

LOWLAND INVESTMENT COMPANY PLC

HALF YEAR REPORT

(unaudited)

for the six months ended 31 March 2015

LOWLAND INVESTMENT COMPANY PLC

Unaudited Results for the Half Year Ended 31 March 2015

Performance Highlights	Change since 30 September 2014	
Net Asset Value Total Return per share⁽¹⁾	+5.6%	
FTSE All-Share Index Total Return	+5.3%	
Share Price	-4.4%	
	Half Year ended 31 March 2015	Half Year ended 31 March 2014
Dividend (1st and 2nd Interims)	20.0p	18.0p
	Half Year ended 31 March 2015	Year ended 30 September 2014
Gearing (Discount)/Premium⁽²⁾	15.3% (7.6%)	13.3% 0.7%

⁽¹⁾ Net asset value total return (including dividends reinvested).

⁽²⁾ Calculated using published daily NAVs including current year revenue.

Sources: Morningstar, Funddata, Datastream, Henderson.

Interim Management Report Chairman's Statement

Review

Over the six months under review, Lowland's net asset value total return was 5.6%, which was just above the FTSE All-Share Index Total Return of 5.3%. Over the longer term the Company has substantially outperformed the index. This is illustrated in the table below.

	3 years	5 years	10 years
Net Asset Value Total Return	59.2%	125.5%	173.1%
FTSE All-Share Index Total Return	35.4%	49.3%	110.9%

Source: Morningstar.

This outperformance has mainly been the result of our bias towards smaller companies and the use of a reasonable level of gearing. Smaller companies individually can be volatile but investment in a diversified portfolio of stocks reduces the risk and has led to strong capital performance. Successful and expanding companies provide long-term sustainable dividend and capital growth, which is our own objective. Reflecting the trend in the investment trust industry, during the period under review the share price went from a premium of 0.7% to a discount of 7.6%. At the time of writing the discount has narrowed to 5.3%.

Dividend

The two interim dividends for the half year amount to 20.0p compared with 18.0p for the corresponding period last year, which is an increase of 11.1%. The dividend has more than doubled over the last ten years during which time the dividend has always been maintained or increased. Barring unforeseen circumstances the Board anticipates that the total dividend for the year ended 30 September 2015 will be not less than 41p per ordinary share.

Portfolio Activity

In the stock market the most notable feature has been the adjustment to stock prices to the fall in the oil price. The largest detractors to performance in the portfolio were smaller oil companies, such as Circle Oil. However, the speed at which the big oil companies are reducing the number of oil rigs and capital spending could lead to a reduction in future supply. Therefore our view is that it is unlikely the oil price will stay down in the medium term.

Our Fund Manager has taken the opportunity to increase the exposure to oil companies by buying shares in Premier Oil. The fall in the oil price is reducing costs for energy-using companies and helping to boost economic growth

Outlook

We remain positive about the overall economic outlook. We retain a reasonable level of gearing at 15.3%. This is the best barometer of our view about the value of equities. The cash generation of the underlying companies in the portfolio is strong and is allowing them to reduce their debt. This in turn frees profits for paying shareholders. Companies are increasing both regular dividend payments and announcing one-off special dividends. This process makes equity more attractive in comparison to other asset classes such as bonds, cash or property.

The portfolio will retain its exposure to industrials as strong operating performance from these companies is gaining momentum. In addition, some smaller growth companies, particularly university spin-outs, have exciting growth prospects that are becoming more evident.

Peter Troughton
Chairman

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 for the year ended 30 September 2014.

Principal Risks and Uncertainties

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

- Investment and Strategy;
- Market;
- Accounting, legal and regulatory risk;
- Operational; and
- Financial.

