	-	-	(4,624)	(4,624)
At 31 March 2012	<u>6,604</u>	<u>53,561</u>	<u>1,007</u>	<u>186,645</u>	<u>5,341</u>	<u>253,158</u>
	(Audited) Year ended 30 September 2012					
	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 2011	6,604	53,561	1,007	145,400	7,679	214,251
Net return on ordinary activities after taxation	-	-	-	52,511	8,226	60,737
Second interim dividend (17.5p) for the year ended 30 September 2011	-	-	-	-	(4,624)	(4,624)
First interim dividend (15.0p) for the year ended 30 September 2012	-	-	-	-	(3,963)	(3,963)
At 30 September 2012	<u>6,604</u>	<u>53,561</u>	<u>1,007</u>	<u>197,911</u>	<u>7,318</u>	<u>266,401</u>

Purchase transaction costs for the half year ended 31 March 2013 were £104,000 (half year ended 31 March 2012: £101,000; year ended 30 September 2012: £191,000). Sale transaction costs for the half year ended 31 March 2013 were £24,000 (half year ended 31 March 2012: £25,000; year ended 30 September 2012: £43,000). These comprise mainly stamp duty and commission.

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Unaudited Results for the Half Year Ended 31 March 2013

Balance Sheet

as at 31 March 2013

	(Unaudited) 31 March 2013 £'000	(Unaudited) 31 March 2012 £'000	(Audited) 30 September 2012 £'000
Fixed assets			
Investments held at fair value through profit or loss	354,684	290,193	303,143
Current assets			
Debtors	1,130	1,251	1,900
Cash at bank and on deposit	474	1,335	2,177
	1,604	2,586	4,077
Creditors: amounts falling due within one year	(43,867)	(39,621)	(40,819)
Net current liabilities	(42,263)	(37,035)	(36,742)
Total net assets	312,421	253,158	266,401
Capital and reserves			
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	245,641	186,645	197,911
Revenue reserve	5,608	5,341	7,318
Total equity shareholders' funds	312,421	253,158	266,401
Net asset value per ordinary share (note 4)	1182.6p	958.3p	1008.4p

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Unaudited Results for the Half Year Ended 31 March 2013

Cash Flow Statement

for the half year ended 31 March 2013

	(Unaudited) Half year ended 31 March 2013 £'000	(Unaudited) Half year ended 31 March 2012 £'000	(Audited) Year ended 30 September 2012 £'000
Net cash inflow from operating activities	2,946	2,380	8,133
Net cash outflow from servicing of finance	(465)	(406)	(903)
Net tax recovered	-	9	29
Net cash outflow from financial investments	(4,292)	(1,994)	(2,556)
Equity dividends paid	(4,094)	(4,624)	(8,587)
	-----	-----	-----
Net cash outflow before financing	(5,905)	(4,635)	(3,884)
Net cash inflow from financing	4,211	4,665	4,759
	-----	-----	-----
(Decrease)/increase in cash	(1,694)	30	875
	=====	=====	=====
Reconciliation of operating revenue to net cash flow from operating activities			
Total return before finance charges and taxation	50,534	44,007	61,710
Less capital gain before finance charges and taxation	(47,730)	(41,245)	(52,511)
	-----	-----	-----
Net revenue return before finance charges and taxation	2,804	2,762	9,199
Decrease/(increase) in accrued income	773	353	(333)
Increase/(decrease) in creditors	285	(35)	12
Expenses charged to capital	(896)	(639)	(646)
Income tax suffered on property income dividends	-	(15)	(26)
Overseas withholding tax	(20)	(46)	(73)
	-----	-----	-----
Net cash inflow from operating activities	2,946	2,380	8,133
	=====	=====	=====
Reconciliation of net cash flow to movement in net debt			
(Decrease)/increase in cash as above	(1,694)	30	875
Cash inflow from movement in loans	(4,211)	(4,665)	(4,759)
Exchange movements	(9)	8	5
	-----	-----	-----
	(5,914)	(4,627)	(3,879)
	-----	-----	-----
Net debt at the beginning of the period	(36,082)	(32,203)	(32,203)
	-----	-----	-----
Net debt at the end of the period	(41,996)	(36,830)	(36,082)
	=====	=====	=====
Represented by:			
Cash at bank less bank overdrafts	474	1,335	2,177
Debt falling due within one year	(42,470)	(38,165)	(38,259)
	-----	-----	-----
	(41,996)	(36,830)	(36,082)
	=====	=====	=====