Information on these risks is given in the Annual Report. 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 to 31 March 2015 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

26 May 2015

Income Statement

for the half year ended 31 March 2015

	(Unaudited) Half year ended 31 March 2015			(Unaudited) Half year ended 31 March 2014			(Audited) Year ended 30 September 2014		
	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	-	16,831	16,831	-	27,560	27,560	-	10,172	10,172
Income from investments	5,667	-	5,667	4,910	-	4,910	13,495	-	13,495
Other interest receivable and similar income	31	-	31	135	-	135	173	-	173
Gross revenue and capital gains	5,698	16,831	22,529	5,045	27,560	32,605	13,668	10,172	23,840
Management fee and performance fee (note 2)	(913)	(928)	(1,841)	(817)	(1,092)	(1,909)	(1,668)	(1,073)	(2,741)
Other administrative Expenses (note 2)	(272)	-	(272)	(267)	-	(267)	(513)	-	(513)
Net return on ordinary activities before finance charges and taxation	4,513	15,903	20,416	3,961	26,468	30,429	11,487	9,099	20,586
Finance charges	(386)	-	(386)	(433)	-	(433)	(845)	-	(845)
Net return on ordinary activities before taxation	4,127	15,903	20,030	3,528	26,468	29,996	10,642	9,099	19,741
Taxation on net return on ordinary activities	(24)	-	(24)	(19)	-	(19)	(49)	-	(49)
Net return on ordinary activities after taxation	4,103	15,903	20,006	3,509	26,468	29,977	10,593	9,099	19,692
Return per ordinary share – basic and diluted (note 3)	15.3p	59.1p	74.4p	13.1p	98.5p	111.6p	39.4p	33.9p	73.3p

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 2015. The Company has no recognised gains or losses other than those disclosed in the Income Statement and the Reconciliation of Movements in Shareholders' Funds.

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

Reconciliation of Movements in Shareholders' Funds

For the half year ended 31 March 2015

	(Unaudited)					
	Half year ended 31 March 2015					
	Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Other capital reserves £'000	Revenue reserve £'000	Total £'000
At 1 October 2014	6,723	59,923	1,007	284,563	9,640	361,856
Net return on ordinary activities after taxation	-	-	-	15,903	4,103	20,006
Third interim dividend (9.0p) for the year ended 30 September 2014	-	-	-	-	(2,420)	(2,420)
Final dividend (10.0p) for the year ended 30 September 2014	-	-	-	-	(2,689)	(2,689)
At 31 March 2015	<u>6,723</u>	<u>59,923</u>	<u>1,007</u>	<u>300,466</u>	<u>8,634</u>	<u>376,753</u>
	(Unaudited)					
	Half year ended 31 March 2014					
	Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Other capital reserves £'000	Revenue reserve £'000	Total £'000
At 1 October 2013	6,642	55,514	1,007	275,464	8,575	347,202
Net return on ordinary activities after taxation	-	-	-	26,468	3,509	29,977
Share issue proceeds	81	4,409	-	-	-	4,490
Third interim dividend (8.5p) for the year ended 30 September 2013	-	-	-	-	(2,267)	(2,267)
Final dividend (9.0p) for the year ended 30 September 2013	-	-	-	-	(2,420)	(2,420)
At 31 March 2014	<u>6,723</u>	<u>59,923</u>	<u>1,007</u>	<u>301,932</u>	<u>7,397</u>	<u>376,982</u>
	(Audited)					
	Year ended 30 September 2014					
	Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Other capital reserves £'000	Revenue reserve £'000	Total £'000
At 1 October 2013	6,642	55,514	1,007	275,464	8,575	347,202
Net return on ordinary activities after taxation	-	-	-	9,099	10,593	19,692
Share issue proceeds	81	4,409	-	-	-	4,490
Third interim dividend (8.5p) for the year ended 30 September 2013	-	-	-	-	(2,268)	(2,268)
Final dividend (9.0p) for the year ended 30 September 2013	-	-	-	-	(2,420)	(2,420)
First interim dividend (9.0p) for the year ended 30 September 2014	-	-	-	-	(2,420)	(2,420)
Second interim dividend (9.0p) for the year ended 30 September 2014	-	-	-	-	(2,420)	(2,420)
At 30 September 2014	<u>6,723</u>	<u>59,923</u>	<u>1,007</u>	<u>284,563</u>	<u>9,640</u>	<u>361,856</u>

Purchase transaction costs for the half year ended 31 March 2015 were £156,000, (half year ended 31 March 2014: £171,000; year ended 30 September 2014: £216,000). Sale transaction costs for the half year ended 31 March 2015 were £19,000 (half year ended 31 March 2014: £29,000; year ended 30 September 2014: £41,000). These comprise mainly stamp duty and commission.