LOWLAND INVESTMENT COMPANY PLC

Unaudited Results for the Half Year Ended 31 March 2013

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 2012. The financial statements have not been audited or reviewed by the Company's auditors.

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 £896,000 (31 March 2012: £639,000; 30 September 2012: £646,000) has been made for a performance fee based on Lowland's performance relative to the FTSE All-Share Index (Lowland's benchmark) over the thirty months to 31 March 2013. The actual performance fee payable will be calculated based on the actual relative performance for the thirty-six months to 30 September 2013 and will be equal to 15% of any outperformance (on a total return basis) of the FTSE All-Share Index by more than 10% (the "hurdle rate"). The 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

	(Unaudited) Half year ended 31 March 2013 £'000	(Unaudited) Half year ended 31 March 2012 £'000	(Audited) Year ended 30 September 2012 £'000
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The return per ordinary share is based on the following figures:

Revenue return	2,384	2,286	8,226
Capital return	47,730	41,245	52,511
	-----	-----	-----
Total	50,114	43,531	60,737
	=====	=====	=====

Weighted average number of ordinary shares in issue for each period	26,417,427	26,417,427	26,417,427
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Revenue return per ordinary share	9.0p	8.7p	31.1p
Capital return per ordinary share	180.7p	156.1p	198.8p
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Total	189.7p	164.8p	229.9p
	=====	=====	=====

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 £312,421,000 (31 March 2012: £253,158,000; 30 September 2012: £266,401,000) and on 26,417,427 ordinary shares (31 March 2012: 26,417,427; 30 September 2012: 26,417,427) being the number of ordinary shares in issue at the end of each period.

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Unaudited Results for the Half Year Ended 31 March 2013

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**

A second interim dividend of 8.5p per ordinary share has been declared and will be paid on 31 July 2013 to shareholders on the register of members at the close of business on 5 July 2013. The ex-dividend date is 3 July 2013. Based on the number of shares in issue on 13 May 2013, the cost of the dividend will be £2,245,000.

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 2013 and 31 March 2012 has not been audited or reviewed by the Company's auditors.

The figures and financial information for the year ended 30 September 2012 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 Peter Troughton (Chairman), Rupert Barclay, Karl Sternberg, Kevin Carter and Robert Robertson. The Secretary is Henderson Secretarial Services Limited, represented by Wendy King FCIS. The registered office is 201 Bishopsgate, 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

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Unaudited Results for the Half Year Ended 31 March 2013

Investments	Sector	Market Value £'000	% of Portfolio
Senior	Aerospace & Defence	16,092	4.5
Carclo	Chemicals	14,284	4.0
Royal Dutch Shell	Oil & Gas Producers	12,564	3.6
Interserve	Support Services	9,699	2.7
GlaxoSmithKline	Pharmaceuticals & Biotechnology	8,462	2.4
Hiscox	Nonlife Insurance	8,250	2.3
Phoenix	Life Insurance	7,781	2.2
Oxford Catalysts [†]	Chemicals	7,370	2.1
BP	Oil & Gas Producers	7,359	2.1
FBD*	Nonlife Insurance	7,240	2.0
Top 10 holdings		99,101	27.9
GKN	Automobiles & Parts	6,877	1.9
IMI	Industrial Engineering	6,805	1.9
International Personal Finance	Financial Services	6,292	1.8
Hill & Smith	Industrial Engineering	5,872	1.7
Provident Financial	Financial Services	5,865	1.7
Amlin	Nonlife Insurance	5,833	1.7
Diageo	Beverages	5,768	1.6
Elementis	Chemicals	5,735	1.6
Canfor Pulp*	Forestry & Paper	5,663	1.6
Weir	Industrial Engineering	5,658	1.6
Top 20 holdings		159,469	45.0
Daily Mail & General Trust	Media	5,499	1.5
Croda	Chemicals	5,486	1.5
D S Smith	General Industrials	5,361	1.5
Standard Life	Life Insurance	4,566	1.3
Aviva	Life Insurance	4,443	1.3
Greene King	Travel & Leisure	4,212	1.2
Gibson Energy*	Oil & Gas Producers	4,159	1.2
Low & Bonar	Construction & Materials	4,158	1.2
RPC	General Industrials	3,975	1.1
Rolls-Royce	Aerospace & Defence	3,955	1.1
Top 30 holdings		205,283	57.9
Consort Medical	Health Care Equipment & Services	3,898	1.1
Meggitt	Aerospace & Defence	3,805	1.1
Synthomer	Chemicals	3,759	1.1
BAE Systems	Aerospace & Defence	3,746	1.1
Marstons	Travel & Leisure	3,714	1.0
St Modwen	Real Estate	3,712	1.0
HSBC	Banks	3,688	1.0
Avon Rubber	Aerospace & Defence	3,636	1.0
Bellway	Household Goods & Home construction	3,567	1.0
Castings	Industrial Engineering	3,554	1.0
Top 40 holdings		242,362	68.3

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Investments	Sector	Market Value £'000	% of Portfolio
Reed Elsevier	Media	3,515	1.0
Modern Water [†]	Gas, Water & Miltiutilities	3,461	1.0
IP Group	Financial Services	3,359	1.0
Scapa [†]	Chemicals	3,350	1.0
Clarkson	Industrial Transportation	3,333	0.9
Astrazeneca	Pharmaceuticals & Biotechnology	3,300	0.9
Pearson	Media	3,256	0.9
H&T [†]	Financial Services	3,159	0.9
Morgan Crucible	Electronic & Electrical Equipment	3,106	0.9
Barclays Bank	Banks	2,912	0.8
Top 50 holdings		275,113	77.6
Rest of Portfolio		79,571	22.4
Total Portfolio		354,684	100.0

[†] AIM Stocks

* Overseas Quoted Stocks

Attribution Analysis

The table below shows the top five active contributors to and the bottom five detractors from the Company's relative performance.

Top five contributors to relative performance	6 month absolute return %	Relative contribution %	Top five detractors from relative performance	6 month absolute return %	Relative contribution %
Oxford Catalysts	+88.5	+1.0	Carclo	-7.3	-1.2
International Personal Finance	+51.0	+0.6	HSBC	-25.3	-0.6
Interserve plc	+36.8	+0.6	Balfour Beatty	-21.3	-0.4
Royal Dutch Shell	+1.9	+0.5	Stobart	-30.4	-0.3
Daily Mail & General Trust	+50.3	+0.5	RPC	-5.7	-0.3

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Sector Analysis	% as at 31 March 2013	% as at 30 September 2012
Industrials	28.3	29.9
Financials including Banks	24.9	23.6
Basic Materials	14.4	14.7
Consumer Goods	8.2	7.9
Oil & Gas	7.9	7.3
Consumer Services	6.9	7.1
Health Care	4.4	3.9
Utilities	3.2	2.5
Telecommunications	1.6	1.8
Technology	0.1	0.1
Fixed Interest	0.1	1.2
	-----	-----
Total	100.0	100.0
	=====	=====

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Neither the contents of the Company's website nor the contents of any website accessible from hyperlinks on the Company's website (or any other website) is incorporated into, or forms part of, this announcement.