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

Balance Sheet
as at 31 March 2015

	(Unaudited) 31 March 2015 £'000	(Unaudited) 31 March 2014 £'000	(Audited) 30 September 2014 £'000
Fixed assets			
Investments held at fair value through profit or loss	434,480	425,627	410,053
	-----	-----	-----
Current assets			
Debtors	2,779	1,974	1,839
Cash at bank	1,286	351	1,756
	-----	-----	-----
	4,065	2,325	3,595
Creditors: amounts falling due within one year	(61,792)	(50,970)	(51,792)
	-----	-----	-----
Net current liabilities	(57,727)	(48,645)	(48,197)
	-----	-----	-----
Net assets	376,753	376,982	361,856
	=====	=====	=====
Capital and reserves			
Called up share capital	6,723	6,723	6,723
Share premium account	59,923	59,923	59,923
Capital redemption reserve	1,007	1,007	1,007
Other capital reserves	300,466	301,932	284,563
Revenue reserve	8,634	7,397	9,640
	-----	-----	-----
Total shareholders' funds	376,753	376,982	361,856
	=====	=====	=====
Net asset value per ordinary share – basic and diluted (note 4)	1,401.0p	1,401.8p	1,345.6p
	=====	=====	=====

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

Cash Flow Statement

for the half year ended 31 March 2015

	(Unaudited) Half year ended 31 March 2015 £'000	(Unaudited) Half year ended 31 March 2014 £'000	(Audited) Year ended 30 September 2014 £'000
Net cash inflow from operating activities	3,231	3,184	10,368
Servicing of finance	(431)	(454)	(821)
Interest paid	-	5	23
Net cash outflow from servicing of finance	(7,970)	(2,632)	(4,238)
Equity dividends paid	(5,109)	(4,687)	(9,528)
	-----	-----	-----
Net cash outflow before financing activities	(10,279)	(4,584)	(4,196)
Net cash inflow from financing	9,794	3,638	4,653
	-----	-----	-----
(Decrease)/increase in cash	(485)	(946)	457
	=====	=====	=====
Reconciliation of operating revenue to net cash flow from operating activities			
Net return on ordinary activities before finance charges and taxation	20,416	30,429	20,586
Less net capital return before finance charges and taxation	(15,903)	(26,468)	(9,099)
	-----	-----	-----
Net revenue return before finance charges and taxation	4,513	3,961	11,487
Increase in accrued income	(710)	(233)	(114)
Increase in other creditors	380	588	140
Expenses charged to capital	(928)	(1,092)	(1,073)
Income tax suffered on property income dividends	-	(1)	(1)
Overseas withholding tax suffered	(24)	(39)	(71)
	-----	-----	-----
Net cash inflow from operating activities	3,231	3,184	10,368
	=====	=====	=====
Reconciliation of net cash flow to movement in net debt			
(Decrease)/increase in cash as above	(485)	(946)	457
Net cash (inflow)/outflow from movement in loans	(9,794)	852	(163)
Exchange movements	15	(13)	(11)
	-----	-----	-----
	(10,264)	(107)	283
	-----	-----	-----
Net debt at the beginning of the period	(48,151)	(48,434)	(48,434)
	-----	-----	-----
Net debt at the end of the period	(58,415)	(48,541)	(48,151)
	=====	=====	=====
Represented by:			
Cash at bank less bank overdrafts	1,286	351	1,756
Debt falling due within one year	(59,701)	(48,892)	(49,907)
	-----	-----	-----
	(58,415)	(48,541)	(48,151)
	=====	=====	=====

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

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 Annual Report for the year ended 30 September 2014. 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 £928,000 (31 March 2014: £1,092,000; 30 September 2014: actual £1,073,000) has been made for a performance fee based on the Company's performance relative to the FTSE All-Share Index (the benchmark) over the thirty months to 31 March 2015. The actual performance fee payable will be calculated based on the actual relative performance for the thirty-six months to 30 September 2015 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 chargeable assets for the year. The provision, which is the maximum that could be charged under the cap arrangements, has been charged to the capital return column of the income statement whereas the management fee is charged to the revenue return column.

3. Return per ordinary share – basic and diluted

	(Unaudited) Half year ended 31 March 2015 £'000	(Unaudited) Half year ended 31 March 2014 £'000	(Audited) Year ended 30 September 2014 £'000
The return per ordinary share is based on the following figures:			
Net revenue return	4,103	3,509	10,593
Net capital return	15,903	26,468	9,099
	-----	-----	-----
Net total return	20,006	29,977	19,692
	=====	=====	=====
Weighted average number of ordinary shares in issue for each period			
	26,892,427	26,859,185	26,875,842
Revenue return per ordinary share	15.3p	13.1p	39.4p
Capital return per ordinary share	59.1p	98.5p	33.9p
	-----	-----	-----
Total return per ordinary share	74.4p	111.6p	73.3p
	=====	=====	=====

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 – basic and diluted

The net asset value per ordinary share is based on the net assets attributable to the ordinary shares of £376,753,000 (31 March 2014: £376,982,000; 30 September 2014: £361,856,000) and on 26,892,427 ordinary shares (31 March 2014: 26,892,427; 30 September 2014: 26,892,427) being the number of ordinary shares in issue at the end of each period.

5. Interim Dividend

On 30 April 2015, a first interim dividend of 10.0p per ordinary share was paid in respect of the year ended 30 September 2015. A second interim dividend of 10.0p per ordinary share has been declared and will be paid on 31 July 2015 to shareholders on the register of members at the close of business on 3 July 2015. The ex-dividend date is 2 July 2015. Based on the number of shares in issue on 26 May 2015 of 26,892,427, the cost of the dividend will be £2,689,000.

6. **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.

7. **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 2015 and 31 March 2014 have not been audited or reviewed by the Company's auditors.

The figures and financial information for the year ended 30 September 2014 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 independent auditors which was unqualified and did not contain a statement under either Section 498(2) or 498(3) of the Companies Act 2006.

8. **Manager**

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

9. **General Information**

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, through a broad spread of predominantly UK Companies. The Company measures its performance against the FTSE All-Share Index Total Return.

Company Status

The Company is a UK domiciled investment trust company.
London Stock Exchange Daily Official List (SEDOL)/ISIN number is GB0005368062.
The London Stock Exchange (EPIC) Code is LWI.
Global Intermediary Identification Number (GIIN) is 2KBHLK.99999.SL.826.
Legal Entity Identifier Number (LEI) is 2138008RHG5363FEHV19

Directors

The Directors of the Company are Peter Troughton (Chairman), Rupert Barclay, Duncan Budge, Kevin Carter, Robert Robertson and Karl Sternberg.

Corporate Secretary

Henderson Secretarial Services Limited, represented by Wendy King FCIS.

Registered Office

201 Bishopsgate, London EC2M 3AE. Registered number 670489.

Website

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

10. **Half Year Report**

The half year report will be available in typed format on the Company's website or from the Company's Registered Office, 201 Bishopsgate, London EC2M 3AE. An update extracted from the Company's report for the half year ended 31 March 2015 will be posted to shareholders in late May/early June and will be available on the website thereafter.

Portfolio Information
as at 31 March 2015

Position	Investments	Sector	Market Value £'000	% of Portfolio
1	Senior	<i>Aerospace & Defence</i>	16,260	3.8
2	Royal Dutch Shell	<i>Oil & Gas Producers</i>	13,119	3.0
3	Hiscox	<i>Non-life Insurance</i>	10,564	2.4
4	BP	<i>Oil & Gas Producers</i>	9,607	2.2
5	Phoenix	<i>Life Insurance</i>	9,476	2.2
6	GKN	<i>Automobiles & Parts</i>	9,109	2.1
7	Hill & Smith	<i>Industrial Engineering</i>	9,018	2.1
8	Provident Financial	<i>Financial Services</i>	8,752	2.0
9	Rio Tinto	<i>Mining</i>	8,316	1.9
10	Amlin	<i>Non-life Insurance</i>	8,226	1.9
10 largest			102,447	23.6
11	International Personal Finance	<i>Financial Services</i>	6,790	1.6
12	RPC	<i>General Industrials</i>	6,573	1.5
13	Scapa †	<i>Chemicals</i>	6,552	1.5
14	HSBC	<i>Banks</i>	6,458	1.5
15	Elementis	<i>Chemicals</i>	6,384	1.5
16	Canfor Pulp *	<i>Forestry & Paper</i>	6,340	1.4
17	Consort Medical	<i>Health Care Equipment & Services</i>	5,939	1.4
18	GlaxoSmithKline	<i>Pharmaceuticals & Biotechnology</i>	5,798	1.3
19	Velocys †	<i>Chemicals</i>	5,673	1.3
20	Avon Rubber	<i>Aerospace & Defence</i>	5,523	1.3
20 largest			164,477	37.9
21	Croda	<i>Chemicals</i>	5,478	1.3
22	Bellway	<i>Household Goods & Home Construction</i>	5,448	1.3
23	Renold	<i>Industrial Engineering</i>	5,362	1.2
24	St Modwen Properties	<i>Real Estate</i>	5,295	1.2
25	Reed Elsevier	<i>Media</i>	5,215	1.2
26	Low & Bonar	<i>Construction & Materials</i>	5,186	1.2
27	DS Smith	<i>General Industrials</i>	5,178	1.2
28	Johnson Service †	<i>Support Services</i>	5,171	1.2
29	Diageo	<i>Beverages</i>	5,169	1.2
30	Glencore	<i>Mining</i>	5,003	1.1
30 largest			216,982	50.0
31	Interserve	<i>Support Services</i>	4,930	1.1
32	Carclo	<i>Chemicals</i>	4,917	1.1
33	IP Group	<i>Technology</i>	4,757	1.1
34	Greencore	<i>Food Producers</i>	4,675	1.1
35	Standard Life	<i>Life Insurance</i>	4,621	1.1
36	Rolls-Royce	<i>Aerospace & Defence</i>	4,527	1.0
37	Novae	<i>Non-life Insurance</i>	4,443	1.0
38	BHP Billiton	<i>Mining</i>	4,420	1.0
39	Aviva	<i>Life Insurance</i>	4,320	1.0
40	Daily Mail & General	<i>Media</i>	4,203	1.0
40 largest			262,795	60.5
41	Clarkson	<i>Industrial Transportation</i>	4,193	1.0
42	IMI	<i>Industrial Engineering</i>	4,189	1.0
43	BAE Systems	<i>Aerospace & Defence</i>	4,188	1.0
44	Legal & General	<i>Life Insurance</i>	4,179	1.0
45	Castings	<i>Industrial Engineering</i>	4,128	0.9
46	Centrica	<i>Gas Water & Multiutilities</i>	4,048	0.9
47	Vodafone	<i>Mobile Telecommunications</i>	4,008	0.9
48	Marstons	<i>Travel & Leisure</i>	3,998	0.9
49	Pearson	<i>Media</i>	3,990	0.9
50	Balfour Beatty	<i>Construction & Materials</i>	3,979	0.9
50 largest			303,695	69.9
Rest of portfolio			130,785	30.1
Total portfolio			434,480	100.0

† AIM Stocks

* Overseas Quoted Stocks (Canada, Ireland and the Netherlands)

Estimated Attribution Analysis

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

Top 5 contributors to relative performance	6 month absolute return %	Relative contribution to return %	Top 5 detractors from relative performance	6 month absolute return %	Relative contribution to return %
Senior	22.0	0.6	Circle Oil	-55.9	-0.4
Hiscox	28.2	0.5	Weir Group	-31.6	-0.4
Provident Financial	28.1	0.4	Providence Resources	-77.3	-0.4
Hill and Smith	23.5	0.3	FBD Holdings	-34.4	-0.6
Canfor Pulp	27.5	0.3	Velocys	-45.8	-1.3

Sector Analysis	% as at 31 March 2015		% as at 30 September 2014	
	Company	Index	Company	Index
Industrials	27.6	10.2	25.2	9.9
Financials	22.6	25.7	24.3	25.0
Basic Materials	13.9	6.8	14.3	7.8
Consumer Services	8.8	12.0	9.4	10.2
Consumer Goods	8.5	14.5	8.3	14.1
Oil & Gas	7.4	11.9	9.1	14.6
Health Care	4.2	8.8	3.7	8.6
Utilities	2.7	3.6	2.7	3.9
Telecommunications	2.2	4.9	1.8	4.5
Technology	1.9	1.6	1.0	1.4
Fixed Income	0.2	0.0	0.2	0.0
Total	100.0	100.0	100.0	100.0